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*Supporting Farm Credit Associations that serve
rural communities and agriculture.*

**AGRIBANK 2017 QUARTERLY REPORT
SEPTEMBER 30, 2017**

AgriBank 
FARM CREDIT BANK

Copies of Quarterly and Annual Reports are available upon request by contacting AgriBank, FCB, 30 E. 7th Street, Suite 1600, St. Paul, MN 55101 or by calling (651) 282-8800. Reports are also available at www.AgriBank.com.

Management's Discussion and Analysis

AgriBank, FCB

(Unaudited)

The following commentary is a review of the financial condition and results of operations of AgriBank, FCB (AgriBank or the Bank). This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and the 2016 Annual Report.

AgriBank is one of the Banks of the Farm Credit System (the System). We serve customers in states across America's heartland. AgriBank provides funding to, and is primarily owned by, District Associations. AgriBank and District Associations are collectively referred to as the District. The District Associations are chartered to serve customers in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. In this position, with its prime location in America's agricultural heartland and 100 years of experience, AgriBank and District Associations are respected partners for rural America based on our collective expertise in providing financial products and services for rural communities and agriculture.

During 2017 the AgriBank board directed an initiative to evaluate the current AgriBank business structure and determine necessary changes to achieve an effective funding bank model in light of recent merger activity in the District, change in the model for delivery of business services and ongoing strategic planning. A one-time workforce reduction plan was implemented at the Bank as part of this initiative that will reach completion by the end of 2017. The plan was announced October 16, 2017, and resulted in the elimination of ten positions at the Bank including the Executive Vice President, Banking and Finance and the Senior Vice President, Human Resources. The responsibilities under these senior officer roles were reassigned or eliminated under the broader restructure.

During 2016, District Associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by AgriBank. A separate service entity allows AgriBank and District Associations to develop and maintain long-term, cost-effective technology and business services. The service entity would be owned by AgriBank and certain District Associations and named SunStream Business Services (SunStream). An application to form the service entity was submitted in May 2017 to the FCA for approval. The SunStream interim board named Steve Jensen as President, effective November 13, 2017. Mr. Jensen's experience as a leader in technology gained through a variety of roles throughout his career will serve SunStream well as it delivers unmatched business services to the Farm Credit System.

Effective July 1, 2017 two District Associations, AgCountry Farm Credit Services, ACA and United FCS, ACA, merged under the name AgCountry Farm Credit Services, ACA (AgCountry) and is headquartered in Fargo, N.D. The outstanding wholesale note balance for AgCountry was \$5.8 billion as of September 30, 2017.

Effective July 1, 2017, three District Associations, 1st Farm Credit Services, ACA, AgStar Financial Services, ACA, and Badgerland Financial, ACA, merged under the name Compeer Financial (Compeer) and is headquartered in

Sun Prairie, Wis. The outstanding wholesale note balance for Compeer was \$15.2 billion as of September 30, 2017.

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 2016 Annual Report. AgriBank undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Overview

Net interest income increased, but was offset by decreases in non-interest income, resulting in a slight decrease in net income of \$5.7 million, or 1.4 percent, to \$399.8 million for the nine months ended September 30, 2017, as compared to the same period of the prior year. The decrease in non-interest income was driven primarily by decreased prepayment and other fee income and non-recurring investment gains. These results translated to an annualized return on average assets of 0.53 percent for the nine months ended September 30, 2017 down slightly compared to 0.54 percent during the same period of the prior year. Refer to the Results of Operations section for further discussion.

Loan portfolio credit quality remained strong with 99.5 percent of our total loan portfolio in the acceptable category. Credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) decreased slightly to 95.0 percent acceptable as of September 30, 2017, but remained in a sound position. Robust capital levels ensure we are well positioned to manage the cyclical nature that is characteristic of the agricultural market. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to continue advancing at a moderate pace as consumer spending remains resilient and investment spending rebounds from its negative growth rate in 2016. For 2017, the U.S. economy is forecasted to grow at 2.2 percent due to the continued growth in consumer spending as a result of labor market improvements. While remaining strong, the U.S. dollar has slightly weakened in the first three quarters of 2017, which has added to demand for U.S. exports.

The Federal Open Market Committee (FOMC) of the Federal Reserve has started the process of normalizing the level of interest rates and will begin winding down its balance sheet in October 2017. After the 25 basis point (bps) rate increase in June 2017, the target range for the federal funds rate stands at 1.00 to 1.25 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 25 bps in 2017 to a target range of 1.25 to 1.50 percent. The U.S. Treasury yield curve has flattened in 2017 due to the Federal Reserve's increases to short term rates and due to a decline in inflation

expectations, which has pushed long term rates lower. Economists expect U.S. Treasury rates to move slightly higher by the end of 2017 with the 2-year and 10-year rates approaching 1.60 and 2.40 percent respectively.

We manage interest rate risk consistent with policies established by the Board of Directors and limits established by our Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section of the 2016 Annual Report). While many factors can impact our net interest income, management expects that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

Agricultural Conditions

The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) projects net farm income for 2017 to increase \$1.9 billion, or 3.1 percent, to \$63.4 billion for 2017, from the final 2016 estimate of \$61.5 billion. However, projected net farm income for 2017 is down as compared to the last 5 year average of 2012 through 2016 of \$91.1 billion. The increase in net farm income in 2017, as compared to 2016, is primarily driven by an increase in cash receipts from livestock and livestock products. Most of this increase is expected to come from higher cash receipts across most sectors, but are expected to be partially offset by decreased value of inventories and increased operating costs.

Aggregate farm equity is forecasted to increase in 2017 due to an increase in aggregate farm asset values, while substantially smaller increases are projected for aggregate farm debt. The increase in farm asset values primarily relates to increased valuations on farm real estate and buildings. Increases are also forecasted for the value of livestock and livestock production, as well as increases in financial assets. These increases are partially offset by a decrease in the value of crop inventories. The increase in total farm debt is primarily related to increases in real estate debt.

An improving outlook for the U.S. economy is expected to support domestic demand for most agricultural commodities in 2017 and forward. The primary area of risk will remain the export side of the demand equation, with a strong dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the U.S. are projected to end 2017 with a high level of supply due to ending stocks building following a strong harvest. Wheat is likely in the weakest position from a supply-demand perspective, significantly impacted by supply abroad. In addition to cash crops, pork, broilers and dairy are most heavily dependent upon exports and the most susceptible to foreign trade related disruptions in 2017. Low feed costs should continue to support livestock and dairy margins. A full year of much lower feeder cattle prices should support margins in the cattle feedlot sector.

Producers who are able to realize cost and marketing efficiencies are most likely to adequately adjust to the current low price environment. Optimal input usage, adoption of cost-saving technologies, and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Updated Industry Conditions

The following are industry conditions for which we have updated our outlook since December 31, 2016. For further analysis of industry conditions which have not experienced a change in outlook since December 31, 2016, refer to the Agricultural Conditions section of Management's Discussion and Analysis of the 2016 Annual Report.

Cattle feedlots

Credit quality in the AgriBank District's beef feedlot portfolio experienced deterioration during the first half of 2017 with the receipt of 2016 financial information. Profitable margin opportunities in the first half of 2017 have since eroded with high priced replacements and a declining value of live cattle. As such, we have downgraded our outlook on the cattle feedlot industry from neutral to neutral-to-negative.

For further analysis of industry conditions refer to the Agricultural Conditions section of Management's Discussion & Analysis of the 2016 Annual Report.

Land Values

The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The District's most recent real estate market value survey based on the twelve-month period ending June 30, 2017 indicated that the District real estate value changes ranged from a negative 5.8 percent to positive 7.9 percent. Land value increases continue to be most common in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, modest declines in values were concentrated primarily in areas of corn, soybean and wheat production.

The Federal Reserve Banks of Chicago and St. Louis, as of the end of the second quarter 2017, reported a small overall change in value from the second quarter of 2016. The Kansas City Federal Reserve reported the largest decrease with respondents reporting a negative 7 percent for irrigated cropland values and a negative 5 percent for cropland values, citing low commodity prices and weaker credit conditions.

The USDA 2017 land value survey, based primarily on agricultural producer opinions, indicated a 0.7 percent increase in farmland values and stable cropland values in the AgriBank District.

Declining agriculture land values are a potential lending risk, especially following periods of sustained, rapid land value increases. Agriculture land values have generally shown significant increases during the period of the mid-2000s through 2013. These increases were driven by a significant improvement in net farm income, especially within crop production and, to a lesser extent, livestock production operations. In addition, historically low interest rates were a driver in land value increases. Since the 2013 timeframe, agriculture land values have generally stabilized or trended downward. Land values are expected to remain stable or soften over the next year, primarily due to anticipated continued low levels of net farm income in 2017 and beyond and, to a lesser extent, expected interest rate increases.

