FOCUS ON FUNDAMENTALS

Strength and Stability for Farm Credit Associations

AGRIBANK 2017 ANNUAL REPORT

AgriBank
FARM CREDIT BANK

WHO WE ARE

AgriBank expertly and reliably obtains funds and prudently provides funding and financial solutions to Farm Credit Associations.

AgriBank
FARM CREDIT BANK

About AgriBank

AgriBank is one of the largest banks within the national Farm Credit System, with nearly $105 billion in total assets. Under the Farm Credit System's cooperative structure, AgriBank is primarily owned by 14 Farm Credit Associations. The AgriBank District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. With about half of the nation's cropland located in the AgriBank District and over 100 years of experience, the Bank and its Association owners have significant expertise in providing financial products and services for rural communities and agriculture. For more information about AgriBank, please visit www.AgriBank.com.

FARM CREDIT

About Farm Credit

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. It has been fulfilling its mission of helping rural America grow and thrive for a century by providing farmers with the capital necessary to make businesses successful, and by financing vital infrastructure and communication services. For more information about Farm Credit, please visit www.FarmCredit.com.

TABLE OF CONTENTS

Left: Bill Thone,
Chief Executive Officer, AgriBank
Right: Matt Walther,
Chair, AgriBank

LETTER TO SHAREHOLDERS

Focus on Fundamentals: Strength and Stability for Farm Credit Associations

Dear Shareholders:

In 2017 we sharpened our definition of who we are, what we do and how we do it. We are clearly and confidently moving forward as your funding Bank. Our precisely focused purpose is **to expertly and reliably obtain funds and prudently provide funding and financial solutions** to you, the 14 Farm Credit Associations that collectively own AgriBank and comprise the AgriBank District.

AgriBank and District Associations are collaborating to best compete in the marketplace now and in the future. While AgriBank focuses on our core funding and wholesale lending functions, the Associations manage all aspects of their retail marketplace. This includes appropriate Bank oversight of District Associations, whatever their size. By fulfilling our respective roles, together we are fulfilling the Farm Credit mission to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

The past year has been one of significant change for AgriBank and the District as we have made adjustments to serve our customers/owners more efficiently and effectively. Five Associations participated in two mergers, consolidating the number of District Associations to 14 from 17. We amended the AgriBank capital plan to optimize capital within the District through Association stock requirements and patronage refunds while maintaining sufficient earnings to meet capital requirements. We also aligned our structure with our funding Bank model and the evolving District. Together, we took an important first step toward our long-term District goal to move toward a common technology platform with the launch of SunStream Business Services, a division of AgriBank. Through this time of change, AgriBank maintained the financial strength and stability that provides a solid foundation for Associations now and in the future.

Financial Results

Our collaborative model optimizes AgriBank income and capital for the benefit of the District. The following key financial measures reflect our strong performance in 2017:

- AgriBank returned nearly $508 million in earnings to our owners in the form of patronage refunds — $175.9 million higher than the previous year

- AgriBank net income declined slightly but remained strong at $525.4 million as we achieved our targeted return on assets of 50 basis points. District net income increased nearly 5.0 percent to $1.9 billion, driven by continued strong net interest income.

- AgriBank net operating rate of 7.0 basis points decreased from 7.5 basis points in 2016, reflecting our disciplined approach to operating expenses while maintaining excellence in operations

- AgriBank credit quality remained strong, with AgriBank nonadverse loans at 99.5 percent and District nonadverse loans at 95.7 percent, reflecting disciplined underwriting combined with the adequate liquidity and strong equity positions of many borrowers

- AgriBank loan volume increased 2.7 percent from the previous year to $88.4 billion, reflecting growth in wholesale loans to District Associations. District loan volume increased 3.4 percent from the previous year to $102.5 billion, driven by District Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit.

- Shareholders' equity increased 2.8 percent to $5.6 billion for AgriBank and increased 6.2 percent to $22.1 billion for the District, positioning the Bank and District Associations to navigate through the current market cycle

Once again, third parties that assess AgriBank and other financial institutions recognized AgriBank for financial strength. In their latest reports, the top three credit rating agencies affirmed their strong ratings with stable outlooks for AgriBank (Fitch, AA-; Moody's, Aa3; Standard & Poor's, AA-). Our continued financial discipline underlies our ability to support District Associations.

We are clearly and confidently moving forward as your funding Bank.

AgriBank and District Associations are collaborating to best compete in the marketplace now and in the future.

Strategic Framework and Structure

The AgriBank Board of Directors and management have worked together to define the Bank's unique role supporting the 14 District Associations. The embrace of our funding Bank model results from several years of ongoing discussions within the District regarding the appropriate role of a Farm Credit Bank vis-à-vis Associations. We believe this model will prove to be a strategic competitive advantage to all District Associations in their local marketplaces.

To support our funding Bank model, the board and management determined through a measured, thoughtful process that AgriBank will have three key functional areas:

- **Funding —** to expertly and reliably obtain and distribute funds on the most competitive terms possible
- **Lending —** to prudently provide funding and financial solutions to District Associations
- **Support —** to ensure the funding and lending areas excel in their roles and that AgriBank and the District remain strong and viable

We examined every function and position at AgriBank in light of our funding Bank model, questioning what we really need, and why we do what we do. Then, we adjusted accordingly. We are confident the Bank's streamlined structure is also appropriate given recent merger activity in the District, a change in the model for delivery of business services and ongoing strategic planning objectives. AgriBank employees deserve tremendous credit for their hard work and dedication supporting the business model and navigating through change.

In 2017 we also prepared for the Jan. 1, 2018, launch of SunStream Business Services as a division of AgriBank. SunStream provides technology services and certain other business services to the Bank and District Associations. The Farm Credit Administration (FCA) is conducting a thorough review of the 4.25 service corporation charter application for SunStream, and the AgriBank board and management are committed to the long-term strategy of operating SunStream as a separate service entity.

The idea of forming a business services entity came out of an AgriBank District strategic planning process several years ago. It was a deliberate and structured process that included Bank and Association directors and management evaluating how best to address the rapidly changing and increasingly costly challenges of technology. A key opportunity includes positioning technology and other services for possible future collaboration with other Farm Credit System providers to achieve greater scale, which will allow us to keep pace with technology and manage costs. We also believe creating a clear governance and financial commitment for technology decisions is in the best interest of all stakeholders.

Areas of Strategic Focus

As part of our strategic planning process and consistent with our funding Bank model, we have identified three Areas of Strategic Focus:

Client Service. We will treat Association board and management relations as an enterprisewide responsibility. We will regularly interact with Associations to understand their business challenges and strategies to ensure we deliver solutions and services that align with them. A big part of our job is listening, so that we can address Association priorities while considering the broader needs of all District Associations.

Operational Excellence. Every day, we will execute our operations well, expertly and reliably deliver products and services, and maintain prudent lending. This includes maintaining an appropriate control environment, including the Internal Controls over Financial Reporting (ICFR) process and continued evolution of risk management practices; operationalizing the AgriBank structure; and implementing the launch of SunStream. We will ensure processes are continuously improved, depth of talent is appropriate and execution is strong.

Capital Efficiency. We will continue to explore opportunities to optimize capital within the District and System. This includes continuing to work with various alternatives to leverage capital more efficiently within the District, and evaluating and advocating for appropriate capital targets. We are committed to collaborating with District and System partners to find capital solutions that continue to enhance our shared mission.

Governance Design

Efforts to fulfill our role as a funding Bank extend to board design. With the recent Association mergers, it's the right time to re-examine board structure. The board design project, launched in 2017, is examining how to structure the AgriBank Board of Directors to ensure it continues to equitably represent the Bank's 14 Association owners. The board has proactively sought Association owner input.

A work group with director representatives from each District Association has been studying director eligibility, board structure, nominating committee procedures and director election procedures. Association delegates and the AgriBank Governance Committee have been working tirelessly on this project. We anticipate making board design decisions in 2018.

Strategic Readiness

In 2017 we laid the groundwork for our funding Bank model. We believe AgriBank and the District are well-positioned to face the challenging and changing landscape.

AgriBank's current CEO has announced his intention to retire in 2018, and a search for the next AgriBank CEO is underway. The

Our continued financial discipline underlies our ability to support District Associations.

AgriBank and the District are well-positioned to face the challenging and changing landscape.

board expects to name a new chief executive during the first half of 2018. The new CEO, along with other Executive Leadership Team members, will continue to refine and execute our funding Bank model. SunStream Business Services will help the Bank and District Associations develop and access cost-effective technology and business services for the long term.

Farm Credit and the rural and agricultural customers we serve continue to face headwinds. As the agriculture efficiency cycle continues, producers find they must optimize operating costs to maintain strong financial positions in the wake of commodity prices, land values and net farm income that have moderated, and interest rates that are rising. The challenges of increasing risk, uncertainty and volatility continue to grow amid domestic and global competition. The unpredictable political environment in Washington adds to uncertainty in agriculture and economic policies, although support for Farm Credit continues to be consistently strong. Despite these headwinds, AgriBank and District Associations are confident we will continue to be a stable source of capital for rural America.

As we look to the horizon in 2018 and beyond, AgriBank continues to focus on the fundamentals of our funding Bank model. We are committed to building on our strong foundation of financial strength and stability. And District Associations continue to be the lenders of choice in their local communities. Associations' retail market expertise, AgriBank's funding Bank approach, and our collective capital capacity place the District in a dominant position to both gain market share and work with customers during a challenging agricultural cycle — which is what Farm Credit is designed to do.

To District Associations, thank you for your confidence in and support of AgriBank, your funding Bank. We look forward to continuing to work with you as we each do our respective part to earn the trust of the farmers, ranchers and others who depend on Farm Credit.

Matthew D. Walther

Matthew D. Walther
Chair, AgriBank, FCB

William J. Thone

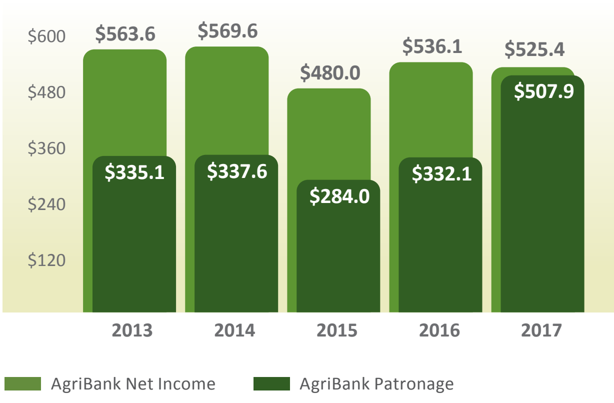
William J. Thone
CEO, AgriBank, FCB

PERFORMANCE HIGHLIGHTS

AgriBank reports strong net income, sound credit quality, and robust liquidity and capital.

AGRIBANK NET INCOME AND PATRONAGE

Millions of Dollars

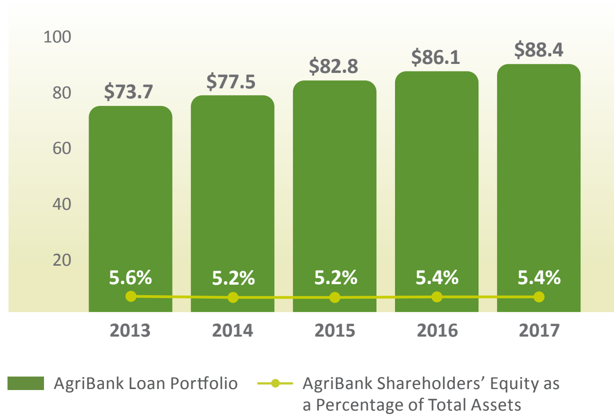


Strong net interest income generates earnings, patronage

- AgriBank returned nearly $508.0 million in earnings to owners in the form of patronage refunds
- Earnings generated by continued strong net interest income, primarily due to increased wholesale loan volume
- AgriBank net income remained strong and achieved our targeted return on assets

AGRIBANK LOAN PORTFOLIO AND EQUITY POSITION

Billions of Dollars or %

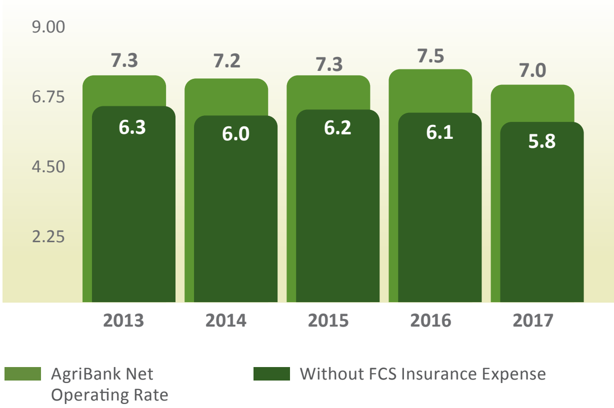


District Association loan growth boosts AgriBank loan portfolio

- AgriBank loan portfolio increased 2.7 percent from the previous year to $88.4 billion with acceptable credit quality remaining strong at 99.5 percent, reflecting growth in wholesale loans to District Associations
- Influenced by District Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- AgriBank shareholders' equity as a percentage of total assets remained stable at 5.4 percent, reflecting continued robust capital levels

AGRIBANK NET OPERATING RATE

Basis Points



Disciplined approach helps manage expenses

- AgriBank net operating rate decreased 0.5 basis points from previous year
- Disciplined approach to operating expenses while maintaining excellence in operations
- Reflects decreased Farm Credit System insurance expense

DISTRICT NET INCOME

Billions of Dollars

Continued District financial strength reflected in strong earnings

- Strong net income for the District at $1.9 billion
- Attributable to strong and steady net interest income and disciplined lending practices, offset by increases in salaries and benefits
- Strategic collaborations across the AgriBank District are expected to position the District to remain at the forefront of agricultural finance

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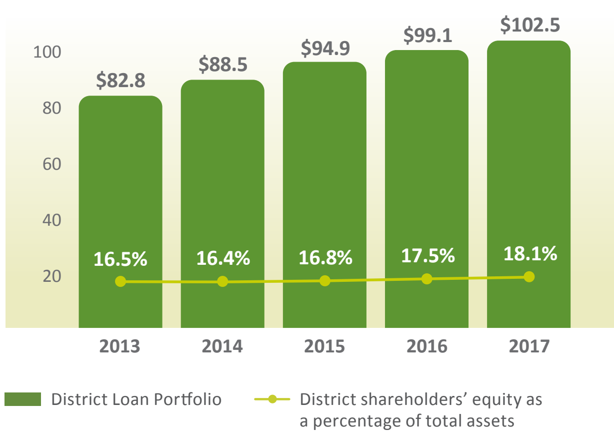
DISTRICT LOAN PORTFOLIO AND EQUITY POSITION

Billions of Dollars or %

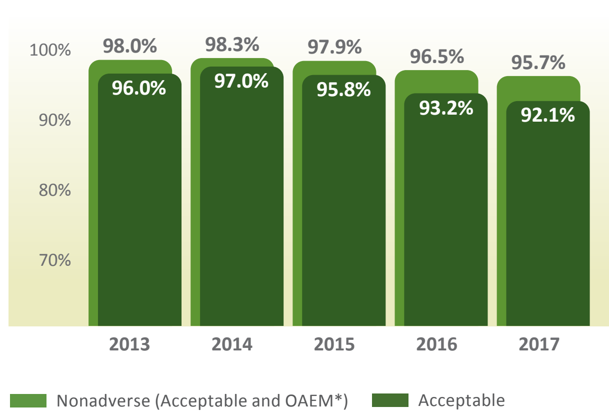


Customers/owners benefit from prudent leveraging of District capital

- District loan portfolio increased 3.4 percent from the previous year to $102.5 billion, driven by Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- District shareholders' equity as a percentage of total assets increased 3.4 percent from the previous year to 18.1 percent, reflecting continued robust capital levels
- District Associations are well-positioned to continue navigating through the current agricultural cycle

DISTRICT CREDIT QUALITY

As a % of Loan Portfolio



District credit quality has moderated but remains strong

- District portfolio had 95.7 percent nonadverse loans, which represent the highest quality assets (acceptable and OAEM), down slightly from 96.5 percent in 2016
- Strong positions are expected to revert to levels more in line with historical norms due to continued low net farm income and current economic conditions
- Favorable credit quality of District loan portfolio reflects disciplined underwriting combined with the strong liquidity and equity positions of many borrowers

*Other Assets Especially Mentioned

BOARD OF DIRECTORS

Standing from left to right: Tim Rowe, Dale Crawford, Ed Breuer, Matt Walther (Chair), Keri Votruba (Vice Chair), Nick Vande Weerd, John Schmitt, Natalie Laackman, Bill Stutzman, Dan Shaw, Dan Flanagan, Leon Westbrock

Seated from left to right: Tony Wilkie, Richard Price, Dick Davidson, Brian Peterson, Ernie Diggs

Stan Claussen

EXECUTIVE LEADERSHIP

Bill Thone, *Chief Executive Officer*

Jim Jones, *Chief Risk Officer*

Jeff Moore, *Chief Financial Officer*

Barb Stille, *Chief Administrative Officer and General Counsel*

Jeff Swanhorst, *Chief Credit Officer*

DISTRICT ASSOCIATIONS

Farm Credit Associations provide farmers with the capital they need to make their businesses successful.

AgriBank supports the following 14 Farm Credit Associations that serve rural communities and agriculture in 15 states. Under our cooperative structure, the farmers, ranchers and agribusinesses Farm Credit serves own these local Associations, which in turn are the primary customers and owners of AgriBank.

