MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
April 14, 2016

These minutes reflect the business transacted at the April 14, 2016, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (Act), 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 10:46 a.m. Members of the Board present were:

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas Tonsager, Member
Jeffery S. Hall, Member

The above named constituted the full Board.

Others present included Charles Rawls, General Counsel; Dale Aultman, Secretary to the Board; staff of the FCA and Farm Credit System Insurance Corporation (FCSIC); and two members of the general public. (A list of staff attendees is attached as Exhibit A.)

The Secretary read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Board Chairman Spearman reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Tonsager moved to adopt the Agenda as published.

Mr. Hall seconded the motion.
There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

**Mr. Hall** noted that the Agenda did include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the meeting be closed at that point.

**Mr. Tonsager** seconded the motion.

There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

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**OPEN SESSION**

**Approval of Minutes**

**Minutes for March 10, 2016**

(BM-14-APR-16-01)

**Mr. Tonsager** moved to approve the minutes for March 10, 2016, FCA Regular Board Meeting.

**Mr. Hall** seconded the motion.

There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. *(BM-14-APR-16-01)*

(A copy of the official “Board Action Item” is attached as Exhibit C.)

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**Reports**

**Quarterly Report on Economic Conditions and FCS Conditions**

**Steve Gabriel** of the Office of Regulatory Policy and **Hal Johnson** of the Office of Examination (OE) presented the Quarterly Report on Economic Conditions and Farm Credit System Conditions.

**Board Chairman Spearman** asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit D.)
Farm Credit System Building Association Auditor’s Report on 2015 Financial Audit

Rick Albrecht, President of the Farm Credit System Building Association (FCSBA); and Craig Hunter and Brandon Welsh of Cherry Beakert, LLP presented the FCSBA Auditor’s Report on 2015 Financial Audit.

Board Chairman Spearman asked if there were any questions or further discussion from the Board.

There was no further discussion.

(A copy of the PowerPoint presentation is attached as Exhibit E.)

CLOSED SESSION

Board Chairman Spearman noted that this was a Closed Session and ensured that members of the public and nonessential FCA and FCSIC staff were not in the room so the Board could meet with Office of Examination staff in Closed Session.

Board Chairman Spearman convened the closed session of the meeting at 9:51 a.m. and instructed the Secretary to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

Board Chairman Spearman then instructed the General Counsel to furnish the Secretary with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit G.)

Members of the Board present were:

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas Tonsager, Member
Jeffery S. Hall, Member

The above named constituted the full Board.

Others present included Dale Aultman, Secretary to the Board; and Charles Rawls, General Counsel. (A list of staff attendees is attached as Exhibit A).

Office of Examination Quarterly Report

Board Chairman Spearman reminded those speaking to state their name before speaking.

Robert Coleman and Roger Paulsen of the Office of Examination presented the OE Quarterly Report.

Board Chairman Spearman thanked the OE staff at the conclusion of their report.
BOARDCHAIRMAN SPEARMAN announced that the next topic on the Agenda was a closed executive session pursuant to previous Board action and 5 U.S.C. § 552b(c)(2).

BOARDCHAIRMAN SPEARMAN instructed all to exit except for Board Members, Executive Assistants, the General Counsel, and the Secretary to the Board so that the Board could meet with Craig Hunter and Brandon Welsh as approved by the Board previously.

BOARDCHAIRMAN SPEARMAN reminded those speaking to state their name before speaking and asked the Auditors to further discuss the audit.

BOARDCHAIRMAN SPEARMAN asked if there were any questions or further discussion from the Board.

There was no further discussion.

**ADJOURNMENT**

There being no further business to come before the Board, BOARDCHAIRMAN SPEARMAN indicated he would entertain a motion to adjourn the meeting.

**Mr. Hall** moved that the meeting be adjourned.

**Mr. Tonsager** seconded the motion.

BOARDCHAIRMAN SPEARMAN called the question.

The Secretary polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:46 a.m.

**NOTATIONAL VOTE ACTIONS**

There were three notational vote actions approved by the FCA Board from March 11, 2016, through April 13, 2016 as follows:

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Action Date</th>
<th>Voting Results</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>NV 16-05</td>
<td>03/14/2016</td>
<td>Approved</td>
<td>The FCA Board did not object to the disclosure statement that CoBank, ACB, intends to use to issue up to $375 million in noncumulative perpetual preferred stock in one or more future offerings.</td>
</tr>
<tr>
<td>NV 16-06</td>
<td>03/15/2016</td>
<td>Approved</td>
<td>CoBank, ACB request to invest up to $10 million in bonds issued by a regional healthcare center in South Dakota. The bonds will provide financing to renovate and expand the center’s facilities. FCA placed conditions on CoBank in conjunction with this investment.</td>
</tr>
<tr>
<td>NV 16-07</td>
<td>04/05/2016</td>
<td>Approved</td>
<td>FCA Strategic Plan for 2016 to 2021.</td>
</tr>
</tbody>
</table>
The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on April 14, 2016.