Loan Portfolio

Components of Loans

(in thousands)	September 30, 2017	December 31, 2016
Accrual loans:		
Wholesale loans	\$78,694,218	\$78,300,557
Retail loans:		
Real estate mortgage	\$4,050,173	\$3,436,953
Production and intermediate-term	3,593,829	3,600,231
Agribusiness	95,420	65,228
Loans to other financing institutions (OFIs)	617,243	577,505
Other	59,117	44,077
Total retail loans	8,415,782	7,723,994
Nonaccrual loans	55,717	53,851
Total loans	<u>87,165,717</u>	<u>86,078,402</u>

The Other category is primarily comprised of communication and rural residential real estate loans.

Loans totaled \$87.2 billion at September 30, 2017, an increase of \$1.1 billion, or 1.3 percent, from December 31, 2016. The increase in total loans was driven primarily by increases in our wholesale loan volume due to increased real estate mortgage and agribusiness loan volume at District Associations. This wholesale growth was significantly offset as a result of \$1.0 billion of loan asset pool participations purchased throughout 2017 from certain District Associations.

The credit quality of our total loan portfolio remained strong at 99.5 percent in the acceptable category at September 30, 2017, compared to 99.6 percent at December 31, 2016. Adversely classified loans were 0.2 percent at September 30, 2017 and December 31, 2016. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong even as District Associations experience declines in their retail credit quality. District Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans. Credit quality of our retail loan portfolio declined slightly to 95.0 percent acceptable as of September 30, 2017, compared to 95.5 percent acceptable at December 31, 2016.

Components of Risk Assets

(in thousands)	September 30, 2017	December 31, 2016
Nonaccrual loans	\$55,717	\$53,851
Accruing restructured loans	4,596	3,800
Accruing loans 90 days or more past due	573	378
Total risk loans	60,886	58,029
Other property owned	168	349
Total risk assets	<u>\$61,054</u>	<u>\$58,378</u>
Risk loans as a % of total loans	0.07%	0.07%
Nonaccrual loans as a % of total loans	0.06%	0.06%
Delinquencies as a % of total loans	0.05%	0.06%

Note: Accruing loans include accrued interest receivable.

Risk assets remain at acceptable levels and total risk loans as a percentage of total loans remains within our established risk management guidelines. Risk assets over the past five years have primarily been concentrated in the real estate mortgage and production and intermediate-term sectors. At September 30, 2017, 57.5 percent of nonaccrual loans were current as to principal and interest, compared to 60.6 percent at December 31, 2016.

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

As of September 30, 2017, no District Association was declared in default of any covenants of its General Financing Agreement. One District Association is currently paying a risk premium as part of its cost of borrowing under their wholesale line with us; however, this does not materially impact any of the financial statements presented herein. No other District Association is currently paying a risk premium.

Allowance Coverage Ratios

	September 30, 2017	December 31, 2016
Allowance as a percentage of:		
Loans	0.03%	0.02%
Nonaccrual loans	45.70%	39.52%
Total risk loans	41.82%	36.67%
Adverse assets to risk funds*	3.76%	3.49%

*Risk funds includes total capital and 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 the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. As of September 30, 2017, the allowance increased \$4.2 million, compared to December 31, 2016. This was driven by provision for loan losses of \$6.5 million for the nine months ended September 30, 2017, primarily related to increases in loan loss reserves on certain loan participations in the production and intermediate term loan sector to grain producers, and to a lesser extent, the layers industry (poultry egg facilities). This increase in allowance was partially offset by net charge-offs of \$2.3 million for the nine months ended September 30, 2017.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the nine months ended September 30, 2017, investor demand for System-wide debt securities remained favorable.

We also maintain a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. We manage liquidity for our operating and debt repayment needs through managing debt maturities, as well as forecasting and anticipating seasonal demands. We maintain maturing investments and bank balances of at least \$500 million on hand each day to meet cash management and loan disbursement needs in the normal course of business.

We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity and asset-backed securities (ABS). At September 30, 2017, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and FCA regulations also require maintaining a minimum of 90 days of liquidity on a continuous basis. In addition, our Contractual Interbank Performance Agreement (CIPA) with other System Banks requires maintaining a minimum of 120 days of liquidity. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of September 30, 2017, we had sufficient liquidity to fund all debt maturing within 148 days.

We maintain a contingency funding plan (CFP) that helps inform our operating and funding needs and addresses actions we would consider in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. We size our investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted \$500 million buffer.

Total shareholders' equity at September 30, 2017 was \$5.7 billion, a \$232.7 million increase from December 31, 2016. The increase was primarily driven by comprehensive income and stock issuances during the period, substantially offset by earnings reserved for patronage distributions. The increase in patronage distributions for the nine months ended September 30, 2017, compared to the same period of the prior year, was primarily due to an increase in the wholesale patronage distribution rate under our 2017 capital plan. The decrease in accumulated other comprehensive loss compared to the same period of the prior year was primarily due to decreased unrealized losses from derivatives and hedging positions resulting from changes in the interest rate environment.

Beginning in 2017, we are retiring stock annually in accordance with our capital plan related to minimum hold periods under the capital regulations and will better align with the seasonality of our portfolio. Prior to 2017, stock was retired quarterly. Refer to Note 4 of the accompanying Financial Statements for additional information about our revised capital plan.

At September 30, 2017, we exceeded the regulatory minimum capital ratios. Refer to the Additional Regulatory Information section as well as Note 4 in the accompanying Financial Statements for further discussion of capital ratios and the recently effective regulations.

Results of Operations

Net income for the nine months ended September 30, 2017 was \$399.8 million, a 1.4 percent decrease, compared to \$405.5 million for the same period in 2016. The annualized return on average assets was 0.53 percent for the nine months ended September 30, 2017, compared to 0.54 percent for the same period in 2016.

Changes in Significant Components of Net Income

(in thousands)	Increase (Decrease) in		
For the nine months ended September 30,	2017	2016	Net Income
Net interest income	\$443,464	\$425,705	\$17,759
Provision for loan losses	6,500	5,500	(1,000)
Non-interest income	55,272	77,798	(22,526)
Non-interest expense	92,455	92,525	70
Net income	\$399,781	\$405,478	\$(5,697)

Net interest income (NII) for the nine months ended September 30, 2017 increased compared to the same period of 2016. NII was positively impacted by increased interest rates charged on our wholesale loans to District Associations and other financing institutions (OFIs), as well as increased loan volume. These positive variances were partially offset by an increase in interest expense on System-wide debt securities, driven by increased interest rates and, to a lesser extent, increased volume of debt.

Changes in Net Interest Income

(in thousands)	2017 vs 2016		
For the nine months ended September 30,	Volume	Rate	Total
Increase (decrease) due to:			
Interest income:			
Loans	\$30,247	\$150,667	\$180,914
Investments	(4,974)	44,021	39,047
Total interest income	25,273	194,688	219,961
Interest expense:			
Systemwide debt securities and other	(13,679)	(188,523)	(202,202)
Net change in net interest income	\$11,594	\$6,165	\$17,759

Information regarding the year-to-date average daily balances (ADB) and annualized average rates earned and paid on our portfolio follows:

(in thousands)

For the nine months ended September 30,	2017			2016		
	ADB	Rate	NII	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	\$77,927,151	2.00%	\$1,166,046	\$75,478,213	1.74%	\$988,403
Retail accrual loans	\$7,703,137	3.80%	\$219,421	\$7,807,599	3.68%	\$215,876
Retail nonaccrual loans	53,777	6.65%	2,683	49,431	7.97%	2,957
Investment securities and federal funds	15,188,290	1.28%	145,969	15,899,148	0.90%	106,922
Total earning assets	100,872,355	2.03%	1,534,119	99,234,391	1.76%	1,314,158
Interest bearing liabilities	95,652,217	1.52%	1,090,655	94,244,893	1.26%	888,453
Interest rate spread	\$5,220,138	0.51%		\$4,989,498	0.50%	
Impact of equity financing		0.08%			0.07%	
Net interest margin		0.59%			0.57%	
Net interest income			\$443,464			\$425,705

Net interest margin for the nine months ended September 30, 2017, increased two basis points compared to the same period of the prior year. This increase was primarily driven by additional spread charged on our wholesale loans to District Associations and OFIs. Equity financing represents the benefit of non-interest bearing funding, primarily shareholders' equity, and was up slightly compared to the prior year due to higher equity volume and a higher level of interest rates.

We recorded a \$6.5 million provision for loan loss during the nine months ended September 30, 2017. Refer to the Loan Portfolio section for further discussion.

