2016 Quarterly Report
MARCH 31, 2016

Dear CoBank Customer-Owner:

We're pleased to report that CoBank recorded another period of very solid financial performance in the first quarter of 2016. Loan volume increased in all three of our operating segments, and credit quality and profitability remained strong. While we continue to face a number of market challenges, we believe the bank remains well-positioned to meet the financial needs of its customers and fulfill its vital mission in rural America.

Average loan volume rose 11 percent in the first quarter to $89.8 billion, from $80.6 billion in the same period last year. The increase resulted from higher levels of borrowing from customers in a number of industries, including affiliated Farm Credit associations, rural electric cooperatives, rural communications service providers, and food and agribusiness companies.

Net income for the quarter was $243.3 million, a 5 percent increase from $232.2 million in the first quarter of 2015. The increase in earnings primarily resulted from higher net interest income, which was partially offset by increased operating expenses.

Net interest income for the quarter increased 7 percent to $336.9 million, from $315.3 million in the same period last year. Higher average loan volume was a key driver of the increase.

The bank recorded an $8.0 million provision for loan losses in the first quarter of 2016 compared to a $10.0 million provision in the first quarter of 2015. The provision primarily reflected the increase in average loan volume and a slight deterioration in credit quality in our agribusiness portfolio. At quarter-end, 0.71 percent of CoBank's loans were classified as adverse assets, compared to 0.70 percent at December 31, 2015. Nonaccrual loans increased to $212.8 million at March 31, 2016 from $156.8 million at December 31, 2015, primarily due to credit issues involving a small number of agribusiness customers. The bank's allowance for credit losses totaled $609.7 million at quarter-end, or 1.31 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

Capital levels remained well in excess of regulatory minimums. As of March 31, 2016, shareholders' equity totaled $8.1 billion, and the bank's permanent capital ratio was 14.8 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At quarter-end, the bank held approximately $26.4 billion in cash and investments and had 180 days of liquidity, which was in excess of FCA liquidity requirements.

On March 10, 2016, the FCA adopted final rules (the New Capital Regulations) relating to regulatory capital requirements for Farm Credit System banks, including CoBank. The New Capital Regulations were designed to, among other things, modernize the System's capital requirements and generally make them more comparable to the Basel III framework. The New Capital Regulations replace core surplus and total surplus requirements with common equity tier 1 and total capital risk-based capital ratio requirements and also add a tier 1 leverage ratio which replaces the existing net collateral ratio for System banks.

Despite solid first quarter results, CoBank continues to face a number of persistent challenges, including ongoing low interest rates, a flat yield curve and intense competition from other lenders. In addition, the bank is making substantial investments in people, processes and systems designed to enhance the value it delivers to the marketplace.

Our cooperative structure remains an important advantage in this environment. Under the guidance of our board, we have built the flexibility we need to stay focused on the long-term needs of our borrowers, many of whom are dealing with significant headwinds of their own. CoBank remains financially strong, and well positioned to continue fulfilling its broad mission of service to rural America. We remain deeply grateful for the business of our customers and the opportunity to serve as your trusted financial partner.

Everett Dobrinski
Chair of the Board

Robert B. Engel
Chief Executive Officer

May 10, 2016

Financial Highlights
CoBank, ACB

($ in Thousands)

	March 31, 2016 (Unaudited)	December 31, 2015
Total Loans	**$ 90,705,909**	$ 89,040,580
Less: Allowance for Loan Losses	**504,330**	486,144
Net Loans	**90,201,579**	88,554,436
Total Assets	**118,062,745**	117,470,566
Total Shareholders' Equity	**8,090,056**	7,810,469

For the Three Months Ended March 31, (Unaudited)	2016	2015
Net Interest Income	**$ 336,877**	$ 315,285
Provision for Loan Losses	**8,000**	10,000
Net Fee Income	**24,370**	26,549
Net Income	**243,312**	232,226
Net Interest Margin	**1.18 %**	1.23 %
Return on Average Assets	**0.84**	0.88
Return on Average Common Shareholders' Equity	**13.42**	13.97
Return on Average Total Shareholders' Equity	**12.28**	12.66
Average Total Loans	**$ 89,830,826**	$ 80,631,363
Average Earning Assets	**115,304,065**	103,706,813
Average Total Assets	**117,145,272**	106,872,043

Management's Discussion and Analysis of Financial Condition and Results of Operations

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is one of the four banks of the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across the rural communities of America. The System is a federally chartered network of borrower-owned cooperative lending institutions 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).

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. We provide a broad range of loans and other financial services through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes and with our 2015 Annual Report to Shareholders.

Consolidated Results of Operations

Average loan volume was $89.8 billion during the first three months of 2016 compared to $80.6 billion in the same prior-year period. The 11 percent increase in average loan volume primarily resulted from growth in lending to affiliated Associations in our Strategic Relationships operating segment, energy and communications customers in our Rural Infrastructure operating segment, and food and agribusiness companies in our Agribusiness operating segment.

Net income increased $11.1 million to $243.3 million for the three-month period ended March 31, 2016, compared to $232.2 million during the same period in 2015. The increase in earnings primarily resulted from an increase in net interest income, somewhat offset by an increase in operating expenses and lower overall noninterest income in the 2016 period.

Net interest income increased $21.6 million to $336.9 million for the three months ended March 31, 2016, compared to $315.3 million for the same prior-year period. The increase in net interest income was primarily driven by higher average loan volume and increased earnings on balance sheet positioning, somewhat offset by lower overall spreads in our loan portfolio.

Net interest margin declined to 1.18 percent for the first quarter of 2016 from 1.23 percent for the same period in 2015. The reduction in our net interest margin included the impact of lower loan spreads in our Agribusiness and Rural Infrastructure operating segments, reflective of increased competition for the business of our customers, somewhat offset by increased earnings on balance sheet positioning.

We recorded an $8.0 million provision for loan losses in the three-month period ended March 31, 2016 compared to $10.0 million in the same period in 2015. The 2016 provision reflects a higher level of lending activity and a slight deterioration in credit quality in our Agribusiness operating segment. Adversely classified loans and related accrued interest were 0.71 percent of total loans and related accrued interest at

March 31, 2016, compared to 0.70 percent at December 31, 2015. Nonaccrual loans increased to $212.8 million at March 31, 2016 from $156.8 million at December 31, 2015 due to credit quality deterioration impacting a small number of food, agribusiness and leasing customers. Loan recoveries, net of charge-offs, totaled $0.1 million in the first three months of 2016 compared to $0.3 million during the same period of 2015.

Noninterest income decreased $3.7 million to $43.3 million for the first quarter of 2016 from $47.0 million for the same prior-year period. 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 decrease in noninterest income was driven by a $6.5 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. In addition, net fee income decreased $2.2 million for the three months ended March 31, 2016, compared to the same period in 2015 due to a lower level of fee income in our Rural Infrastructure operating segment. These decreases were partially offset by an increase in other noninterest income of $5.1 million primarily due to an increase of $3.4 million in patronage income received from other System institutions on loan participations we sold to them. Also included in other noninterest income were gains totaling $0.4 million which resulted from sales of investment securities during the three months ended March 31, 2016. No investment securities were sold during the 2015 period. The sales of investment securities are discussed further on page 11.

Total operating expenses for the three-month period ended March 31, 2016 increased $12.0 million to $86.7 million from $74.7 million for the same period in 2015. Higher operating expenses included an increase in Farm Credit Insurance Fund (Insurance Fund) premium expense of $7.5 million due to an increase in premium rates as well as growth in 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 in the 2016 period 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. The increases in Insurance Fund premium rates resulted from higher than anticipated growth in overall System assets in 2015 and the Insurance Corporation’s projections for continued growth in 2016. Occupancy and equipment expenses increased $2.7 million due to increased expenditures associated with our new corporate headquarters in Greenwood Village, Colorado. Information services expenses increased $1.3 million due to additional investments made to further enhance our service offerings and network security. Our employee compensation expense was $36.4 million for the first three months of 2016, compared to $35.7 million in the same period of 2015. As of March 31, 2016 and 2015, we had 916 and 848 employees, respectively. These items were partially offset by a decrease in purchased services expenses of $1.2 million for the three-month period ended March 31, 2016 compared to the same period in 2015 primarily due to a lower level of legal and consulting fees.

Our income tax expense decreased to $42.3 million for the first three months of 2016, compared to $45.3 million for the same prior-year period primarily due to an increase in earnings attributed to non-taxable business activities. Our effective tax rates were 14.8 percent and 16.3 percent for the three-month periods ended March 31, 2016 and 2015, respectively.

Notwithstanding the higher level of earnings in the first quarter of 2016, our annualized return on average common shareholders' equity decreased to 13.42 percent for the three months ended March 31, 2016 from 13.97 percent for the same period in 2015. This decrease resulted from higher levels of common equity, due to the retention of strong overall earnings over the past year, and the reduction in net interest margin. Our annualized return on average assets decreased to 0.84 percent for the three-month period ended March 31, 2016, compared to 0.88 percent for the same prior-year period primarily due to the reduction in net interest margin.

Operating Segment Financial Review

We provide financial services to agricultural cooperatives; other food and agribusiness companies; farmer-owned financial institutions; rural energy, communications and water cooperatives and companies; rural community facilities; and other businesses that serve agriculture and rural communities. We conduct lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

Loans outstanding and the allowance for loan losses by operating segment at March 31, 2016 and 2015 are reported in Notes 3 and 10 to the accompanying condensed consolidated financial statements. Net interest income on investment securities, federal funds sold and other highly-liquid assets, which we hold primarily as a liquidity reserve, and gains and losses on investment securities are allocated to all operating segments, whereas the underlying investment securities are not allocated to the operating segments. Net income by operating segment is summarized in the following table and is more fully detailed in Note 10 to the accompanying condensed consolidated financial statements.

Net Income by Operating Segment ($ in Thousands)

For the Three Months Ended March 31,	2016	2015
Operating Segment:		
Agribusiness	**$ 106,103**	$ 102,421
Strategic Relationships	**65,093**	62,539
Rural Infrastructure	**74,930**	69,410
Total Operating Segments	**246,126**	234,370
Corporate/Other	**(2,814)**	(2,144)
Total	**$ 243,312**	$ 232,226

Agribusiness

The Agribusiness operating segment includes loans and other financial services provided to a diverse market of cooperatives and other businesses in various agricultural sectors including grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing. Agribusiness loans outstanding totaled $28.1 billion at March 31, 2016, compared to $26.1 billion at December 31, 2015. The $2.0 billion increase in loans outstanding was driven by increased lending to food and agribusiness companies resulting from new customer growth, higher levels of seasonal financing at many grain cooperatives and increased participations in agricultural producer and processor loans purchased from other System entities. The Agribusiness segment includes our Agricultural Export Finance Division, which provides trade finance to support U.S. exporters of agricultural products. As of March 31, 2016, the Agricultural Export Finance Division had $4.4 billion in loans outstanding compared to $4.5 billion as of December 31, 2015. At March 31, 2016 and December 31, 2015, 34 percent and 37 percent, respectively, of the loans in the Agricultural Export Finance Division were guaranteed by the U.S. government. Our Agribusiness segment also includes Farm Credit Leasing Services Corporation (FCL), a wholly-owned subsidiary, which provides lease products and related services to Association partners, agribusinesses, agricultural producers and rural infrastructure companies. As of March 31, 2016 and December 31, 2015, FCL had $3.0 billion in leases outstanding.

Agribusiness average loan volume increased 9 percent to $27.5 billion for the first quarter of 2016 from $25.3 billion for the same period of 2015. Growth in Agribusiness average loan volume resulted primarily from increased lending to food and agribusiness companies due to new customer growth, increased participations in agricultural producer and processor loans purchased from other System entities and greater levels of leasing activity.

Agribusiness net income increased $3.7 million in the first three months of 2016 to $106.1 million from $102.4 million for the same period in 2015 due to increases in net interest income and noninterest income, partially offset by a higher provision for loan losses and an increase in operating expenses.

Net interest income increased by $7.6 million to $161.5 million for the three-month period ended March 31, 2016 due to the impact of higher average loan volume and increased earnings on balance sheet positioning, somewhat offset by spread compression resulting from increased competition for the business of our customers.

Agribusiness recorded a $15.0 million provision for loan losses during the first quarter of 2016 compared to $8.0 million in the same prior-year period. The increase in the provision for loan losses resulted from a higher level of lending activity, a slight deterioration in overall credit quality and an increase in specific reserves associated with a small number of customers. Nonaccrual loans increased to $144.1 million at March 31, 2016, as compared to $88.0 million at December 31, 2015, due to credit quality deterioration impacting a small number of food, agribusiness and leasing customers. Loan recoveries, net of charge-offs, totaled $0.1 million for the three months ended March 31, 2016, compared to $0.2 million for the three months ended March 31, 2015.

