Farm Credit Services of Mandan, ACA

Quarterly Report
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Mandan, ACA (the parent) and Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Farm Credit Services of Mandan, ACA. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2015 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Moisture conditions throughout our territory are generally below average for this time of year. Spring rains will be needed to get crops off to a good start. Winter conditions have been relatively mild. Below average snowfall has made it easier for producers to care for livestock and access grain storage facilities in order to haul their commodities to market. It has also allowed for some winter grazing, which has saved on feed and snow removal costs. Most producers will have excess feed this year and will have a residual supply of hay for next year.

Crop prices are generally lower as compared to last year at this time. While some grain operations had high yields resulting in profits during the past year, others experienced losses because of these lower prices. The crop price outlook for the 2016 production season is projected to stay flat with current commodity prices. Livestock producers are experiencing a mixture of financial results depending on the livestock enterprise they participate in, and the timing of when livestock were marketed. Producers with a cow/calf operation are expected to see profits in 2016. Producers with feeder and yearling operations will be more challenged, and profitability will be largely affected by the marketing of their cattle. Despite these challenges, nearly all producers will continue to obtain financing and be able to continue operating their farm or ranch.

Purchases of machinery have slowed, particularly for crop producers. Land prices have leveled off; however real estate sales have continued to be strong.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.0 billion at March 31, 2016, an increase of $2.2 million from December 31, 2015. The increase was primarily due to our agribusiness portfolio from our Commercial Finance Group (CFG) alliance along with an increase to real estate loans. The increase in volume was partially offset by a decrease in operating and intermediate term loans due to repayment activity.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2015. Adversely classified loans increased to 1.3% of the portfolio at March 31, 2016, from 1.0% of the portfolio at December 31, 2015. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At March 31, 2016, $20.6 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

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

Components of Risk Assets

(dollars in thousands) As of:	**March 31 2016**	December 31 2015
Loans:		
Nonaccrual	**$ 2,633**	$ 2,481
Accruing restructured	**--**	2
Accruing loans 90 days or more past due	**34**	34
Total risk loans	**2,667**	2,517
Other property owned	**--**	--
Total risk assets	**$ 2,667**	$ 2,517
Total risk loans as a percentage of total loans	**0.3%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**75.0%**	81.0%
Total delinquencies as a percentage of total loans	**1.1%**	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets have not changed significantly from December 31, 2015 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**March 31 2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.2%**	0.2%
Nonaccrual loans	**79.8%**	82.9%
Total risk loans	**78.8%**	81.7%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2016.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2016**	2015
Net income	**$ 4,612**	$ 4,134
Return on average assets	**1.8%**	1.8%
Return on average members' equity	**9.4%**	9.1%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31	2016	2015	Increase (decrease) in net income
Net interest income	$ 6,918	$ 6,825	$ 93
Provision for (reversal of) loan losses	46	(1)	(47)
Patronage income	845	518	327
Other income, net	1,586	1,501	85
Operating expenses	4,380	4,331	(49)
Provision for income taxes	311	380	69
Net income	$ 4,612	$ 4,134	$ 478

The following table quantifies changes in net interest income for the three months ended March 31, 2016 compared to the same period in 2015.

Changes in Net Interest Income

(in thousands)	2016 vs 2015
Changes in volume	$ 751
Changes in interest rates	(675)
Changes in nonaccrual income and other	17
Net change	$ 93

The increase in patronage income was primarily due to additional patronage accrued related to an increase in wholesale spread on our note payable.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures February 28, 2017, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

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

In addition, with approval from AgriBank, on Jul 24, 2006, we entered into a loan agreement with CoBank, ACB (CoBank) to obtain funding in the amount not to exceed $20.0 million in connection with specific CoBank related transactions. The interest rate on such indebtedness will be established at the time of the related transactions.