The decrease in non-interest income was primarily due to lower prepayment and other fee income realized on loan refinancing activity as the level of interest rates increased. Also contributing to this decrease were non-recurring net investment gains of \$10.2 million realized on the sale of available-for-sale investment securities during the nine months ended September 30, 2016. These decreases were partially offset by increased mineral income primarily due to elevated oil and gas prices throughout the year relative to the low levels realized during the first quarter of 2016. An increase in mineral leasing activity during 2017 compared to the prior year further contributed to mineral income.

Certification

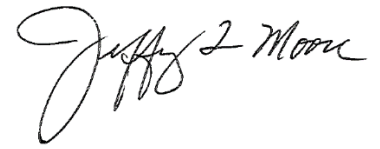
The undersigned have reviewed the September 30, 2017 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of our knowledge and belief.



Matthew D. Walther
Chair of the Board
AgriBank, FCB
November 9, 2017



William J. Thone
Chief Executive Officer
AgriBank, FCB
November 9, 2017



Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
November 9, 2017

Statements of Condition

AgriBank, FCB

(unaudited) (in thousands)	September 30, 2017	December 31, 2016
Assets		
Loans	\$87,165,717	\$86,078,402
Allowance for loan losses	25,461	21,282
Net loans	87,140,256	86,057,120
Investment securities	14,325,014	14,897,252
Cash	231,800	469,996
Federal funds	724,300	591,300
Accrued interest receivable	512,797	420,670
Derivative assets	6,133	13,125
Allocated prepaid pension costs	34,617	33,985
Cash collateral posted with counterparties	34,435	31,128
Other assets	37,644	48,720
Total assets	\$103,046,996	\$102,563,296
Liabilities		
Bonds and notes	\$96,786,674	\$96,633,431
Accrued interest payable	306,845	223,023
Derivative liabilities	35,426	34,407
Accounts payable and other payables	183,813	170,613
Other liabilities	15,458	15,719
Total liabilities	97,328,216	97,077,193
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	250,000	250,000
Capital stock and participation certificates	2,333,579	2,183,701
Unallocated surplus	3,205,263	3,132,432
Accumulated other comprehensive loss	(70,062)	(80,030)
Total shareholders' equity	5,718,780	5,486,103
Total liabilities and shareholders' equity	\$103,046,996	\$102,563,296

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

Statements of Comprehensive Income

AgriBank, FCB

(unaudited)

(in thousands)

For the period ended September 30,

	Three months		Nine months	
	2017	2016	2017	2016
Interest income				
Loans	\$490,506	\$407,991	\$1,388,150	\$1,207,236
Investment securities	53,298	37,855	145,969	106,922
Total interest income	543,804	445,846	1,534,119	1,314,158
Interest expense	393,172	300,905	1,090,655	888,453
Net interest income	150,632	144,941	443,464	425,705
Provision for loan losses	3,500	1,000	6,500	5,500
Net interest income after provision for loan losses	147,132	143,941	436,964	420,205
Non-interest income				
Mineral income	10,776	10,182	33,237	27,397
Business services income	4,923	4,260	14,496	12,524
Loan prepayment and fee income	1,470	13,867	6,096	25,888
Miscellaneous income and other (losses) gains, net	(603)	5,469	1,443	11,989
Total non-interest income	16,566	33,778	55,272	77,798
Non-interest expense				
Salaries and employee benefits	9,560	10,273	29,414	29,697
Other operating expenses	9,485	9,545	27,823	26,662
Loan servicing and other fees paid to District Associations	9,277	8,941	26,157	25,918
Farm Credit System insurance expense	3,146	3,680	9,061	10,248
Total non-interest expense	31,468	32,439	92,455	92,525
Net income	\$132,230	\$145,280	\$399,781	\$405,478
Other comprehensive income (loss)				
Investments available-for-sale:				
Not-other-than-temporarily-impaired investments	\$(1,399)	\$(22,112)	\$20,291	\$38,113
Other-than-temporarily-impaired investments	--	(4,245)	--	(10,561)
Derivatives and hedging activity	3,240	17,513	(10,323)	(97,748)
Total other comprehensive income (loss)	1,841	(8,844)	9,968	(70,196)
Comprehensive income	\$134,071	\$136,436	\$409,749	\$335,282

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(unaudited) (in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2015	\$250,000	\$2,063,343	\$2,945,638	\$(84,865)	\$5,174,116
Net income			405,478		405,478
Other comprehensive loss				(70,196)	(70,196)
Patronage			(221,419)		(221,419)
Perpetual preferred stock dividends			(12,891)		(12,891)
Capital stock/participation certificates issued		122,193			122,193
Capital stock/participation certificates retired		(46,852)			(46,852)
Balance at September 30, 2016	\$250,000	\$2,138,684	\$3,116,806	\$(155,061)	\$5,350,429
Balance at December 31, 2016	\$250,000	\$2,183,701	\$3,132,432	\$(80,030)	\$5,486,103
Net income			399,781		399,781
Other comprehensive income				9,968	9,968
Patronage			(314,059)		(314,059)
Perpetual preferred stock dividends			(12,891)		(12,891)
Capital stock/participation certificates issued		149,878			149,878
Balance at September 30, 2017	\$250,000	\$2,333,579	\$3,205,263	\$(70,062)	\$5,718,780

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

Statements of Cash Flows

AgriBank,FCB

(unaudited)
(in thousands)

For the nine months ended September 30,

	2017	2016
Cash flows from operating activities		
Net income	\$399,781	\$405,478
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	2,729	2,640
Provision for loan losses	6,500	5,500
Gain on sale of investment securities, net	--	(10,178)
Amortization of discounts on investments, net	(22,539)	(10,849)
Amortization of discounts on debt and deferred debt issuance costs, net	66,473	71,876
(Gain) loss on derivative activities, net	(1,970)	292
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(1,185,159)	(995,146)
Decrease (increase) in other assets	9,964	(4,318)
Increase in accrued interest payable	83,822	18,657
(Decrease) increase in other liabilities	(12,941)	6,134
Net cash used in operating activities	(653,340)	(509,914)
Cash flows from investing activities		
Decrease (increase) in loans, net	2,313	(1,277,411)
Proceeds from sales of other property owned	1,405	681
Decrease (increase) in investment securities, net	615,068	(1,078,198)
Proceeds from the sale of investment securities	--	70,479
Purchases of premises and equipment, net	(2,571)	(2,408)
Net cash provided by (used in) investing activities	616,215	(2,286,857)
Cash flows from financing activities		
Bonds and notes issued	137,374,968	150,858,323
Bonds and notes retired	(137,282,267)	(148,261,488)
Subordinated notes retired	--	(500,000)
Decrease (increase) in cash collateral posted with counterparties, net	3,372	(99,328)
Variation margin settled on cleared derivatives, net	(12,952)	--
Patronage distributions paid	(288,179)	(225,751)
Preferred stock dividends paid	(12,891)	(12,891)
Capital stock/participation certificates issued, net	149,878	75,341
Net cash (used in) provided by financing activities	(68,071)	1,834,206
Net decrease in cash and federal funds	(105,196)	(962,565)
Cash and federal funds at beginning of period	1,061,296	1,960,836
Cash and federal funds at end of period	\$956,100	\$998,271
Supplemental schedule of non-cash activities		
Decrease (increase) in derivative assets	\$6,993	\$(1,030)
Increase in derivative liabilities	7,291	104,296
Decrease in bonds from derivative activity	(5,931)	(5,226)
Decrease in shareholders' equity from cash flow derivatives	(10,323)	(97,748)
Increase in shareholders' equity from investment securities	20,291	27,552
Loans transferred to other property owned	1,083	423
Interest capitalized to loan principal	1,093,032	944,750
Preferred stock dividends accrued	4,297	4,297
Patronage refunds payable to owners	148,477	82,747
Supplemental Information		
Interest paid	\$940,360	\$869,796

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

Notes to Financial Statements

AgriBank, FCB

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At September 30, 2017, the District had 14 Agricultural Credit Associations (ACA). Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of our organization and operation, significant accounting policies followed, financial condition and results of operations as of and for the year ended December 31, 2016 are contained in the 2016 Annual Report. These unaudited third quarter 2017 Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ended December 31, 2017.

The accompanying Financial Statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Certain amounts in prior year's Financial Statements have been reclassified to conform to current year presentation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB), but are not yet effective, and have determined the following standards to be applicable to our business:

Standard	Description	Effective date and financial statement impact
In August 2017, the FASB issued Accounting Standards Update (ASU) 2017-12 "Targeted Improvements to Accounting for Hedging Activities."	The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing.	This guidance is effective for public business entities for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adoption on our financial condition, results of operations, cash flows, and financial statement disclosures.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost."	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	This guidance is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted with certain restrictions. We are currently evaluating the impact of the guidance on the results of operations and financial statement disclosures. This guidance will have no impact on the financial condition or cash flows.
In August 2016, the FASB issued ASU 2016-15 "Classification of Certain Cash Receipts and Cash Payments."	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	This guidance is effective for public entities for interim and annual periods beginning after December 15, 2017. The adoption of this guidance does not impact the financial condition or results of operations. After review of the classifications of the payments related to discount notes, no changes in the classification of statement of cash flows are required as a result of this guidance.