Noninterest income increased $3.2 million to $32.1 million for the first three months of 2016, as compared to $28.9 million in the same period of 2015 primarily due to an increased level of patronage income received from other System institutions on loan participations we sold to them.

Agribusiness operating expenses increased to $49.8 million for the first quarter of 2016 from $44.2 million in the same prior-year period due to the increase in Insurance Fund premiums and the increases in other operating expenses described on page 5.

Strategic Relationships

The Strategic Relationships operating segment includes wholesale loans from the direct funding relationships we have with our affiliated Association customer-owners and our wholesale funding relationships with other System institutions. Our affiliates include Associations operating in 23 states serving the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. As of March 31, 2016, the Strategic Relationships portfolio totaled $42.9 billion, compared to $43.4 billion at December 31, 2015. The decline in outstanding loan volume resulted from a decline in seasonal Association lending to agricultural producers which typically occurs in the first quarter of each year. At March 31, 2016 and December 31, 2015, loans outstanding included $38.4 billion and $39.1 billion, respectively, in wholesale loans to our affiliated Associations and $4.5 billion and $4.3 billion, respectively, of participations in wholesale loans made by other System banks to certain of their affiliated Associations. These participations included $3.9 billion as of March 31, 2016 and December 31, 2015 in wholesale loans made by the Farm Credit Bank of Texas.

Strategic Relationships average loan volume increased 10 percent to $42.6 billion for the three-month period ended March 31, 2016, compared to $38.8 billion for the same prior-year period. The increase resulted from new customer growth at the Associations and greater demand in Association lending to agricultural producers and processors, driven in part by reduced profitability due to lower commodity prices. An increase in participations in wholesale loans made by two other System banks also contributed to the increase in Strategic Relationships average loan volume.

Strategic Relationships net income increased $2.6 million to $65.1 million for the first three months of 2016, as compared to $62.5 million for the same prior-year period. The increase resulted from higher net interest income, somewhat offset by an increase in operating expenses. Net interest income increased by $3.5 million to $74.8 million in the first quarter of 2016 due to growth in average loan volume.

As a wholesale lender to Associations, we benefit from the diversification of the Association loan portfolios and a strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their respective loan portfolios. Lower spreads in the Strategic Relationships operating segment are commensurate with the lower risk profile and lower regulatory capital requirements. Notwithstanding the downgrade in the credit quality classification of an affiliated Association wholesale loan as discussed on page 9, loan quality in Strategic Relationships is very strong. No provisions for loan losses or allowance for credit losses have been recorded related to any of our Association wholesale loans.

Operating expenses increased to $10.0 million for the first quarter of 2016, compared to $9.0 million recorded in the same period in 2015 due to the impact of increased Insurance Fund premiums on investment securities and the increases in other operating expenses described on page 5.

Rural Infrastructure

The Rural Infrastructure operating segment includes loans and other financial services provided to cooperatives and other companies in the power and energy, communications, water and waste water industries as well as to community facilities in rural America. Customers include rural electric generation and transmission cooperatives, electric distribution cooperatives, renewable energy providers, independent power producers, regulated utilities, pipeline and local distribution companies, rural local exchange carriers, wireless providers, data transport networks, cable television systems, data centers, rural water and waste water companies, and rural health care and other community facilities. Significant investment in infrastructure is needed to support the businesses and residents in rural communities. Fulfilling these needs requires the resources of both public and private investors and lenders. To that end, CoBank is committed to working with our System partners, commercial banks, government agencies and others to provide support for rural infrastructure financing needs to further the flow of capital into rural America. Rural Infrastructure loans outstanding totaled $19.8 billion at March 31, 2016, compared to $19.6 billion at December 31, 2015.

Rural Infrastructure average loan volume increased 19 percent to $19.7 billion for the first three months of 2016, compared to $16.5 billion for the same prior-year period. Growth in Rural Infrastructure loans outstanding and average loan volume resulted primarily from increased lending to electric distribution, power supply and communications customers.

Rural Infrastructure net income increased 8 percent to $74.9 million for the first quarter of 2016 from $69.4 million for the same prior-year period. The increase was primarily the result of higher net interest income and a loan loss reversal, somewhat offset by the impact of lower noninterest income and an increase in operating expenses during the current period.

Net interest income increased by $11.0 million to $103.2 million for the three-month period ended March 31, 2016 as a result of the increase in average loan volume and increased earnings on balance sheet positioning, somewhat offset by lower spreads due to increased competition for the business of our customers.

Rural Infrastructure recorded a loan loss reversal of $7.0 million during the first three months of 2016 compared to a $2.0 million provision for loan losses for the same period in 2015. The 2016 reversal is largely due to an overall improvement in credit quality in loans to communications customers, which more than offset the impact of loan growth. Nonaccrual loans in Rural Infrastructure totaled $68.6 million at March 31, 2016, generally consistent with $68.8 million as of December 31, 2015.

Noninterest income decreased to $11.1 million for the first quarter of 2016 from $18.0 million for the same prior-year period in 2015 due to lower prepayment income, net of losses on early extinguishments of debt, driven by lower customer refinancing activity and a lower level of fee income.

Rural Infrastructure operating expenses increased to $27.7 million for the first three months of 2016 compared to $21.6 million for the same prior-year period due to the increase in Insurance Fund premiums and the increases in other operating expenses described on page 5.

Credit Quality, Liquidity, Capital Resources and Other

Loan Quality

The following table presents loans and related accrued interest receivable, classified by management pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

Loan Quality Ratios

	March 31, 2016			December 31, 2015		
	Wholesale Loans [1]	Commercial Loans [2]	Total Bank	Wholesale Loans [1]	Commercial Loans [2]	Total Bank
Acceptable	**97.24 %**	**96.05 %**	**96.61 %**	100.00 %	96.49 %	98.18 %
Special Mention	**2.76**	**2.61**	**2.68**	-	2.16	1.12
Substandard	**-**	**1.34**	**0.71**	-	1.35	0.70
Doubtful	**-**	**-**	**-**	-	-	-
Loss	**-**	**-**	**-**	-	-	-
Total	**100.00 %**	**100.00 %**	**100.00 %**	100.00 %	100.00 %	100.00 %

[1] Represents loans in our Strategic Relationships operating segment.

[2] Represents loans in our Agribusiness and Rural Infrastructure operating segments.

Our overall loan quality measures remain strong at March 31, 2016. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and related accrued interest were 0.71 percent at March 31, 2016, compared to 0.70 percent at December 31, 2015.

The increase in Special Mention loans during the first quarter of 2016 primarily related to the downgrade in the credit quality classification of one wholesale loan to an affiliated Association totaling $1.2 billion and, to a lesser extent, a slight deterioration in credit quality in our Agribusiness operating segment. The downgrade of the affiliated Association loan resulted from an internal control weakness at that Association. Pursuant to our regulatory requirements, we classify our wholesale loans using the same credit rating methodology as is used with our commercial loans. Our loans to affiliated Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their retail loan portfolios. As a result of the collateralization and other mitigating factors described above, we do not anticipate any losses on that Association's wholesale loan. As of March 31, 2016, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any of our wholesale loans.

We recorded an $8.0 million provision for loan losses in the first quarter of 2016 compared to $10.0 million during the 2015 period. The 2016 provision reflects a higher level of lending activity and a slight deterioration in credit quality in our Agribusiness operating segment. Total recoveries, net of charge-offs, were $0.1 million for the first three months of 2016 compared to $0.3 million in the 2015 period. Nonaccrual loans increased to $212.8 million at March 31, 2016 from $156.8 million at December 31, 2015 due to credit quality deterioration impacting a small number of food, agribusiness and leasing customers. Our total allowance for credit losses (ACL), which includes the allowance for loan losses and the reserve for unfunded commitments, was $609.7 million at March 31, 2016 compared to $601.6 million at December 31, 2015. Our ACL as a percent of total loans was 0.67 percent at March 31, 2016 compared to 0.68 percent at December 31, 2015. ACL as a percent of non-guaranteed loans outstanding and excluding loans to Associations was 1.31 percent at March 31, 2016 compared to 1.36 percent at December 31, 2015.

While the overall credit quality of our loan portfolio remains strong and has been favorable in recent years, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period.

Liquidity and Investments

Our liquidity management objectives are to provide a reliable source of funding to borrowers, meet maturing debt obligations, provide additional liquidity if market conditions deteriorate and to fund operations. While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, holdings of liquid assets and access to the capital markets, the volatility of our loan volume may cause our liquidity needs to vary significantly from day to day.

We monitor our liquidity position by assuming no ability to issue debt and calculating the number of days into the future we could meet maturing debt obligations by using available cash and eligible investments. System banks are required by regulation to maintain a minimum of 90 days of liquidity (cash and readily marketable investments generally discounted by 5 to 10 percent of market value) on a continuous basis and to establish an incremental liquidity reserve. At March 31, 2016, our liquidity was 180 days, compared to 199 days at December 31, 2015.

We hold cash, investment securities, federal funds sold and other highly-liquid holdings primarily to maintain a liquidity reserve and to manage short-term surplus funds. Our investment securities totaled $25.7 billion at March 31, 2016 compared to $24.5 billion at December 31, 2015.

The table below summarizes our investment securities and related unrealized gains (losses) by asset class.

Investment Securities ($ in Millions)

	March 31, 2016			December 31, 2015		
	Amortized Cost	Fair Value	Unrealized Gains (Losses)	Amortized Cost	Fair Value	Unrealized Gains (Losses)
U.S. Treasury Debt	**$ 8,232**	**$ 8,375**	**$ 143**	$ 7,174	$ 7,188	$ 14
U.S. Agency Debt	**5,795**	**5,862**	**67**	5,842	5,857	15
Residential Mortgage-Backed:						
Ginnie Mae	**803**	**808**	**5**	901	906	5
U.S. Agency	**7,388**	**7,473**	**85**	7,762	7,763	1
FHA/VA Non-Wrapped Reperformer	**302**	**301**	**(1)**	336	342	6
Non-Agency	**112**	**120**	**8**	118	129	11
Commercial Mortgage-Backed:						
U.S. Agency	**2,509**	**2,500**	**(9)**	1,986	1,982	(4)
Agricultural Mortgage-Backed:						
Farmer Mac	**117**	**115**	**(2)**	126	124	(2)
Asset-Backed	**35**	**45**	**10**	36	47	11
Corporate Bonds	**91**	**92**	**1**	166	166	-
Total	**$ 25,384**	**$ 25,691**	**$ 307**	$ 24,447	$ 24,504	$ 57

Credit risk in our investment portfolio primarily exists in investment securities that are not explicitly or implicitly guaranteed by the U.S. government, which include our FHA/VA non-wrapped reperformer mortgage-backed securities (i.e. investment securities where residential mortgage loans serving as collateral were cured after a default), non-agency mortgage-backed securities (MBS), asset-backed securities (ABS) and corporate bonds. These securities collectively total $558.6 million (fair value) or 2 percent of our total investment securities as of March 31, 2016. Credit risk in our investment portfolio also arises from the inability of guarantors and third-party providers of other credit enhancements to meet their contractual obligations to us.

Pursuant to FCA regulations, non-agency MBS and ABS, which include our FHA/VA non-wrapped reperformer MBS, that are no longer rated triple-A by at least one major rating agency, corporate bonds that no longer carry one of the two highest ratings by at least one major rating agency or any investment whose market value is less than 80 percent of book value must be excluded from our liquidity reserve. As a result, as of March 31, 2016, $457.8 million of securities were not included in our liquidity reserve. Another $147.4 million of investment securities, primarily representing Federal Agricultural Mortgage Corporation (Farmer Mac) MBS, were not included in our liquidity reserve as of March 31, 2016, pursuant to regulation.

We recorded no impairment losses on investment securities during the first quarters of 2016 and 2015. However, increasing levels of defaults, foreclosures or modifications on residential mortgages, a decline in home prices or weak economic conditions may result in additional downward adjustments to the fair value of certain investment securities and the need to record future impairment losses against earnings.

During the first quarter of 2016, we sold an FHA/VA non-wrapped reperformer MBS with a book value of $23.9 million for total proceeds of $24.3 million. The resulting $0.4 million gain is recorded in Other Noninterest Income in the accompanying condensed consolidated statement of income for the three months ended March 31, 2016. This security had been previously impaired and was excluded from our liquidity reserve, and was sold due to favorable market conditions. We also sold three non-impaired corporate bonds during the three-month period ended March 31, 2016. Total proceeds from these sales approximated book value. No investment securities were sold during the first three months of 2015.

As all of our investment securities are classified as “available for sale”, we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders’ equity, unless losses are credit-related and considered other-than-temporary, in which case that portion of the loss is recorded in earnings. We recorded unrealized gains of $249.5 million for the first three months of 2016, compared to $119.7 million for the same prior-year period. The unrealized gains recorded in both periods primarily reflect the impact of market interest rate changes on the fair value of fixed rate securities.