AgCountry Farm Credit Services, ACA
1900 44th St. S.
Fargo, ND 58108
(701) 282-9494
www.agcountry.com

AgHeritage Farm Credit Services, ACA
119 E. Third St., Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590
(844) 426-6733
www.compeer.com

Delta Agricultural Credit Association
118 E. Speedway
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditil.com

Farm Credit Mid-America, ACA
1601 UPS Drive
Louisville, KY 40223
(502) 420-3700
www.e-farmcredit.com

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.farmcreditmidsouth.com

Farm Credit Services of America, ACA
5015 S. 118th St.
Omaha, NE 68137
(402) 348-3333
www.fcsamerica.com

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554
(701) 663-6487
www.farmcreditmandan.com

Farm Credit Services of North Dakota, ACA
3100 10th St. S.W.
Minot, ND 58702
(701) 852-1265
www.farmcreditnd.com

Farm Credit Services of Western Arkansas, ACA
3115 W. 2nd Court
Russellville, AR 72801
(479) 968-1434
www.myaglender.com

Farm Credit Southeast Missouri, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.farmcreditsemo.com

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com

Five-Year Summary of Selected Financial Data

AgriBank, FCB

(in thousands)	**2017**	2016	2015	2014	2013
Statement of Condition Data					
Loans	**$88,374,923**	$86,078,402	$82,819,652	$77,546,155	$73,677,222
Allowance for loan losses	**26,047**	21,282	18,076	12,520	10,100
Net loans	**88,348,876**	86,057,120	82,801,576	77,533,635	73,667,122
Investment securities	**14,386,455**	14,897,252	14,262,883	14,294,777	11,555,272
Other assets	**1,809,394**	1,608,924	2,442,375	2,564,039	2,467,269
Total assets	**104,544,725**	102,563,296	99,506,834	94,392,451	87,689,663
Obligations with maturities of one year or less	**$33,274,235**	$34,735,054	$31,555,565	$28,137,696	$24,416,622
Subordinated notes with maturities greater than one year	**--**	--	498,283	497,899	497,547
Other obligations with maturities greater than one year	**65,628,608**	62,342,139	62,278,870	60,840,811	57,854,176
Total liabilities	**98,902,843**	97,077,193	94,332,718	89,476,406	82,768,345
Perpetual preferred stock	**250,000**	250,000	250,000	250,000	250,000
Capital stock and participation certificates	**2,345,655**	2,183,701	2,063,343	1,944,292	2,109,843
Unallocated surplus	**3,132,653**	3,132,432	2,945,638	2,766,818	2,552,005
Accumulated other comprehensive (loss) income	**(86,426)**	(80,030)	(84,865)	(45,065)	9,470
Total shareholders' equity	**5,641,882**	5,486,103	5,174,116	4,916,045	4,921,318
Total liabilities and shareholders' equity	**104,544,725**	102,563,296	99,506,834	94,392,451	87,689,663
Statement of Income Data					
Net interest income	**$587,884**	$574,475	$520,002	$525,033	$523,841
Provision for (reversal of) credit losses	**8,500**	6,500	7,500	3,500	(4,000)
Other expenses (income), net	**54,026**	31,910	32,529	(48,115)	(35,745)
Net income	**$525,358**	$536,065	$479,973	$569,648	$563,586
Key Financial Ratios					
Return on average assets	**0.51%**	0.53%	0.51%	0.64%	0.68%
Return on average shareholders' equity	**9.32%**	10.12%	9.52%	11.74%	12.46%
Net interest income as a percentage of average earning assets	**0.58%**	0.58%	0.56%	0.60%	0.64%
Shareholders' equity as a percentage of total assets	**5.40%**	5.35%	5.20%	5.21%	5.61%
Net charge-offs (recoveries) as a percentage of average loans	**0.00%**	0.00%	0.00%	0.00%	(0.00%)
Allowance for loan losses as a percentage of loans	**0.03%**	0.02%	0.02%	0.02%	0.01%
Debt to shareholders' equity (:1)	**17.4**	17.6	18.1	18.1	16.8
Common equity Tier 1 capital ratio	**18.2%**	n/a	n/a	n/a	n/a
Tier 1 capital ratio	**19.0%**	n/a	n/a	n/a	n/a
Total capital ratio	**19.1%**	n/a	n/a	n/a	n/a
Tier 1 leverage ratio	**5.6%**	n/a	n/a	n/a	n/a
UREE leverage ratio	**3.2%**	n/a	n/a	n/a	n/a
Permanent capital ratio	**19.0%**	20.6%	20.8%	20.8%	22.1%
Total surplus	**n/a**	17.2%	17.9%	18.1%	18.5%
Core surplus	**n/a**	12.6%	12.1%	11.8%	11.4%
Net collateral ratio	**n/a**	105.5%	105.8%	105.9%	106.4%
Net Income Distributed					
Patronage distributions:					
Cash	**$507,949**	$332,083	$283,965	$337,599	$227,661
Common stock	**--**	--	--	--	107,451
Total patronage distributions	**$507,949**	$332,083	$283,965	$337,599	$335,112
Preferred stock dividends	**$17,188**	$17,188	$17,188	$17,188	$2,675
Patronage distributions as a percentage of average capital stock	**22.5%**	15.8%	14.5%	17.5%	16.6%

Management’s Discussion and Analysis

AgriBank, FCB

The following commentary reviews the financial condition and results of operations of AgriBank, FCB (AgriBank, the Bank, we, us, our) and provides additional specific information. The accompanying Financial Statements and Notes to the Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System

The Farm Credit System (the System) supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

The System provides loans, leases and financial services to farmers, ranchers and rural businesses across the United States and Puerto Rico. This focus on rural communities and agriculture is the reason Farm Credit was established over 100 years ago, and the System has been delivering on that mission ever since – helping fund America's food, fuel and fiber and supporting the thriving rural communities America's farmers and ranchers call home.

While the System has a national footprint, lenders are local – as of January 1, 2018, 69 independently owned and operated Farm Credit Associations provide services in the communities where they live and work. Each local Farm Credit Association is a cooperative that is owned by its local members and has employees and a board of directors that have a deep understanding of agriculture in its area. This expertise enables them to understand the industry sectors they finance and provide an unparalleled level of knowledge and service to member-owners.

Combined, Farm Credit organizations provide over $250 billion in loans, leases and related services, which is more than 40 percent of the credit needed by U.S. agriculture. This capital helps over 500,000 borrower-owners plant and nurture seeds; purchase and care for livestock; buy land and equipment such as harvesters and combines; build barns and milking parlors; and expand storage, packing and processing facilities. Farm Credit also finances agricultural cooperatives and communications, electric, power and water providers, which deliver essential infrastructure services to maintain vibrant rural communities.

Farm Credit Associations receive funding through one of four regional Banks, including AgriBank. System entities have specific lending authorities within their chartered territories. Farm Credit’s funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (the Insurance Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System Banks. System Banks and Associations are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

The Farm Credit System 2017 Annual Information Statement, issued by the Funding Corporation, includes additional information about the System, its funding activities and its combined financial results. You can obtain a copy of that report by contacting the Funding Corporation or visiting www.farmcreditfunding.com.

AgriBank

AgriBank is a funding Bank that supports and is primarily owned by 14 Farm Credit Associations. Our role is to expertly and reliably obtain funds and prudently provide funding and financial solutions to the 14 Associations. AgriBank and the Associations are collectively referred to as the District.

AgriBank has nearly $105 billion in assets. The District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. With about half of the nation's cropland located in the AgriBank District and over 100 years of experience, the Bank and its Association owners have significant expertise in providing financial products and services for rural communities and agriculture.

Our primary objective is to effectively meet the needs of District Associations. Prudent lending standards and unwavering attention to risk management have resulted in a strong balance sheet. This balance sheet facilitates ongoing access to the financial markets, offering funding in the form of loan products with a wide variety of maturities, repricing and repayment options to District Associations. District Associations share in the positive benefits of a strong funding Bank through consistent access to capital, a broad array of financial products they use to serve their customers and an appropriate return on their investment through patronage distributions.

During 2017 our 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 reached 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, as appropriate, under the broader restructure.

During 2016, District Associations and AgriBank conducted research related to repositioning many business services offered by AgriBank into a separate entity jointly owned by AgriBank and participating Associations. The long-term strategic objective of this initiative is to increase scale, improve operating efficiency and enhance technology and business services. The proposed service entity will be named SunStream Business Services (SunStream). An application to form the service entity was submitted to the FCA for approval in May 2017, and the FCA continues its due diligence on the charter request.

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.

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, ACA (Compeer) and is headquartered in Sun Prairie, Wis.

Risk Management

Risk is inherent in our business, necessitating that sound risk management practices be a fundamental component of our operations. Some of the major types of risk in our business are:

- Credit risk is the risk of loss arising from a borrower or counterparty failing to perform on an obligation
- Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition
- Liquidity risk is the risk of loss arising from the inability to timely meet operating and funding needs without incurring excessive costs
- Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, errors by employees or external events
- Reputation risk is the risk of loss resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities

These and other risks, and the methods we use to manage them, are discussed throughout this Annual Report.

Our prudent and disciplined approach to risk management includes a formal enterprise risk management structure established to identify emerging risks and evaluate risk implications of the decisions and actions of AgriBank and others. The goals of enterprise risk management are to:

- Effectively assess, prioritize, monitor and report key organizational risks, enhancing our ability to achieve our business objectives
- Embed a risk-aware culture and risk appetite throughout AgriBank
- Identify and implement strategies to mitigate risk where appropriate
- Ensure we are adequately compensated for the risks that we take

Our board oversees risk management by adopting policies to guide the organization's risk governance framework and by monitoring performance against established risk limits. As the first line of defense, management establishes controls to guide the day-to-day risk management activities of the organization within the risk limits and framework approved by our board. The various risk, controls and compliance oversight functions established by management are the second line of defense. We maintain an independent internal audit function as the third line of defense to monitor risk management and policy compliance to assure that management control functions are operating within the board approved policies. The Director of Internal Audit reports to the board through the Audit Committee. Our board, through various committees, monitors this risk framework. This structure and board oversight promote effective risk management of all risks and foster the establishment and maintenance of an effective risk culture throughout the Bank. To enhance financial reporting governance and internal controls, we apply policies and procedures that mirror the material provisions of the Sarbanes-Oxley Act of 2002, including section 404, *Management Assessment of Internal Control over Financial Reporting*.

Forward-Looking Information

This Annual Report includes, and our representations may from time to time make, projections regarding financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services and assumptions underlying these projections and statements. These projections and statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, business strategy, competitive strengths, goals, market and industry developments and the growth of our businesses and operations. The words "anticipate," "believe," "estimate," "expect," "intend," "outlook" and similar expressions, as they relate to AgriBank or its management, are intended to identify forward-looking statements. Such statements reflect the current views of AgriBank with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or our outlook may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report, including without limitation, the information under "Management's Discussion and Analysis" identifies important factors that could cause such differences, including but not limited to a change in the U.S. agricultural economy, overall economic conditions, changes in market rates of interest, and the effect of new legislation or government regulations or directives. Many risks and uncertainties are beyond our control including, but are not limited to:

- Political (including trade policies), legal, regulatory, financial markets and economic conditions and developments in the United States and abroad
- Economic fluctuations in the agricultural, international and farm-related business sectors
- Weather-related, disease and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate and liquidity risk inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other than temporary impairment and fair value measurements
- Industry outlooks for agricultural conditions
- Outlook for the gas and oil industry

Refer to additional discussion in the Risk Factors section at the end of this report.

Financial Overview

AgriBank's financial strength is evidenced by our financial performance in 2017. This strength translates into lasting value for our borrower-owners and reflects our commitment to the Farm Credit mission to support rural communities and agriculture. Our financial results reflect our focus on the funding bank model which optimizes Bank profitability and capital and maintains a District view of success rooted in cooperative principles.

We have established a profitability framework which balances operating efficiency and disciplined cost management with the optimal level of income to assure capital remains at appropriate levels for our inherent risk. This resulted in us achieving a 2017 return on assets ratio of 51 basis points, in excess of our 50 basis point target. Net income was $525.4 million, a decrease of 2.0 percent from the prior year.

Net interest income increased 2.3 percent to $587.9 million, primarily due to increased wholesale loan volume and related income.

Non-interest income decreased 23.9 percent to $73.6 million, primarily attributable to decreased fee and prepayment income resulting from curtailed loan conversion activity at District Associations as the rising interest rate environment reduced the opportunities for borrowers to improve loan terms. Additionally, non-recurring gains on sales of investment securities within our liquidity portfolio included in prior year results were not repeated in 2017. These decreases were partially offset by increased mineral income primarily attributable to higher oil and gas prices and an increase in leasing activity.

Non-interest expense decreased 0.8 percent to $127.7 million, primarily from decreased Farm Credit System Insurance Corporation premiums paid.

Refer to the Results of Operations section for further discussion.

Total loans were $88.4 billion at December 31, 2017, a 2.7 percent increase from December 31, 2016, primarily attributable to an increase in wholesale loans. Throughout 2017, District Associations experienced loan growth in the real estate mortgage and agribusiness sectors. Additionally, seasonal operating line usage increased wholesale volume in December, driven by borrower tax-planning strategies. Wholesale growth was significantly offset as a result of $1.0 billion of loan asset pool participations purchased throughout 2017 from certain District Associations.

Our loan portfolio credit quality remained strong at 99.5 percent acceptable under the FCA's Uniform Classification System at December 31, 2017, compared to 99.6 percent at December 31, 2016. This strong credit quality reflects the overall strength of District Associations and their underlying portfolios of retail loans, which they pledge as collateral on their wholesale lines of credit with us. While remaining strong, the credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) decreased slightly to 95.1 percent acceptable at December 31, 2017, compared to 95.5 percent acceptable as of December 31, 2016.

Refer to the Loan Portfolio section for further discussion.

Total capital was $5.6 billion as of December 31, 2017, an increase of $155.8 million compared to December 31, 2016. This increase was primarily from net income and net stock issued, substantially offset by patronage distributions declared. We optimize capital by first retaining what we need to meet our capital targets and distributing the remainder as patronage. Our capital reflects strong risk-based regulatory capital measures while optimizing the non-risk-based regulatory capital measure to maintain a targeted tier 1 leverage ratio.

Refer to the Shareholders' Equity section for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to continue advancing at a moderate pace and the U.S. economy is forecasted to grow at 2.5 percent in 2018. U.S. economic growth is expected to be driven by consumer and investment spending. Consumer spending has remained strong due to consumer confidence, which is at elevated levels. Investment spending is expected to increase in 2018 due to the tax reform legislation that was passed in late 2017.

The Federal Open Market Committee (FOMC) of the Federal Reserve has started the process of normalizing the level of interest rates and has begun winding down its balance sheet. After the 25 basis point (bp) rate increase in December 2017, the target range for the federal funds rate stands at 1.25 to 1.50 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 U.S. Treasury yield curve flattened in 2017 due to the Federal Reserve's increases to short term rates and due to a decline in inflation expectations, which has constrained long-term rates from moving significantly higher. Bloomberg economist consensus forecast is for U.S. Treasury rates to move higher by the end of 2018 with the 2-year and 10-year rates approaching approximately 2.5 and 3.0 percent, respectively.

We manage interest rate risk consistent with policies established by the board of directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to the Interest Rate Risk Management section). 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) projects 2017 net farm income to be $63.8 billion, an increase of 3.7 percent from the final 2016 estimate. However, net farm income for 2018 is projected down to $59.5 billion, the lowest level since 2006. The decline in the forecasted 2018 net farm income is largely due to production expense increases and, to a lesser extent, a small reduction in cash income.

Aggregate farm equity is forecasted to increase in 2018 due to an increase in aggregate farm asset values while aggregate farm debt is projected to increase by the smallest amount since 2012. The increase in farm asset values primarily relates to increased valuations on farm real estate and buildings, partially offset by declines in the value of livestock, livestock production and stored crops. The increase in total farm debt is primarily related to increases in real estate debt.

Major cash crops in the U.S. are projected to end 2017 with record to near-record production and stocks, which is expected to incrementally build on an already burdensome supply situation for corn and soybeans. The crop price outlook for the next year is expected to present a continuation of the challenging margin situation for U.S. crop producers in 2018.

Regarding livestock and dairy production, a continuation of the low feed cost environment along with incrementally higher 2017 market prices in most major categories, and new processing capacity in specific protein sectors, are expected to drive production increases. These higher production levels in most major livestock, poultry and dairy categories is expected to provide farm commodity price challenges. This is particularly true in some regions as increased production has outpaced processing capacity. From a national perspective, the main concern remains with the egg industry, which continues to work its way out of the supply imbalance caused by the 2015 Highly Pathogenic Avian Influenza (HPAI) outbreak. Another risk factor for most of the livestock, poultry and dairy producers is the future of U.S. trade policy, particularly with regards to the North American Free Trade Agreement, as many categories have benefited from export growth to Mexico and Canada.

Producers who are able to realize cost of production efficiencies and market their farm products effectively are most likely to adapt to the current price environment. Optimal input usage, adopting cost-saving technologies, negotiating adjustments to various business arrangements, such as rental cost of agriculture real estate, and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Land Values

The AgriBank District continues to monitor agricultural land values as an integral part of our credit risk assessment process. Although the overall changes in values have not been significant, there are regions within the District, which have experienced more material changes in values. With the continuing pressure on net farm incomes, further modest declines are expected before values stabilize.