Standard	Description	Effective date and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses."	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020 including interim periods within that year. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within that year. We are currently evaluating the impact of the guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases."	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018 including interim periods within that year. Early adoption is permitted and modified retrospective adoption is required. Based on our preliminary review and analysis, this new guidance will not have a material impact on our financial condition, results of operations, and financial statement disclosures, and will have no impact on cash flows.
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities."	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. Early adoption is permitted for only a portion of the guidance, but that guidance does not apply to the Financial Statements. The adoption of this guidance will not impact our financial condition, results of operations or cash flows. Financial statement disclosures related to the methods and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the statement of condition are no longer required and will be excluded upon adoption of this guidance in the 2018 Annual Report.

Standard	Description	Effective date and financial statement impact
In May 2014, the FASB issued ASU 2014-09 "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. In this regard, a majority of contracts within the District would be excluded from the scope of this new guidance.	The guidance is effective for public entities for the first interim reporting period within the annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASUs 2016-08 and 2016-10 which provided further clarifying guidance on the previously issued standard. Based on our review of affected contracts, we have determined this guidance will not have a material impact, on the financial condition, results of operations or cash flows.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	September 30, 2017		December 31, 2016	
	Amount	%	Amount	%
Wholesale loans	\$78,694,218	90.3%	\$78,300,557	91.0%
Retail loans:				
Real estate mortgage	\$4,070,148	4.7%	3,461,590	4.0%
Production and intermediate-term	3,629,452	4.2%	3,629,121	4.2%
Agribusiness	95,447	0.1%	65,228	0.1%
Loans to other financing institutions (OFIs)	617,243	0.7%	577,505	0.7%
Other	59,209	0.0%	44,401	0.0%
Total retail loans	8,471,499	9.7%	7,777,845	9.0%
Total loans	\$87,165,717	100.0%	\$86,078,402	100.0%

The Other category is primarily comprised of communication and rural residential real estate loans.

Participations

We may purchase participations from and sell participations to others, primarily District Associations. We had no purchases outside of the System in the periods presented. Also, we did not have any participation interests sold in the periods presented.

Retail Loan Participations Purchased

(in thousands)	September 30, 2017	December 31, 2016
Real estate mortgage	\$4,069,875	\$3,461,281
Production and intermediate-term	3,629,452	3,629,121
Agribusiness	95,447	65,228
Other	59,209	44,401
Total loans	\$7,853,983	\$7,200,031

Portfolio Performance

One credit quality indicator we utilize is the Farm Credit Administration (FCA) Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- **Acceptable** – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probability of default ratings.
- **Other Assets Especially Mentioned (Special Mention)** – are currently collectible, but exhibit some potential weakness. These assets involve increased credit risk, but not to the point of justifying a substandard classification.
- **Substandard** – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- **Doubtful** – assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- **Loss** – assets are considered uncollectible.

Credit Quality of Loans

(in thousands)

As of September 30, 2017	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	\$79,105,669	100.0%	\$ --	--	\$ --	--	\$79,105,669	100.0%
Retail loans:								
Real estate mortgage	\$3,906,973	94.6%	\$114,496	2.8%	\$107,304	2.6%	\$4,128,773	100.0%
Production and intermediate-term	3,451,906	94.6%	95,119	2.6%	103,281	2.8%	3,650,306	100.0%
Agribusiness	90,646	94.6%	118	0.1%	5,052	5.3%	95,816	100.0%
Loans to OFIs	620,010	100.0%	--	--	--	--	620,010	100.0%
Other	58,530	98.7%	461	0.8%	334	0.5%	59,325	100.0%
Total retail loans	8,128,065	95.0%	210,194	2.5%	215,971	2.5%	8,554,230	100.0%
Total loans	\$87,233,734	99.6%	\$210,194	0.2%	\$215,971	0.2%	\$87,659,899	100.0%

(in thousands)

As of December 31, 2016	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	\$78,639,626	100.0%	\$ --	--	\$ --	--	\$78,639,626	100.0%
Retail loans:								
Real estate mortgage	3,301,768	94.4%	96,122	2.7%	100,736	2.9%	3,498,626	100.0%
Production and intermediate-term	3,489,268	95.7%	67,352	1.8%	90,139	2.5%	3,646,759	100.0%
Agribusiness	65,467	100.0%	--	--	--	--	65,467	100.0%
Loans to OFIs	579,652	100.0%	--	--	--	--	579,652	100.0%
Other	43,391	97.6%	245	0.6%	800	1.8%	44,436	100.0%
Total retail loans	7,479,546	95.5%	163,719	2.1%	191,675	2.4%	7,834,940	100.0%
Total loans	\$86,119,172	99.6%	\$163,719	0.2%	\$191,675	0.2%	\$86,474,566	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as loss at September 30, 2017 or December 31, 2016.

Aging Analysis of Loans

(in thousands)	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 Loans	Accruing loans 90 days or more past due
As of September 30, 2017						
Wholesale loans	\$ --	\$ --	\$ --	\$79,105,669	\$79,105,669	\$ --
Real estate mortgage	7,340	7,526	14,866	4,113,907	4,128,773	308
Production and intermediate-term	16,976	13,328	30,304	3,620,002	3,650,306	265
Agribusiness	--	26	26	95,790	95,816	--
Loans to OFIs	--	--	--	620,010	620,010	--
Other	281	--	281	59,044	59,325	--
Total loans	\$24,597	\$20,880	\$45,477	\$87,614,422	\$87,659,899	\$573

(in thousands)	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 Loans	Accruing loans 90 days or more past due
As of December 31, 2016						
Wholesale loans	\$ --	\$ --	\$ --	\$78,639,626	\$78,639,626	\$ --
Real estate mortgage	10,132	7,015	17,147	3,481,479	3,498,626	156
Production and intermediate-term	22,678	9,024	31,702	3,615,057	3,646,759	222
Agribusiness	26	--	26	65,441	65,467	--
Loans to OFIs	--	--	--	579,652	579,652	--
Other	252	--	252	44,184	44,436	--
Total loans	\$33,088	\$16,039	\$49,127	\$86,425,439	\$86,474,566	\$378

Note: Accruing loans include accrued interest receivable.

Risk Assets

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	September 30,	December 31,
(in thousands)	2017	2016
Nonaccrual loans:		
Current as to principal and interest	\$32,038	\$32,622
Past due	23,679	21,229
Total nonaccrual loans	55,717	53,851
Accruing restructured loans	4,596	3,800
Accruing loans 90 days or more past due	573	378
Total risk loans	<u>\$60,886</u>	<u>\$58,029</u>
Volume with specific reserves	\$31,769	\$27,187
Volume without specific reserves	29,117	30,842
Total risk loans	<u>\$60,886</u>	<u>\$58,029</u>
Specific reserves	<u>\$5,298</u>	<u>\$4,394</u>

Note: Accruing loans include accrued interest receivable.

Income on Risk Loans		
(in thousands)		
For the nine months ended September 30,	2017	2016
Income on accrual risk loans	\$200	\$170
Income on nonaccrual loans	2,683	2,957
Total income on risk loans	<u>\$2,883</u>	<u>\$3,127</u>
Average risk loans	\$58,887	\$54,606

Risk Assets by Type	September 30,	December 31,
(in thousands)	2017	2016
Nonaccrual loans:		
Real estate mortgage	\$19,975	\$24,637
Production and intermediate-term	35,624	28,890
Agribusiness	26	316
Other	92	8
Total nonaccrual loans	\$55,717	\$53,851
Accruing restructured loans:		
Real estate mortgage	\$4,596	\$3,800
Total accruing restructured loans	\$4,596	\$3,800
Accruing loans 90 days or more past due:		
Real estate mortgage	\$308	\$156
Production and intermediate-term	265	222
Total accruing loans 90 days or more past due	\$573	\$378
Total risk loans	\$60,886	\$58,029
Other property owned	\$168	\$349
Total risk assets	<u>\$61,054</u>	<u>\$58,378</u>