Total members' equity increased $4.1 million from December 31, 2015 primarily due to net income for the period which was partially offset by patronage distribution accruals.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 7 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of	Regulatory Minimums	March 31 2016	December 31 2015
Permanent capital ratio	7.0%	15.1%	15.0%
Total surplus ratio	7.0%	14.9%	14.8%
Core surplus ratio	3.5%	14.9%	14.8%

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

REGULATORY MATTERS

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

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

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

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

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

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

The public comment period ended on October 23, 2014.

CERTIFICATION

The undersigned have reviewed the March 31, 2016 Quarterly Report of Farm Credit Services of Mandan, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Cary Moch

Cary Moch
Chairman of the Board
Farm Credit Services of Mandan, ACA

Aaron Vetter

Aaron Vetter
Chief Executive Officer
Farm Credit Services of Mandan, ACA

Sandy Nagel

Sandy Nagel
Vice President – Corporate Finance
Farm Credit Services of Mandan, ACA

May 6, 2016

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

As of:		March 31 2016		December 31 2015
ASSETS				
Loans	**$**	**1,017,578**	$	1,015,414
Allowance for loan losses		**2,102**		2,057
Net loans		**1,015,476**		1,013,357
Investment in Farm Credit Institutions		**19,592**		20,074
Accrued interest receivable		**10,480**		12,449
Other assets		**10,544**		9,983
Total assets	**$**	**1,056,092**	$	1,055,863
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**849,442**	$	850,673
Accrued interest payable		**2,800**		2,106
Deferred tax liabilities, net		**943**		713
Patronage distribution payable		**532**		2,075
Other liabilities		**2,903**		4,891
Total liabilities		**856,620**		860,458
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**2,420**		2,435
Unallocated surplus		**197,052**		192,970
Total members' equity		**199,472**		195,405
Total liabilities and members' equity	**$**	**1,056,092**	$	1,055,863

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2016**	2015
Interest income	**$ 9,718**	$ 8,621
Interest expense	**2,800**	1,796
Net interest income	**6,918**	6,825
Provision for (reversal of) loan losses	**46**	(1)
Net interest income after provision for loan losses	**6,872**	6,826
Other income		
Patronage income	**845**	518
Financially related services income	**1,273**	1,188
Fee income	**300**	273
Miscellaneous income, net	**13**	40
Total other income	**2,431**	2,019
Operating expenses		
Salaries and employee benefits	**2,869**	2,959
Other operating expenses	**1,511**	1,372
Total operating expenses	**4,380**	4,331
Income before income taxes	**4,923**	4,514
Provision for income taxes	**311**	380
Net income	**$ 4,612**	$ 4,134

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mandan, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$ 2,468	$ 177,159	$ 179,627
Net income	--	4,134	4,134
Unallocated surplus designated for patronage distributions	--	(499)	(499)
Capital stock and participation certificates issued	33	--	33
Capital stock and participation certificates retired	(49)	--	(49)
Balance at March 31, 2015	$ 2,452	$ 180,794	$ 183,246
Balance at December 31, 2015	$ 2,435	$ 192,970	$ 195,405
Net income	**--**	**4,612**	**4,612**
Unallocated surplus designated for patronage distributions	**--**	**(530)**	**(530)**
Capital stock and participation certificates issued	**32**	**--**	**32**
Capital stock and participation certificates retired	**(47)**	**--**	**(47)**
Balance at March 31, 2016	**$ 2,420**	**$ 197,052**	**$ 199,472**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Services of Mandan, ACA (the parent) and Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2016** Amount	%	December 31, 2015 Amount	%
Real estate mortgage	**$ 334,032**	**32.9%**	$ 324,979	32.0%
Production and intermediate term	**421,784**	**41.4%**	448,052	44.1%
Agribusiness	**162,014**	**15.9%**	142,811	14.1%
Other	**99,748**	**9.8%**	99,572	9.8%
Total	**$ 1,017,578**	**100.0%**	$ 1,015,414	100.0%

The other category is primarily comprised of communication, energy, water and waste water, and international related loans and certain assets originated under the Mission Related Investment authority, as well as finance leases.