/s/ Kenneth A. Spearman
Board Chairman and Chief Executive Officer

/s/ Dale L. Aultman
Secretary to the Board

Approved: May 12, 2016
STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
April 14, 2016

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas Tonsager, Board Member
Jeffery S. Hall, Board Member

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<tr>
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<th>OPEN SESSION</th>
<th>CLOSED SESSION</th>
<th>EXECUTIVE SESSION</th>
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<td>GENERAL PUBLIC</td>
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PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
April 14, 2016

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b (e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held April 14, 2016. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

Approval of Minutes
1 March 10, 2016

Reports
2 Quarterly Report on Economic Conditions and FCS Conditions
3 Farm Credit System Building Association Auditor’s Report on 2015 Financial Audit

CLOSED SESSION

4 Office of Examination Quarterly Report

CLOSED EXECUTIVE SESSION

5 Executive Session - FCS Building Association Auditor’s Report

__________________________ /s/_____________________
Date  Dale L. Aultman
Secretary to the Board

1Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).
2Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(2).
FCA BOARD ACTION ON

Minutes for March 10, 2016 Board Meeting

BM-14-APR-16-01

Effective Date: April 14, 2016

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for March 10, 2016, Regular Board Meeting as submitted.

DATED THIS 14th DAY OF APRIL 2016

BY ORDER OF THE BOARD

__________________________
Dale L. Aultman
Secretary to the Board
Quarterly Report on FCS Condition

April 14, 2016

Stephen Gabriel
Hal Johnson

Exhibit D
Topics for Open Session

- Economic Conditions Affecting the FCS
- FCS Condition and Performance
Economic Conditions Affecting the Farm Credit System

Stephen Gabriel
Chief Economist
Office of Regulatory Policy
Uncertainty is still a key factor in the global economy

- Weak global economic growth
- Negative interest rates
- Divergent monetary policies
- Chinese economic slowdown
- Potential “Brexit”
- European migration crisis
- Geopolitical issues – N. Korea, Iran, ISIS, Ukraine, Syria
U.S. economic outlook: steady as she goes

Consensus Forecasts (percent)
Red indicates forecast

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<td>GDP growth*</td>
<td>0.6</td>
<td>3.9</td>
<td>2.0</td>
<td>1.4</td>
<td>2.1</td>
<td>2.4</td>
<td>2.5</td>
<td>2.4</td>
<td>2.4</td>
<td>2.3</td>
<td>2.3</td>
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<tr>
<td>CPI*</td>
<td>-2.9</td>
<td>2.4</td>
<td>1.4</td>
<td>0.8</td>
<td>0.4</td>
<td>1.8</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
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<td>Unemployment rate</td>
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<td>5.4</td>
<td>5.2</td>
<td>5.0</td>
<td>4.9</td>
<td>4.8</td>
<td>4.7</td>
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<td>4.6</td>
<td>4.5</td>
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<td>10 Yr T-Bond</td>
<td>2.0</td>
<td>2.4</td>
<td>2.0</td>
<td>2.2</td>
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<td>2.7</td>
<td>2.8</td>
<td>3.0</td>
<td>3.1</td>
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</table>

Source: Consensus Economics, Inc.
Survey date - March 7, 2016
* % change from prior quarter, seasonally adjusted annual rate
Farm sector developments and concerns

- Farm sector net cash income projected to drop 2.5% in 2016 after dropping 27% in 2015
- Receipts from both crops and animal products to decline in 2016
- Exports are being hurt by the strong dollar and a weak global economy
- Continued farmland market weakness
- California rains improve the water situation
Factors Contributing to the Strong Dollar and Declining Exports
U.S. economic growth exceeds other developed countries

GDP Growth Rate % (year over year)

Canada: 1.2, 1.5, 2.5
United States: 2.4, 2.4, 2.2
Eurozone: 1.5, 1.6, 0.9
Japan: 0.5, 1.0, 0.0

Source: FCA-ORP from Bloomberg LLC data
Where would you put your money?