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at September 30, 2017 or December 31, 2016.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of September 30, 2017			For the nine months ended September 30, 2017	
	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$2,792	\$3,093	\$855	\$3,091	\$ --
Production and intermediate term	28,938	29,670	4,423	24,998	--
Agribusiness	--	--	--	--	--
Other	39	42	20	133	--
Total	\$31,769	\$32,805	\$5,298	\$28,222	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$22,087	\$39,366	\$ --	\$24,455	\$2,034
Production and intermediate term	6,951	6,431	--	6,004	849
Agribusiness	26	26	--	26	--
Other	53	282	--	180	--
Total	\$29,117	\$46,105	\$ --	\$30,665	\$2,883
Total impaired loans:					
Real estate mortgage	\$24,879	\$42,459	\$855	\$27,546	\$2,034
Production and intermediate term	35,889	36,101	4,423	31,002	849
Agribusiness	26	26	--	26	--
Other	92	324	20	313	--
Total	\$60,886	\$78,910	\$5,298	\$58,887	\$2,883
As of December 31, 2016					
(in thousands)	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$5,107	\$6,249	\$1,095	\$5,503	\$ --
Production and intermediate term	22,039	22,508	3,277	16,872	--
Agribusiness	--	--	--	--	--
Other	41	43	22	34	--
Total	\$27,187	\$28,800	\$4,394	\$22,409	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$23,487	\$39,431	\$ --	\$23,837	\$1,704
Production and intermediate term	7,072	5,951	--	8,046	1,423
Agribusiness	--	--	--	--	--
Other	283	514	--	314	--
Total	\$30,842	\$45,896	\$ --	\$32,197	\$3,127
Total impaired loans:					
Real estate mortgage	\$28,594	\$45,680	\$1,095	\$29,340	\$1,704
Production and intermediate term	29,111	28,459	3,277	24,918	1,423
Agribusiness	--	--	--	--	--
Other	324	557	22	348	--
Total	\$58,029	\$74,696	\$4,394	\$54,606	\$3,127

*The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.

**Unpaid principal balance represents the contractual principal balance of the loan.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans as of September 30, 2017.

Troubled Debt Restructurings

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

We modified certain real estate mortgage loans as TDRs during the nine months ended September 30, 2017. The recorded investment in these loans prior to and immediately following modification was \$78 thousand. The primary types of modification typically include forgiveness of interest, interest rate reduction below market or extension of maturity. There were no TDRs that occurred during the nine months ended September 30, 2016.

We had no loans classified as TDRs that defaulted during the nine months ended September 30, 2017 or 2016, in which the modifications were within 12 months of the respective reporting period.

TDRs Outstanding

(in thousands)	September 30, 2017	December 31, 2016
Accrual status		
Real estate mortgage	\$4,596	\$3,800
Total TDRs in accrual status	\$4,596	\$3,800
Nonaccrual status		
Real estate mortgage	\$2,324	\$3,900
Production and intermediate term	3	7
Total TDRs in nonaccrual status	\$2,327	\$3,907
Total TDRs	\$6,923	\$7,707

We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2017.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)	2017	2016
For the nine months ended September 30,		
Balance at beginning of period	\$21,282	\$18,076
Provision for loan losses	6,500	5,500
Charge-offs	(3,249)	(3,462)
Recoveries	928	943
Balance at end of period	\$25,461	\$21,057

Our allowance for loan losses increased from December 31, 2016, to \$25.5 million at September 30, 2017, reflecting provision for loan losses of \$6.5 million for the period, primarily related to increases in loan loss reserves on certain loan participations in the production and intermediate term sector to grain producers, and to a lesser extent, the layers industry (poultry egg facilities). This increase in allowance was partially offset by net charge-offs of \$2.3 million for the period.

Changes in Allowance for Loan Losses and Period End Recorded Investments by Loan Type

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance as of December 31, 2016	\$ --	\$1,874	\$18,930	\$147	\$220	\$111	\$21,282
Provision for loan losses	--	1,145	4,802	344	191	18	6,500
Charge-offs	--	(897)	(2,342)	(9)	--	(1)	(3,249)
Recoveries	--	100	821	--	--	7	928
Balance as of September 30, 2017	\$ --	\$2,222	\$22,211	\$482	\$411	\$135	\$25,461
As of September 30, 2017:							
Ending balance: individually evaluated for impairment	\$ --	\$855	\$4,423	\$ --	\$ --	\$20	\$5,298
Ending balance: collectively evaluated for impairment	\$ --	\$1,367	\$17,788	\$482	\$411	\$115	\$20,163
Recorded investments in loans outstanding:							
Ending balance as of September 30, 2017:	\$79,105,669	\$4,128,773	\$3,650,306	\$95,816	\$620,010	\$59,325	\$87,659,899
Ending balance for loans individually evaluated for impairment	\$79,105,669	\$24,879	\$35,889	\$26	\$ --	\$92	\$79,166,555
Ending balance for loans collectively evaluated for impairment	\$ --	\$4,103,894	\$3,614,417	\$95,790	\$620,010	\$59,233	\$8,493,344

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance as of December 31, 2015	\$ --	\$1,928	\$15,381	\$269	\$278	\$220	\$18,076
Provision for (reversal of) loan losses	--	1,057	4,436	49	(42)	--	5,500
Charge-offs	--	(998)	(2,408)	--	--	(56)	(3,462)
Recoveries	--	146	791	--	--	6	943
Balance as of September 30, 2016	\$ --	\$2,133	\$18,200	\$318	\$236	\$170	\$21,057
As of December 31, 2016:							
Ending balance: individually evaluated for impairment	\$ --	\$1,095	\$3,277	\$ --	\$ --	\$22	\$4,394
Ending balance: collectively evaluated for impairment	\$ --	\$779	\$15,653	\$147	\$220	\$89	\$16,888
Recorded investments in loans outstanding:							
Ending balance as of December 31, 2016:	\$78,639,626	\$3,498,626	\$3,646,759	\$65,467	\$579,652	\$44,436	\$86,474,566
Ending balance for loans individually evaluated for impairment	\$78,639,626	\$28,594	\$29,111	\$ --	\$ --	\$324	\$78,697,655
Ending balance for loans collectively evaluated for impairment	\$ --	\$3,470,032	\$3,617,648	\$65,467	\$579,652	\$44,112	\$7,776,911

Note: Accruing loans include accrued interest receivable.

NOTE 3

Investment Securities

All investment securities are classified as available-for-sale (AFS).

Investment Securities

(in thousands)	Amortized	Unrealized	Unrealized	Fair	Weighted
As of September 30, 2017	Cost	Gains	Losses	Value	Average
					Yield
Mortgage-backed securities	\$5,925,640	\$8,975	\$40,684	\$5,893,931	1.6%
Commercial paper and other	4,957,097	436	72	4,957,461	1.4%
U.S. Treasury securities	3,105,197	7	10,966	3,094,238	1.2%
Asset-backed securities	379,663	4	283	379,384	1.2%
Total	\$14,367,597	\$9,422	\$52,005	\$14,325,014	1.4%

(in thousands)	Amortized	Unrealized	Unrealized	Fair	Weighted
As of December 31, 2016	Cost	Gains	Losses	Value	Average
					Yield
Mortgage-backed securities	\$5,607,671	\$7,012	\$58,924	\$5,555,759	1.3%
Commercial paper and other	4,786,207	794	219	4,786,782	1.0%
U.S. Treasury securities	3,823,520	576	12,298	3,811,798	1.1%
Asset-backed securities	742,728	289	104	742,913	1.1%
Total	\$14,960,126	\$8,671	\$71,545	\$14,897,252	1.2%

Commercial paper and other is primarily corporate commercial paper, certificates of deposit and term federal funds.

Contractual Maturities of Investment Securities

(in thousands)	Year of Maturity				Total
	One Year or Less	One to Five Years	Five to Ten Years	More Than Ten Years	
As of September 30, 2017					
Mortgage-backed securities	\$58	\$31,920	\$311,797	\$5,550,156	\$5,893,931
Commercial paper and other	4,957,461	--	--	--	4,957,461
U.S. Treasury securities	1,757,021	1,337,217	--	--	3,094,238
Asset-backed securities	11,422	367,962	--	--	379,384
Total	\$6,725,962	\$1,737,099	\$311,797	\$5,550,156	\$14,325,014
Weighted average yield	1.3%	1.3%	1.7%	1.6%	1.4%

The expected average life is 0.4 years for asset-backed securities (ABS) and 3.6 years for mortgage-backed securities (MBS) at September 30, 2017. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

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

(in thousands)	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of September 30, 2017				
Mortgage-backed securities	\$1,876,806	\$12,298	\$2,341,068	\$28,386
Commercial paper and other	1,780,478	72	--	--
U.S. Treasury securities	2,415,968	7,413	628,154	3,553
Asset-backed securities	340,174	275	13,283	8
Total	<u>\$6,413,426</u>	<u>\$20,058</u>	<u>\$2,982,505</u>	<u>\$31,947</u>

(in thousands)	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2016				
Mortgage-backed securities	\$3,375,456	\$39,175	\$1,784,315	\$19,749
Commercial paper and other	713,576	219	--	--
U.S. Treasury securities	2,955,305	12,298	--	--
Asset-backed securities	246,081	102	6,897	2
Total	<u>\$7,290,418</u>	<u>\$51,794</u>	<u>\$1,791,212</u>	<u>\$19,751</u>

There were no AFS investment securities sold during the nine months ended September 30, 2017. We sold \$70.5 million of home equity ABS and non-agency MBS investment securities during the nine months ended September 30, 2016, resulting in net gains of \$10.2 million dollars. Included in these sales were all remaining other-than-temporarily-impaired (OTTI) AFS investment securities.