Delinquency

Aging Analysis of Loans

(in thousands)

As of March 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$ 1,631**	**$ --**	**$ 1,631**	**$ 337,410**	**$ 339,041**	**$ --**
Production and intermediate term	**9,286**	**562**	**9,848**	**416,711**	**426,559**	**34**
Agribusiness	**--**	**--**	**--**	**162,496**	**162,496**	**--**
Other	**--**	**--**	**--**	**99,958**	**99,958**	**--**
Total	**$ 10,917**	**$ 562**	**$ 11,479**	**$ 1,016,575**	**$ 1,028,054**	**$ 34**

As of December 31, 2015		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less than 30 Days Past Due		Total		90 Days or More Past Due and Accruing
Real estate mortgage	$	156	$	25	$	181	$	330,544	$	330,725	$	25
Production and intermediate term		815		476		1,291		452,869		454,160		9
Agribusiness		--		--		--		143,236		143,236		--
Other		--		--		--		99,739		99,739		--
Total	$	971	$	501	$	1,472	$	1,026,388	$	1,027,860	$	34

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:		**March 31 2016**		December 31 2015
Volume with specific reserves	**$**	**337**	$	236
Volume without specific reserves		**2,330**		2,281
Total risk loans	**$**	**2,667**	$	2,517
Total specific reserves	**$**	**203**	$	201
For the three months ended March 31		**2016**		2015
Income on accrual risk loans	**$**	**--**	$	3
Income on nonaccrual loans		**41**		24
Total income on risk loans	**$**	**41**	$	27
Average risk loans	**$**	**2,517**	$	2,207

Note: Accruing loans include accrued interest receivable.

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

Troubled Debt Restructurings (TDRs)

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

There were no TDRs that occurred during the three months ended March 31, 2016. We completed TDRs of certain production and intermediate term loans during the three months ended March 31, 2015. Our recorded investment in these loans just prior to restructuring was $2 thousand during the three months ended March 31, 2015. Our recorded investment in these loans immediately following the restructuring was $2 thousand during the three months ended March 31, 2015. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary type of modification was extension of maturity.

We had TDRs in the production and intermediate term loan category of $13 thousand and $3 thousand that defaulted during the three months ended March 31, 2016 and 2015, respectively in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		March 31 2016		December 31 2015
Accrual status:				
Production and intermediate term	$	--	$	2
Total TDRs in accrual status	$	--	$	2
Nonaccrual status:				
Real estate mortgage	$	53	$	56
Production and intermediate term		64		70
Other		851		877
Total TDRs in nonaccrual status	$	968	$	1,003
Total TDRs status:				
Real estate mortgage	$	53	$	56
Production and intermediate term		64		72
Other		851		877
Total TDRs	$	968	$	1,005

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $19 thousand at March 31, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Three months ended March 31		2016		2015
Balance at beginning of period	$	2,057	$	1,954
Provision for (reversal of) loan losses		46		(1)
Loan recoveries		16		2
Loan charge-offs		(17)		(5)
Balance at end of period	$	2,102	$	1,950

NOTE 3: MEMBERS' EQUITY

Regulatory Capitalization Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. The effective date of the new capital requirements is January 1, 2017.

FCA Revised Capital Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total
Risk adjusted:			
Common equity Tier 1 ratio	4.5%	2.5%	7.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%
Total capital ratio	8.0%	2.5%	10.5%
Non-risk adjusted:			
Tier 1 leverage ratio	4.0%	1.0%	5.0%

If capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2015 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2016 or December 31, 2015.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)					**Three months ended**
	As of March 31, 2016				**March 31, 2016**
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	**$ --**	**$ --**	**$ 140**	**$ 140**	**$ (19)**
Other property owned	**--**	**--**	**--**	**--**	**3**
					Three months ended
	As of December 31, 2015				March 31, 2015
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	$ --	$ --	$ 36	$ 36	$ (12)
Other property owned	--	--	--	--	--

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 6, 2016, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.