We conduct an annual Benchmark Survey, completed by certified real estate appraisers. The benchmark farms represent the lending footprint of District Associations. The District's most recent benchmark survey indicated that District real estate value changes ranged from negative 5.8 percent to positive 7.9 percent over the 12-month period ending June 30, 2017. Land value increases were generally concentrated 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, softening of values were concentrated primarily in areas of corn and soybean production.

As of the end of the fourth quarter 2017, the Federal Reserve Banks of Chicago, Kansas City, and St. Louis reported on the change in farmland values in their respective areas, which includes states within the AgriBank District. The Federal Reserve Bank of Chicago reported an overall increase of 1 percent in their farmland values in 2017. The Federal Reserve Bank of Kansas City reported an overall decrease of 3 percent on average in their farmland values during the same period. The Federal Reserve Bank of St. Louis reported a 5 percent increase for quality cropland and 14.8 percent for pastureland for the period ending December 2017. The Minneapolis Federal Reserve Bank has not released fourth quarter 2017 information.

The USDA 2017 land value survey for farmland, cropland and pastures indicated generally stable values across all segments analyzed within the states of the AgriBank District. The USDA survey is conducted annually and based on a survey of agricultural producers across the United States.

Declining agriculture land values are a potential lending risk, especially following periods of sustained, rapid land value increases. Land values have generally been stable over the past five years. Land values are expected to remain stable or soften over the next year, primarily due to anticipated continued lower levels of net farm income in 2018 and beyond and, to a lesser extent, expected interest rates increases.

Industry Conditions
We assess the outlook for commodities with the largest concentrations in our Districtwide portfolio. These outlooks are for the industry in general, and individual producers may perform better or worse than the industry as a whole. The categories for the outlook are defined as follows:

- Positive – Industry participants are generally profitable with margins above historic norms. Credit quality for borrowers in this segment is expected to improve or remain very strong.
- Positive-to-Neutral – Industry participants are generally profitable with margins at or above historic norms. Credit quality for borrowers in this segment is expected to be maintained with moderate levels of improvement.
- Neutral – Industry participants are generally profitable, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for borrowers in this segment is generally expected to be maintained.
- Neutral-to-Negative – Industry participants are profitable or operating at breakeven levels, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for most borrowers in this segment is expected to be maintained; however, a portion will be subject to downgrades.
- Negative – Industry participants are operating at breakeven or loss levels, with participants experiencing financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for many borrowers is expected to be downgraded if negative market conditions persist.

AgriBank Outlook for Commodities in the Next 12 Months

As of December 31,	**2017**	2016	2015
Corn	**Negative**	Negative	Negative
Soybeans	**Neutral**	Neutral	Negative
Wheat	**Negative**	Negative	Negative
Cow-Calf	**Neutral**	Neutral	Positive
Cattle Feedlots	**Neutral**	Neutral	Negative
Dairy	**Neutral-to-Negative**	Neutral	Neutral-to-Negative
Pork	**Neutral**	Neutral	Neutral
Timber	**Positive-to-Neutral**	Positive-to-Neutral	Neutral
Poultry	**Neutral**	Neutral	Neutral

Corn
The February 2018 USDA World Agricultural Supply and Demand Estimates (WASDE) report projected continued lower prices and a decline of 2.9 percent to $3.30 per bushel for the average corn price for the 2017-2018 marketing year. The forecasted price will be the lowest market year average level in more than ten years. While planted and harvested acreage declined slightly, U.S. corn production for 2017 is estimated to surpass the all-time record resulting in the highest stocks-to-use ratio since the 2004 crop year and is the primary driver of the lower price projection. While feed usage and ethanol production are expected to continue to be heavy consumers of corn in the coming year, large domestic and global inventories are expected to result in a continued low commodity price environment. Many producers of major annual field crops continue to make reductions in their cost per bushel of production due to the expectation of continued lower commodity prices over the next several years.

Soybeans
The February 2018 WASDE projects a decrease in price of 2.2 percent to $9.30 per bushel for the average soybean price for the 2017-2018 marketing year. China's demand for soybean imports is expected to grow; however, at a limited pace such that domestic ending stocks will continue to increase. In addition, increased planted acreage in 2017 has added to ending stocks and is a driver in the limited price reduction projected.

Wheat
The February 2018 WASDE reflects a price increase of 19.5 percent to $4.60 per bushel for the average wheat price for the 2017-2018 marketing year. Price increases are being driven by a sharp decline in both planted acreage and yield which was due to the impact of a drought in the Northern Great Plains states. Despite the higher price, the cost of production is expected to contribute to low net farm income and potentially negative margins warranting a continued negative outlook.

Cow-Calf
The February 2018 WASDE estimates the U.S. beef cow herd has increased 2.0 percent compared to the prior year and the expansion is nearing its peak as cows expected to calve in 2018 are estimated to decline slightly resulting in the cow-calf segment transitioning from expansion to stabilization. Credit quality for the majority of AgriBank District's cow-calf portfolio is expected to remain stable through 2018.

Cattle Feedlots
The February 2018 WASDE report projected slight declines in the average steer price for 2018, down 1.7 percent to $119.50/cwt compared to the 2017 average steer price. The reduction in price has been driven by continued beef production increases outpacing beef consumption increases as well as an abundance of cheaper protein options. Despite the price declines, the combination of continued low feed costs and favorable packer margins will maintain stability in the industry over the next year.

Dairy
The February 2018 WASDE report projected declines in the average Class III milk price of 15.5 percent to $14.55/cwt for 2018 due to continued increases in domestic milk production and expected increased competition from Europe. Margins are expected to generally be breakeven or lower for the next twelve months, supporting an outlook downgrade to Neutral-to-Negative.

Pork
The February 2018 WASDE report projected a decline in price of 4.9 percent to $48.00/cwt in 2018 primarily due to increased production as a result of improvement in production practices, genetics and expansion. Overall, these prices are strong and are supported by an increase in pork consumption as a result of competitive retail pork prices and good demand. Operating margins are expected to be positive due to continued low feed costs and price risk management strategies that are common across the industry. Many pork producers maintain a strong financial profile, with strong working capital at this time.

Timber
While down 6.3 percent from December 2016, housing starts continue to be strong relative to the low in 2009. Housing affordability has decreased slightly, but remains at a favorable level. Interest rates have increased, but remain favorable with conventional mortgages near historic lows. Consumer confidence has declined slightly compared to the prior year and may be attributable to rising interest rates. Softwood saw log prices are expected to move higher due to sustained economic growth in the U.S. and globally as well as forward momentum in the U.S. housing market.

Poultry
The February 2018 WASDE report reflects egg prices increasing 16.5 percent to 117.5 cents/dozen in 2018 as a result of strong domestic demand and reduced supplies of conventional eggs. The conventional egg supply is expected to continue to decline and be replaced by an increasing supply of cage-free and specialty eggs to meet retailer and ingredient supplier demand. A small portion of the portfolio with significant production subject to open market prices may experience some credit quality deterioration over the next year. However, for those egg layer producers in the AgriBank District that utilize cost-plus or grain-based contracts for a majority of their production, credit quality is expected to remain stable in 2018.

The February 2018 WASDE report projected price declines of 5.3 percent to 91.0 cents/pound for turkeys and 2.7 percent to 91.0 cents/pound for broilers. Demand for both turkeys and broilers remains high due to higher competing meat prices, continued release of restrictions on exports and reduced international competition as several regions around the world are combating an HPAI outbreak in early 2018. The low cost structure combined with the financial strength of broiler and turkey producers support a neutral outlook for the poultry industry.

Loan Portfolio

Components of Loans

(in thousands)

As of December 31,	2017	2016	2015	2014	2013
Accrual loans:					
Wholesale loans	**$79,960,907**	$78,300,557	$74,697,131	$69,523,490	$65,594,413
Retail loans:					
Real estate mortgage	**$3,910,060**	$3,436,953	$3,832,879	$3,955,879	$4,476,032
Production and intermediate-term	**3,710,514**	3,600,231	3,425,439	3,186,391	2,816,600
Loans to other financing institutions (OFIs)	**593,677**	577,505	685,083	665,574	577,886
Other	**146,727**	109,305	135,726	177,023	172,638
Total retail loans	**8,360,978**	7,723,994	8,079,127	7,984,867	8,043,156
Nonaccrual loans	**53,038**	53,851	43,394	37,798	39,653
Total loans	**$88,374,923**	$86,078,402	$82,819,652	$77,546,155	$73,677,222

The Other category is comprised of agribusiness, communication, rural residential real estate and energy loans.

Our lending to District Associations accounts for 90.5 percent of our loan portfolio at December 31, 2017. Wholesale loans directly reflect the retail marketplace activities at District Associations, which are funded through their wholesale lines of credit with AgriBank. Loan growth at District Associations was primarily in the real estate mortgage and agribusiness sectors. In addition, consistent with prior years, wholesale loans increased temporarily in December, followed by corresponding repayments in January, as District Associations' borrowers increased their operating lines to purchase the next year's production inputs, primarily for tax-planning strategies.

Wholesale loans exhibit some seasonality, reflecting the patterns of operating needs of crop producers on operating loans made by District Associations. Operating loans are normally at their lowest levels following harvesting and selling of crops and increase in the spring and throughout the growing season as producers fund operating needs. The degree of seasonality exhibited by the wholesale loan portfolio is diminished as District Associations' retail portfolios experience growth in real estate mortgage, agribusiness and part-time farmer loans.

We participate with certain District Associations in asset pool programs, which are designed to effectively leverage existing District capital. We purchase 90 percent participation interests in certain high-quality, real estate mortgage loans from participating District Associations under these programs. Our retail portfolio volume as of December 31, 2017 increased compared to 2016, primarily due to the purchase of $1.0 billion of loan participations through asset pool programs, compared to $83.2 million and $350.9 million for 2016 and 2015, respectively. We had $3.4 billion, $2.8 billion and $3.3 billion of these participation interests outstanding at December 31, 2017, 2016 and 2015, respectively.

We also participate in the AgDirect program. Under the AgDirect program, we purchase a 100 percent participation interest in agricultural equipment financing transactions. At December 31, 2017, seven Associations from our District, and eight Associations from outside our District participate in the AgDirect Program. AgFirst, FCB, one of three Farm Credit Banks within the Farm Credit System, also participates in the AgDirect program. We had $3.5 billion, $3.4 billion and $3.2 billion of these participation interests outstanding at December 31, 2017, 2016 and 2015, respectively.

Our retail portfolio also includes loan participations primarily purchased from District Associations in support of their portfolio management, generally related to District Associations' borrower concentration limits.

Refer to the Shareholders' Equity – AgriBank Patronage Programs and Dividend Distributions section for discussion related to patronage for asset pool and AgDirect programs, and Note 7 of the accompanying financial statements for information related to stock investment requirement under these programs.

Portfolio Diversification

The wholesale loans are used by District Associations to fund their retail loan portfolios. Each association has unique commodity and geographic credit portfolio concentrations. The table below illustrates commodity and geographic distribution of the District's $102.5 billion loan portfolio as of December 31, 2017:

District Portfolio			
Commodity Distribution		**Geographic Distribution**	
Crops	**46%**	Iowa	**11%**
Cattle	**9%**	Illinois	**10%**
Dairy	**7%**	Minnesota	**9%**
Investor real estate	**7%**	Nebraska	**8%**
Food Products	**5%**	Indiana	**6%**
Other	**26%**	Michigan	**6%**
Total	**100%**	Ohio	**6%**
		Wisconsin	**6%**
		South Dakota	**6%**
		Other	**32%**
		Total	**100%**

Other commodities consist primarily of loans in the pork, timber, poultry, rural residential real estate, and grain marketing and farm supply sectors, none of which represented more than 5 percent of the District loan portfolio. Other states consist primarily of loans in Missouri, North Dakota, Tennessee, Arkansas and Kentucky, none of which represented more than 5 percent of the District loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

While the District has concentrations in crops, these crops represent staple commodities of agriculture – corn, soybeans and wheat. To some extent, there is further concentration in crops related to the investor real estate sector, as these loans are typically made for the purchase of land that is rented for crop production. However, the concentration in crops is geographically diverse, with multiple states being significant producers of these important commodities. While the commodity distribution represents the primary commodity of the borrower, many of the crop producers may also have livestock operations or other forms of diversification.

While these concentrations represent a proportionate maximum potential credit risk, as it relates to the wholesale loans, a substantial portion of the underlying District Associations' lending activities are collateralized. Generally collateral levels are levels significantly higher than the book value of the loan, and many District Associations' direct exposure (and, therefore, AgriBank's indirect exposure) to credit loss associated with lending is reduced accordingly. Refer to the Credit Risk Management section for additional information.

Certain District Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers are typically more susceptible to changes in the general economy, and the condition of the general economy will influence the credit quality of these segments of the portfolio. Credit quality in these sectors has remained strong as of December 31, 2017, 2016 and 2015.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. Severe fluctuations in commodity prices can negatively impact all District producers. During 2017, certain grain and livestock producers across the District experienced additional financial stress as a result of continued low net farm income.

The table below illustrates commodity and geographic diversification of our $8.4 billion retail portfolio as of December 31, 2017:

AgriBank Retail Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**55%**	Minnesota	**14%**
Cattle	**10%**	Illinois	**14%**
Dairy	**8%**	Wisconsin	**11%**
OFIs	**7%**	Iowa	**8%**
Investor real estate	**5%**	Nebraska	**7%**
Other	**15%**	Michigan	**5%**
Total	**100%**	Indiana	**5%**
		Other	**36%**
		Total	**100%**

Other financing institutions (OFIs) make production and intermediate-term loans, and, therefore, may have similar commodity exposure as seen in our retail portfolio. Other commodities consist primarily of loans in the pork, timber, poultry and food products sectors, none of which represented more than 5 percent of AgriBank's retail loan portfolio. Other states consist primarily of loans in South Dakota, Missouri, Ohio, North Dakota, California and Arkansas, none of which represented more than 5 percent of AgriBank's retail loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

Portfolio Maturities

For the year ended December 31, 2017, all wholesale loan agreements matured in 36 months or less. Wholesale loan pricing is match funded to District Associations' retail portfolios, a significant portion of which have both maturities and repricing terms longer than the loans in the Wholesale portfolio.

Contractual Maturities of Loans

(in thousands) **As of December 31, 2017**	**One Year or Less**	**Over One through Five Years**	**Over Five Years**	**Total**
Wholesale loans	**$15,900,184**	**$64,060,723**	**$ --**	**$79,960,907**
Retail loans:				
Real estate mortgage	**$721,631**	**$1,663,943**	**$1,542,977**	**$3,928,551**
Production and intermediate-term	**890,610**	**2,435,015**	**419,372**	**3,744,997**
Loans to OFIs	**278,704**	**266,574**	**48,399**	**593,677**
Other	**66,866**	**48,242**	**31,683**	**146,791**
Total retail loans	**1,957,811**	**4,413,774**	**2,042,431**	**8,414,016**
Total loans	**$17,857,995**	**$68,474,497**	**$2,042,431**	**$88,374,923**
Total of loans due after one year with:				
Fixed interest rates				**$2,581,294**
Variable and adjustable interest rates				**$67,935,634**

Credit Risk Management

We are authorized to make loans to District Associations and OFIs, and to buy participation interests in eligible loans as specified under the Farm Credit Act. As a result, our loan portfolio is concentrated in rural communities and the agricultural industry. Earnings, loan growth and credit quality of our loan portfolio can be affected significantly by the general state of the economy, primarily as it affects agriculture and users of agricultural products.

We actively manage our credit risk through various policies and standards, including our Loan Committee reviewing significant loan transactions. Our underwriting standards include analysis of five credit factors: repayment capacity, capital position, collateral, management ability and loan terms. These standards vary by agricultural industry and are updated to reflect current market conditions.

The credit quality of our loan portfolio has been consistently strong over the past three-year period, with 99.5 percent of our portfolio in the acceptable category at December 31, 2017, compared to 99.6 and 99.7 percent at December 31, 2016 and 2015, respectively. Acceptable loans represent the highest quality and are expected to be fully collectible. As most of our loans are wholesale loans, we expect our credit quality will remain very strong, even when District Associations experience declines in their retail credit quality. While these are individually large credits, numerous individual credits comprise District Associations' underlying portfolios. District Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans.

While the acceptable percentage of our retail portfolio remains strong at 95.1 percent, special mention and adverse retail loan volume has continued to increase primarily due to lower net farm income that has created additional stress in certain agricultural production sectors. Substandard and doubtful loans, collectively called adverse loans, are retail loans we have identified as showing some credit weakness outside our credit standards. Refer to the Retail Credit Risk Management section for further discussion.

Percentage of Adverse Loans by Commodity

As of December 31,	2017	2016	2015
District retail portfolio:			
Cattle	**6.2%**	4.8%	2.1%
Crops	**5.3%**	4.7%	2.8%
Dairy	**5.0%**	3.2%	1.5%
Other	**2.7%**	1.9%	1.4%
Total	**4.3%**	3.5%	2.1%

As of December 31	2017	2016	2015
AgriBank retail portfolio:			
Cattle	**3.1%**	2.7%	1.8%
Crops	**2.6%**	2.7%	1.8%
Dairy	**2.4%**	2.1%	1.7%
Other	**2.5%**	2.0%	1.5%
Total	**2.6%**	2.4%	1.7%

Overall, we expect District credit quality to remain at acceptable levels in 2018, despite increases in adverse credit quality in 2017. Agriculture is a cyclical industry, and due to continued low net farm income levels throughout 2016 and 2017, we continued to experience some downturn in credit quality within many sectors of the District's retail portfolio. Given continued projected low net farm income and the product mix within this retail portfolio, adverse credit quality and related allowance for loan losses and provision for loan losses are expected to continue to increase.