We evaluate our investment securities for OTTI on a quarterly basis. We have determined no securities were in an OTTI loss position at September 30, 2017 or at December 31, 2016.

There was no OTTI activity during the nine months ended September 30, 2017. The following represents the activity related to the credit-loss component for investment securities that had been written down for OTTI that had been recognized in earnings in 2016:

(in thousands)	2016
For the nine months ended September 30,	
Credit-loss component, beginning of period	\$25,160
Reductions:	
Gains on securities sold	(10,559)
Incremental impairment previously recognized on securities sold	(14,137)
Increases in expected cash flows	(464)
Credit-loss component, end of period	<u>\$ --</u>

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements	As of September 30, 2017	Regulatory Minimums	Capital Conservation Buffer *	Total
Risk adjusted:				
Common equity tier 1 capital ratio	18.3%	4.5%	2.5%	7.0%
Tier 1 capital ratio	19.2%	6.0%	2.5%	8.5%
Total capital ratio	19.2%	8.0%	2.5%	10.5%
Permanent capital ratio	19.2%	7.0%	0.0%	7.0%
Non-risk adjusted:				
Tier 1 leverage ratio	5.7%	4.0%	1.0%	5.0%
UREE leverage ratio	3.2%	1.5%	0.0%	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital and total capital risk-based capital ratios. The new regulations also added non-risk adjusted tier 1 leverage and unallocated retained earnings and equivalents (UREE) leverage ratios to replace the net collateral ratio. The permanent capital ratio continues to remain in effect.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with FCA Regulations and are calculated as follows:

- Common equity tier 1 ratio is the core capital of the Bank including all at-risk borrower stock as it is intended to be held for a minimum of 7 years, unallocated retained earnings as regulatorily prescribed, less certain regulatory required deductions including certain investments in other System institutions, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus allowance and reserve for credit losses under certain limitations, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, unallocated retained earnings as regulatorily prescribed, less certain investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, as regulatorily prescribed, less certain regulatory required deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

If the 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.

We amended our capital plan effective July 1, 2017 to provide for adequate capital under the new capital regulations as well as to create a path to long-term capital optimization within the District. The plan includes an anticipated transition to increase the required stock investment on wholesale loans and other financing institutions from 2.25% to 3.00%, dependent on loan growth throughout the District. The plan optimizes capital at the Bank—distributing all available Bank earnings in the form of patronage, either cash or stock. A key part of these changes involves maintaining capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet our tier 1 leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Beginning in 2014, one District Association entered into a contractual agreement with AgriBank whereby their required investment in AgriBank was reduced by a total of up to \$26.2 million. In return for having a lower required investment, this District Association agreed to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. This agreement ended as of April 30, 2017.

Protected participation certificates of \$181 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of September 30, 2017 and December 31, 2016.

NOTE 5

Employee Benefit Plans

We participate in District-wide employee benefit plans. The funded status of the post-employment benefit plans is recorded at the District-level only.

Components of District Net Periodic Benefit Cost (in thousands)	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
For the nine months ended September 30,				
Service cost	\$21,364	\$22,955	\$326	\$339
Interest cost	35,195	34,751	769	812
Expected return on plan assets	(46,458)	(44,501)	--	--
Amortization of prior service credit	(2,434)	(839)	(288)	(333)
Amortization of net loss (gain)	29,434	30,067	(402)	(332)
Settlements and termination benefits	2,534	2,330	--	--
Net periodic benefit cost	\$39,635	\$44,763	\$405	\$486

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan covering most of the District. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to Note 8 in the 2016 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2017, District employers have contributed \$38.9 million to fund Pension Benefits and our share was \$4.8 million. District employers anticipate contributing an additional \$54.1 million to fund Pension Benefits in 2017. District employers typically fund 40 percent of their annual contributions to the AgriBank District Retirement Plan in June and the remaining 60 percent in December. The Nonqualified Pension plan is typically funded as benefits are paid.

For the nine months ended September 30, 2017, District employers have contributed \$1.1 million for Other Benefits and our share was \$216 thousand. District employers anticipate contributing an additional \$543 thousand for Other Benefits in 2017.

Our allocated portion of the District benefit expenses for the nine months ended September 30, 2017 was \$2.8 million for Pension Benefits and income of \$107 thousand for Other Benefits.

NOTE 6

Commitments and Contingencies

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

In November 2016 an alleged class action lawsuit was filed in New York state court against AgriBank by a purported beneficial owner of some of our Subordinated Notes. The plaintiff asserted a breach of contract claim and a breach of an implied covenant of good faith and fair dealing alleging that we impermissibly redeemed the Subordinated Notes. AgriBank removed the lawsuit to federal court in the Southern District of New York. Plaintiff requests damages in an amount to be determined at trial, reasonable attorneys' fees, and other relief. In October 2017, AgriBank filed an answer to the lawsuit. The lawsuit is in the early pleadings and discovery stage, and we intend to vigorously defend against these allegations. As of the date of these financial statements, the likelihood of any outcome of this proceeding cannot be determined.

Additionally, from time to time we may be named as defendants in certain lawsuits or legal actions in the normal course of business. At the date of these Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

While primarily liable for our portion of System-wide bonds and notes, we are jointly and severally liable for the System-wide bonds and notes of the other System Banks. The total bonds and notes of the System at September 30, 2017 was \$ 257.9 billion.

NOTE 7

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities measured at fair value on a recurring and non-recurring basis consist of federal funds, investments available-for-sale, derivative assets and liabilities, impaired loans, other property owned, collateral assets and liabilities, impaired loans and other property owned. The fair value is also calculated and disclosed for other financial instruments that are not measured at fair value on the Statements of Condition. These assets and liabilities consist of cash, loans, bonds and notes and commitments to extend credit and letters of credit. Refer to Note 12 in the 2016 Annual Report for descriptions of the valuation methodologies we use for asset and liabilities recorded at fair value on a recurring or non-recurring basis and for estimating fair value for financial instruments not recorded at fair value.

A fair value hierarchy is used for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Refer to Note 2 within the 2016 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of September 30, 2017	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	\$ --	\$724,300	\$ --	\$724,300
Investments available-for-sale:				
Mortgage-backed securities	--	5,893,931	--	5,893,931
Commercial paper and other	--	4,957,461	--	4,957,461
U.S. Treasury securities	--	3,094,238	--	3,094,238
Asset-backed securities	--	379,384	--	379,384
Total investments available-for-sale	--	14,325,014	--	14,325,014
Cash collateral posted with counterparties	34,435	--	--	34,435
Derivative assets	--	6,133	--	6,133
Total assets	\$34,435	\$15,055,447	\$ --	\$15,089,882
Liabilities:				
Derivative liabilities	\$ --	\$35,426	\$ --	\$35,426
Total liabilities	\$ --	\$35,426	\$ --	\$35,426

(in thousands) As of December 31, 2016	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Federal funds	\$ --	\$591,300	\$ --	\$591,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,555,759	--	5,555,759
Commercial paper and other	--	4,786,782	--	4,786,782
U.S. Treasury securities	--	3,811,798	--	3,811,798
Asset-backed securities	--	742,913	--	742,913
Total investments available-for-sale	--	14,897,252	--	14,897,252
Cash collateral posted with counterparties	31,128	--	--	31,128
Derivative assets	--	13,125	--	13,125
Total assets	\$31,128	\$15,501,677	\$ --	\$15,532,805
Liabilities:				
Derivative liabilities	\$ --	\$34,407	\$ --	\$34,407
Total liabilities	\$ --	\$34,407	\$ --	\$34,407

We had no level 3 assets measured at fair value on a recurring basis at any time during the nine months ended September 30, 2017.