An additional source of liquidity is cash provided by our operating activities (primarily generated from net interest income in excess of operating expenses), which totaled $299.2 million and $262.9 million for the first three months of 2016 and 2015, respectively.

Notwithstanding the various sources of liquidity discussed above, if no other sources existed to repay maturing Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities), the assets of the Insurance Fund would be used to repay such debt. The Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks’ ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2016 unless otherwise extended. The decision whether to seek funds from the Federal Financing Bank is in the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Capital Resources

We believe that a sound capital position is critical to our long-term financial success and future growth. Our shareholders’ equity is composed of preferred and common stock, retained earnings and other comprehensive income (loss), and totaled $8.1 billion at March 31, 2016, as compared to $7.8 billion at December 31, 2015.

At March 31, 2016, our permanent capital, total surplus, core surplus and net collateral ratios exceeded regulatory minimums, as depicted in the following table. The components of these ratios are described in our 2015 Annual Report.

Capital Ratios

	Regulatory Minimums		March 31, 2016		December 31, 2015	
Permanent Capital Ratio	**7.00**	%	**14.79**	%	14.95	%
Total Surplus Ratio	**7.00**		**13.82**		14.07	
Core Surplus Ratio (1)	**5.59**		**10.11**		10.29	
Net Collateral Ratio (2)	**104.00**		**106.92**		106.82	

(1) The regulatory minimum core surplus ratio is 3.5 percent, but the FCA requires the higher 5.59 percent during a period in which we include a portion of our common stock as core surplus.

(2) The regulatory minimum net collateral ratio is 103.0 percent, but the FCA requires the higher 104.0 percent during a period in which we have subordinated debt outstanding.

Pursuant to FCA guidance, a portion of our common stock is included in core surplus, subject to certain conditions. This inclusion will continue for the remainder of 2016, at which time new capital regulations will be effective, as discussed below. The FCA requires that we also calculate our core surplus ratio excluding common stock and has established a 3.0 percent minimum for such ratio. As of March 31, 2016, our core surplus ratio excluding common stock was 8.68 percent.

On March 10, 2016, the FCA adopted final rules (the New Capital Regulations) relating to regulatory capital requirements for System banks, including CoBank, and Associations. The New Capital Regulations will become effective January 1, 2017. The stated objectives of the New Capital Regulations are as follows:

- To modernize capital requirements while ensuring that System institutions continue to hold sufficient regulatory capital to fulfill the System's mission as a government-sponsored enterprise;
- To 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;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).

The description of the New Capital Regulations below is taken from the news release and fact sheet provided by the FCA on March 10, 2016 when it adopted the New Capital Regulations.

The New Capital Regulations, among other things, replace existing core surplus and total surplus requirements with common equity tier 1 (CET1), tier 1 and total capital (tier 1 plus tier 2) risk-based capital ratio requirements. The New Capital Regulations also add a tier 1 leverage ratio for all System institutions, which replaces the existing net collateral ratio for System banks. In addition, the New Capital Regulations establish a capital conservation buffer and a leverage buffer; enhance the sensitivity of risk weightings; and, for System banks only, require additional public disclosures. The revisions to the risk weightings include alternatives to the use of credit ratings, as required by the Dodd-Frank Act.

The New Capital Regulations set the following minimum risk-based requirements:

- A CET1 capital ratio of 4.5 percent;
- A tier 1 capital ratio (CET1 capital plus additional tier 1 capital) of 6 percent; and
- A total capital ratio (tier 1 plus tier 2) of 8 percent.

The New Capital Regulations also set a minimum tier 1 leverage ratio (tier 1 divided by total assets) of 4 percent, of which at least 1.5 percent must consist of unallocated retained earnings (URE) and URE equivalents, which are nonqualified allocated equities with certain characteristics of URE.

The New Capital Regulations establish a capital cushion (capital conservation buffer) of 2.5 percent above the risk-based CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion (leverage buffer) of 1 percent above the tier 1 leverage ratio requirements. If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. The New Capital Regulations establish a three-year phase-in of the capital conservation buffer, expected to begin on January 1, 2017. There will be no phase-in of the leverage buffer.

On April 8, 2016, we issued $375 million of Series I non-cumulative perpetual preferred stock. We used the net proceeds from the Series I preferred stock issuance to increase our regulatory capital pursuant to current FCA regulations and for general corporate purposes. Dividends on Series I preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable semi-annually at a fixed annual rate equal to 6.25 percent from the date of issuance up to, but excluding, October 1, 2026. Thereafter, dividends will accrue at an annual rate equal to the 3-month USD LIBOR plus 4.66 percent and will be payable quarterly. This issuance of preferred stock is also discussed in Note 12 to the accompanying condensed consolidated financial statements.

On April 15, 2016, we redeemed all of our outstanding 7.875 percent subordinated notes due 2018 totaling $404.7 million. The redemption price was 100 percent of the principal amount, together with accrued and unpaid interest up to, but excluding, the date of redemption.

We may from time to time seek to retire our outstanding debt or equity securities through calls, cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. We may also issue new debt or equity securities. Such calls, repurchases, exchanges or new issuances, if any, will depend on prevailing market conditions, the Bank's capital position and liquidity requirements, contractual restrictions, changes to capital regulations and other factors.

Business Outlook

Notwithstanding our strong financial performance in the first quarter of 2016, we continue to face market conditions that could make the business and earnings environment less favorable for CoBank in the future. Growth in the U.S. economy remains modest. Growth in global markets has slowed and economic conditions are volatile, particularly given heightened geopolitical risks and weakening markets outside the United States. Interest rates remain low by historical standards and continue to negatively impact the returns on capital and investment securities. Monetary policy as established by the Federal Reserve and the policies of other central banks around the world create further uncertainty regarding interest rates and asset valuations. Competition across most of the industries we serve has intensified. Grain commodity prices have remained relatively low compared to previous periods and are subject to volatility driven by weather conditions and many other factors. Customers in many of the industries we serve are impacted by unpredictable commodity prices and agricultural yields, fluctuations in the value of the U.S. dollar, weather and ongoing political and regulatory uncertainty. Many of our energy customers are impacted by energy efficiency initiatives, price volatility of various fuel sources including coal and natural gas, emerging regulation of carbon dioxide emissions, renewable energy standards and customer demand for distributed generation. The sharp decline in oil prices could have a negative impact on rural communities and the broader economy. Rapidly changing technology, customer demands and an evolving regulatory environment create uncertainty in the communications industry. These challenges could reduce the credit quality and/or influence the level of loan demand in certain sectors of our loan portfolio.

We continue to focus on delivering the credit and financial service products our customers need to thrive and grow, enhancing our enterprise risk management capabilities and maintaining our financial strength. We believe that our strong earnings, liquidity and capital will continue to provide the capacity to support customers in all market conditions and to effectively lower the net cost of borrowing for our customers-owners through consistent and reliable patronage payments. We continue our disciplined approach to managing risk and closely monitoring asset quality. We also continue to maintain prudent discipline over expenses. Nevertheless, we will make investments in our people, processes, data infrastructure and technology, including our digital banking capabilities, to strengthen the value and improve the experience we provide to our customers, as we strive to better fulfill our mission in rural America in a safe and sound manner.

Under the guidance of our Board of Directors and through the focus of an experienced executive management team, we expect to achieve continued success through execution of our business strategies and by creating mutually beneficial partnerships with other System institutions, increasing market share, maintaining effective access to the agency debt capital markets, educating policy makers and other key stakeholders of the critical mission of CoBank and the System and prudently optimizing current lending authorities. We continue to explore strategic alliances and other opportunities with other System institutions, financial service providers and other entities, including a branch of U.S. government under our public/private partnership initiative.

Forward-Looking Statements

Certain of the statements contained in this quarterly report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially from those included in the forward-looking statements that relate to our plans, projections, expectations and intentions. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “may,” “will,” “should,” “would,” “could” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and are subject to various risks and uncertainties, including, but not limited to:

- Changes that negatively impact the agricultural, energy, communications, water and leasing industries;
- The level of interest rates and relationships between various interest rate indices and actions taken by the Federal Reserve to manage the monetary policy of the United States;
- Currency fluctuations that impact the value of the U.S. dollar in global markets;
- Adverse food safety and weather events, disease, and other unfavorable conditions that periodically occur and impact agricultural productivity and income;
- Changes in levels of global crop production, exports, usage and inventories;
- Credit performance of the loan portfolio;
- Performance of underlying collateral, including farmland values;
- Loan portfolio growth and seasonal factors;
- Weak U.S. economic conditions;
- Weaknesses in other developed and emerging economies;
- Government policies and political developments in the United States and other countries in which we do business;
- Geopolitical uncertainties throughout the world that may impact the industries we lend to, or, economic, fiscal or monetary conditions;
- Changes in the U.S. government’s support of the System, the agricultural industry, agricultural exports and rural economies;

- Legislative or regulatory actions that affect current and ongoing operations of the System or the banking, financial services, agricultural, energy, communications, water and leasing industries;
- Legislative or regulatory actions that affect our relationships with our employees;
- Regulatory actions, including amendments to, and interpretations of, risk-based capital guidelines;
- Actions taken by the U.S. Congress relative to other Government Sponsored Enterprises, including the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks and the Farmer Mac;
- Actions taken by the U.S. government to manage U.S. fiscal policy, including tax reform;
- A decrease in the credit outlook or ratings of U.S. government debt and agency debt, including Systemwide Debt Securities;
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, that could adversely affect our business, financial performance and reputation;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in the bases for our estimates underlying the allowance for credit losses;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments;
- The resolution of legal proceedings and related matters;
- Environmental-related conditions or laws impacting our lending activities;
- Nonperformance by counterparties under our derivative contracts; and
- Our ability to continue to partner with various System and other entities in light of ongoing consolidation within the System and the industries we serve.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Condensed Consolidated Statements of Income

CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2016	**2015**
Interest Income		
Loans	**$ 524,732**	$ 448,561
Investment Securities	**105,572**	86,332
Total Interest Income	**630,304**	534,893
Interest Expense	**293,427**	219,608
Net Interest Income	**336,877**	315,285
Provision for Loan Losses	**8,000**	10,000
Net Interest Income After Provision for Loan Losses	**328,877**	305,285
Noninterest Income/(Expense)		
Net Fee Income	**24,370**	26,549
Prepayment Income	**3,962**	13,778
Losses on Early Extinguishments of Debt	**(3,817)**	(7,104)
Other, Net	**18,830**	13,753
Total Noninterest Income	**43,345**	46,976
Operating Expenses		
Employee Compensation	**36,417**	35,729
Insurance Fund Premium	**22,135**	14,644
Information Services	**6,672**	5,336
General and Administrative	**5,255**	4,435
Occupancy and Equipment	**4,772**	2,099
Farm Credit System Related	**3,608**	3,592
Purchased Services	**2,032**	3,256
Other	**5,759**	5,610
Total Operating Expenses	**86,650**	74,701
Income Before Income Taxes	**285,572**	277,560
Provision for Income Taxes	**42,260**	45,334
Net Income	**$ 243,312**	$ 232,226

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

Condensed Consolidated Statements of Comprehensive Income
CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2016	**2015**
Net Income	**$ 243,312**	$ 232,226
Other Comprehensive Income, Net of Tax:		
Net Change in Unrealized Gains on Investment Securities Not Other-Than-Temporarily Impaired	**198,805**	94,846
Net Change in Unrealized (Losses)/Gains on Other-Than-Temporarily Impaired Investment Securities	**(2,113)**	1,117
Net Change in Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	**(3,226)**	(1,496)
Net Pension Adjustment	**832**	1,154
Other Comprehensive Income	**194,298**	95,621
Comprehensive Income	**$ 437,610**	$ 327,847

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

Condensed Consolidated Balance Sheets

CoBank, ACB

($ in Thousands)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Total Loans	**$ 90,705,909**	$ 89,040,580
Less: Allowance for Loan Losses	**504,330**	486,144
Net Loans	**90,201,579**	88,554,436
Cash and Cash Equivalents	**713,612**	3,113,101
Federal Funds Sold and Other Highly-Liquid Assets	**150,000**	-
Investment Securities	**25,691,193**	24,504,448
Interest Rate Swaps and Other Financial Instruments	**429,702**	295,989
Accrued Interest Receivable and Other Assets	**876,659**	1,002,592
Total Assets	**$ 118,062,745**	$ 117,470,566
Liabilities		
Bonds and Notes	**$ 107,433,398**	$ 106,970,066
Subordinated Debt	**902,804**	902,685
Interest Rate Swaps and Other Financial Instruments	**219,571**	113,397
Reserve for Unfunded Commitments	**105,341**	115,444
Accrued Interest Payable and Other Liabilities	**1,311,575**	1,558,505
Total Liabilities	**$ 109,972,689**	$ 109,660,097
Commitments and Contingent Liabilities (Note 9)		
Shareholders' Equity		
Preferred Stock	**1,125,000**	1,125,000
Common Stock	**2,898,261**	2,899,728
Unallocated Retained Earnings	**3,932,484**	3,845,728
Accumulated Other Comprehensive Income/(Loss)	**134,311**	(59,987)
Total Shareholders' Equity	**$ 8,090,056**	$ 7,810,469
Total Liabilities and Shareholders' Equity	**$ 118,062,745**	$ 117,470,566