Source: FCA-ORP from Bloomberg data
The dollar has strengthened relative to competitors and customers

Exchange Rate Changes: Dollar versus Foreign Currency

- Argentina: 124%
- Brazil: 53%
- Mexico: 32%
- Canada: 22%
- Eurozone: 21%
- Australia: 16%
- China: 7%
- Japan: 7%

Source: FCA-ORP from Bloomberg LLC data
Export demand is down due to weakened global economic growth

Source: Wells Fargo Securities
U.S. ag exports projected to decline for second year in a row

U.S. Agricultural Trade, Fiscal Years 2010-2016*

*Fiscal years = October of previous year through September of year indicated.
Exports of most grains projected to fall on both value and volume basis

U.S. Agricultural Exports Grains and Soybeans, % Change in Volume and Value, FY 2015 to Forecast FY 2016

1/ Includes corn gluten feed and meal and processed grain products.
2/ Includes barley, sorghum, oats and rye.

Livestock product export value to drop despite higher volume

U.S. Agricultural Exports of Livestock Products, % Change in Volume and Value, FY 2015 to Forecast FY 2016

Other poultry products 1/ 2/

Beef and pork variety meats

Beef and veal

Dairy products 2/

Pork

Broiler meat

Hides, skins, and furs 2/

Volume

Value

-6%

NA

3%

9%

-6%

-12%

-13%

-17%

-24%

-30% -25% -20% -15% -10% -5% 0% 5% 10% 15%

1/ Includes all poultry products except broiler meat. 2/ Volume figures not available (NA).

Factors Contributing to Low Grain and Soybean Prices and Lower Farm Income
World corn and soybean area rose substantially after 2005.

Source: USDA, FAS
Global corn supplies are pressuring prices

Source: USDA, FAS and NASS
World soybean supplies are also ample

Source: USDA, FAS and NASS
Risks to watch

- Growing conditions this summer
- Signs of borrower stress, especially grain and soybean producers
- Midwest farmland markets
- World economic conditions
- Exchange rates
- Geopolitical tensions
Discussion

THANK YOU
Farm Credit System
Condition and Performance
as of
December 31, 2015

Hal Johnson
Sr. Financial Analyst
Office of Examination
Topics

- System Growth
- Loan Portfolio
- Earnings
- Capital
- FIRS
System growth up in 2015

Source: FCS Annual Information Statements
Loan growth strong across loan types and districts

**Loan Growth by Loan Type** (% change year-over-year)

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<thead>
<tr>
<th>Loan Type</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>Total Gross Loans</td>
<td>4.8%</td>
<td>8.0%</td>
<td>8.7%</td>
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<tr>
<td>RE Mortgage [46%]</td>
<td>2.9%</td>
<td>5.9%</td>
<td>6.9%</td>
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<tr>
<td>Production &amp; Intermediate [21%]</td>
<td>2.0%</td>
<td>4.5%</td>
<td>6.3%</td>
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<tr>
<td>Agribusiness [15%]</td>
<td>13.4%</td>
<td>21.8%</td>
<td>11.1%</td>
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<td>Other [18%]</td>
<td>7.4%</td>
<td>7.3%</td>
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**Loan Growth by District** (% change year-over-year)

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<th>District</th>
<th>2013</th>
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<th>2015</th>
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<td>AgFirst District (11%)</td>
<td>1.5%</td>
<td>4.9%</td>
<td>7.1%</td>
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<td>AgriBank District (39%)</td>
<td>3.2%</td>
<td>6.9%</td>
<td>7.3%</td>
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<td>CoBank District (41%)</td>
<td>5.1%</td>
<td>9.2%</td>
<td>10.4%</td>
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<td>Texas District (9%)</td>
<td>3.2%</td>
<td>5.1%</td>
<td>9.2%</td>
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Source: FCS Annual Information Statements
System’s loan portfolio is well diversified within agriculture.