Fair Value Measurement Activity of Level 3 Instruments

(in thousands)	Investments Available-for-Sale		
	Mortgage-backed Securities	Asset-backed Securities	Total
Balance at December 31, 2015	\$70,438	\$7,958	\$78,396
Total gains (losses) realized/unrealized:			
Included in earnings	4,608	5,570	10,178
Included in other comprehensive income	(3,610)	(5,957)	(9,567)
Sales	(63,156)	(7,322)	(70,478)
Settlements	(8,280)	(249)	(8,529)
Balance at September 30, 2016	\$ --	\$ --	\$ --

There were no assets or liabilities transferred between levels during the nine months ended September 30, 2017 or 2016.

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	As of September 30, 2017				Total Fair Value	For the
	Fair Value Measurement Using			Total		nine months ended
	Level 1	Level 2	Level 3			September 30, 2017
						Total
						(Losses) Gains
Impaired loans	\$ --	\$ --	\$27,795	\$27,795		\$ (4,154)
Other property owned	--	--	175	175		141

(in thousands)	As of December 31, 2016				Total Fair Value	For the
	Fair Value Measurement Using			Total		nine months ended
	Level 1	Level 2	Level 3			September 30, 2016
						Total
						(Losses) Gains
Impaired loans	\$ --	\$ --	\$23,933	\$23,933		\$ (4,144)
Other property owned	--	--	363	363		5

Other Financial Instrument Measurements

Financial Instruments Not Measured at Fair Value on the Statements of Condition

(in thousands)	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
As of September 30, 2017					
Assets:					
Cash	\$231,800	\$231,800	\$ --	\$ --	\$231,800
Net loans	87,113,785	--	--	86,952,324	86,952,324
Total assets	\$87,345,585	\$231,800	\$ --	\$86,952,324	\$87,184,124
Liabilities:					
Bonds and notes	\$96,786,674	\$ --	\$ --	\$96,630,194	\$96,630,194
Total liabilities	\$96,786,674	\$ --	\$ --	\$96,630,194	\$96,630,194
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		\$ --	\$ --	\$(29,288)	\$(29,288)

(in thousands)	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
As of December 31, 2016					
Assets:					
Cash	\$469,996	\$469,996	\$ --	\$ --	\$469,996
Net loans	86,034,327	--	--	85,475,621	85,475,621
Total assets	\$86,504,323	\$469,996	\$ --	\$85,475,621	\$85,945,617
Liabilities:					
Bonds and notes	\$96,633,431	\$ --	\$ --	\$96,111,397	\$96,111,397
Total liabilities	\$96,633,431	\$ --	\$ --	\$96,111,397	\$96,111,397
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		\$ --	\$ --	\$(18,915)	\$(18,915)

NOTE 8

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products 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 or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect net interest margin. We consider the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

We primarily enter into derivative transactions, particularly interest rate swaps, to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities or better manage liquidity. We use various derivative instruments as follows:

- Interest rate swaps allow us to change characteristics of fixed or floating debt we issue by swapping to a synthetic fixed or floating rate lower than those available to us if borrowings were made directly. Under interest rate swap arrangements, we agree with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.
- Interest rate options allow us to manage the impact of changing interest rates on certain assets and liabilities.
- We also facilitate interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We generally manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive- Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for- Floating and Amortizing Floating-for Floating	Other Derivatives	Total
As of December 31, 2016	\$2,566	\$2,088	\$3,100	\$90	\$7,844
Additions	500	80	--	--	580
Maturities/amortization	(400)	(2)	(400)	(2)	(804)
As of September 30, 2017	\$2,666	\$2,166	\$2,700	\$88	\$7,620
As of December 31, 2015	\$1,550	\$1,523	\$2,500	\$35	\$5,608
Additions	766	566	1,400	56	2,788
Maturities/amortization	(200)	--	(800)	--	(1,000)
As of September 30, 2016	\$2,116	\$2,089	\$3,100	\$91	\$7,396

Other derivatives consisted of retail customer derivative products.

By using derivative products, we expose ourselves to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value gain in a

derivative. To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency, and we monitor the credit standing and levels of exposure to individual counterparties. At September 30, 2017 we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. All derivative contracts are supported by bilateral collateral agreements with counterparties. Certain derivatives were in a negative fair value position, requiring us to post cash collateral with counterparties of \$14.3 million as of September 30, 2017, and \$10.0 million as of December 31, 2016.

We may also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the credit worthiness of counterparties to all swaps that are sent to the CCP, set limits for each counterparty, collect initial margin as well as variation margin settlements from each counterparty for changes in the value of cleared derivatives. At September 30, 2017, initial margin posted with counterparties was \$20.1 million compared to \$27.9 million as of December 31, 2016. In 2017, contracts with certain CCPs changed which resulted in treating daily variation margin payments as settlements rather than collateral posted. As of September 30, 2017, variation margin of \$6.3 million was settled with counterparties, compared to variation margin posted as collateral from counterparties of \$6.7 million as of December 31, 2016.

Our derivative activities are monitored by our Asset/Liability Committee (ALCO) as part of the Committee's oversight of our asset/liability and treasury functions. Our hedging strategies are developed within limits established by our Board of Directors through our analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into our overall interest rate risk-management strategies. Refer to Note 13 of the 2016 Annual Report for additional information regarding counterparty risk and our risk mitigation practices.

Financial Statement Impact of Derivatives

Refer to Notes 2 and 13 of the 2016 Annual Report for additional information regarding the accounting for derivatives.

The following tables present the gross fair value, offsetting and net exposure amounts of derivative assets and derivative liabilities. The fair value of our derivative contracts are presented as “Derivative assets” and “Derivative liabilities” on the Statements of Condition, and are presented on a net basis for counterparties with master netting agreements.

(in thousands)	September 30, 2017		December 31, 2016	
	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	\$ --	\$8,692	\$2,099	\$6,746
Pay-fixed and amortizing pay-fixed swaps	25,142	48,221	33,102	50,378
Floating-for-floating and amortizing floating-for-floating swaps	--	4,400	1,744	1,625
Total derivatives designated as hedging instruments	25,142	61,313	36,945	58,749
Derivatives not designated as hedging instruments:				
Pay-fixed and amortizing pay-fixed swaps	3,187	123	3,568	130
Other derivative products	219	2,654	257	2,975
Total derivatives not designated as hedging instruments	3,406	2,777	3,825	3,105
Credit valuation adjustments	(23)	--	(198)	--
Total gross amounts of derivatives	\$28,525	\$64,090	\$40,572	\$61,854
Gross amounts offset in Statements of Condition	(22,392)	(22,392)	(27,447)	(27,447)
Variation margin settled	--	(6,272)	--	--
Net amounts in Statements of Condition	\$6,133	\$35,426	\$13,125	\$34,407

(in thousands)	September 30, 2017	December 31, 2016
Derivative assets, net	\$6,133	\$13,125
Derivative liabilities, net	(35,426)	(34,407)
Accrued interest payable on derivatives, net	(6,250)	(568)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted with counterparties	34,435	31,128
Net exposure amounts	\$ (1,108)	\$9,278

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty, and an adjustment for our credit worthiness where the counterparty has exposure to us. The change in the CVA for the period is included in “Miscellaneous income and other (losses) gains, net” on the Statements of Comprehensive Income.

Fair-Value Hedges: We recorded \$1.9 million of gains related to swaps for the nine months ended September 30, 2017, compared to \$950 thousand of losses for the same period in 2016. The gains and losses on the derivative instruments are recognized in “Interest expense” on the Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of other comprehensive income (OCI) recognized on derivatives and the amount excluded from effectiveness testing.

(in thousands)	Amount of Loss Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
For the nine months ended September 30, 2017		
Cash Flow Hedging Relationships		
Pay-fixed and amortizing pay-fixed swaps	\$(5,804)	\$ --
Floating-for-floating and amortizing floating-for-floating swaps	(4,519)	--
Other derivative products	--	--
Total	\$(10,323)	\$ --

(in thousands)	Amount of Loss Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
For the nine months ended September 30, 2016		
Cash Flow Hedging Relationships		
Pay-fixed and amortizing pay-fixed swaps	\$(94,773)	\$ --
Floating-for-floating and amortizing floating-for-floating swaps	(2,975)	(47)
Total	\$(97,748)	\$(47)

There were no amounts reclassified from accumulated other comprehensive income into income for either nine month period ended September 30, 2017 or 2016.

Derivatives not Designated as Hedges: We recorded \$90 thousand of net losses on swaps for the nine months ended September 30, 2017, compared to \$518 thousand of net losses for same period in 2016. The gains and losses on the derivative instruments are recognized in “Miscellaneous income and other (losses) gains, net” on the Statements of Comprehensive Income.