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

Condensed Consolidated Statements of Cash Flows
CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,	2016	2015
Cash Flows Provided by Operating Activities		
Net Income	**$ 243,312**	$ 232,226
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	**8,000**	10,000
Deferred Income Taxes	**(2,393)**	(818)
Depreciation and Amortization/Accretion, Net	**19,206**	17,442
Net Gains on Sales of Investment Securities	**(380)**	-
Decrease in Accrued Interest Receivable and Other Assets	**144,082**	102,628
Decrease in Accrued Interest Payable and Other Liabilities	**(105,582)**	(101,979)
Net Losses on Interest Rate Swaps and Other Financial Instruments	**216**	144
Proceeds from Termination of Interest Rate Swaps	**1,366**	4,358
Purchase of Interest Rate Caps	**(8,154)**	-
Other	**(437)**	(1,060)
Net Cash Provided by Operating Activities	**299,236**	262,941
Cash Flows (Used in)/Provided by Investing Activities		
Net Increase in Loans	**(1,667,982)**	(299,670)
Net (Increase)/Decrease in Investment Securities	**(844,365)**	1,087,430
Net Increase in Federal Funds Sold and Other Highly-Liquid Assets	**(150,000)**	-
Construction of Corporate Headquarters	**-**	(10,939)
Net Cash (Used in)/Provided by Investing Activities	**(2,662,347)**	776,821
Cash Flows Used in Financing Activities		
Net Issuances/(Repayments) of Bonds and Notes	**422,842**	(1,741,254)
Net Retirements of Common Stock	**(28,981)**	(32,454)
Cash Patronage Distribution Paid	**(415,414)**	(376,464)
Preferred Stock Dividends Paid	**(14,825)**	(11,931)
Other	**-**	(44)
Net Cash Used in Financing Activities	**(36,378)**	(2,162,147)
Net Decrease in Cash	**(2,399,489)**	(1,122,385)
Cash at Beginning of Period	**3,113,101**	1,855,634
Cash at End of Period	**$ 713,612**	$ 733,249
Supplemental Disclosures:		
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	**$ 115,493**	$ -
Net Change in Receivables from Sale of Investment Securities	**23,401**	3,267
Net Change in Unrealized Gains on Investment Securities, Before Taxes	**249,520**	119,699
Net Change in Unrealized Losses on Interest Rate Swaps, Other Financial Instruments and Hedged Items, Before Taxes	**(5,772)**	(2,793)
Patronage in Common Stock	**27,514**	24,153

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

Condensed Consolidated Statements of Changes in Shareholders' Equity
CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,	2016	2015
Balance at Beginning of Period	**$ 7,810,469**	$ 7,369,663
Comprehensive Income	**437,610**	327,847
Preferred Stock:		
Dividends	**(14,968)**	(14,767)
Common Stock:		
Issuances	**26**	23
Retirements	**(29,007)**	(32,477)
Cash Patronage Accrued	**(114,074)**	(101,752)
Other	**-**	(44)
Balance at End of Period	**$ 8,090,056**	$ 7,548,493

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

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying condensed consolidated financial statements include the accounts of CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. These adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

CoBank is a member of the Farm Credit System (System). We provide loans, leases and other financial services to 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.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2015 Annual Report, which includes a description of our organization and lending authority. Also included in the 2015 Annual Report is a summary of significant accounting policies. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies. Certain reclassifications have been made to amounts reported in previous periods to conform to the 2016 presentation.

CoBank is the funding bank for certain System Associations, which are collectively referred to as our "affiliated Associations." The accompanying condensed consolidated financial statements exclude financial information of our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the "District." We separately publish certain unaudited combined financial information of the District, including a condensed statement of condition and statement of income, which can be found on our website at www.cobank.com. Such information is not incorporated by reference into, and should not be considered part of, this quarterly report. Additional information about our affiliated Associations and District financial information is contained in Note 11 to these condensed consolidated financial statements.

Copies of CoBank's financial reports are available on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), "Leases." This guidance is intended to improve financial reporting about leasing transactions and affects all organizations that lease assets. The ASU will require organizations that lease assets, referred to as lessees, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting for organizations that own the assets leased by the lessee, also known as lessor accounting, will remain largely unchanged from current GAAP. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, and early application is permitted. We are reviewing the guidance to determine the effect on our consolidated financial position and results of operations.

In January 2016, the FASB issued ASU, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the ASU eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2017. Early adoption is permitted. We do not anticipate this guidance to have a significant effect, if any, on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued guidance entitled "Simplifying the Presentation of Debt Issuance Costs." The guidance requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. We adopted this standard in 2015.

In August 2014, the FASB issued guidance entitled "Presentation of Financial Statements — Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

In May 2014, the FASB issued guidance entitled "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. As such, a substantial majority of our contracts would be excluded from the scope of this new guidance. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2017. We are reviewing the guidance to determine the effect, if any, on our consolidated financial position, results of operations or cash flows.

Note 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by operating segment are shown below.

($ in Millions)

	March 31, 2016		December 31, 2015	
Agribusiness	$	**28,081**	$	26,131
Strategic Relationships		**42,851**		43,358
Rural Infrastructure		**19,774**		19,552
Total	**$**	**90,706**	$	89,041

Allowance for Credit Losses

The following tables present the changes in the components of our allowance for credit losses and details of ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments. The elements of our allowance for credit losses are presented by operating segment.

	Agribusiness	Strategic Relationships[1]	Rural Infrastructure	Total
March 31, 2016				
Allowance for Loan Losses				
Beginning Balance at January 1, 2016	$ 313,204	$ -	$ 172,940	$ 486,144
Charge-offs	(305)	-	-	(305)
Recoveries	385	-	3	388
Provision for Loan Losses/(Loan Loss Reversal)	15,000	-	(7,000)	8,000
Transfers from Reserve for Unfunded Commitments[2]	7,170	-	2,933	10,103
Ending Balance at March 31, 2016	335,454	-	168,876	504,330
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2016	89,610	-	25,834	115,444
Transfers to Allowance for Loan Losses[2]	(7,170)	-	(2,933)	(10,103)
Ending Balance at March 31, 2016	82,440	-	22,901	105,341
Allowance for Credit Losses	$ 417,894	$ -	$ 191,777	$ 609,671
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 21,319	$ -	$ 3,861	$ 25,180
Collectively Evaluated for Impairment	396,575	-	187,916	584,491
Total	$ 417,894	$ -	$ 191,777	$ 609,671
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 144,132	$ 42,918,874	$ 68,632	$ 43,131,638
Collectively Evaluated for Impairment	28,009,351	-	19,789,860	47,799,211
Total	$ 28,153,483	$ 42,918,874	$ 19,858,492	$ 90,930,849

[1] As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Strategic Relationships operating segment.

[2] These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

	Agribusiness	Strategic Relationships[1]	Rural Infrastructure	Total
March 31, 2015				
Allowance for Loan Losses				
Beginning Balance at January 1, 2015	$ 329,633	$ -	$ 151,523	$ 481,156
Charge-offs	(380)	-	-	(380)
Recoveries	625	-	60	685
Provision for Loan Losses	8,000	-	2,000	10,000
Transfers from (to) Reserve for Unfunded Commitments[2]	411	-	(1,481)	(1,070)
Ending Balance at March 31, 2015	338,289	-	152,102	490,391
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2015	104,672	-	11,008	115,680
Transfers (to) from Allowance for Loan Losses[2]	(411)	-	1,481	1,070
Ending Balance at March 31, 2015	104,261	-	12,489	116,750
Allowance for Credit Losses	$ 442,550	$ -	$ 164,591	$ 607,141
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 15,495	$ -	$ 17,391	$ 32,886
Collectively Evaluated for Impairment	427,055	-	147,200	574,255
Total	$ 442,550	$ -	$ 164,591	$ 607,141
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 51,599	$ 38,899,799	$ 74,511	$ 39,025,909
Collectively Evaluated for Impairment	25,008,248	-	16,838,146	41,846,394
Total	$ 25,059,847	$ 38,899,799	$ 16,912,657	$ 80,872,303

[1] As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Strategic Relationships operating segment.

[2] These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

The information in the tables under the Credit Quality, Aging Analysis and Impaired Loans captions is presented by operating segment, with guaranteed and non-guaranteed loans in our Agribusiness segment separately identified.

Credit Quality

The following table presents our loans and related accrued interest, classified by management pursuant to our regulator's Uniform Loan Classification System.

March 31, 2016	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Strategic Relationships	Rural Infrastructure	Total
Acceptable	**$ 25,133,186**	**$ 1,493,179**	**$ 41,738,239**	**$ 19,484,904**	**$ 87,849,508**
Special Mention	**1,006,606**	**-**	**1,180,635** (1)	**250,198**	**2,437,439**
Substandard	**519,912**	**-**	**-**	**122,603**	**642,515**
Doubtful	**600**	**-**	**-**	**787**	**1,387**
Loss	**-**	**-**	**-**	**-**	**-**
Total	**$ 26,660,304**	**$ 1,493,179**	**$ 42,918,874**	**$ 19,858,492**	**$ 90,930,849**
December 31, 2015					
Acceptable	$ 23,311,424	$ 1,689,855	$ 43,421,344	$ 19,195,561	$ 87,618,184
Special Mention	748,701	19	-	252,984	1,001,704
Substandard	445,300	-	-	181,489	626,789
Doubtful	588	-	-	857	1,445
Loss	-	-	-	-	-
Total	$ 24,506,013	$ 1,689,874	$ 43,421,344	$ 19,630,891	$ 89,248,122

(1) Represents the total wholesale loan balance to one of our affiliated Associations which was downgraded to the Special Mention credit quality classification during the three months ended March 31, 2016. The downgrade resulted from an internal control weakness at that Association.

Aging Analysis

The following table presents an aging of past due loans and related accrued interest.

March 31, 2016	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Strategic Relationships	Rural Infrastructure	Total
30-89 Days Past Due	**$ 33,908**	**$ -**	**$ -**	**$ 1,750**	**$ 35,658**
90 Days Past Due	**6,517**	**-**	**-**	**26,045**	**32,562**
Total Past Due	**$ 40,425**	**$ -**	**$ -**	**$ 27,795**	**$ 68,220**
Current	**26,619,879**	**1,493,179**	**42,918,874**	**19,830,697**	**90,862,629**
Total	**$ 26,660,304**	**$ 1,493,179**	**$ 42,918,874**	**$ 19,858,492**	**$ 90,930,849**
Accruing Loans 90 Days or More Past Due	**$ 2,086**	**$ -**	**$ -**	**$ -**	**$ 2,086**
December 31, 2015					
30-89 Days Past Due	$ 10,644	$ -	$ -	$ -	$ 10,644
90 Days Past Due	2,977	-	-	24,914	27,891
Total Past Due	$ 13,621	$ -	$ -	$ 24,914	$ 38,535
Current	24,492,392	1,689,874	43,421,344	19,605,977	89,209,587
Total	$ 24,506,013	$ 1,689,874	$ 43,421,344	$ 19,630,891	$ 89,248,122
Accruing Loans 90 Days or More Past Due	$ 754	$ -	$ -	$ -	$ 754

Impaired Loans

Impaired loan information is shown in the following table. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection.

March 31, 2016	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Strategic Relationships[1]	Rural Infrastructure	Total
Nonaccrual Loans[2]	$ 144,132	$ -	$ -	$ 68,632	$ 212,764
Accruing Loans 90 Days or More Past Due	2,086	-	-	-	2,086
Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 146,218	$ -	$ -	$ 68,632	$ 214,850
December 31, 2015					
Nonaccrual Loans[2]	$ 87,998	$ -	$ -	$ 68,807	$ 156,805
Accruing Loans 90 Days or More Past Due	754	-	-	-	754
Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 88,752	$ -	$ -	$ 68,807	$ 157,559

[1] There were no impaired loans in our Agribusiness Guaranteed or Strategic Relationships portfolios for any of the periods presented.

[2] Included in nonaccrual loans at March 31, 2016 and December 31, 2015 are $56.8 million and $58.3 million, respectively, of loans that qualify as troubled debt restructurings.

The following tables present information on impaired loans and related amounts in the allowance for loan losses.