A substantial portion of the retail loan portfolio is collateralized, which reduces the District's exposure to credit losses. Collateral held varies, but may include real estate, equipment, inventory, livestock and income-producing properties and, in the case of wholesale loans, substantially all assets of District Associations. An estimate of credit risk exposure is considered in the allowance for loan losses. Additionally, credit policies reduce credit risk, with emphasis placed on repayment capacity rather than exclusively on the underlying collateral. The District has an internally maintained database that uses market data to estimate market values of collateral for a significant portion of the District's real estate mortgage portfolio. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, the District's underwriting standards generally limit lending to no more than 65 to 75 percent at origination. Some District Associations have risk management practices that incorporate loan-to-appraised value limits below these thresholds. In addition, most District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk. In addition to sound underwriting standards, the District also has hold restrictions to limit the District's credit exposure of any one borrower.

Wholesale Credit Risk Management

Wholesale loans to District Associations represent the majority of our loan portfolio. The financial strength of District Associations directly impacts the credit quality of our portfolio.

Select Information on AgriBank District Associations

(in thousands) **As of December 31, 2017**	**Wholesale Loan Amount**	**% of Wholesale Portfolio**	**Total Assets**	**Total Allowance and Capital**	**Total Regulatory Capital Ratio**	**Risk Loans[1] as a % of Total Loans**	**Pretax ROA**
Farm Credit Services of America	$22,403,041	28.0%	$27,957,790	$5,216,426	16.2%	0.8%	2.2%
Farm Credit Mid-America	17,708,345	22.1%	22,472,389	4,565,294	20.3%	1.7%	1.6%
Compeer Financial Services[2]	15,859,202	19.8%	19,545,351	3,460,486	15.1%	0.6%	2.0%
GreenStone Farm Credit Services	6,783,097	8.5%	8,482,855	1,641,286	17.1%	0.6%	2.0%
AgCountry Farm Credit Services[2]	5,760,916	7.2%	7,442,881	1,592,087	17.5%	0.4%	2.1%
Farm Credit Illinois	3,314,191	4.2%	4,264,174	926,222	18.3%	0.1%	1.8%
FCS Financial	3,131,564	3.9%	3,984,138	817,670	18.6%	0.3%	1.9%
Farm Credit Services of North Dakota	972,874	1.2%	1,252,129	272,859	18.0%	0.7%	2.1%
Farm Credit Services of Western Arkansas	972,069	1.2%	1,263,901	273,163	20.8%	0.6%	1.9%
AgHeritage Farm Credit Services	929,140	1.2%	1,219,305	280,789	19.4%	0.6%	2.2%
Farm Credit Services of Mandan	903,472	1.1%	1,148,463	233,994	16.4%	0.2%	2.1%
Farm Credit Midsouth	677,222	0.9%	900,767	210,928	19.9%	1.1%	1.8%
Farm Credit Southeast Missouri[3]	504,826	0.6%	660,448	143,961	20.3%	0.8%	2.2%
Delta Agricultural Credit Association	40,948	0.1%	52,233	10,892	20.3%	0.3%	1.5%
Total	$79,960,907	100.0%	$100,646,824	$19,646,057			
District Association weighted average ratios					17.4%	0.8%	2.0%

[1] Risk loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

[2] Loan amounts do not include fair value adjustments due to merger.

[3] Progressive Farm Credit Services changed its name to Farm Credit Southeast Missouri effective January 1, 2018.

The previous chart illustrates that wholesale credit risk is concentrated in a number of individually large loans to District Associations. Deterioration in a single wholesale loan could have a material adverse effect on our financial condition. This concentrated credit risk is substantially offset by the composition of the underlying collateral, which is made up of many diversified retail loans and other assets. Credit risk on wholesale loans is also reduced by the strong financial condition of District Associations. Our risk of loss on wholesale loans is significantly mitigated, because the earnings, capital and allowance for loan losses of District Associations would first absorb losses on their retail assets.

AgriBank’s wholesale credit risk mitigation is primarily through a general financing agreement (GFA), which covers those matters reasonably related to the debtor/creditor relationship between the District Associations and AgriBank. We use various additional mechanisms to mitigate wholesale credit risk, including a robust wholesale credit underwriting process, wholesale loan collateral monitoring function, and review of Association-provided reports. Additionally, we maintain and periodically update the AgriBank Underwriting Guide (AUG), which is available to Associations via our District intranet site. The objective of the AUG is to communicate guidance to address lending requirements and underwriting criteria needed to support our wholesale lending relationships with Associations. Regarding the individual performance of District Associations, we internally generate multiple reports on the financial position, performance and loan portfolio performance of each District Association. These reports are produced monthly, quarterly, semi-annually or annually. We also conduct an annual stress test, which evaluates the impact of different severe scenarios on the Bank, District and individual Associations.

Disciplined credit administration and servicing reduce credit risk on the wholesale portfolio. The GFA underlying each wholesale lending relationship contains typical commercial lending provisions, including advance rates based on the quality of pledged assets and financial performance covenants. Additional provisions include:

- A pledge of substantially all an Association's assets as collateral for the loan.
- A risk score calculated based on a District Association's profitability, credit quality, risk coverage, capital adequacy and quality of credit administration. A risk premium of up to 35 basis points is added to base pricing if a District Association's risk score falls below established levels. The risk score calculation is being revised to more closely align with metrics used to analyze System institutions to determine appropriate access to funding. The revised risk score is expected to impact pricing beginning January 1, 2019. Additionally, there are default interest rate provisions should the loan go into default.
- A requirement that retail loans originated by a District Association over an established dollar amount, as well as all loans to a District Association's board members and employees and AgriBank board members, are approved by AgriBank's Credit Department in order to be eligible for inclusion in a District Association's borrowing base.
- A requirement that the District Association adopt and operate in accordance with policies, procedures and underwriting standards reasonably deemed necessary for satisfactory credit and credit administration. The criteria to be considered in determining whether credit and credit administration are satisfactory are set out in AUG.

As of December 31, 2017, no District Association was declared in default of any GFA covenants. One District Association paid a risk premium in 2017 and will continue in 2018. This risk premium did not have a material impact on our financial statements. No District Association paid a risk premium in 2016 or 2015.

Our pricing of wholesale loans is governed by a General Financing Agreement with each District Association. The components of the wholesale interest rate include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity and Bank profit
- A risk premium component, if applicable

Certain factors may impact wholesale interest rates, including market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

Retail Credit Risk Management

Our retail portfolio management policies include maximum exposure limits by individual borrowers based on probabilities of default, commodity and lead lender. The asset pool portfolios are primarily comprised of participation interests in real estate mortgage loans that conform to criteria set forth in the respective program agreements. Individual loan participation balances held in the asset pool portfolios are less than $10 million and, in most cases, less than $5 million. The AgDirect program portfolio is comprised of numerous participation interests in retail equipment financing contracts that have individual loan balances of generally less than $500 thousand. Loan participations purchased under the AgDirect program are primarily underwritten based on standardized credit scoring. As the remainder of the credits in our portfolio tend to be large and complex, we do not use standardized credit scoring on those participations. Our remaining retail portfolio is primarily comprised of participations purchased from Associations, the majority of which are greater than $5 million. We routinely monitor exceptions to underwriting standards and compliance with all portfolio management policies and guidelines.

Our concentrations in the 10 largest retail customers at December 31, 2017 (excluding OFIs) totaled $250.4 million, or 3.0 percent of our retail portfolio and 0.3 percent of our total portfolio. All of these 10 largest customers' loans were in accrual status and all were classified as acceptable. Within these 10 largest customers, there are significant concentrations in four industries:

- Dairy at 35.5 percent
- Timber at 22.5 percent
- Pork at 21.2 percent
- Poultry at 14.8 percent

Risk Assets

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

Components of Risk Assets

(in thousands)

As of December 31,	2017	2016	2015	2014	2013
Nonaccrual loans	**$53,038**	$53,851	$43,394	$37,798	$39,653
Accruing restructured loans	**4,588**	3,800	4,429	17,210	18,445
Accruing loans 90 days or more past due	**8**	378	1,240	277	--
Total risk loans	**57,634**	58,029	49,063	55,285	58,098
Other property owned	**78**	349	565	1,822	1,613
Total risk assets	**$57,712**	$58,378	$49,628	$57,107	$59,711
Risk loans as a % of total loans	**0.07%**	0.07%	0.06%	0.07%	0.08%
Nonaccrual loans as a % of total loans	**0.06%**	0.06%	0.05%	0.05%	0.05%
Delinquencies as a % of total loans	**0.05%**	0.06%	0.08%	0.03%	0.06%

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Risk assets over the past five years have primarily been concentrated in the real estate mortgage and production and intermediate-term sectors.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. At December 31, 2017, 61.2 percent of nonaccrual loans were current as to principal and interest.

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, accruing loans 90 days or more past due were eligible to remain in accruing status.

The following table sets forth interest income that would have been recognized if nonaccrual and restructured loans had been fully performing:

(in thousands)

For the year ended December 31,	2017
Interest income that would have been recognized under original contract terms	**$2,142**
Less: interest income recognized	**4,051**
Additional interest income recognized	**$(1,909)**

Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected, and the loan has no unrecovered prior charge-offs. During 2017, additional income was recognized from cash payments received on nonaccrual loans above the amount that would have been recognized under contractual terms, primarily attributable to penalties and default interest charged on nonaccrual loans.

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. We believe the allowance for loan losses is reasonable in relation to the risk in the portfolio at December 31, 2017.

Allowance for Loan Losses by Loan Category

(in thousands)	2017		2016		2015		2014		2013	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$2,298**	**8.8%**	$1,874	8.8%	$1,928	10.7%	$2,003	16.0%	$2,041	20.2%
Production and intermediate term	**22,711**	**87.2%**	18,930	89.0%	15,381	85.0%	9,710	77.5%	7,181	71.1%
Loans to OFIs	**425**	**1.7%**	220	1.0%	278	1.5%	235	1.9%	220	2.2%
Other	**613**	**2.4%**	258	1.2%	489	2.8%	572	4.6%	658	6.5%
Total allowance for loan losses	**$26,047**	**100.0%**	$21,282	100.0%	$18,076	100.0%	$12,520	100.0%	$10,100	100.0%

Allowance Coverage Ratios

As of December 31,	2017	2016	2015
Allowance as a percentage of:			
Loans	**0.03%**	0.02%	0.02%
Nonaccrual loans	**49.11%**	39.52%	41.66%
Total risk loans	**45.19%**	36.67%	36.84%
Adverse assets to risk funds[1]	**3.90%**	3.49%	2.72%

[1]Risk funds includes total capital and allowance for loan losses.

With most of our loan portfolio comprised of wholesale loans, the inherent risk in the portfolio is significantly reduced by adequate allowances, strong earnings and capital positions at District

Associations. We have not recorded a provision for loan loss, charge-off or recovery on a wholesale loan for any period presented.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually, and all other loans by grouping them into loan segments sharing similar risk characteristics. These segments include asset pool program loans, AgDirect program loans and all other retail loans. Each segment of loans that was not individually evaluated for impairment is collectively evaluated using a combination of estimated probability of default and estimated loss given default assumptions. These estimated losses may be adjusted for relevant current environmental factors. These factors may vary by the different segments, reflecting the risk characteristics of each segment. As these factors change, earnings are impacted. For all loans analyzed individually, we record a specific allowance, if appropriate, to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral.

Allowance for Loan Losses Activity

(in thousands)

For the year ended December 31,	2017	2016	2015	2014	2013
Balance at beginning of year	**$21,282**	$18,076	$12,520	$10,100	$13,275
Charge-offs:					
Real estate mortgage	**(1,104)**	(881)	(155)	(331)	(1,851)
Production and intermediate term	**(3,874)**	(3,430)	(3,846)	(1,860)	(1,276)
Other	**(10)**	(57)	(1)	(9)	(65)
Total charge-offs	**(4,988)**	(4,368)	(4,002)	(2,200)	(3,192)
Recoveries:					
Real estate mortgage	**13**	227	131	510	459
Production and intermediate term	**1,231**	839	1,919	596	3,531
Other	**9**	8	8	14	27
Total recoveries	**1,253**	1,074	2,058	1,120	4,017
Net (charge-offs) recoveries	**(3,735)**	(3,294)	(1,944)	(1,080)	825
Provision for (reversal of) loan losses	**8,500**	6,500	7,500	3,500	(4,000)
Balance at end of year	**$26,047**	$21,282	$18,076	$12,520	$10,100
Net charge-offs (recoveries) as a % of average loans	**0.00%**	0.00%	0.00%	0.00%	(0.00%)

AgriBank's retail loan portfolio is primarily made up of participated credits from District Associations and other Associations within the System. Generally, we review and follow the lead lender's credit analysis and recommendations regarding specific reserves and charge-offs on risk loans, unless our individual analysis and knowledge of the exposure supports an alternative conclusion.

Refer to the Results of Operations – Provision for Loan Losses section for further discussion of provision for loan loss changes.

Investment Portfolio and Liquidity

Liquidity Risk Management

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 year ended December 31, 2017, investor demand for Systemwide Debt Securities was strong.

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 by forecasting and anticipating seasonal demands, as well as through managing debt maturities. We manage short-term liquidity needs by maintaining 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.

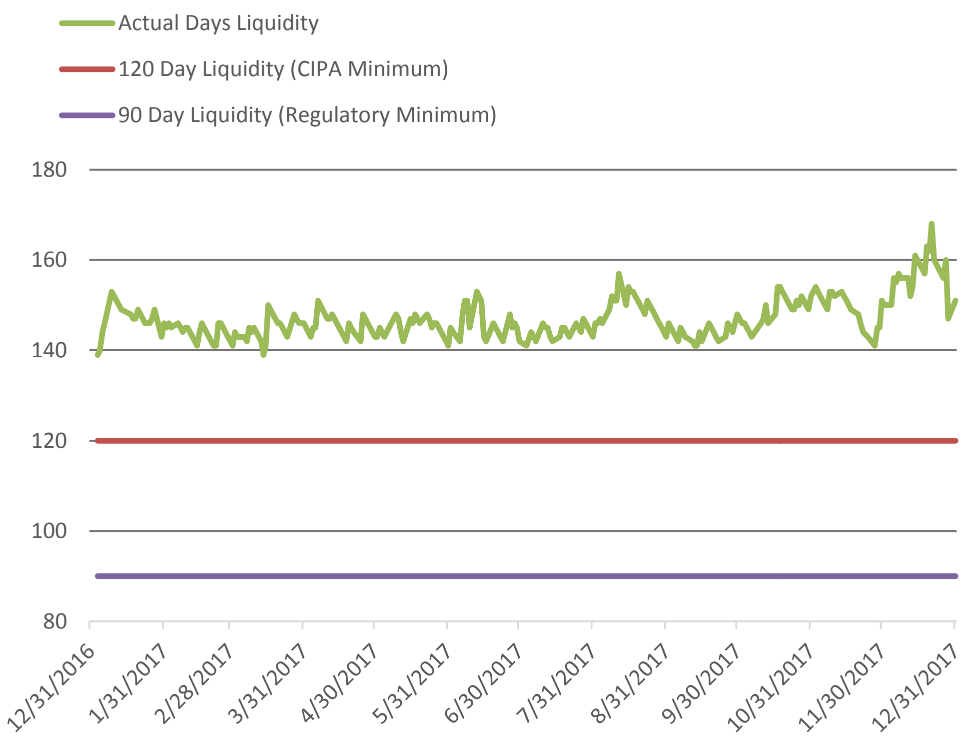
We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments 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 December 31, 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. During 2017, we had a liquidity operating target between 135 and 185 days. As of December 31, 2017, we had sufficient liquidity to fund all debt maturing within 151 days, compared to 143 days as of December 31, 2016.

Cumulative Debt Maturities

(in thousands) As of December 31, 2017	Bonds and Notes Amount
Maturing in:	
15 days	**$2,978,424**
45 days	**6,464,932**
90 days	**10,193,561**
120 days	**12,705,786**
One year	**32,685,336**
One to five years	**79,192,204**
Five to ten years	**91,443,651**
More than ten years	**98,313,944**

Twelve Month Liquidity History



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.

Investment Securities

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

Composition of Investment Securities

(in thousands) **As of December 31,**	**2017**	2016	2015
Mortgage-backed securities:			
Government collateralized mortgage obligations	**$3,251,868**	$2,722,396	$3,008,410
Agency collateralized mortgage obligations	**2,677,128**	2,707,901	2,519,560
Agency pass through	**92,139**	125,462	158,603
Non-agency	**--**	--	70,438
Total mortgage-backed securities	**6,021,135**	5,555,759	5,757,011
Commercial paper and other	**5,220,678**	4,786,782	4,914,385
U.S. Treasury securities	**2,917,400**	3,811,798	2,815,257
Asset-backed securities:			
Automobile	**191,250**	656,400	724,680
Equipment	**35,992**	86,513	43,592
Home equity	**--**	--	7,958
Total asset-backed securities	**227,242**	742,913	776,230
Total	**$14,386,455**	$14,897,252	$14,262,883

Our ALCO and Counterparty Risk Committee (CRC) oversee the credit risk in our investment portfolio. We manage investment portfolio credit risk by investing only in securities that are liquid, of high quality and whose risks are well understood. At purchase, all securities must meet eligibility requirements as permitted by FCA regulations including certain credit ratings as assigned by one or more Nationally Recognized Statistical Rating Organizations.