NOTE 9

Accumulated Other Comprehensive Income

(in thousands)	Not-other-than- temporarily-impaired Investments	Other-than- temporarily-impaired Investments	Derivatives and Hedging Activity	Total
Changes in Components of Accumulated Other Comprehensive Income (Loss)				
Balance at December 31, 2015	\$(31,002)	\$10,561	\$(64,424)	\$(84,865)
Other comprehensive income (loss) before reclassifications	37,732	(2)	(97,748)	(60,018)
Amounts reclassified from accumulated other comprehensive income	381	(10,559)	--	(10,178)
Net other comprehensive income (loss)	38,113	(10,561)	(97,748)	(70,196)
Balance at September 30, 2016	\$7,111	\$ --	\$(162,172)	\$(155,061)
Balance at December 31, 2016	\$(62,874)	\$ --	\$(17,156)	\$(80,030)
Other comprehensive income (loss)	20,291	--	(10,323)	9,968
Balance at September 30, 2017	\$(42,583)	\$ --	\$(27,479)	\$(70,062)

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

(in thousands) Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Combined Statements of Comprehensive Income
For the nine months ended September 30,	2016	
Not-other-than-temporarily-impaired investments:		
Realized loss on sale of investment securities, net	<u>\$381</u>	Miscellaneous income and other gains, net
Other-than-temporarily-impaired investments:		
Realized gain on sale of investment securities	<u>(10,559)</u>	Miscellaneous income and other gains, net
Total reclassifications	<u><u>\$(10,178)</u></u>	

There were no amounts reclassified from accumulated other comprehensive income during the period ended September 30, 2017.

NOTE 10

Subsequent Events

We have evaluated subsequent events through November 9, 2017, which is the date the Financial Statements were available to be issued.

As part of a one-time workforce reduction plan announced October 16, 2017, ten positions at the Bank were eliminated including the Executive Vice President, Banking and Finance and the Senior Vice President, Human Resources. There have been no other material subsequent events that would require recognition in the Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)

The following information contains regulatory disclosures effective January 1, 2017, as required under Regulations 628.62 and 628.63, for risk-adjusted ratios, common equity tier 1, tier 1 capital and total capital ratios. Refer to Note 4 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years and can be accessed via AgriBank's website at www.AgriBank.com.

Scope of Application

As of September 30, 2017, the AgriBank District has 14 ACA parent Associations, each of which has wholly owned FLCA and PCA subsidiaries. AgriBank is primarily owned by these 14 Farm Credit Associations. AgriBank is the primary funding source for all District Associations. AgriBank has no subsidiaries; therefore, the financial statements are only those of AgriBank and are not consolidated with any other entity.

Capital Structure

Refer to Note 4 of the accompanying financial statements and Note 7 of the 2016 Annual Report for a description of capital structure.

Regulatory Capital Structure

	As of September 30, 2017
(3-month average daily balance in thousands)	
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	\$27
Other required member purchased stock	1,059,222
Allocated equities:	
Allocated stock subject to retirement	1,222,830
Unallocated retained earnings as regulatorily prescribed	3,286,629
Regulatory adjustments and deductions made to CET1	(5,222)
Total CET1	<u>\$5,563,486</u>
Tier 1 Capital	
Non-cumulative perpetual preferred stock	\$250,000
Total additional tier 1 capital	250,000
Total Tier 1 Capital	<u>\$5,813,486</u>
Total Capital	
Allowance for loan losses	\$22,417
Total tier 2 capital	22,417
Total Capital	<u>\$5,835,903</u>

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands)	As of September 30, 2017
Exposures to:	
Cash held at depository institutions	\$519
Securities available for sale, excluding securitizations	4,596,125
Securitization exposures	493,057
Wholesale exposures to Farm Credit Institutions	16,648,894
Retail exposures, including OFIs	8,524,846
Derivative exposures	7,962
Intrasystem equity investments	5,223
All other assets	69,284
Deductions:	
Regulatory adjustments and deductions made to CET1	5,223
Regulatory adjustments and deductions made to AT1	--
Regulatory adjustments and deductions made to T2	--
Total standardized risk-weighted assets	\$30,340,687

As of September 30, 2017, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was \$323.3 million as of September 30, 2017.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of September 30, 2017	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	0.625%	18.3%	13.8%
Tier 1 capital ratio*	6.0%	0.625%	19.2%	13.2%
Total capital ratio*	8.0%	0.625%	19.2%	11.2%
Capital conservation buffer				11.2%
Tier 1 leverage ratio	4.0%	1.0%	5.7%	1.7%
Leverage buffer				1.7%

*The capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the Farm Credit Administration revised capital requirements, up to 2.5%

Credit Risk

Refer to Note 2 of the accompanying Financial Statements for amounts of impaired loans with and without related allowance, loans in nonaccrual status and greater than 90 day past due, loans past due greater than 90 days and still accruing, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses. Allowance is determined individually by loan or by

pool based on homogeneous characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.) There was no allowance attributed to a geographic area as of September 30, 2017. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

Refer to the Capital Adequacy and Capital Buffers section for information regarding types of credit risk exposures.

**Exposures by Contractual Maturity
As of September 30, 2017**

(in thousands)	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	\$16,260,221	\$62,845,448	\$ --	\$79,105,669
Retail loans	780,441	3,646,972	4,126,817	8,554,230
Investments (including federal funds)	7,450,263	1,737,099	5,861,952	15,049,314
Wholesale loan commitments	3,055,355	19,042,826	--	22,098,181
Retail loan and other commitments	371,382	605,508	186,806	1,163,696
Cleared derivative notional	225,000	1,550,000	1,082,871	2,857,871
Bilateral derivative notional	1,200,000	1,839,000	1,724,871	4,763,871

**Retail Portfolio Distribution
As of September 30, 2017**

Commodity Distribution		Geographic Distribution	
Crops	55%	Minnesota	13%
Cattle	10%	Illinois	14%
Dairy	8%	Wisconsin	11%
OFIs	7%	Iowa	8%
Investor real estate	5%	Nebraska	7%
Other	15%	Michigan	5%
Total	<u>100%</u>	Indiana	5%
		Other	37%
		Total	<u>100%</u>

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives

We have not entered into any credit default swap agreements to mitigate our credit exposure to counterparties.

Refer to Note 8 of the accompanying Financial Statements for the gross positive fair value of contracts, collateral held and the net unsecured credit exposure.

Current credit exposure is the greater of zero or the fair market value of a derivative contract.

Current Credit Exposure

(in thousands)	As of September 30, 2017
Interest rate contracts	\$22,426

Credit Risk Mitigation Related to Loans

Financial collateral is not used to mitigate credit risk in our loan portfolio.

**Loan and Commitment Exposures Covered by Guarantees
As of September 30, 2017**

(in thousands)	3-month Average Daily Balance	Risk-adjusted 3- month Average Daily Balance
Conditionally guaranteed		
Loans	\$64,961	\$12,992
Commitments	19,521	781
Total	<u>\$84,482</u>	<u>\$13,773</u>

Credit Risk Mitigation Related to Investments

Financial collateral is not used to mitigate credit risk in our investment portfolio.

**Investment Exposures Covered by Guarantees
As of September 30, 2017**

(in thousands)	3-month Average Daily Balance	Risk-adjusted 3- month Average Daily Balance
Unconditionally guaranteed	\$6,173,473	\$ --
Conditionally guaranteed	5,035,162	1,007,032
Total	<u>\$11,208,635</u>	<u>\$1,007,032</u>

Securitization

Securitization Exposures As of September 30, 2017

(3-month average daily balance in thousands)	Exposure	Weighted average risk-weight factor	Risk adjusted assets
Gross up capital approach	\$472,510	104%	\$493,057

Equities

We are a limited partner in certain Rural Business Investment Companies (RBIC) for various relationship and strategic reasons. These investments are not publicly traded and the book value approximates fair value. There have been no sales or liquidations of these investments during the period.

Equity Investments included in Capital Ratios As of September 30, 2017

(in thousands)	Disclosed in Other Assets	Life-to-Date gains recognized in Retained Earnings ⁽¹⁾
RBIC	\$11,119	\$116

⁽¹⁾ Retained earnings is included in common equity tier 1, tier 1 and total capital ratios

Interest Rate Risk

NII Sensitivity Analysis

As of September 30, 2017	Basis Point Interest Rate Change		
	Down 53	Up 100	Up 200
Immediate Change (Shock):			
NII sensitivity	(1.4%)	(0.5%)	(1.9%)
Board policy	(15.0%)		(15.0%)
Gradual Change (Ramp):			
NII sensitivity	(13.1%)	0.5%	0.7%

EVE Sensitivity Analysis

As of September 30, 2017	Basis Point Interest Rate Change		
	Down 53	Up 100	Up 200
Immediate Change (Shock):			
EVE sensitivity	3.2%	(4.2%)	(8.0%)
Board policy	(12.0%)		(12.0%)