March 31, 2016	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Strategic Relationships[1]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 37,110	$ -	$ -	$ 42,586	$ 79,696
Unpaid Principal	50,481	-	-	55,583	106,064
Average Balance	30,573	-	-	43,356	73,929
Interest Income Recognized	343	-	-	11	354
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	109,108	-	-	26,046	135,154
Unpaid Principal	112,943	-	-	30,206	143,149
Allowance for Loan Losses	21,320	-	-	3,860	25,180
Average Balance	74,975	-	-	25,361	100,336
Interest Income Recognized	-	-	-	-	-
Total Impaired Loans					
Carrying Amount	146,218	-	-	68,632	214,850
Unpaid Principal	163,424	-	-	85,789	249,213
Allowance for Loan Losses	21,320	-	-	3,860	25,180
Average Balance	105,548	-	-	68,717	174,265
Interest Income Recognized	343	-	-	11	354

[1] There were no impaired loans in our Agribusiness Guaranteed or Strategic Relationships portfolios for any of the periods presented.

December 31, 2015	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[(1)]	Strategic Relationships[(1)]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 20,739	$ -	$ -	$ 43,893	$ 64,632
Unpaid Principal	29,757	-	-	56,131	85,888
Average Balance	18,062	-	-	55,351	73,413
Interest Income Recognized	2,142	-	-	1,285	3,427
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	68,013	-	-	24,914	92,927
Unpaid Principal	76,594	-	-	28,810	105,404
Allowance for Loan Losses	15,085	-	-	3,930	19,015
Average Balance	51,656	-	-	15,896	67,552
Interest Income Recognized	12	-	-	-	12
Total Impaired Loans					
Carrying Amount	88,752	-	-	68,807	157,559
Unpaid Principal	106,351	-	-	84,941	191,292
Allowance for Loan Losses	15,085	-	-	3,930	19,015
Average Balance	69,718	-	-	71,247	140,965
Interest Income Recognized	2,154	-	-	1,285	3,439

(1) There were no impaired loans in our Agribusiness Guaranteed or Strategic Relationships portfolios for any of the periods presented.

Commitments on Impaired Loans

There were $22.7 million in commitments available to be drawn by borrowers whose loans were classified as impaired at March 31, 2016.

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loans in which we have granted a concession because the borrower is experiencing financial difficulty. Concessions may include payment deferrals, term extensions and/or interest rate reductions. As of March 31, 2016, all TDRs are classified as nonaccrual loans. TDRs classified as nonaccrual loans, along with other impaired loans, may be returned to accruing status upon meeting specific criteria, as more fully described in our 2015 Annual Report. During the three months ended March 31, 2016 and 2015, respectively, there were no modifications that qualified as TDRs. Included in nonaccrual loans at March 31, 2016 and December 31, 2015 are $56.8 million and $58.3 million, respectively, of existing loans that qualify as TDRs.

Note 4 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions)

March 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	$ 8,232	$ 144	$ (1)	$ 8,375
U.S. Agency Debt	5,795	76	(9)	5,862
Residential Mortgage-Backed Securities (MBS):				
Ginnie Mae	803	5	-	808
U.S. Agency	7,388	108	(23)	7,473
FHA/VA Non-Wrapped Reperformer	302	5	(6)	301
Non-Agency	112	9	(1)	120
Commercial MBS:				
U.S. Agency	2,509	4	(13)	2,500
Agricultural MBS:				
Farmer Mac	117	-	(2)	115
Asset-Backed	35	11	(1)	45
Corporate Bonds	91	1	-	92
Total	$ 25,384	$ 363	$ (56)	$ 25,691

($ in Millions)

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	$ 7,174	$ 36	$ (22)	$ 7,188
U.S. Agency Debt	5,842	41	(26)	5,857
Residential MBS:				
Ginnie Mae	901	5	-	906
U.S. Agency	7,762	55	(54)	7,763
FHA/VA Non-Wrapped Reperformer	336	9	(3)	342
Non-Agency	118	12	(1)	129
Commercial MBS:				
U.S. Agency	1,986	1	(5)	1,982
Agricultural MBS:				
Farmer Mac	126	-	(2)	124
Asset-Backed	36	12	(1)	47
Corporate Bonds	166	-	-	166
Total	$ 24,447	$ 171	$ (114)	$ 24,504

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at March 31, 2016 is as follows:

($ in Millions)

	Contractual Maturity				
March 31, 2016	In One Year or Less	One to Five Years	Five to Ten Years	After Ten Years	Total
U.S. Treasury Debt Securities					
Amortized Cost	$ 1,031	$ 5,184	$ 2,017	$ -	$ 8,232
Fair Value	1,031	5,270	2,074	-	8,375
Weighted Average Yield	0.59 %	1.37 %	1.94 %	- %	1.41 %
U.S. Agency Debt Securities					
Amortized Cost	$ 100	$ 3,531	$ 2,164	$ -	$ 5,795
Fair Value	100	3,589	2,173	-	5,862
Weighted Average Yield	1.36 %	1.55 %	1.44 %	- %	1.51 %
Ginnie Mae Residential MBS					
Amortized Cost	$ -	$ -	$ 20	$ 783	$ 803
Fair Value	-	-	20	788	808
Weighted Average Yield	- %	- %	2.50 %	1.45 %	1.48 %
U.S. Agency Residential MBS					
Amortized Cost	$ -	$ 32	$ 54	$ 7,302	$ 7,388
Fair Value	-	32	54	7,387	7,473
Weighted Average Yield	- %	1.82 %	0.89 %	2.04 %	2.03 %
FHA/VA Non-Wrapped Reperformer Residential MBS					
Amortized Cost	$ -	$ -	$ -	$ 302	$ 302
Fair Value	-	-	-	301	301
Weighted Average Yield	- %	- %	- %	5.40 %	5.40 %
Non-Agency Residential MBS					
Amortized Cost	$ -	$ 2	$ 1	$ 109	$ 112
Fair Value	-	2	1	117	120
Weighted Average Yield	- %	0.89 %	1.02 %	7.77 %	7.60 %
U.S. Agency Commercial MBS					
Amortized Cost	$ -	$ 626	$ 1,768	$ 115	$ 2,509
Fair Value	-	626	1,759	115	2,500
Weighted Average Yield	- %	1.01 %	0.94 %	3.75 %	1.09 %
Farmer Mac Agricultural MBS					
Amortized Cost	$ -	$ -	$ -	$ 117	$ 117
Fair Value	-	-	-	115	115
Weighted Average Yield	- %	- %	- %	2.40 %	2.40 %
Asset-Backed Securities					
Amortized Cost	$ -	$ -	$ -	$ 35	$ 35
Fair Value	-	-	-	45	45
Weighted Average Yield	- %	- %	- %	13.51 %	13.51 %
Corporate Bonds					
Amortized Cost	$ -	$ 91	$ -	$ -	$ 91
Fair Value	-	92	-	-	92
Weighted Average Yield	- %	2.00 %	- %	- %	2.00 %
Total					
Amortized Cost	$ 1,131	$ 9,466	$ 6,024	$ 8,763	$ 25,384
Fair Value	1,131	9,611	6,081	8,868	25,691

While the substantial majority of our residential mortgage-backed securities (MBS) and asset-backed securities (ABS) have contractual maturities in excess of 10 years, expected maturities for these securities are shorter than contractual maturities because borrowers have the right to call or prepay obligations with or without penalties.

The following table shows the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at March 31, 2016 and December 31, 2015. The continuous loss position is based on the date the impairment first occurred.

	Less Than 12 Months		Greater Than 12 Months	
($ in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016				
U.S. Treasury Debt	**$ 898**	**$ (1)**	**$ -**	**$ -**
U.S. Agency Debt	**567**	**(2)**	**768**	**(7)**
Residential MBS:				
Ginnie Mae	**42**	**-**	**7**	**-**
U.S. Agency	**261**	**(1)**	**1,884**	**(22)**
FHA/VA Non-Wrapped Reperformer	**62**	**(1)**	**59**	**(5)**
Non-Agency	**23**	**(1)**	**17**	**-**
Commercial MBS:				
U.S. Agency	**1,511**	**(12)**	**126**	**(1)**
Agricultural MBS:				
Farmer Mac	**-**	**-**	**115**	**(2)**
Asset-Backed	**1**	**-**	**7**	**(1)**
Corporate Bonds	**25**	**-**	**-**	**-**
Total	**$ 3,390**	**$ (18)**	**$ 2,983**	**$ (38)**
December 31, 2015				
U.S. Treasury Debt	$ 4,429	$ (22)	$ -	$ -
U.S. Agency Debt	2,200	(12)	826	(14)
Residential MBS:				
Ginnie Mae	23	-	12	-
U.S. Agency	739	(5)	1,866	(49)
FHA/VA Non-Wrapped Reperformer	65	-	62	(3)
Non-Agency	24	-	16	(1)
Commercial MBS:				
U.S. Agency	1,368	(5)	179	-
Agricultural MBS:				
Farmer Mac	-	-	124	(2)
Asset-Backed	-	-	7	(1)
Corporate Bonds	106	-	-	-
Total	$ 8,954	$ (44)	$ 3,092	$ (70)

We do not intend to sell the securities in unrealized loss positions, nor is it likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of our cost basis occurs.

Acquired Investment Securities

We hold certain credit-impaired investment securities acquired in our merger with U.S AgBank, FCB. The carrying amount of these investment securities was $391.6 million and $439.7 million at March 31, 2016 and December 31, 2015, respectively. These investments are subject to the provisions of Accounting Standards Codification (ASC) 310-30, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, pursuant to which the difference between contractually required payments and the cash flows expected to be collected at acquisition is considered a non-accretable amount. This difference is neither accreted into income nor recorded on our consolidated balance sheets.

Quarterly, we evaluate estimated cash flows expected to be collected from acquired credit-impaired investment securities. Increases in expected cash flows will generally result in an increase in interest income over the remaining life of the investment. Decreases in expected cash flows due to credit deterioration will generally result in other-than-temporary impairment charges recognized against earnings. No impairment losses on investment securities were recorded during the three months ended March 31, 2016 and 2015.

The excess of cash flows expected to be collected over fair value is referred to as “accretable amounts” and is recognized in interest income over the remaining life of the investment using the effective yield method, with the majority being recognized in diminishing amounts in the first five years following the merger.

Changes in Accretable Amounts of Acquired Credit-Impaired Investment Securities	**($ in Millions)**	
	2016	**2015**
Balance at January 1	**$ (96)**	$ (133)
Interest Recognized in Earnings	**7**	7
Reclassifications from Nonaccretable Amount for Investments with Improvements in Expected Cash Flows	**-**	-
Total Other-Than-Temporary Impairment Losses Included in Earnings	**-**	-
Balance at March 31	**$ (89)**	$ (126)

Note 5 – Changes in Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2016 and 2015 are presented in the following table.

Changes in Accumulated Other Comprehensive Income/(Loss) by Component[1]

	Unrealized Gains/(Losses) On Investment Securities		Unrealized Gains/(Losses) on Interest Rate Swaps and Other Financial	Net Pension	
	Non-OTTI	OTTI	Instruments	Adjustment	Total
Balance at January 1, 2016	**$ 38,588**	**$ 7,873**	**$ (40,157)**	**$ (66,291)**	**$ (59,987)**
Other comprehensive income/(loss) before reclassifications	**198,736**	**(1,648)**	**(8,075)**	**-**	**189,013**
Amounts reclassified from accumulated other comprehensive income/(loss)	**69**	**(465)**	**4,849**	**832**	**5,285**
Net current-period other comprehensive income/(loss)	**198,805**	**(2,113)**	**(3,226)**	**832**	**194,298**
Balance at March 31, 2016	**$ 237,393**	**$ 5,760**	**$ (43,383)**	**$ (65,459)**	**$ 134,311**
Balance at January 1, 2015	$ 72,859	$ 18,049	$ (33,460)	$ (63,710)	$ (6,262)
Other comprehensive income/(loss) before reclassifications	94,846	1,117	(1,603)	-	94,360
Amounts reclassified from accumulated other comprehensive income/(loss)	-	-	107	1,154	1,261
Net current-period other comprehensive income/(loss)	94,846	1,117	(1,496)	1,154	95,621
Balance at March 31, 2015	$ 167,705	$ 19,166	$ (34,956)	$ (62,556)	$ 89,359

[1] Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.

The following table presents the effect of reclassifications from accumulated other comprehensive income (loss) to net income for the three-month periods ended March 31, 2016 and 2015.