Fair Value of Eligible Investment Securities by Credit Rating

(in thousands)	**Eligible**			
As of December 31, 2017	**AAA/Aaa**	**A1/P1/F1**	**Split Rated [1]**	**Total**
Mortgage-backed securities	$ --	$ --	$6,021,135	$6,021,135
Commercial paper and other	--	3,296,695	1,923,983	5,220,678
U.S. Treasury securities	--	--	2,917,400	2,917,400
Asset-backed securities	227,242	--	--	227,242
Total	$227,242	$3,296,695	$10,862,518	$14,386,455

[1]Investments that received the highest credit rating from at least one rating organization.

Holdings of split-rated securities are related to U.S. government securities. At December 31, 2017, we held no ineligible securities.

We evaluate all investment securities in an unrealized loss position for other-than-temporary impairment (OTTI) on a quarterly basis. We continually evaluate our assumptions used in estimating fair value and impairment and adjust those assumptions as appropriate. As a result of our evaluations, we did not hold any OTTI investment securities at December 31, 2017 and we did not record any impairment losses during the year ended December 31, 2017.

Refer to Note 4 of the accompanying Financial Statements for further discussion on impairment losses.

Refer to the Results of Operations section for further discussion on prior years' sales of AFS investment securities.

Shareholders' Equity

We believe a sound capital position is critical to long-term financial stability. We maintain adequate capital to protect against unanticipated losses as well as to meet our growth needs. We optimize capital by first retaining what we need to meet our capital targets and distributing the remainder as patronage. Our capital reflects strong risk-based regulatory capital measures while optimizing the non-risk-based regulatory capital measure to maintain a targeted tier 1 leverage ratio.

Total shareholders' equity was $5.6 billion, $5.5 billion and $5.2 billion at December 31, 2017, 2016 and 2015, respectively. Total shareholders' equity increased $155.8 million in 2017, primarily attributable to net income and net stock issued, substantially offset by patronage distributions declared.

Select Capital Ratios **As of December 31,**	**Regulatory minimums and buffer**	**2017**	2016	2015
Shareholders' equity to assets		**5.4%**	5.4%	5.2%
Surplus and allowance to risk loans (:1)		**54.8**	54.3	60.4
Surplus to total shareholders' equity		**55.5%**	57.1%	56.9%
Tier 1 capital ratio	8.5%	**19.0%**	n/a	n/a
Tier 1 leverage ratio	5.0%	**5.6%**	n/a	n/a

We have $250 million of Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock) outstanding. Dividends on the Series A Preferred Stock, if declared by our board in its sole discretion, are non-cumulative and are payable quarterly in arrears.

Capital Plan and Regulatory Requirements

Effective January 1, 2017, regulatory capital requirements for System Banks and Associations consisted of risk-based ratios including common equity tier 1 capital, tier 1 capital, and total capital. The requirements also included the non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents (UREE). The permanent capital ratio excludes allocated investments held by Associations in excess of the AgriBank capital requirement. Capital requirements also include capital conservation buffers that were immediately effective for non-risk-adjusted ratios and effective over a three-year phase-in for risk-adjusted capital ratios. We have exceeded all regulatory capital requirements in 2017, including the capital conservation buffers. We were also in compliance with the minimum required capital ratios as of December 31, 2016 and 2015.

Strong earnings, retail participation programs and stock investments have allowed us to maintain strong regulatory capital ratios while efficiently leveraging existing Bank capital for the benefit of District Associations. The various retail participation programs leverage our strong risk-adjusted capital position while strengthening our non-risk-adjusted tier 1 leverage and unallocated retained earnings and equivalents ratios.

We maintain a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and growth. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of our board.

2018 Business Plan - Capital Ratio Targets

	Target	Regulatory Minimum	Regulatory Minimum plus buffer
Tier 1 leverage ratio	**5.5% with at least 2.0% in UREE***	**4.0% with 1.5% UREE***	**5.0% with 1.5% UREE***
Common equity tier 1 capital ratio	**No lower than 7.5%**	**4.5%**	**7.0%****
Tier 1 capital ratio	**No lower than 9.0%**	**6.0%**	**8.5%****
Total capital ratio	**No lower than 11.0%**	**8.0%**	**10.5%****
Permanent capital ratio	**No lower than 10.0%**	**7.0%**	**n/a**

*Unallocated Retained Earnings and Equivalents (UREE)

**A 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the FCA revised capital requirements.

Beginning in 2017, we retired stock annually in accordance with our capital plan related to minimum hold periods under the capital regulations and to better align with the seasonality of our portfolio. Prior to 2017, stock was retired quarterly.

As part of our business plan, we model economic capital requirements and perform stress testing for AgriBank. In addition, we model economic capital requirements for District Associations. Economic capital measures total enterprise risk looking at credit, interest rate and operational risk.

AgriBank Patronage Programs and Dividend Distributions

All patronage and dividend payments are at the sole discretion of the board and are determined based on actual financial results, projections and long-term capital goals. Our capital plan optimizes capital at the Bank by retaining sufficient capital to meet our capital targets and distributing remaining capital as cash patronage. To the extent we have met our UREE target, we may pay patronage in the form of stock on the capital we retain. A key part of maintaining our capital adequacy is that sufficient earnings will be retained to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Wholesale Patronage

(in thousands)

For the year ended December 31,	2017	2016	2015
Wholesale patronage	**$354,622**	$195,826	$183,659
Wholesale patronage in basis points	**45.0**	25.6	26.0
Additional spread patronage	**$55,571**	$42,064	$ --
Additional wholesale asset pool patronage	**12,689**	7,363	8,124

Wholesale patronage is distributed quarterly to our members and includes the following components:

- Wholesale bank earnings patronage - In 2017, the wholesale bank earnings patronage rate was targeted to equal 100 percent of 2017 net income after preferred stock dividends, Asset Pool and AgDirect program patronage, additional spread patronage, equalization and wholesale asset pool patronage. The targeted payout ratio of 100 percent was subject to adjustment based upon the capital needs of AgriBank. Patronage may be distributed as stock in order to maintain adequate capital levels; however, all patronage was paid in cash in 2017. In 2016 and 2015, the patronage rate was targeted to equal 50 percent of net income after Asset Pool and AgDirect program patronage, additional spread patronage and equalization payments and was paid in cash.

- Additional spread patronage - As part of our plan to ensure we maintain an appropriate level of earnings, we charge OFIs and District Associations an additional spread on the interest rate paid on their direct lending notes with us. This additional spread charged is available to be paid as patronage if not needed to absorb losses or for other uses at the sole discretion of our board.
- Additional wholesale asset pool patronage – This patronage represents the additional amount of patronage paid for wholesale loan volume as if we had not purchased the asset pools.
- Equalization - Our board has the option to pay equalization payments (a form of patronage) to District Associations and OFIs based on the quarterly average balance of certain stock held above the required level. Equalization payments declared by our board and paid were not material in 2017, 2016 or 2015.

Separate patronage pools are maintained for each District Association participating in asset pool programs. On a quarterly basis, our board has the option to pay patronage related to these programs. The board chose to declare patronage of $60.5 million, $63.5 million and $70.1 million in 2017, 2016 and 2015, respectively, which was equal to the net earnings of each pool to the respective District Association.

Separate patronage pools, based either upon the year of loan origination or participant as determined by the participation agreement, are maintained for the AgDirect program. On a quarterly basis, our board has the option to pay patronage related to this program. Our board chose to declare patronage of $24.6 million, $23.3 million and $22.1 million in 2017, 2016 and 2015, respectively, which was equal to the net earnings of the program less a specified return on our capital.

In addition to patronage to our members, our board declared perpetual preferred stock dividends of $17.2 million during each 2017, 2016 and 2015.

Refer to Note 7 of the accompanying Financial Statements for additional information about Shareholders' Equity.

Accumulated Other Comprehensive Loss

Our derivative portfolio includes certain derivatives designated as cash flow hedges. Unrealized gains and losses on the effective portion of cash flow hedges are reported as a separate component of shareholders' equity. The majority of cash flow derivatives are hedging rising long-term interest rates.

Due to increasing interest rates over the past two years, the fair value of certain cash flow derivatives increased, resulting in $7.0 million of other comprehensive income for the year ended December 31, 2017 compared to $47.3 million and $437 thousand in 2016 and 2015, respectively.

Our investment portfolio is held primarily for liquidity purposes; accordingly, it is considered available-for-sale and is carried at fair value. Unrealized gains and losses on investment securities that are not other-than-temporarily impaired are reported as a separate component of shareholders' equity. Unrealized gains and losses related to the non-credit component of other-than-temporarily impaired investment securities are also reported as a separate component of shareholders' equity.

Other comprehensive loss on AFS investment securities totaled $12.3 million, $42.4 million and $40.2 million for the year ended December 31, 2017, 2016 and 2015, respectively, primarily driven by increases in interest rates and sales of AFS investment securities during 2016 and 2015.

Results of Operations

Return on assets ratio of 51 basis points in 2017 was in excess of our 50 basis point target. Our targeted return on assets ratio is a key part of our Bank profitability pricing framework which optimizes Bank net income along with focusing on operating efficiency and disciplined cost management. Net income decreased $10.7 million, or 2.0 percent, for the year ended December 31, 2017 primarily driven by non-interest income.

Profitability Information

(in thousands)

For the year ended December 31,	2017	2016	2015
Net income	**$525,358**	$536,065	$479,973
Return on average assets	**0.51%**	0.53%	0.51%
Return on average shareholders' equity	**9.32%**	10.12%	9.52%

Changes in Significant Components of Net Income

(in thousands)

For the year ended December 31,	2017	2016	2015	Current Year Increase (Decrease) in Net Income	Prior Year Increase (Decrease) in Net Income
Net interest income	**$587,884**	$574,475	$520,002	$13,409	$54,473
Provision for loan losses	**8,500**	6,500	7,500	(2,000)	1,000
Non-interest income	**73,640**	96,768	91,916	(23,128)	4,852
Non-interest expense	**127,666**	128,678	124,445	1,012	(4,233)
Net income	**$525,358**	$536,065	$479,973	$(10,707)	$56,092

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31,	2017 vs 2016			2016 vs 2015		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Interest income:						
Loans	**$44,273**	**$221,817**	**$266,090**	$97,524	$116,411	$213,935
Investments	**(6,555)**	**60,538**	**53,983**	1,281	44,535	45,816
Total interest income	**37,718**	**282,355**	**320,073**	98,805	160,946	259,751
Interest expense:						
Systemwide debt securities and other	**(18,244)**	**(288,420)**	**(306,664)**	(66,268)	(139,010)	(205,278)
Net change in net interest income	**$19,474**	**$(6,065)**	**$13,409**	$32,537	$21,936	$54,473

Information regarding the average daily balances (ADB), average rates earned and components of net interest income (NII) on our portfolio follows:

(in thousands)

For the year ended December 31,		**2017**	
	ADB	**Rate**	**NII**
Interest earning assets:			
Wholesale loans	**$78,139,934**	**2.02%**	**$1,580,159**
Retail accrual loans	**7,875,648**	**3.84%**	**302,141**
Retail nonaccrual loans	**53,958**	**7.04%**	**3,800**
Investment securities and federal funds	**15,249,477**	**1.32%**	**201,862**
Total earning assets	**101,319,017**	**2.06%**	**2,087,962**
Interest bearing liabilities	**96,066,906**	**1.56%**	**1,500,078**
Interest rate spread	**$5,252,111**	**0.50%**	
Impact of equity financing		**0.08%**	
Net interest margin		**0.58%**	
Net interest income			**$587,884**

(in thousands)

For the year ended December 31,		2016	
	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$75,875,427	1.75%	$1,328,649
Retail accrual loans	7,785,799	3.68%	287,234
Retail nonaccrual loans	50,331	8.18%	4,127
Investment securities and federal funds	15,929,217	0.93%	147,879
Total earning assets	$99,640,774	1.77%	$1,767,889
Interest bearing liabilities	94,647,671	1.26%	1,193,414
Interest rate spread	$4,993,103	0.51%	
Impact of equity financing		0.07%	
Net interest margin		0.58%	
Net interest income			$574,475

(in thousands)

For the year ended December 31,		2015	
	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$69,954,813	1.60%	$1,120,427
Retail accrual loans	7,829,323	3.62%	283,245
Retail nonaccrual loans	41,957	5.73%	2,403
Investment securities and federal funds	15,734,287	0.65%	102,063
Total earning assets	$93,560,380	1.61%	$1,508,138
Interest bearing liabilities	88,919,484	1.11%	988,136
Interest rate spread	$4,640,896	0.50%	
Impact of equity financing		0.06%	
Net interest margin		0.56%	
Net interest income			$520,002

Net interest margin for the year ended December 31, 2017, was unchanged from the prior year at 58 basis points. While net interest margin did not change, net interest income increased as earning assets and rates grew during 2017. Equity financing represents the benefit of non-interest rate bearing funding, primarily shareholders' equity, which increased slightly from the prior period primarily due to higher equity volume and a higher level of interest rates. The benefit of equity financing is greater when interest rates are higher as this equity allows the Bank to fund higher earning assets with equity rather than higher rate funding. Interest rate spread declined one basis point for 2017. As anticipated, the positive contribution from funding actions has declined due to the current interest rate environment. We estimate funding actions contributed 16 basis points to the interest rate spread in 2017, compared to 18 and 21 basis points in 2016 and 2015, respectively.

Changes in loans are further discussed in the Loan Portfolio section of this report.

Provision for Loan Losses

The year-over-year volatility in provision for loan losses can be impacted by a single loan or borrower. As our retail portfolio has grown and credit quality has declined slightly, we have seen a corresponding increase in provision for loan losses in recent years. Within our retail loan portfolio, the production and intermediate-term loan and real estate sectors have continued to grow and the provision for loan losses in 2017 primarily reflects the credit quality of the production and intermediate term sector of our retail loan portfolio.

Refer to the discussion of the allowance for loan losses in the Loan Portfolio – Allowance for Loan Losses section of this report.

Non-interest Income

Components of Non-Interest Income

(in thousands)

For the year ended December 31,	**2017**	2016	2015
Mineral income	**$45,795**	$36,351	$56,535
Business service income	**19,647**	17,020	19,410
Loan prepayment and fee income	**7,907**	31,958	14,854
Miscellaneous income and other gains, net	**291**	11,439	1,117
Total	**$73,640**	$96,768	$91,916

Mineral income was earned primarily from royalties received on mineral rights, predominantly in the Williston Basin in western North Dakota. Oil and gas prices throughout 2017 remained comparable to those observed in the latter part of 2016 and was the primary factor resulting in increased mineral income compared to the prior year. An increase in mineral leasing activity during 2017 compared to the prior year further contributed to mineral income.

Business services income primarily includes revenue from District Associations for services provided by the Bank. We continue to collaborate with District Associations to provide cost-effective business services.

Loan prepayment and fee income reflects prepayment and conversion fees recognized as a result of refinancing activity, primarily related to funding our wholesale lending. The majority of our loan prepayment and fee income is recorded when District Association retail loans financed through our wholesale loan volume prepay or convert and the District Association is assessed a wholesale fee. Interest rates increased throughout 2017 compared to 2016 and 2015 resulting in slower prepayment and conversion activity in District Associations' retail portfolios during 2017 compared to the previous two years.

In 2016, miscellaneous income and other gains were primarily due to non-recurring net gains, and were related to the sales of certain AFS investment securities which no longer met earnings or capital usage targets. The majority of these sales were home-equity ABS and non-agency MBS securities and, during 2016, all remaining securities in these categories were sold. There were no investment sales during 2017. Refer to Note 4 of the accompanying Financial Statements for further discussion.

Non-interest Expense

Components of Non-interest Expense

(in thousands)

For the year ended December 31,	**2017**	2016	2015
Salaries and employee benefits	**$40,206**	$39,297	$38,370
Other operating expenses:			
Purchased services	**9,750**	9,675	9,053
Occupancy and equipment	**12,437**	12,304	12,001
Examination expense	**5,663**	5,330	4,642
Other	**10,025**	10,761	13,160
Loan servicing and other fees paid to District Associations	**37,226**	37,408	35,777
Farm Credit System insurance expense	**12,359**	13,903	10,749
Net impairment losses recognized in earnings	**--**	--	693
Total	**$127,666**	$128,678	$124,445

Farm Credit System insurance expense is directly impacted by the premium rate we are assessed. Premiums were 15 basis points in 2017 compared to 16 basis points for the first half and 18 basis points for the second half of 2016 and 13 basis points in 2015. The Insurance Corporation has announced premiums will decrease to 9 basis points for 2018. The Insurance Corporation Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Select Quarterly Financial Information

(in thousands) **2017**	**First**	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$143,071**	**$149,760**	**$150,632**	**$144,421**	**$587,884**
Provision for loan losses	**2,000**	**1,000**	**3,500**	**2,000**	**8,500**
Other expense, net	**11,523**	**10,758**	**14,902**	**16,843**	**54,026**
Net income	**$129,548**	**$138,002**	**$132,230**	**$125,578**	**$525,358**

2016	First	Second	Third	Fourth	Total
Net interest income	$140,554	$140,210	$144,941	$148,770	$574,475
Provision for loan losses	3,000	1,500	1,000	1,000	6,500
Other expense (income), net	13,110	2,956	(1,339)	17,183	31,910
Net income	$124,444	$135,754	$145,280	$130,587	$536,065

Interest Rate Risk Management

Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition. Interest rate risk arises primarily from funding fixed rate loans that can be prepaid, adjustable rate loans with interest rate caps and decisions related to the investment of our equity. We manage substantially all of the District's interest rate risk. Our ability to effectively manage interest rate risk relies on our ability to issue debt with terms and structures that match our asset terms and structures. Because a substantial portion of those assets are prepayable, we issue a significant amount of callable debt. We also use derivatives to manage interest rate risk and reduce our funding costs.