**FCS Loan Portfolio ($M)**

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<tr>
<th>Category</th>
<th>Dec-15</th>
<th>% of Portfolio</th>
<th>Dec-14</th>
<th>% Change over 2014</th>
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<td>Cash Grains</td>
<td>41,710</td>
<td>17.7%</td>
<td>39,779</td>
<td>4.9%</td>
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<td>Rural Utility</td>
<td>25,798</td>
<td>10.9%</td>
<td>21,568</td>
<td>19.6%</td>
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<td>Cattle</td>
<td>22,347</td>
<td>9.5%</td>
<td>20,909</td>
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<td>Food Products</td>
<td>16,607</td>
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<td>14,895</td>
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<td>Rural Home</td>
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<td>6.6%</td>
<td>14,522</td>
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<td>Dairy Farms</td>
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<td>Forestry</td>
<td>14,855</td>
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</tr>
<tr>
<td>Tree Fruits, Nuts and Grapes</td>
<td>11,392</td>
<td>4.8%</td>
<td>10,137</td>
<td>12.4%</td>
</tr>
<tr>
<td>Farm Supply &amp; Marketing</td>
<td>9,330</td>
<td>4.0%</td>
<td>8,707</td>
<td>7.2%</td>
</tr>
<tr>
<td>Poultry &amp; Eggs</td>
<td>5,966</td>
<td>2.5%</td>
<td>5,453</td>
<td>9.4%</td>
</tr>
<tr>
<td>Hogs</td>
<td>4,963</td>
<td>2.1%</td>
<td>4,420</td>
<td>12.3%</td>
</tr>
<tr>
<td>Other</td>
<td>39,402</td>
<td>16.7%</td>
<td>37,934</td>
<td>3.9%</td>
</tr>
<tr>
<td>Total</td>
<td>235,890</td>
<td>100%</td>
<td>217,054</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Source: FCS Annual Information Statements
Portfolio credit quality remains strong

Portfolio Credit Quality as of December 2015

- Nonperforming loans equaled 0.69% of System loans outstanding
- Over 96% of System loans were classified as Acceptable
- Loan delinquencies were 0.20% of accruing loans
- The System's allowance for loan losses equaled 79% of nonperforming loans
- Total capital and the allowance for loan losses represented 21.2% of System loans at quarter-end

Source: FCS Annual Information Statements
System continued to report strong financial results in 2015

Source: FCS Annual Information Statements
System is well-capitalized

**Capital and Liquidity as of December 2015**

- System capital as a percentage of total assets was 16.1% compared to 16.2% at year end 2014.
- Surplus as a percentage of total capital equaled 82.8%.
- System liquidity at year end 2015 equaled 181 days of coverage. Days of available liquidity for the four funding banks ranged from 136 days to 206 days.

Source: FCS Annual Information Statements
System FIRS ratings

FIRS Ratings

- FIRS ratings remain stable. Relatively few rating changes with the most recent FIRS update.
- 96% of System Banks and Associations have a Composite FIRS rating of 1 or 2.
- 3 and 4 rated institutions account for less than 1% of total System assets.

Composite FIRS Ratings - System Banks & Associations

Source: FCA's FIRS ratings database
Summary and final points

- Challenges for agriculture:
  - General economic factors – weak global economic growth, divergent monetary policies, strong dollar
  - Farm sector concerns – Midwest farmland values, increased stress on corn and soybean producers, declining exports, lower expected cash receipts for animal products

- The System is financially sound, well-capitalized, with strong earnings, and favorable portfolio credit quality

- System institutions are well-positioned for the current risk environment
Questions

THANK YOU
Cherry Bekaert LLP

FCS Building Association
Audit Team
Craig Hunter, Partner
Brynn McNeil, Senior Manager
Brandon Welsh, Senior
Overview of Audit Results

- We have completed our audit procedures related to the FCS Building Association’s year ended December 31, 2015 financial statements.

- Our procedures and scope were substantially consistent with our planned audit strategy and we did not experience any significant problems during the audit process.

- We issued an unmodified (clean) opinion on the Company’s financial statements.

- We received excellent cooperation from the Company’s personnel.
General Financial Statement Comments

- Strong Balance Sheet as of December 31, 2015
  - Cash reserve balance of $1.1 million
  - Current Ratio of 4 to 1
  - Total Liabilities to Equity Ratio 1 to 8

- Operating loss for the year ended December 31, 2015, as budgeted

- No new or unusual transactions noted for fiscal year 2015

- No significant new disclosures noted for fiscal year 2015
Areas of Focus for the 2015 Audit

- Procedures with respect to internal control
- Leasing activities
- Capital expenditures and repairs and maintenance
- Related party transactions (FCSBA and FCA)
- We identified no significant deficiencies or material weaknesses
Required Communications

- The auditor’s responsibility under generally accepted auditing standards – reasonable assurance that financial statements are materially correct

- Significant accounting policies are disclosed in Note 2 of the F/S’s

- We have considered management judgments and accounting estimates included in the financial statements and believe them to be reasonable

- There were no disagreements with management during the engagement

- There were no major issues discussed with management prior to our being retained

- No irregularities or fraud identified as part of our audit
CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of April 14, 2016, was properly closed to the public on the basis of the exemptions set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).
- Information related solely to the internal practices of an Agency – 5 U.S.C. §552b(c)(2).

/s/ Charles R. Rawls  
General Counsel

Date: April 14, 2016