Reclassifications from Accumulated Other Comprehensive Income/(Loss)

For the Three Months Ended March 31, 2016		Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)	Location of Gain/(Loss) Recognized in Income Statement
Unrealized (losses)/gains on available-for-sale investment securities:			
Sales gains and losses	**$**	**(85)**	Noninterest Income - Other, Net
Tax effect		**16**	Provision for Income Taxes
Unrealized gains on OTTI investment securities:			
Sales gains and losses		**465**	Noninterest Income - Other, Net
Tax effect		**-**	Provision for Income Taxes
Unrealized (losses)/gains on interest rate swaps and other financial instruments:			
Interest rate contracts		**(935)**	Interest Expense
Foreign exchange contracts		**(6,553)**	Interest Income
Tax effect		**2,639**	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial gain/loss		**(1,094)**	Operating Expenses - Employee Compensation
Prior service cost/credit		**(248)**	Operating Expenses - Employee Compensation
Tax effect		**510**	Provision for Income Taxes
Total reclassifications	**$**	**(5,285)**	
For the Three Months Ended March 31, 2015			
Unrealized (losses)/gains on interest rate swaps and other financial instruments:			
Interest rate contracts	$	(465)	Interest Expense
Foreign exchange contracts		442	Interest Income
Tax effect		(84)	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial gain/loss		(1,712)	Operating Expenses - Employee Compensation
Prior service cost/credit		(149)	Operating Expenses - Employee Compensation
Tax effect		707	Provision for Income Taxes
Total reclassifications	$	(1,261)	

Note 6 – Derivative Financial Instruments and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of derivative financial instruments to manage liquidity and to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a counterparty to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps and fixed-rate for floating-rate swaps with payment obligations tied to specific indices. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties.

The notional amounts of derivatives at March 31, 2016 and related activity for the first three months of 2016 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps	Spots and Forwards	Total
December 31, 2015	**$ 20,817**	**$ 2,816**	**$ 267**	**$ 23,900**
Additions /Accretion	**1,854**	**180**	**902**	**2,936**
Maturities /Amortization	**(1,022)**	**(28)**	**(884)**	**(1,934)**
Terminations	**(359)**	**-**	**-**	**(359)**
March 31, 2016	**$ 21,290**	**$ 2,968**	**$ 285**	**$ 24,543**

The notional amounts of derivatives at March 31, 2015 and related activity for the first three months of 2015 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps	Spots and Forwards	Total
December 31, 2014	$ 19,755	$ 2,961	$ 208	$ 22,924
Additions /Accretion	3,269	4	551	3,824
Maturities /Amortization	(456)	(3)	(604)	(1,063)
Terminations	(370)	-	-	(370)
March 31, 2015	$ 22,198	$ 2,962	$ 155	$ 25,315

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the statement of comprehensive income by changes in the hedged item's fair value attributable to the risk being hedged. For cash-flow hedge transactions, in which we hedge the variability of future cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that we report in accumulated other comprehensive income (loss) will be reclassified as earnings in the period in which earnings are affected by the variability of the cash flows of the hedged item. We record the ineffective portion of all hedges in current period earnings.

For our customer transactions, which are not designated as hedging instruments, we record the related changes in fair value in current period earnings. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties, with the changes in fair value of these transactions also recorded in current period earnings.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps primarily to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps to align our equity positioning strategy with our risk management strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

We purchase interest rate caps primarily to hedge cap risk embedded within a portion of our floating-rate investment securities. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan. For cash flow hedges, the amount of hedge ineffectiveness, the amount excluded from effectiveness assessment, and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. At March 31, 2016, we expect that $5.5 million of expense will be reclassified from other comprehensive income into earnings in the next 12 months, based on the anticipated cash flows of existing financial instruments. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately 20 years.

Derivatives Not Designated as Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with counterparties are not designated as hedging instruments and do not receive hedge accounting treatment. Accordingly, any changes in the fair value of these customer related derivatives are recognized immediately as noninterest income/expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management introduces credit risk related to customers and counterparties. Generally, when the fair value of a derivative contract is positive, we are exposed to credit risk.

Derivative transactions with our customers are typically secured through our loan agreements. As of March 31, 2016, the notional amount of derivatives with our customers totaled $6.2 billion.

The substantial majority of our non-customer derivatives are transacted with derivative counterparties and governed by master swap agreements, which include bilateral collateral arrangements, requiring the Bank or our counterparties to post collateral on a daily basis with thresholds set at zero for all active counterparties. The master swap agreements also include netting agreements requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The "net" mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. Notwithstanding these protections, we are exposed to intra-day credit risk with these counterparties. As of March 31, 2016, the notional amount of derivatives with our counterparties totaled $14.8 billion, which excludes the $3.5 billion of cleared derivatives discussed below.

We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. Pursuant to our master swap agreements, as of March 31, 2016, our counterparties had posted $63.6 million in cash and $10.0 million in securities as collateral with us. We estimate that the amount of losses related to derivatives we could be exposed to in the event of nonperformance by dealer counterparties to our derivative positions, net of collateral held by us, was $3.3 million at March 31, 2016.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires certain derivative transactions to be cleared through a central clearinghouse and traded on regulated exchanges. The U.S. Commodity Futures Trading Commission has exempted certain qualifying swaps entered into by financial cooperatives from these new requirements. The exemption does not cover all swaps executed by CoBank and is generally limited to swaps entered into in connection with loans to members. As a result, certain of our derivative transactions are cleared through a futures commission merchant (FCM) with a clearinghouse or central counterparty (CCP). When these swaps are cleared, a single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including initial and variation margin that is required to be posted by participants. FCMs prequalify counterparties to all cleared swaps, and also set limits for each counterparty and collect initial and variation margin daily for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. Initial and variation margin requirements are set by and held for the benefit of the CCP and additional initial margin may be required and held by the FCM. At March 31, 2016, the notional amount of our cleared derivatives was $3.5 billion. Initial and variation margin totaling $24.3 million and $71.4 million, respectively, was pledged for our cleared derivatives as of March 31, 2016.

In October 2015, the FCA and various other federal agencies jointly adopted final rules which will subject many non-cleared swaps to minimum initial and variation margin requirements. Such requirements become effective over the next two to five years. The group of federal agencies also issued an interim final rule excluding swaps that qualify for certain exemptions from the scope of the final margin rules. CoBank is eligible for certain regulatory exemptions related to, among other things, transactions with end users and with members of cooperatives. Accordingly, we do not currently anticipate that adoption of these rules will have a material impact on our use of derivatives or our overall financial position.

Hedge Terminations

During the three months ended March 31, 2016 and 2015, we terminated approximately $175.0 million and $341.2 million, respectively, in notional value of interest rate swaps for asset-liability management purposes. These swaps were accounted for as fair value hedges. We terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $184.0 million and $29.1 million during the first three months of 2016 and 2015, respectively. Proceeds from the customer terminations were offset by payments for the offsetting dealer terminations.

A summary of the impact of derivative financial instruments on our condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 is shown in the following tables.

Fair Value of Derivative Financial Instruments

As of March 31, 2016	Fair Value of Derivative Assets(1)	Fair Value of Derivative Liabilities(2)
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 171,529	$ 2
Foreign Exchange Contracts	399	5,634
Total Derivatives Designated as Hedging Instruments	$ 171,928	$ 5,636
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 255,758	$ 211,709
Foreign Exchange Contracts	2,016	2,226
Total Derivatives Not Designated as Hedging Instruments	$ 257,774	$ 213,935
Total Derivatives	$ 429,702	$ 219,571

(1) These assets make up the “Interest Rate Swaps and Other Financial Instruments” assets in the condensed consolidated balance sheet as of March 31, 2016.

(2) These liabilities make up the “Interest Rate Swaps and Other Financial Instruments" liabilities in the condensed consolidated balance sheet as of March 31, 2016.

Fair Value of Derivative Financial Instruments

As of December 31, 2015	Fair Value of Derivative Assets(1)	Fair Value of Derivative Liabilities(2)
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 141,499	$ 2,912
Foreign Exchange Contracts	2,286	1,010
Total Derivatives Designated as Hedging Instruments	$ 143,785	$ 3,922
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 149,753	$ 106,770
Foreign Exchange Contracts	2,451	2,705
Total Derivatives Not Designated as Hedging Instruments	$ 152,204	$ 109,475
Total Derivatives	$ 295,989	$ 113,397

(1) These assets make up the “Interest Rate Swaps and Other Financial Instruments” assets in the condensed consolidated balance sheet as of December 31, 2015.

(2) These liabilities make up the “Interest Rate Swaps and Other Financial Instruments" liabilities in the condensed consolidated balance sheet as of December 31, 2015.

A summary of the impact of derivative financial instruments on our condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2016 and 2015 is shown below.

Derivative Financial Instruments in Fair Value Hedging Relationships

Three Months Ended March 31,	Net Amount of Gain or (Loss) Recognized in Income on Derivatives and Hedged Items[1] 2016	2015
Interest Rate Contracts	$ (392)	$ 735
Total	**$ (392)**	$ 735

[1] Located in Interest Expense in the condensed consolidated statements of income for the three months ended March 31, 2016 and 2015.

Derivative Financial Instruments in Cash Flow Hedging Relationships

Three Months Ended March 31, 2016	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives[1]	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Income on Derivatives[1]	Amount of Gain or (Loss) Recognized in Income on Derivatives[2]
Interest Rate Contracts	$ (6,748)	$ (935) [3]	$ -
Foreign Exchange Contracts	(6,511)	(6,553) [4] [5]	313 [4]
Total	**$ (13,259)**	**$ (7,488)**	**$ 313**

[1] Effective portion

[2] Ineffective portion and amount excluded from effectiveness assessment.

[3] Located in Interest Expense in the condensed consolidated statement of income for the three months ended March 31, 2016.

[4] Located in Interest Income – Loans in the condensed consolidated statement of income for the three months ended March 31, 2016.

[5] Fully offset by a $6,553 gain on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed. consolidated statement of income for the three months ended March 31, 2016.

Derivative Financial Instruments in Cash Flow Hedging Relationships						
Three Months Ended March 31, 2015		**Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives[1]**		**Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Income on Derivatives[1]**		**Amount of Gain or (Loss) Recognized in Income on Derivatives[2]**
Interest Rate Contracts	$	(3,217)	$	(465) [3]	$	-
Foreign Exchange Contracts		402		442 [4] [5]		(54) [4]
Total	$	(2,815)	$	(23)	$	(54)

[1] Effective portion

[2] Ineffective portion and amount excluded from effectiveness assessment.

[3] Located in Interest Expense in the condensed consolidated statement of income for the three months ended March 31, 2015.

[4] Located in Interest Income – Loans in the condensed consolidated statement of income for the three months ended March 31, 2015.

[5] Fully offset by a ($442) loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed. consolidated statement of income for the three months ended March 31, 2015.

Derivative Financial Instruments Not Designated as Hedging Relationships				
	Net Amount of Gain or (Loss) Recognized in Income On Derivatives[1]			
Three Months Ended March 31,		**2016**		**2015**
Interest Rate Contracts	**$**	**1,066**	$	2,294
Foreign Exchange Contracts		**42**		(180)
Total	**$**	**1,108**	$	2,114

[1] Located in Other Noninterest Income/Expense in the condensed consolidated statements of income for the three months ended March 31, 2016 and 2015.

Asset/Liability Offsetting

As noted previously, derivative transactions with swap dealers include bilateral collateral and netting agreements that require the net settlement of covered contracts. Derivative transactions with customers are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed consolidated balance sheets. The amount of collateral received or pledged is calculated on a net basis, by counterparty.

The following table summarizes derivative assets and liabilities, related accrued interest and amounts of collateral exchanged pursuant to our agreements.

Offsetting of Financial and Derivative Instruments				
		Amounts Not Offset In the Condensed Consolidated Balance Sheets		
	Gross Amounts of Assets/Liabilities Presented in the Condensed Consolidated Balance Sheets	Cash Collateral Received/ Pledged[1]	Investment Securities Received/Pledged as Collateral[1]	Net Amount
As of March 31, 2016				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	**$ 169,177**	**$ (63,631)**	**$ (10,017)**	**$ 95,529**
Customer	**249,799**	**-**	**-**	**249,799**
Clearinghouse	**10,726**	**-**	**-**	**10,726**
Accrued Interest Receivable on Derivative Contracts	**35,295**	**-**	**-**	**35,295**
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	**128,368**	**(11,300)**	**-**	**117,068**
Customer	**6,976**	**-**	**-**	**6,976**
Clearinghouse	**84,227**	**(71,366)**	**(24,331)**	**-** [2]
Accrued Interest Payable on Derivative Contracts	**4,943**	**-**	**-**	**4,943**
As of December 31, 2015				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	$ 152,222	$ (115,191)	$ (34,665)	$ 2,366
Customer	137,132	-	-	137,132
Clearinghouse	6,635	-	-	6,635
Accrued Interest Receivable on Derivative Contracts	67,228	-	-	67,228
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	63,904	(1,570)	-	62,334
Customer	6,574	-	-	6,574
Clearinghouse	42,919	(34,103)	(23,747)	- [2]
Accrued Interest Payable on Derivative Contracts	5,278	-	-	5,278

[1] Cash collateral received is recognized in the condensed consolidated balance sheets whereas investment securities received are not recognized in the condensed consolidated balance sheets.