We manage exposure to changes in interest rates under policies established by our board and limits established by our ALCO. Policies and limits regulate maximum exposure to net interest income and economic value of equity changes for specified changes in market interest rates. A full analysis of interest rate risk is completed monthly. Through these analyses, appropriate funding strategies are developed to manage the sensitivity of net interest income and economic value of equity to changes in interest rates.

Our primary techniques used to analyze interest rate risk are:

- Interest rate gap analysis, which compares the amount of interest-sensitive assets to interest-sensitive liabilities repricing in selected time periods under various interest rate and prepayment assumptions.
- Net interest income sensitivity analysis, which projects net interest income in each of the next three years given various rate scenarios.
- Economic value of equity sensitivity analysis, which estimates the economic value of assets, liabilities and equity given various rate scenarios.

The assumptions used in our analyses are monitored routinely and adjusted as necessary. Assumptions about loan prepayment behavior are the most significant to the results. Prepayment speeds are estimated as a function of rate levels, age and seasoning. We monitor and track prepayment history and consider adjustments to our assumed prepayment speeds based on our historical observed experience. We use third-party prepayment models for MBS investments.

Interest Rate Gap Analysis

The following table is based on the known repricing dates of certain assets and liabilities and the assumed or estimated repricing dates of others under an implied forward rate scenario. Prepayment estimates for loans are assumed consistent with our standard prepayment assumptions. Callable debt is shown at the first call date it is expected to be exercised given implied forward rates. Various assets and liabilities may not reprice according to the assumptions and estimates used. The analysis provides a static view of our interest rate sensitivity position and does not capture the dynamics of an evolving balance sheet, interest rate and spread changes in different interest rate environments, and the active role of asset and liability management.

Interest Rate Gap Position

(in thousands)	Repricing Intervals						
As of December 31, 2017	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Over 5 Years**	**Total**
Earning assets:							
Prepayable loans	$42,145,426	$7,949,783	$6,494,153	$5,344,423	$4,634,835	$18,478,737	$85,047,357
Other loans	335,706	499,109	308,941	250,864	608,394	1,324,552	3,327,566
Investments and federal funds	11,996,610	1,277,506	569,866	397,499	241,101	580,173	15,062,755
Total earning assets	$54,477,742	$9,726,398	$7,372,960	$5,992,786	$5,484,330	$20,383,462	$103,437,678
Callable debt	$2,400,603	$4,111,468	$4,619,519	$3,856,048	$4,300,036	$18,761,278	$38,048,952
Other debt	51,550,398	4,360,755	2,346,881	807,562	749,790	449,606	60,264,992
Effect of interest rate swaps and other derivatives	(406,000)	(352,000)	(1,170,000)	170,000	170,000	1,588,000	--
Total rate-sensitive liabilities	$53,545,001	$8,120,223	$5,796,400	$4,833,610	$5,219,826	$20,798,884	$98,313,944
Interest rate sensitivity gap	$932,741	$1,606,175	$1,576,560	$1,159,176	$264,504	$(415,422)	$5,123,734
Cumulative gap	$932,741	$2,538,916	$4,115,476	$5,274,652	$5,539,156	$5,123,734	
Cumulative gap as a % of earning assets	1.7%	4.0%	5.7%	6.8%	6.7%	5.0%	

Net Interest Income and Economic Value of Equity (EVE) Sensitivity Analysis

The economic value of equity sensitivity analysis provides a static view of our interest rate sensitivity position, commensurate with the interest rate gap analysis. Net interest income projections and sensitivity analysis incorporate assumptions to capture the dynamics of an evolving balance sheet. Policy limits related to interest rate sensitivity assume interest rates for all maturities change immediately in the same direction and amount (a parallel shock). We also routinely review the impact of a gradual change over one year in interest rates in the same direction and same amount (a parallel ramp). Periodically, we review multi-year net interest income projections and the impact of varying the amount of change in rates at different maturities (a twist, flattening or steepening of the yield curve). Our policies establish a maximum variance from our base case in a plus or minus 200 basis point change in rates, except when the U.S. Treasury three-month rate is below 4 percent, at which time the minus scenario is limited to one-half of the U.S. Treasury three-month rate.

Because of the low interest rates at December 31, 2017, the down scenario is limited to a down 69 basis point change.

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of December 31, 2017	**Down 69**	**Up 100**	**Up 200**
Immediate Change (Shock):			
NII sensitivity	**(1.1%)**	**(0.7%)**	**(1.8%)**
Board policy	**(15.0%)**		**(15.0%)**
Gradual Change (Ramp):			
NII sensitivity		**0.3%**	**0.4%**

EVE Sensitivity Analysis

	Basis Point Interest Rate Change		
As of December 31, 2017	**Down 69**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	**4.1%**	**(4.1%)**	**(7.6%)**
Board policy	**(12.0%)**		**(12.0%)**

Derivative Financial Instruments

We primarily use derivative financial instruments to reduce funding costs, improve liquidity and manage interest rate sensitivity. We do not hold or issue derivatives for trading purposes.

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 the board 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.

The types and uses of derivatives we primarily use are:

Derivative Products	Purpose of the Hedge Transaction	Strategic Impact
Receive-fixed swaps	To protect against the decline in interest rates on floating-rate assets by exchanging the debt's fixed-rate payment for a floating-rate payment.	These transactions enable us to improve liquidity, obtain lower funding cost or to hedge basis risk.
Pay-fixed swaps	To protect against an increase in interest rates by exchanging the debt's floating-rate payment for a fixed-rate payment that matches the cash flows of assets.	These transactions create lower cost synthetic fixed rate funding, hedge future debt issuance costs or manage interest rate sensitivity.

Floating-for-floating swaps	To protect against large increases in interest rates on the bank's floating-rate liabilities by embedding an interest rate cap on the floating-rate payment leg of the swap.	These transactions help us to manage the bank's exposure to large increases in interest rates and offset interest rate caps that are embedded within the bank's assets.

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 manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

By using derivative instruments, we are subject to credit loss exposure. If a counterparty is unable to perform under a derivative contract, our credit risk equals the net amount due to us. Generally, when the fair value of a derivative contract is positive, we have credit exposure to the counterparty, creating credit risk for us. When the fair value of the derivative contract is negative, we do not have credit exposure; however, there is a risk of our nonperformance under the terms of the derivative transaction.

Derivative Credit Loss Exposure by Credit Rating

(in thousands) **As of December 31, 2017**	**Years to Maturity** **One to Five Years**	**Over Five Years**	**Maturity Distribution Netting**	**Exposure**	**Exposure Net of Collateral**
Moody's Credit Rating					
Aa2	**$1,521**	**$ --**	**$(1,521)**	**$ --**	**$ --**
Aa3	**--**	**10,803**	**(2,277)**	**8,526**	**8,526**
A1	**262**	**--**	**(262)**	**--**	**--**
Cleared derivatives	**--**	**10,697**	**(10,697)**	**--**	**--**
Total	**$1,783**	**$21,500**	**$(14,757)**	**$8,526**	**$8,526**

Derivative credit loss exposure is estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts in a gain position. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty. If the net position within a maturity category with a particular counterparty is a loss, no amount is reported. Maturity distribution netting represents the impact of netting of derivatives in a gain position and derivatives in a loss position for the same counterparty across different maturity categories.

Expected Maturities of Derivative Products and Other Financial Instruments

(in thousands) As of December 31, 2017	2018	2019	2020	2021	2022	2023 and thereafter	Total	Fair Value
Bonds and Notes:								
Fixed rate	$12,665,373	$8,682,959	$6,635,699	$4,858,562	$5,049,648	$19,121,740	$57,013,981	$56,484,058
Average interest rate	1.1%	1.3%	1.5%	1.7%	2.0%	2.6%	1.9%	
Variable rate	20,019,963	18,649,000	2,631,000	--	--	--	41,299,963	41,350,829
Average interest rate	1.2%	1.1%	1.2%	--	--	--	1.1%	
Total bonds and notes	$32,685,336	$27,331,959	$9,266,699	$4,858,562	$5,049,648	$19,121,740	$98,313,944	$97,834,887
Derivative Instruments:								
Receive-fixed swaps								
Notional value	$945,000	$671,000	$951,000	$ --	$50,000	$ --	$2,617,000	$(18,276)
Weighted average receive rate	1.0%	1.4%	1.7%	--	2.0%	--	1.4%	
Weighted average pay rate	2.2%	2.4%	2.3%	--	2.4%	--	2.3%	
Pay-fixed swaps								
Notional value	50,000	115,000	104,000	170,000	240,000	1,637,360	2,316,360	(1,498)
Weighted average receive rate	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.4%	
Weighted average pay rate	4.3%	3.3%	3.3%	2.5%	1.9%	2.3%	2.4%	
Floating for floating swaps								
Notional value	200,000	200,000	300,000	600,000	200,000	1,200,000	2,700,000	(4,950)
Weighted average receive rate	2.0%	2.3%	2.3%	2.3%	2.4%	2.5%	2.4%	
Weighted average pay rate	2.3%	2.3%	2.3%	2.3%	2.4%	2.5%	2.4%	
Customer swaps								
Notional value	--	15,000	4,000	--	20,000	49,360	88,360	(3,074)
Weighted average receive rate	--	1.4%	1.2%	--	2.2%	1.3%	1.5%	
Weighted average pay rate	--	2.3%	2.3%	--	2.4%	2.5%	2.4%	
Credit valuation adjustment								(49)
Variation margin settlement								2,241
Total derivative instruments	$1,195,000	$1,001,000	$1,359,000	$770,000	$510,000	$2,886,720	$7,721,720	$(25,606)
Total weighted average rates on swaps:								
Receive rate	1.2%	1.7%	1.9%	2.3%	2.4%	2.5%	2.0%	
Pay rate	2.3%	2.5%	2.4%	2.3%	2.2%	2.4%	2.4%	

The table was prepared based on implied forward variable interest rates as of December 31, 2017 and, accordingly, the actual interest rates to be received or paid will be different to the extent that the variable rates fluctuate from December 31, 2017 implied forward rates.

Derivative instruments are discussed further in Notes 2, 12 and 13 to the accompanying Financial Statements.

Other Risks

Operational Risk

Operational risk represents the risk of loss resulting from our operations. Operational risk includes risks related to fraud, processing errors, breaches of internal controls, cybersecurity and natural disasters. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of our objectives. We manage operational risk through established internal control processes and business continuity and disaster recovery plans. We maintain systems of controls with the objectives of providing appropriate transaction authorization and execution, proper system operations, safeguarding of assets and reliability of financial and other data. We have a strong control environment, including an independent audit committee, a code of ethics for senior officers and key financial personnel and an anonymous whistleblower program. We have developed and regularly update comprehensive business continuity and disaster recovery plans and routinely test plans with the goal of ensuring ongoing operations under a variety of adverse scenarios. We maintain sound security infrastructure, which we periodically test. We also provide privacy and cybersecurity awareness training to staff.

We document, test and evaluate internal control over financial reporting (ICFR) to support both the AgriBank and the Farm Credit System-level attestations for ICFR consistent with the requirements of Sarbanes-Oxley Section 404. This effort supports a strong control environment through awareness, documentation and testing of key controls for all significant processes supporting ICFR. In addition, our independent auditor provides an opinion on the effectiveness of our ICFR program.

Reputation Risk
Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities. Such risks include impacts related to investors' perceptions about agriculture, the reliability of the System financial information or business practices by any System institution which may appear to conflict with the System mission. The Farm Credit System has various committees responsible for reviewing business practices and, where appropriate, risk mitigation efforts, as well as providing strategic direction on System reputation management initiatives.

Credit Risk Related to Joint and Several Liability
We have exposure to Systemwide credit risk because we are jointly and severally liable for all Systemwide debt issued. Under joint and several liability, if a System Bank is unable to pay its obligations as they come due, the other Banks in the System would ultimately be called upon to fulfill those obligations. The existence of the Farm Credit Insurance Fund (Insurance Fund), the CIPA and the Market Access Agreement (MAA) help to mitigate this risk. Refer to Note 10 of the accompanying Financial Statements for additional information related to the CIPA and MAA.

The Farm Credit Act established the Insurance Corporation to administer the Insurance Fund. Refer to Note 1 of the accompanying Financial Statements for further information on the Insurance Fund.

Critical Accounting Policies

Our Financial Statements are reported based on accounting principles generally accepted in the United States of America (GAAP) and require that significant judgment be applied to various accounting, reporting and disclosure matters. We use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of significant accounting policies, refer to Note 2 of the accompanying Financial Statements. The following is a summary of certain critical accounting policies:

- <u>Allowance for Loan Losses</u> — The allowance for loan losses is our best estimate of the amount of losses on loans in our portfolio as of the date of the Financial Statements. We determine the allowance for loan losses based on a periodic evaluation of our loan portfolio, which considers loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. Refer to the Loan Portfolio – Allowance for Loan Losses section for further discussion.

- Fair Value Measurements — We apply various valuation methods to assets and liabilities that often involve judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as certain investment securities. However, for those items for which an observable active market does not exist, we utilize significant estimates and assumptions to value such items. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, loss severity rates and third-party prices. The use of different assumptions could produce significantly different results.

Report of Management

AgriBank, FCB

We prepare the Financial Statements of AgriBank, FCB (AgriBank) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Statements, in our opinion, fairly present the financial condition of AgriBank. Other financial information included in the Annual Report is consistent with that in the Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Financial Statements. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2017. The Farm Credit Administration also performs examinations for safety and soundness, as well as compliance with applicable laws and regulations.

The board of directors has overall responsibility for our system of internal control and financial reporting. The board of directors and its Audit Committee consult regularly with us and meet periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the board of directors, which is comprised solely of directors who are not officers or employees of AgriBank.

The undersigned certify we have reviewed AgriBank, FCB's December 31, 2017 Annual Report, and it has been prepared in accordance with all applicable statutory and regulatory requirements and the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Matthew D. Walther

Matthew D. Walther
Chair of the Board
AgriBank, FCB

William J. Thone
Chief Executive Officer
AgriBank, FCB

Jeffrey L. Moore

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB

March 1, 2018

Report on Internal Control over Financial Reporting

AgriBank, FCB

AgriBank, FCB's (AgriBank) principal executives and principal financial officers or persons performing similar functions are responsible for establishing and maintaining adequate internal control over financial reporting. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of AgriBank's principal executives and principal financial officers or persons performing similar functions, and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of AgriBank, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of AgriBank and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AgriBank's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AgriBank's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2017. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, AgriBank concluded that as of December 31, 2017, the internal control over financial reporting was effective based upon the COSO criteria.

AgriBank's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of AgriBank's internal control over financial reporting as of December 31, 2017.

William J. Thone	Jeffrey L. Moore
Chief Executive Officer	Chief Financial Officer
AgriBank, FCB	AgriBank, FCB

March 1, 2018

Report of Audit Committee

AgriBank, FCB

The Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is comprised of a subset of the Board of Directors of AgriBank, FCB (AgriBank). The Audit Committee oversees the scope of AgriBank's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of AgriBank's system of internal controls and procedures and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for the preparation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America. Additionally, management is responsible for the design and operating effectiveness of internal control over financial reporting for the Financial Statements. PwC is responsible for expressing opinions on the Financial Statements and internal control over financial reporting based on their integrated audits which are performed in accordance with auditing standards of the Public Company Accounting Oversight Board (PCAOB) and in accordance with generally accepted auditing standards in the United States of America. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Financial Statements for the year ended December 31, 2017, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by PCAOB Auditing Standard No. 16, *Communications with Audit Committees*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the board of directors include the audited Financial Statements in the Annual Report for the year ended December 31, 2017.

Natalie Laackman
Audit Committee Chair
AgriBank, FCB

Dale Crawford
Brian Peterson
Keri Votruba
Thomas Wilkie, III

March 1, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of AgriBank, FCB

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statements of condition of AgriBank, FCB ("the Company") as of December 31, 2017, 2016, and 2015, and the related statements of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, 2016, and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) *Code of Professional Conduct* and the Farm Credit Administration's independence rules set forth in 12 CFR Part 621, *Accounting and Reporting Requirements*, Subpart E, *Auditor Independence*.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

March 1, 2018

We have served as the Company's auditor since 1985.