[2] Cash and investment securities pledged as collateral fully offset the related gross liability in the condensed consolidated balance sheets.

Note 7 – Fair Value Measurements

The fair value of financial instruments represents the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. The FASB has established a three-level fair value hierarchy aimed at maximizing the use of observable inputs – that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at March 31, 2016 consist of assets held in a trust fund related to deferred compensation and nonqualified retirement plans. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Our Level 2 assets and liabilities at March 31, 2016 include our derivative contracts, collateral balances related to derivative contracts, federal funds sold and other highly-liquid assets, U.S. Treasury and agency debt investment securities, Ginnie Mae MBS, non-agency MBS, corporate bonds and the substantial majority of agency MBS.

The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer or extinguish a derivative liability in active markets among willing participants at the reporting date. Estimated fair value is determined through internal market valuation models. These models use an income approach and incorporate benchmark interest rate curves (primarily the USD LIBOR/swap curve), volatilities, counterparty credit quality and other inputs that are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results. The fair value of collateral assets and liabilities related to derivative contracts is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

The fair value of our investment securities classified as Level 2 is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models also incorporate information regarding non-binding broker/dealer quotes, available trade information, historical cash flows, credit ratings and other market information. Such valuations represent an estimated exit price, or price to be received by a seller in active markets to sell the investment securities to a willing participant. The estimated fair value of investment securities also appears in Note 4.

The fair value of federal funds sold and other highly-liquid assets is generally their face value, plus accrued interest, as these instruments are readily convertible to cash and short-term in nature.

The following table presents information about valuation techniques and inputs to Level 2 fair value measurements.

Information About Valuation Techniques and Inputs to Level 2 Fair Value Measurements

	Valuation Technique	Inputs
Federal Funds Sold and Other Highly-Liquid Assets	Carrying Value	Par/Principal Plus Accrued Interest
Investment Securities	Third-Party Pricing Service	Prepayment Rate
		Lifetime Default Rate
		Loss Severity
		Benchmark Yield Curve
		Quoted Prices
Interest Rate Swaps and Other Financial Instruments	Discounted Cash Flow	Benchmark Yield Curve
		Counterparty Credit Risk
		Volatility
Collateral Assets and Collateral Liabilities	Carrying Value	Par/Principal Plus Accrued Interest

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at March 31, 2016 include our Farmer Mac MBS, FHA/VA non-wrapped reperformer MBS, ABS and a small portion of agency MBS. Based on the lack of active trading volume and an orderly market for these securities, we classified these securities as Level 3. Fair value for all Farmer Mac MBS and a small portion of our ABS is calculated internally using third-party models. Fair value for FHA/VA non-wrapped reperformer MBS, the substantial majority of our ABS and a Level 3 agency MBS is estimated through a third-party pricing service that uses valuation models to estimate current market prices. Inputs into all of these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to market inputs where information is available.

Level 3 assets at March 31, 2016 also include $94.4 million of loans originally measured at cost, which were written down to fair value as a result of impairment. The valuation of these assets requires a determination of the fair value of the underlying collateral, which may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the 'Assets and Liabilities Measured at Fair Value on a Recurring Basis' tables on pages 44 and 45 because they are not measured on a recurring basis.

Our Level 3 liabilities at March 31, 2016 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

No transfers into or out of the three levels of assets occurred during the three months ended March 31, 2016 and 2015.

The following table presents quantitative information about Level 3 fair value measurements as of March 31, 2016.

Quantitative Information About Valuation Techniques and Unobservable Inputs to Level 3 Fair Value Measurements

($ in Millions)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Assets				
Investment Securities:				
U.S. Agency MBS	$ 50	Third-Party Pricing Service	Prepayment Rate	*
FHA/VA Non-Wrapped Reperformer MBS	301	Third-Party Pricing Service	Prepayment Rate	*
			Lifetime Default Rate	*
			Loss Severity	*
Farmer Mac MBS	115	Discounted Cash Flow	Prepayment Rate	8-10 percent
			Mark-to-Market Spread	1-2 percent
Asset-Backed	38	Third-Party Pricing Service	Prepayment Rate	*
			Lifetime Default Rate	*
			Loss Severity	*
Asset-Backed	7	Discounted Cash Flow	Prepayment Rate	0-23 percent
Impaired Loans	94	Appraisal	Income/Expense Data	**
			Comparable Sales	**
			Replacement Cost	**
Liabilities				
Standby Letters of Credit	$ 10	Discounted Cash Flow	Mark-to-Market Spread	0.2-1 percent

* Excludes ranges which are determined by a third-party pricing service.

** Range of inputs are unique to each collateral property.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2016 and December 31, 2015 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

March 31, 2016

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Federal Funds Sold and Other Highly-Liquid Assets	$ -	$ 150	$ -	$ 150
Investment Securities:				
U.S. Treasury Debt	-	8,375	-	8,375
U.S. Agency Debt	-	5,862	-	5,862
Residential MBS:				
Ginnie Mae	-	808	-	808
U.S. Agency	-	7,423	50	7,473
FHA/VA Non-Wrapped Reperformer	-	-	301	301
Non-Agency	-	120	-	120
Commercial MBS:				
U.S. Agency	-	2,500	-	2,500
Agricultural MBS:				
Farmer Mac	-	-	115	115
Asset-Backed	-	-	45	45
Corporate Bonds	-	92	-	92
Interest Rate Swaps and Other Financial Instruments	-	430	-	430
Assets Held in Trust (included in Other Assets)	60	-	-	60
Collateral Assets (included in Other Assets)	-	83	-	83
Total Assets	$ 60	$ 25,843	$ 511	$ 26,414
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 220	$ -	$ 220
Collateral Liabilities (included in Bonds and Notes)	-	64	-	64
Standby Letters of Credit (included in Other Liabilities)	-	-	10	10
Total Liabilities	$ -	$ 284	$ 10	$ 294

Assets and Liabilities Measured at Fair Value on a Recurring Basis

December 31, 2015

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ -	$ 7,188	$ -	$ 7,188
U.S. Agency Debt	-	5,857	-	5,857
Residential MBS:				
Ginnie Mae	-	906	-	906
U.S. Agency	-	7,711	52	7,763
FHA/VA Non-Wrapped Reperformer	-	-	342	342
Non-Agency	-	129	-	129
Commercial MBS:				
U.S. Agency	-	1,982	-	1,982
Agricultural MBS:				
Farmer Mac	-	-	124	124
Asset-Backed	-	-	47	47
Corporate Bonds	-	166	-	166
Interest Rate Swaps and Other Financial Instruments	-	296	-	296
Assets Held in Trust (included in Other Assets)	63	-	-	63
Collateral Assets (included in Other Assets)	-	36	-	36
Total Assets	$ 63	$ 24,271	$ 565	$ 24,899
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 113	$ -	$ 113
Collateral Liabilities (included in Bonds and Notes)	-	115	-	115
Standby Letters of Credit (included in Other Liabilities)	-	-	10	10
Total Liabilities	$ -	$ 228	$ 10	$ 238

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

($ in Millions)	Agency Mortgage-Backed Securities	Farmer Mac Mortgage-Backed Securities	FHA/VA Non-Wrapped Reperformer Mortgage-Backed Securities	Asset-Backed Securities	Standby Letters of Credit
Balance at December 31, 2015	**$ 52**	**$ 124**	**$ 342**	**$ 47**	**$ 10**
Total Gains or Losses (Realized/Unrealized):					
Included in Other Comprehensive Income	**-**	**-**	**(7)**	**(2)**	**-**
Sales	**-**	**-**	**(24)**	**-**	**-**
Issuances	**-**	**-**	**-**	**-**	**2**
Settlements	**(2)**	**(9)**	**(13)**	**(1)**	**(2)**
Accretion	**-**	**-**	**3**	**1**	**-**
Balance at March 31, 2016	**$ 50**	**$ 115**	**$ 301**	**$ 45**	**$ 10**
Balance at December 31, 2014	$ 57	$ 150	$ 391	$ 93	$ 9
Total Gains or Losses (Realized/Unrealized):					
Included in Other Comprehensive Income	-	-	(3)	3	-
Issuances	-	-	-	-	1
Settlements	(1)	(8)	(13)	(3)	(1)
Accretion	-	-	4	1	-
Balance at March 31, 2015	$ 56	$ 142	$ 379	$ 94	$ 9

Estimated Fair Value of Certain Other Financial Instruments

The following table presents the estimated fair value of financial instruments that are recorded in the condensed consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of March 31, 2016 and December 31, 2015.

($ in Millions)

	March 31, 2016			December 31, 2015		
	Carrying Amount	**Estimated Fair Value**	**Fair Value Hierarchy**	**Carrying Amount**	**Estimated Fair Value**	**Fair Value Hierarchy**
Financial Assets:						
Net Loans	**$ 90,202**	**$ 91,872**	**Level 3**	$ 88,554	$ 89,501	Level 3
Financial Liabilities:						
Bonds and Notes	**$ 107,433** (1)	**$ 108,890** (1)	**Level 3**	$ 106,970 (2)	$ 107,537 (2)	Level 3
Subordinated Debt	**903**	**873**	**Level 3**	903	926	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	**$ -**	**$ (91)**	**Level 3**	$ -	$ (106)	Level 3

(1) Includes $64 million in collateral liabilities carried at fair value as of March 31, 2016.

(2) Includes $115 million in collateral liabilities carried at fair value as of December 31, 2015.

Net Loans

Our loan portfolio includes fixed- and floating-rate loans. Since no active trading market exists for most of our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk.

Bonds and Notes

Bonds and notes are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the U.S. Treasury yield curve and an estimated yield-spread relationship between Farm Credit debt securities and U.S. Treasury securities. We estimate an appropriate yield-spread taking into consideration bank and security dealer yield indications, observed new government sponsored enterprise debt security pricing, and pricing levels in the related USD interest rate swap market.

Subordinated Debt

The fair value of subordinated debt is estimated based upon quotes obtained from a broker/dealer.

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated by applying a risk-adjusted spread percentage to these obligations.

The following table presents information about valuation techniques and inputs to other fair value measurements.

Information About Valuation Techniques and Inputs to Other Fair Value Measurements

	Valuation Technique	Input
Net Loans	Discounted Cash Flow	Prepayment Rate
		Mark-to-Market Spread
		Benchmark Yield Curve
		Probability of Default
		Loss Given Default
Bonds and Notes	Discounted Cash Flow	Benchmark Yield Curve
		Farm Credit Spread
Subordinated Debt	Non-binding Broker/Dealer Quote	Price for Similar Security
Commitments to Extend Credit	Discounted Cash Flow	Mark-to-Market Spread

Note 8 – Employee Benefit Plans

We have employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007. We also have noncontributory, unfunded nonqualified supplemental executive retirement plans covering certain senior officers and specified other senior managers, as well as a noncontributory, unfunded nonqualified executive retirement plan designed to provide enhanced retirement benefits to two senior officers employed pursuant to employment agreements. We have a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional, non-elective employer defined contributions. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $0.7 million to our funded qualified defined benefit pension plans during the three months ended March 31, 2016, and anticipate that we will contribute approximately $4.3 million more to such plans during the remainder of 2016. We expect to contribute a total of $0.5 million, net of collected retiree premiums, to our other postretirement benefit plans in 2016. We contributed $0.8 million to our trust funds related to our nonqualified retirement plans during the three months ended March 31, 2016, and anticipate that we will contribute approximately $3.8 million more to such plans during the remainder of 2016. Our actual contributions could differ from the estimates noted above.

Note 9 – Commitments and Contingent Liabilities

Due to the often volatile seasonal borrowing requirements of our Agribusiness customers, which are impacted by changing commodity prices, farmer delivery patterns, weather and other factors, we provide a significant amount of revolving loan commitments. We also provide revolving loan commitments to other customers including those in the electric distribution and power supply industries. At March 31, 2016, commitments to extend credit and commercial letters of credit were $31.4 billion and $460.9 million, respectively.

Under the Farm Credit Act, we are primarily liable for the portion of outstanding Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities) issued by CoBank. Additionally, we are contingently liable for the outstanding Systemwide Debt Securities issued by the other System banks. Total Systemwide Debt Securities of the System were $245.0 billion at March 31, 2016.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. System banks are statutorily required to maintain eligible assets at a level at least equal in value to the total amount of debt for which such System bank is primarily liable. In addition, in the event of a default by a System bank, the Insurance Fund would be required to make timely payment of principal and interest on Systemwide Debt Securities, to the extent that net assets are available in the Insurance Fund, before the joint and several liability of the System banks would be triggered. At March 31, 2016, the aggregated assets of the Insurance Fund totaled $4.1 billion. Finally, System banks must maintain certain financial criteria in order to participate in Systemwide debt issuances. If these criteria are not met, a troubled System bank's access to and participation in Systemwide debt issuances could be limited or denied.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. For other matters, where a loss is not probable or the amount of the loss is not estimable, we will not accrue legal reserves. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of legal counsel and available insurance coverage, we believe that our established legal reserves are adequate as of March 31, 2016 and the liabilities arising from our legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of the Bank. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Bank's consolidated financial position, consolidated results of operations or consolidated cash flows.

Note 10 – Segment Financial Information

We conduct our lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the segments. Allocations of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. We also allocate to our segments net interest income on investment securities, federal funds sold and other highly-liquid assets as well as gains and losses on investment securities. Information to reconcile the total reportable segments to the total CoBank financial statements is shown as "other." Inter-segment transactions are insignificant.

We do not hold significant assets in any foreign country. Substantially all of our agricultural export finance loans are U.S. dollar-denominated and 34 percent of these loans are guaranteed by the U.S. government.

For the three-month periods ended March 31, 2016 and 2015, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information

For the Three Months Ended March 31, 2016

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	**$ 161,502**	**$ 74,769**	**$ 103,212**	**$ 339,483**	**$ (2,606)**	**$ 336,877**
Provision for Loan Losses/(Loan Loss Reversal)	**15,000**	**-**	**(7,000)**	**8,000**	**-**	**8,000**
Noninterest Income	**32,134**	**285**	**11,132**	**43,551**	**(206)**	**43,345**
Operating Expenses	**49,773**	**9,961**	**27,724**	**87,458**	**(808)**	**86,650**
Provision for Income Taxes	**22,760**	**-**	**18,690**	**41,450**	**810**	**42,260**
Net Income	**$ 106,103**	**$ 65,093**	**$ 74,930**	**$ 246,126**	**$ (2,814)**	**$ 243,312**
Selected Financial Information at March 31, 2016 ($ in Millions):						
Loans	**$ 28,081**	**$ 42,851**	**$ 19,774**	**$ 90,706**	**$ -**	**$ 90,706**
Less: Allowance for Loan Losses	**(335)**	**-**	**(169)**	**(504)**	**-**	**(504)**
Net Loans	**$ 27,746**	**$ 42,851**	**$ 19,605**	**$ 90,202**	**$ -**	**$ 90,202**
Total Assets	**$ 28,117**	**$ 42,932**	**$ 19,688**	**$ 90,737**	**$ 27,326** [(1)]	**$ 118,063**
[(1)] Other assets are comprised of:						
Federal Funds Sold and Other Highly-Liquid Assets						**$ 150**
Investment Securities						**25,691**
Other Assets						**1,485**

For the Three Months Ended March 31, 2015

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 153,917	$ 71,274	$ 92,190	$ 317,381	$ (2,096)	$ 315,285
Provision for Loan Losses	8,000	-	2,000	10,000	-	10,000
Noninterest Income	28,866	276	17,969	47,111	(135)	46,976
Operating Expenses	44,152	9,011	21,574	74,737	(36)	74,701
Provision for Income Taxes	28,210	-	17,175	45,385	(51)	45,334
Net Income	$ 102,421	$ 62,539	$ 69,410	$ 234,370	$ (2,144)	$ 232,226
Selected Financial Information at March 31, 2015 ($ in Millions):						
Loans	$ 24,994	$ 38,831	$ 16,844	$ 80,669	$ -	$ 80,669
Less: Allowance for Loan Losses	(338)	-	(152)	(490)	-	(490)
Net Loans	$ 24,656	$ 38,831	$ 16,692	$ 80,179	$ -	$ 80,179
Total Assets	$ 24,979	$ 38,904	$ 16,759	$ 80,642	$ 24,892 [(1)]	$ 105,534
[(1)] Other assets are comprised of:						
Investment Securities						$ 23,345
Other Assets						1,547

Note 11 – Affiliated Associations

CoBank is 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. The Associations are not authorized by the Farm Credit Act to participate in the issuance of 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 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural purposes. The Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations may serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

The Farm Credit Act and FCA regulations require us to exercise supervision over certain operating activities of our affiliated Associations. CoBank and our affiliated Associations operate under a creditor/debtor relationship evidenced by a General Financing Agreement (GFA) entered into separately with each Association. The GFA sets forth the creditor/debtor relationship between us and each Association and also references certain requirements contained in the Farm Credit Act and FCA regulations. The Associations' respective boards of directors are expected to establish and monitor the necessary policies and procedures to comply with all FCA regulations. In all other respects, the lending relationship with the Associations is substantially similar to that with our other borrowers.

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 our condensed consolidated financial statements.

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.

During the first quarter of 2016, a wholesale loan to one of our affiliated Associations, which totaled $1.2 billion as of March 31, 2016, was downgraded to the 'Special Mention' credit quality classification. The downgrade of the affiliated Association loan resulted from an internal control weakness at that Association. Pursuant to our regulatory requirements, we classify our wholesale loans using the same credit rating methodology as is used with our commercial loans. Our loans to affiliated Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their retail loan portfolios. As a result of the collateralization and other mitigating factors described above, we do not anticipate any losses on that Association's wholesale loan. As of March 31, 2016, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any of our wholesale loans.

Note 12 – Subsequent Events

On April 8, 2016, we issued $375 million of Series I non-cumulative perpetual preferred stock, representing 375 thousand shares at $1,000 per share par value. We used the net proceeds from the Series I preferred stock issuance to increase our regulatory capital pursuant to current FCA regulations and for general corporate purposes. Dividends on the Series I preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable semi-annually in arrears beginning on October 1, 2016 and will accrue at a fixed annual rate of 6.25 percent from the date of issuance up to, but excluding, October 1, 2026. Thereafter, dividends will accrue at an annual rate equal to the 3-month USD LIBOR plus 4.66 percent and will be payable quarterly. The Series I preferred stock is not mandatorily redeemable at any time. However, the Series I preferred stock will be redeemable at par value, in whole or in part, at our option, quarterly beginning on October 1, 2026. In addition, the Series I preferred stock will be redeemable in whole at any time upon the occurrence of certain defined regulatory events. The Series I preferred stock ranks equally, both as to dividends and upon liquidation, to our outstanding Series E, F, G and H preferred stock, and senior to all of our outstanding common stock.

On April 15, 2016, we redeemed all of our outstanding 7.875 percent subordinated notes due 2018 totaling $404.7 million. The redemption price was 100 percent of the principal amount, together with accrued and unpaid interest up to, but excluding, the date of redemption.

We have evaluated subsequent events through May 10, 2016, which is the date the financial statements were issued.

Controls and Procedures

CoBank, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The chief executive officer and the chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term "internal controls," as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU-C Section 315, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Certification Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 10th day of May, 2016.

/s/ EVERETT DOBRINSKI

Everett Dobrinski
Chair of the Board

/s/ ROBERT B. ENGEL

Robert B. Engel
Chief Executive Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

CERTIFICATION

I, Robert B. Engel, Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ ROBERT B. ENGEL

Robert B. Engel
Chief Executive Officer

Dated: May 10, 2016

CERTIFICATION

I, David P. Burlage, Chief Financial Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

Dated: May 10, 2016

Senior Management
CoBank, ACB

Robert B. Engel, Chief Executive Officer

Mary E. McBride, President
Antony M. Bahr, Banking Services Group (1)
Michael A. Romanowski, Farm Credit Leasing Services Corporation (2)
Leonard G. Sahling, Knowledge Exchange Division

David P. Burlage, Chief Financial Officer
Timothy D. Steidle, Treasury Division
Michael R. Vestal, Controller Division

Nivin A. Elgohary, Electric Distribution, Water and Community Facilities Banking Division (3)
William D. LaDuca, Electric Distribution Division
Christopher M. Shaffner, Water and Community Facilities Division

Andrew D. Jacob, Chief Regulatory, Legislative and Compliance Officer
Brian Cavey, Government Affairs
Arthur C. Hodges, Jr., Corporate Communications Division

Daniel L. Key, Chief Credit Officer
S. Richard Dill, Special Assets Division

Thomas E. Halverson, Chief Banking Officer

Agribusiness
Amy H. Gales, Regional Agribusiness Banking Group (4)
Leili Ghazi, Agribusiness Division – West
Michael W. Hechtner, Agribusiness Division – Central
Lynn M. Scherler, Agribusiness Division – South
G. David Sparks, Agribusiness Division – East
Jonathan B. Logan, Corporate Agribusiness Banking Group
Karen S. Lowe, Agricultural Export Finance Division

Rural Infrastructure
Brian A. Goldstein, Project Finance Banking Division
Todd E. Telesz, Power, Energy and Utilities Banking Division
Robert F. West, Communications Banking Division

Lori L. O'Flaherty, Chief Risk Officer
Timothy A. Green, Asset Review Division
Katia V. Hoffer, Enterprise Risk Management Division
Steven W. Wittbecker, Internal Audit Division

Robert L. O'Toole, Chief Human Resources Officer

John Svisco, Chief Business Services Officer
Matthew H. Cammer, Digital Business Solutions Division
Todd E. Wilson, Enterprise Solutions and Services Division

Ann E. Trakimas, Chief Operating Officer
James R. Bernsten, Information Technology Division
Christian J. Clayton, Legal and Loan Processing
Horst G. Kisch, Operations Division
M. Mashenka Lundberg, General Counsel

(1) The Banking Services Group also includes the Bank's Capital Markets Division.
(2) Farm Credit Leasing Services Corporation is included in our Agribusiness operating segment.
(3) The Electric Distribution, Water and Community Facilities Banking Division is included in our Rural Infrastructure operating segment.
(4) The Strategic Relationships operating segment is included in the Regional Agribusiness Banking Group.

Office Locations

CoBank, ACB

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P. O. Box 5110
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(800) 542-8072

Farm Credit Leasing Services Corporation
600 Highway 169 South, Suite 300
Minneapolis, MN 55426
(952) 417-7800
(800) 444-2929

Washington, DC Office
50 F Street, N.W., Suite 900
Washington, DC 20001
(202) 650-5860

U.S. Regional Offices

Ames Banking Center
2515 University Boulevard, Suite 104
Ames, IA 50010
(515) 292-8828

Atlanta Banking Center **
2300 Windy Ridge Parkway, Suite 370S
Atlanta, GA 30339
(770) 618-3200
(800) 255-7429
FCL: (770) 618-3226

Austin Banking Center
4801 Plaza on the Lake Drive
Austin, TX 78746
(512) 483-9273

Enfield Banking Center **
240B South Road
Enfield, CT 06082-4451
(860) 814-4043
(800) 876-3227
FCL: (860) 814-4049

Fargo Banking Center
4143 26th Avenue South, Suite 101
Fargo, ND 58104
(701) 277-5007
(866) 280-2892

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3594 Maribella Dr.
New Smyrna Beach, FL 32168
(678) 592-5394

Louisville Banking Center **
1601 UPS Drive, Suite 102
Louisville, KY 40223
(502) 423-5650
(800) 262-6599
FCL: (800) 942-3309

Lubbock Banking Center **
5715 West 50th
Lubbock, TX 79414
(806) 788-3700
FCL: (806) 788-3705

Minneapolis Banking Center **
600 Highway 169 South, Suite 300
Minneapolis, MN 55426
(952) 417-7900
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FCL: (800) 444-2929

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1220 Irmscher Boulevard
Celina, OH 45822
(855) 838-9961 Ext. 23969

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13810 FNB Parkway, Suite 301
Omaha, NE 68154
(402) 492-2000
(800) 346-5717

Sacramento Banking Center **
1478 Stone Point Drive, Suite 450
Roseville, CA 95661
(916) 380-3524
(800) 457-0942
FCL: (800) 289-7080

Spokane Banking Center
1700 South Assembly Street, Suite 103
Spokane, WA 99224-2121
(509) 363-8700
(800) 378-5577

Sterling Banking Center
229 South 3rd Street
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(970) 521-2774

St. Louis Banking Center **
1650 Des Peres Road, Suite 120
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(314) 835-4200
(800) 806-4144
FCL: (800) 853-5480

Wichita Banking Center **
245 North Waco, Suite 130
Wichita, KS 67202
(316) 290-2000
(800) 322-3654
FCL: (800) 322-6558

International

Singapore Representative Office
10 Hoe Chiang Road
#05-01 Keppel Towers
Singapore 089315
(65) 6534-5261

* *Farm Credit Leasing office only*
** *Farm Credit Leasing office within this CoBank location*

CoBank's 2016 Quarterly and Annual Reports to Shareholders are available free of charge on request by calling or visiting one of our banking center locations and through our website at www.cobank.com on approximately May 10, 2016, August 8, 2016, November 7, 2016, and March 3, 2017 (Annual Report).