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
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Statements of Condition

AgriBank, FCB

(in thousands)

As of December 31,	2017	2016	2015
Assets			
Loans	**$88,374,923**	$86,078,402	$82,819,652
Allowance for loan losses	**26,047**	21,282	18,076
Net loans	**88,348,876**	86,057,120	82,801,576
Investment securities	**14,386,455**	14,897,252	14,262,883
Cash	**469,599**	469,996	533,711
Federal funds	**676,300**	591,300	1,427,125
Accrued interest receivable	**498,826**	420,670	381,104
Derivative assets	**8,956**	13,125	698
Allocated prepaid pension costs	**38,834**	33,985	30,002
Cash collateral posted with counterparties	**29,730**	31,128	32,023
Other assets	**87,149**	48,720	37,712
Total assets	**$104,544,725**	$102,563,296	$99,506,834
Liabilities			
Bonds and notes	**$98,313,944**	$96,633,431	$93,404,251
Subordinated notes	**--**	--	498,283
Accrued interest payable	**288,978**	223,023	231,464
Derivative liabilities	**34,562**	34,407	52,002
Accounts payable and other payables	**246,388**	170,613	130,060
Other liabilities	**18,971**	15,719	16,658
Total liabilities	**98,902,843**	97,077,193	94,332,718
Commitments and contingencies (Note 10)			
Shareholders' equity			
Perpetual preferred stock	**250,000**	250,000	250,000
Capital stock and participation certificates	**2,345,655**	2,183,701	2,063,343
Unallocated surplus	**3,132,653**	3,132,432	2,945,638
Accumulated other comprehensive loss	**(86,426)**	(80,030)	(84,865)
Total shareholders' equity	**5,641,882**	5,486,103	5,174,116
Total liabilities and shareholders' equity	**$104,544,725**	$102,563,296	$99,506,834

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

Statements of Comprehensive Income

AgriBank, FCB

(in thousands)

For the year ended December 31,	2017	2016	2015
Interest income			
Loans	**$1,886,100**	$1,620,010	$1,406,075
Investment securities	**201,862**	147,879	102,063
Total interest income	**2,087,962**	1,767,889	1,508,138
Interest expense	**1,500,078**	1,193,414	988,136
Net interest income	**587,884**	574,475	520,002
Provision for loan losses	**8,500**	6,500	7,500
Net interest income after provision for loan losses	**579,384**	567,975	512,502
Non-interest income			
Mineral income	**45,795**	36,351	56,535
Business services income	**19,647**	17,020	19,410
Loan prepayment and fee income	**7,907**	31,958	14,854
Miscellaneous income and other gains, net	**291**	11,439	1,117
Total non-interest income	**73,640**	96,768	91,916
Non-interest expense			
Salaries and employee benefits	**40,206**	39,297	38,370
Other operating expenses	**37,875**	38,070	38,856
Loan servicing and other fees paid to District Associations	**37,226**	37,408	35,777
Farm Credit System insurance expense	**12,359**	13,903	10,749
Net impairment losses recognized in earnings	**--**	--	693
Total non-interest expense	**127,666**	128,678	124,445
Net income	**$525,358**	$536,065	$479,973
Other comprehensive (loss) income			
Investments available-for-sale:			
Not-other-than-temporarily-impaired investments	**$(12,311)**	$(31,871)	$(35,607)
Other-than-temporarily-impaired investments	**--**	(10,561)	(4,630)
Derivatives and hedging activity	**7,038**	47,267	437
Total other comprehensive (loss) income	**(5,273)**	4,835	(39,800)
Comprehensive income	**$520,085**	$540,900	$440,173

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2014	$250,000	$1,944,292	$2,766,818	$(45,065)	$4,916,045
Net income			479,973		479,973
Other comprehensive loss				(39,800)	(39,800)
Patronage			(283,965)		(283,965)
Perpetual preferred stock dividends			(17,188)		(17,188)
Capital stock/participation certificates issued		182,195			182,195
Capital stock/participation certificates retired		(63,144)			(63,144)
Balance at December 31, 2015	$250,000	$2,063,343	$2,945,638	$(84,865)	$5,174,116
Net income			536,065		536,065
Other comprehensive income				4,835	4,835
Patronage			(332,083)		(332,083)
Perpetual preferred stock dividends			(17,188)		(17,188)
Capital stock/participation certificates issued		177,200			177,200
Capital stock/participation certificates retired		(56,842)			(56,842)
Balance at December 31, 2016	$250,000	$2,183,701	$3,132,432	$(80,030)	$5,486,103
Net income			**525,358**		**525,358**
Other comprehensive loss and other				**(6,396)**	**(6,396)**
Patronage			**(507,949)**		**(507,949)**
Perpetual preferred stock dividends			**(17,188)**		**(17,188)**
Capital stock/participation certificates issued		**161,954**			**161,954**
Balance at December 31, 2017	**$250,000**	**$2,345,655**	**$3,132,653**	**$(86,426)**	**$5,641,882**

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

Statements of Cash Flows

AgriBank, FCB

(in thousands)

For the year ended December 31,	2017	2016	2015
Cash flows from operating activities			
Net income	**$525,358**	$536,065	$479,973
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**3,556**	3,533	3,358
Provision for loan losses	**8,500**	6,500	7,500
Net impairment losses recognized in earnings	**--**	--	693
Gain on sale of investment securities, net	**--**	(10,166)	(2,606)
Amortization of (discounts) premiums on investments, net	**(34,218)**	(15,458)	8,010
Amortization of discounts on debt and deferred debt issuance costs, net	**80,400**	100,278	39,430
(Gain) loss on derivative activities, net	**(1,908)**	29	(159)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(1,582,638)**	(1,318,168)	(1,118,057)
Increase in other assets	**(43,479)**	(15,547)	(10,307)
Increase (decrease) in accrued interest payable	**65,955**	(8,441)	26,805
(Decrease) increase in other liabilities	**(4,204)**	4,096	(6,237)
Net cash used in operating activities	**(982,678)**	(717,279)	(571,597)
Cash flows from investing activities			
Increase in loans, net	**(796,857)**	(1,984,036)	(4,188,902)
Proceeds from sales of other property owned	**1,509**	767	1,911
Purchases of investment securities	**(3,023,890)**	(4,195,252)	(4,275,897)
Proceeds from maturing investment securities	**3,556,708**	3,298,636	4,210,797
Proceeds from the sale of investment securities	**--**	245,439	50,660
Purchases of premises and equipment, net	**(3,895)**	(3,150)	(3,352)
Net cash used in investing activities	**(266,425)**	(2,637,596)	(4,204,783)
Cash flows from financing activities			
Bonds and notes issued	**187,595,517**	229,146,168	218,646,549
Bonds and notes retired	**(185,979,892)**	(225,998,333)	(213,814,646)
Subordinated notes retired	**--**	(500,000)	--
Decrease (increase) in cash collateral posted with counterparties, net	**8,076**	--	(7,280)
Increase (decrease) in cash collateral posted by counterparties	**--**	895	(10,005)
Variation margin settled on cleared derivatives, net	**(8,920)**	--	--
Patronage distributions paid	**(425,841)**	(296,565)	(296,993)
Preferred stock dividends paid	**(17,188)**	(17,188)	(17,188)
Capital stock/participation certificates issued, net	**161,954**	120,358	119,051
Net cash provided by financing activities	**1,333,706**	2,455,335	4,619,488
Net increase (decrease) in cash and federal funds	**84,603**	(899,540)	(156,892)
Cash and federal funds at beginning of period	**1,061,296**	1,960,836	2,117,728
Cash and federal funds at end of period	**$1,145,899**	1,061,296	1,960,836
Supplemental non-cash investing and financing activities			
Decrease in shareholders' equity from investment securities	**$(12,311)**	(42,432)	(40,237)
Interest capitalized to loan principal	**1,504,482**	1,278,602	1,087,164
Patronage and preferred stock dividends accrued	**209,002**	126,894	108,890
Decrease in shareholders' equity from employee benefit plan	**(1,123)**	--	--
Supplemental non-cash fair value changes related to hedging activities			
Decrease (increase) in derivative assets	**$4,170**	$(12,427)	$14,685
Increase (decrease) in derivative liabilities	**2,396**	(17,595)	7,440
Decrease in bonds from derivative activity	**(15,512)**	(17,216)	(22,721)
Supplemental Information			
Interest paid	**$1,353,723**	$1,101,577	$961,331

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

Notes to Financial Statements

AgriBank, FCB

NOTE 1

Organization and Operations

Farm Credit System and District Organization
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.

At January 1, 2018, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank and 69 Associations across the nation. System entities have specific lending authorities within their chartered territories. We are chartered to serve Associations in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Our chartered territory is referred to as the District. We serve our chartered territory by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs).

At January 1, 2018, the District had 14 ACA parent Associations, each of which has wholly owned FLCA and PCA subsidiaries. AgriBank is primarily owned by these 14 Farm Credit Associations. FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their FLCA and PCA subsidiaries. District Associations are also authorized to provide lease financing options for agricultural purposes and to purchase and hold certain types of investments. District Associations may also offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to their borrowers and those eligible to borrow. Additionally, certain District Associations offer farm records, fee appraisals, income tax planning and preparation services, retirement and succession planning, and producer education services to their members. We are the primary funding source for all District Associations. We raise funds principally through the sale of consolidated Systemwide bonds and notes to the public through the Federal Farm Credit Banks Funding Corporation (the Funding Corporation).

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that we can offer. We are authorized to provide, in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, farm-related service businesses, and processing or marketing operations. The Farm Credit Act, as amended, also allows us to participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution but have operations that are functionally similar to the activities of eligible borrowers. We are also authorized to purchase and hold certain types of investments.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The activities of the System Banks and Associations are examined by the FCA and certain actions by these entities require prior approval from the FCA.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used for:

- Insuring the timely payment of principal and interest on Farm Credit Systemwide debt obligations
- Insuring the retirement of protected borrower capital at par or stated value
- Other specified purposes

The Insurance Corporation does not insure any payments on our preferred stock, common stock or risk participation certificates. In the event of default by another System Bank, and if no available amounts remain in the Insurance Fund, we are required to fund our allocated portion of another System Bank's portion of the Systemwide Debt Securities.

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2 percent (the secure base amount) of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. The percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and under certain circumstances is required to transfer excess funds to establish Allocated Insurance Reserves Accounts (AIRAs). The Insurance Corporation may also distribute all or a portion of these reserve accounts to the System Banks.

The basis for assessing premiums is insured debt outstanding. Nonaccrual loans and impaired investment securities are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. We, in turn, assess premiums to District Associations each year based on similar factors.

AgriBank Operations

We primarily lend to District Associations in the form of lines of credit to fund Associations' loan portfolios. These lines of credit (wholesale loans) are collateralized by a pledge of substantially all of each District Association's assets. The terms of the revolving lines of credit are governed by a General Financing Agreement (GFA) between us and each District Association. The wholesale funding we provide substantially matches the terms and embedded options of the Associations' retail loans. General operating expenses of the Associations are also funded through their lines of credit. We also fund District Association lending through the direct purchase of participations in retail loans from Associations.

In addition to providing loan funds to District Associations, we may provide additional services to the Associations, including financial, technology, insurance and internal audit services. The revenue received for these services is included in "Business services income," a component of non-interest income.

Service Organizations
System institutions jointly own several service organizations. These organizations were created to provide a variety of services for the System. We have ownership interests in the following service organizations:

- **Federal Farm Credit Banks Funding Corporation** provides for the issuance, marketing and processing of Systemwide Debt Securities using a network of investment dealers and dealer banks and financial management and reporting services
- **Farm Credit Services Building Association** owns and leases premises and equipment to the System's regulator, the FCA
- **Farm Credit System Association Captive Insurance Company** provides corporate insurance coverage to member organizations
- **Farm Credit Foundations (Foundations)** provides benefits and payroll services to AgriBank and District Associations as well as certain other System entities

In addition, the Farm Credit Council acts as a full-service federated trade association that represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis.

NOTE 2

Summary of Significant Accounting Policies

Our accounting policies conform to generally accepted accounting principles (GAAP) in the United States of America and prevailing practices within the financial services industry. The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The Financial Statements include the accounts of AgriBank. These Financial Statements do not include the assets, obligations or results of operations of District Associations.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Accrued interest on wholesale loans is capitalized to loan principal on a monthly basis. Origination fees, net of related costs, are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan fees and related origination costs are not material to the Financial Statements taken as a whole. The majority of our loan-related fees are through funding our wholesale loans. These fees are considered funding charges, because the fees are related to actions of the underlying Association retail loans, which are funded through the wholesale loans. These wholesale fees are not subject to deferral and are recognized in the period in which they are assessed.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless well secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment in the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined in the Allowance for Loan Losses section).

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

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually and all other retail loans by grouping them into loan segments sharing similar risk characteristics. An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in “Provision for loan losses” in the Statements of Comprehensive Income, recoveries and charge-offs.

Investment Securities: Our investment securities may not necessarily be held to maturity and, accordingly, have been classified as available-for-sale (AFS). These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of shareholders’ equity (“Accumulated other comprehensive loss”). Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive income (loss), unless the security is deemed to be other-than-temporarily impaired. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. Factors considered in determining whether an impairment is other-than-temporary include: the financial condition and near-term prospects of the issuer, the financial condition of any financial guarantor, if applicable, a current projection of expected cash flow compared to current net carrying value and contractual cash flow, our intent to sell the impaired security and whether we are more likely than not to be required to sell the security before recovery and qualitative consideration of other available information when assessing whether impairment is other-than-temporary.

When OTTI exists and we do not intend to sell the impaired debt security, nor are we more likely than not to be required to sell the security before recovery, we separate the loss into credit-related and non-credit-related components. If a security is deemed to be other-than-temporarily impaired, the security is written down to fair value, the credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income (loss). Realized gains and losses are determined using the specific identification method and are recognized in current operations.

Cash: Cash, as included on the Financial Statements, represents cash on hand and deposits in banks.

Federal Funds: Federal funds, as included on the Financial Statements, represent excess reserve funds on deposit at the Federal Reserve banks that are lent to other commercial banks. These transactions represent an investment of cash balances overnight in other financial institutions at the federal funds rate. Term federal funds would be a similar investment held for a period longer than overnight.

Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Depreciation is generally provided on the straight-line method over the estimated useful life of the asset. Gains or losses on disposition are reflected in current operations and are included in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income. Maintenance and repairs are charged to other operating expenses and improvements are capitalized. Internally developed software costs are capitalized and amortized over their estimated useful life. Premises and equipment are included in “Other assets” on the Statements of Condition.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in “Miscellaneous income and other gains, net” in the Statements of Comprehensive Income.

Mineral Rights: In connection with past foreclosure and sale proceedings, we have retained certain mineral interests and equity positions in land from which we receive income from lease bonuses, rentals and leasing and production royalties. These intangible assets have no recorded value on the Statements of Condition. All income received on these mineral rights is recognized in the period earned and is included in “Mineral income” on the Statements of Comprehensive Income. The Farm Credit Act requires that mineral rights acquired after 1985 through foreclosure be sold to the buyer of the surface rights in the land.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” on the Statements of Comprehensive Income.

Certain employees participate in the defined benefit retirement plan of the District. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. Benefits-eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the non-qualified defined benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Beginning in 2017, the pension restoration plan liability attributable to AgriBank and the related accumulated other comprehensive income are included in the Statements of Condition.

The defined contribution plan allows eligible employees to save for their retirement pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

Income Taxes: We are exempt from federal and other income taxes as provided in the Farm Credit Act.

Patronage Program: We accrue patronage refunds when declared by AgriBank's Board of Directors (the board). We accrue patronage refunds quarterly and pay the refunds in accordance with the declarations of the board, generally within 15 days after each quarter-end for which the patronage was declared. Accrued patronage is included in "Accounts and other payables" on the Statements of Condition.

Preferred Stock Dividends: We accrue non-cumulative perpetual preferred stock dividends quarterly as declared by the board. Dividends on non-cumulative perpetual preferred stock are payable quarterly in arrears on the first day of January, April, July and October. Accrued dividends are included in "Accounts and other payables" on the Statements of Condition.

Derivative Instruments and Hedging Activity: We are party to derivative financial instruments, primarily interest rate swaps, which are used to manage interest rate risk on assets, liabilities and forecasted transactions. Derivatives are recorded on the Statements of Condition as assets or liabilities, measured at fair value and netted by counterparties pursuant to the provisions of master netting agreements.

Changes in the fair values of derivatives are recorded as gains or losses through earnings or as a component of other comprehensive (loss) income, on the Statements of Comprehensive Income, depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For fair value hedge transactions in which we are hedging changes in the fair value of an asset or liability, changes in the fair value of the derivative instrument are offset in net income on the Statements of Comprehensive Income by changes in the fair value of the hedged item. For cash flow hedge transactions hedging the variability of cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative instrument are reported in other comprehensive (loss) income on the Statements of Comprehensive Income. To the extent the hedge is effective, the gains and losses on the derivative instrument are reported in other comprehensive (loss) income, until earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

We document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to:

- Specific assets or liabilities on the Statements of Condition
- Firm commitments
- Forecasted transactions

For hedging relationships, we assess effectiveness of the hedging relationships through prospective effectiveness tests at inception and retrospective tests on an ongoing basis until the maturity or termination of the hedge. For prospective testing, we perform a shock test of interest rate movements. Alternative tests may be performed if those tests appear to be reasonable relative to the hedge relationship that is being evaluated. For retrospective testing, our procedure is to perform correlation and regression tests of the value change of the hedge versus the value change of the hedged item using weekly data. If the hedge relationship does not pass the minimum levels established for effectiveness tests, hedge accounting will be discontinued.

We discontinue hedge accounting prospectively when we determine that:

- A derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item
- The derivative expires or is sold, terminated, exercised or de-designated as a hedge
- It is no longer probable that the forecasted transaction will occur
- A hedged firm commitment no longer meets the definition of a firm commitment
- Management determines that designating the derivative as a hedging instrument is no longer appropriate

When we discontinue hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income or loss is amortized into earnings over the remaining life of the original hedged item. When we discontinue hedge accounting for fair value hedges, changes in the fair value of the derivative will be recorded in current period earnings, and the basis adjustment to the previously hedged item will be taken into earnings using the interest method over the remaining life of the hedged item. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the Statements of Condition, recognizing changes in fair value in current period earnings. Refer to further discussion in Note 13.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Statements of Comprehensive Income. However, no such reserve was necessary as of December 31, 2017, 2016, or 2015.

Statements of Cash Flows: For purposes of reporting cash flows, cash includes cash and overnight federal funds. Cash flows on hedges are classified in the same category as the items being hedged.

Fair Value Measurements: We utilize a hierarchy to disclose the fair value measurement of financial instruments. A financial instrument's categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets

- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We may use various acceptable valuation techniques to determine fair value. The primary techniques used include:

- Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets to derive a fair value amount
- Income Approach uses various valuation methods to convert future cash flows to a single discounted present value, which becomes the applicable fair value amount
- Cost Approach is based on the current cost to acquire a substitute asset of comparable utility

For certain financial instruments presented at fair value, we use net asset value per share as a practical expedient. We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2 and Level 3 accordingly. Generally, transfers are reported as of the beginning of the quarter in which the transfer occurred.

Refer to Note 12 for further discussion on our fair value measurements.

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) and have determined the following standards to be applicable to our business:

Standard and effective date	Description	Adoption status and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public business entities on January 1, 2018.	This 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 are excluded from the scope of this new guidance.	We adopted this guidance on January 1, 2018, using the modified retrospective approach, as the majority of our revenues are not subject to the new guidance. The adoption of the guidance did not have a material impact on the financial condition, results of operations or cash flows.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." This guidance was effective for public business entities on January 1, 2018.	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.	We adopted this guidance on January 1, 2018. Given the structure of our Statements of Comprehensive Income and nature of our pension and postretirement benefits, the impact to the results of operations were not material and there were no changes to the financial statement disclosures.

Standard and effective date	Description	Adoption status and financial statement impact
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.” This guidance was effective for public business entities on January 1, 2018.	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.	We adopted this guidance on January 1, 2018. The adoption of this guidance did 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.
In August 2016, the FASB issued ASU 2016-15 “Classification of Certain Cash Receipts and Cash Payments.” This guidance was effective for public business entities on January 1, 2018.	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.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact the financial condition or results of operations. Debt extinguishment costs were previously disclosed as operating cash flows and will be reported as financing cash flows as a result of this guidance. However, no debt extinguishment costs were incurred during the last three-year period. Therefore, no changes in the classification of cash flows were required as a result of this guidance.
In February 2016, the FASB issued ASU 2016-02 "Leases." The guidance is effective for public business entities for our first quarter of 2019 and early adoption is permitted.	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.	We have no plans to early adopt this guidance. 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.

Standard and effective date	Description	Adoption status and financial statement impact
In August 2017, the FASB issued ASU 2017-12 “Targeted Improvements to Accounting for Hedging Activities.” This guidance is effective for public business entities for our first quarter of 2019 and early adoption is permitted.	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.	We have no plans to early adopt this guidance. We expect an immaterial impact to our results of operations as all derivative gains and losses will be recognized in interest expense on the Statements of Comprehensive Income and modification to certain derivative-related financial statement disclosures. We do not expect an impact to our financial condition, or cash flows.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance is effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021 and early adoption is permitted.	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.	We have no plans to early adopt this guidance. We are currently evaluating the impact of the guidance on the financial condition, results of operations, cash flows, and other financial statement disclosures.

NOTE 3

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	2017		2016		2015	
As of December 31,	Amount	%	Amount	%	Amount	%
Wholesale loans	**$79,960,907**	**90.6%**	$78,300,557	91.0%	74,697,131	90.1%
Retail loans:						
Real estate mortgage	**$3,928,551**	**4.4%**	3,461,590	4.0%	$3,859,885	4.7%
Production and intermediate-term	**3,744,997**	**4.2%**	3,629,121	4.2%	3,441,472	4.2%
Loans to other financing institutions (OFIs)	**593,677**	**0.7%**	577,505	0.7%	685,083	0.8%
Other	**146,791**	**0.1%**	109,629	0.1%	136,081	0.2%
Total retail loans	**8,414,016**	**9.4%**	7,777,845	9.0%	8,122,521	9.9%
Total loans	**$88,374,923**	**100.0%**	$86,078,402	100.0%	$82,819,652	100.0%

The other category is comprised of agribusiness, communication, rural residential real estate and energy loans.

Participations

We may purchase loan participations from and sell loan participations to others, primarily District Associations. We had no loan participation purchases outside of the System as of December 31, 2017, 2016 or 2015. We did not have any participation interests sold as of December 31, 2017, 2016 or 2015.

Retail Loan Participations Purchased

(in thousands) As of December 31,	2017	2016	2015
Real estate mortgage	**$3,928,341**	$3,461,281	$3,859,466
Production and intermediate-term	**3,744,997**	3,629,121	3,441,472
Other	**146,791**	109,629	136,081
Total loans	**$7,820,129**	$7,200,031	$7,437,019

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions.

A substantial portion of our loan portfolio consists of individual wholesale loans. Wholesale loans are comprised of 14 loans ranging in size from $40.9 million to $22.4 billion. At December 31, 2017, the three largest District Associations represented 70.0 percent of wholesale loans and 63.3 percent of total loans. No other wholesale loan was greater than 10 percent of total loans. The loans of our 10 largest retail customers (excluding other financing institutions (OFIs)) at December 31, 2017 totaled $250.4 million, or 3.0 percent of our retail portfolio and 0.3 percent of our total portfolio.

The wholesale loans are used by District Associations to fund their loan portfolios, and, therefore, our distribution of credit risk in various commodities and geographic concentrations approximate that of the District as a whole. AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans.

Portfolio Performance

One credit quality indicator we utilize is the FCA Uniform Loan Classification System, which categorizes loans into five categories. The categories are:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default
- 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 December 31, 2017	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$80,374,997**	**100.0%**	**$ --**	**--**	**$ --**	**--**	**$80,374,997**	**100.0%**
Retail loans:								
Real estate mortgage	**$3,752,062**	**94.5%**	**$110,032**	**2.8%**	**$110,385**	**2.8%**	**$3,972,479**	**100.0%**
Production and intermediate-term	**3,574,347**	**95.0%**	**82,960**	**2.2%**	**105,227**	**2.8%**	**3,762,534**	**100.0%**
Loans to OFIs	**596,520**	**100.0%**	**--**	**--**	**--**	**--**	**596,520**	**100.0%**
Other	**141,724**	**96.2%**	**543**	**0.4%**	**5,090**	**3.5%**	**147,357**	**100.0%**
Total retail loans	**8,064,652**	**95.1%**	**193,535**	**2.3%**	**220,702**	**2.6%**	**8,478,889**	**100.0%**
Total loans	**$88,439,649**	**99.5%**	**$193,535**	**0.2%**	**$220,702**	**0.3%**	**$88,853,886**	**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%
Loans to OFIs	579,652	100.0%	--	--	--	--	579,652	100.0%
Other	108,858	99.1%	245	0.2%	800	0.7%	109,903	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%

(in thousands)

As of December 31, 2015	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$74,990,957	100.0%	$ --	--	$ --	--	$74,990,957	100.0%
Retail loans:								
Real estate mortgage	3,766,278	96.5%	56,983	1.5%	78,955	2.0%	3,902,216	100.0%
Production and intermediate term	3,385,379	97.8%	24,837	0.7%	53,106	1.5%	3,463,322	100.0%
Loans to OFIs	686,841	100.0%	--	--	--	--	686,841	100.0%
Other	127,434	96.0%	400	1.0%	8,655	3.0%	136,489	100.0%
Total retail loans	7,965,932	97.3%	82,220	1.0%	140,716	1.7%	8,188,868	100.0%
Total loans	$82,956,889	99.7%	$82,220	0.1%	$140,716	0.2%	$83,179,825	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as Loss at December 31, 2017, 2016 or 2015.

Aging Analysis of Loans

(in thousands) **As of December 31, 2017**	**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**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$80,374,997**	**$80,374,997**	**$ --**
Retail loans:						
Real estate mortgage	**7,482**	**6,046**	**13,528**	**3,958,951**	**3,972,479**	**--**
Production and intermediate-term	**21,953**	**10,718**	**32,671**	**3,729,863**	**3,762,534**	**8**
Loans to OFIs	**--**	**--**	**--**	**596,520**	**596,520**	**--**
Other	**597**	**26**	**623**	**146,734**	**147,357**	**--**
Total retail loans	**30,032**	**16,790**	**46,822**	**8,432,067**	**8,478,889**	**8**
Total loans	**$30,032**	**$16,790**	**$46,822**	**$88,807,064**	**$88,853,886**	**$8**

(in thousands) As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days of more past due
Wholesale loans	$ --	$ --	$ --	$78,639,626	$78,639,626	$ --
Retail loans:						
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
Loans to OFIs	--	--	--	579,652	579,652	--
Other	278	--	278	109,625	109,903	--
Total retail loans	33,088	16,039	49,127	7,785,813	7,834,940	378
Total loans	$33,088	$16,039	$49,127	$86,425,439	$86,474,566	$378

(in thousands) As of December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days of more past due
Wholesale loans	$ --	$ --	$ --	$74,990,957	$74,990,957	$ --
Retail loans:						
Real estate mortgage	14,203	8,585	22,788	3,879,428	3,902,216	932
Production and intermediate-term	31,391	3,785	35,176	3,428,146	3,463,322	308
Loans to OFIs	--	--	--	686,841	686,841	--
Other	5,463	243	5,706	130,783	136,489	--
Total retail loans	51,057	12,613	63,670	8,125,198	8,188,868	1,240
Total loans	$51,057	$12,613	$63,670	$83,116,155	$83,179,825	$1,240

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31,	2017	2016	2015
Nonaccrual loans:			
Current as to principal and interest	**$32,455**	$32,622	$27,739
Past due	**20,583**	21,229	15,655
Total nonaccrual loans	**53,038**	53,851	43,394
Accruing restructured loans	**4,588**	3,800	4,429
Accruing loans 90 days or more past due	**8**	378	1,240
Total risk loans	**$57,634**	$58,029	$49,063
Volume with specific reserves	**$30,075**	$27,187	$18,441
Volume without specific reserves	**27,559**	30,842	30,622
Total risk loans	**$57,634**	$58,029	$49,063
Specific reserves	**$5,052**	$4,394	$3,564

Note: Accruing loans include accrued interest receivable.

Income on Risk Loans

(in thousands)

For the year ended December 31,	2017	2016	2015
Income on accrual risk loans	**$267**	$216	$220
Income on nonaccrual loans	**3,800**	4,127	2,403
Total income on risk loans	**$4,067**	$4,343	$2,623
Average risk loans	**$58,958**	$55,275	$47,056

Risk Loans by Type

(in thousands) **As of December 31,**	**2017**	2016	2015
Nonaccrual loans:			
Real estate mortgage	**$18,491**	$24,637	$27,006
Production and intermediate-term	**34,483**	28,890	16,033
Other	**64**	324	355
Total nonaccrual loans	**$53,038**	$53,851	$43,394
Accruing restructured loans:			
Real estate mortgage	**$4,588**	$3,800	$4,247
Production and intermediate-term	**--**	--	182
Total accruing restructured loans	**$4,588**	$3,800	$4,429
Accruing loans 90 days or more past due:			
Real estate mortgage	**$ --**	$156	$932
Production and intermediate-term	**8**	222	308
Total accruing loans 90 days or more past due	**$8**	$378	$1,240
Total risk loans	**$57,634**	$58,029	$49,063

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk loans, movement of a single loan or borrower impacts the volatility of risk loans year-over-year. Nonaccrual loans represented 0.1 percent of total loans at December 31, 2017, of which 61.2 percent were current as to principal and interest.

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, accruing loans 90 days or more past due were eligible to remain in accruing status.

We had no wholesale loans classified as risk loans at December 31, 2017, 2016 or 2015.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2017 Recorded Investment[(1)]	Unpaid Principal Balance[(2)]	Related Allowance	For the year ended December 31, 2017 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$2,752**	**$3,193**	**$747**	**$3,167**	**$ --**
Production and intermediate-term	**27,285**	**28,298**	**4,286**	**25,401**	**--**
Other	**38**	**42**	**19**	**40**	**--**
Total	**$30,075**	**$31,533**	**$5,052**	**$28,608**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$20,327**	**$36,221**	**$ --**	**$23,399**	**$2,918**
Production and intermediate-term	**7,206**	**7,093**	**--**	**6,709**	**1,149**
Other	**26**	**214**	**--**	**242**	**--**
Total	**$27,559**	**$43,528**	**$ --**	**$30,350**	**$4,067**
Total impaired loans:					
Real estate mortgage	**$23,079**	**$39,414**	**$747**	**$26,566**	**$2,918**
Production and intermediate-term	**34,491**	**35,391**	**4,286**	**32,110**	**1,149**
Other	**64**	**256**	**19**	**282**	**--**
Total	**$57,634**	**$75,061**	**$5,052**	**$58,958**	**$4,067**

(in thousands)	As of December 31, 2016 Recorded Investment[(1)]	Unpaid Principal Balance[(2)]	Related Allowance	For the year ended December 31, 2016 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,107	$6,249	$1,095	$5,544	$ --
Production and intermediate-term	22,039	22,508	3,277	16,913	--
Other	41	43	22	41	--
Total	$27,187	$28,800	$4,394	$22,498	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$23,487	$39,431	$ --	$22,450	$3,084
Production and intermediate-term	7,072	5,951	--	10,021	1,258
Other	283	514	--	306	1
Total	$30,842	$45,896	$ --	$32,777	$4,343
Total impaired loans:					
Real estate mortgage	$28,594	$45,680	$1,095	$27,994	$3,084
Production and intermediate-term	29,111	28,459	3,277	26,934	1,258
Other	324	557	22	347	1
Total	$58,029	$74,696	$4,394	$55,275	$4,343

(in thousands)	As of December 31, 2015 Recorded Investment[(1)]	Unpaid Principal Balance[(2)]	Related Allowance	For the year ended December 31, 2015 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,109	$5,641	$1,119	$5,101	$ --
Production and intermediate-term	13,111	13,542	2,357	11,668	--
Rural residential real estate	-	-	-	-	--
Other	221	220	88	137	--
Total	$18,441	$19,403	$3,564	$16,906	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$27,076	$44,625	$ --	$27,030	$1,839
Production and intermediate-term	3,412	5,142	--	3,037	784
Rural residential real estate	-	-	--	-	-
Other	134	379	--	83	-
Total	$30,622	$50,146	$ --	$30,150	$2,623
Total impaired loans:					
Real estate mortgage	$32,185	$50,266	$1,119	$32,131	$1,839
Production and intermediate-term	16,523	18,684	2,357	14,705	784
Rural residential real estate	-	-	-	-	-
Other	355	599	88	220	-
Total	$49,063	$69,549	$3,564	$47,056	$2,623

[(1)]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.
[(2)]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 at risk at December 31, 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. The primary types of modification typically include forgiveness of interest, interest rate reduction below market or extension of maturity. Our loans classified as TDRs and activity on these loans were not material at any time during the years ending December 31, 2017, 2016 or 2015. We did not have material loan commitments to lend additional money to borrowers whose loans have been modified in a TDR at December 31, 2017.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the year ended December 31,	2017	2016	2015
Balance at beginning of period	**$21,282**	$18,076	$12,520
Provision for loan losses	**8,500**	6,500	7,500
Charge-offs	**(4,988)**	(4,368)	(4,002)
Recoveries	**1,253**	1,074	2,058
Balance at end of period	**$26,047**	$21,282	$18,076

Our allowance for loan losses increased $4.8 million at December 31, 2017. Provision for loan losses in 2017, 2016 and 2015 reflect the credit quality of our retail loan portfolio. The net charge-offs in 2017, 2016 and 2015 were primarily related to various loans in the production and intermediate-term and real estate mortgage sectors.

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	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2016	$ --	$1,874	$18,930	$220	$258	$21,282
Provision for loan losses	--	1,515	6,424	205	356	8,500
Charge-offs	--	(1,104)	(3,874)	--	(10)	(4,988)
Recoveries	--	13	1,231	--	9	1,253
Balance as of December 31, 2017	$ --	$2,298	$22,711	$425	$613	$26,047
As of December 31, 2017:						
Ending balance: individually evaluated for impairment	$ --	$747	$4,286	$ --	$19	$5,052
Ending balance: collectively evaluated for impairment	$ --	$1,551	$18,425	$425	$594	$20,995
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2017	$80,374,997	$3,972,479	$3,762,534	$596,520	$147,357	$88,853,886
Ending balance for loans individually evaluated for impairment	$80,374,997	$23,079	$34,491	$ --	$64	$80,432,631
Ending balance for loans collectively evaluated for impairment	$ --	$3,949,400	$3,728,043	$596,520	$147,293	$8,421,255

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2015	$ --	$1,928	$15,381	$278	$489	$18,076
Provision for (reversal of) loan losses	--	600	6,140	(58)	(182)	6,500
Charge-offs	--	(881)	(3,430)	--	(57)	(4,368)
Recoveries	--	227	839	--	8	1,074
Balance as of December 31, 2016	$ --	$1,874	$18,930	$220	$258	$21,282
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	$220	$236	$16,888
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2016	$78,639,626	$3,498,626	$3,646,759	$579,652	$109,903	$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	$579,652	$109,579	$7,776,911

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance at December 31, 2014	$ --	$2,003	$9,710	$235	$572	$12,520
(Reversal of) provision for loan losses	--	(51)	7,598	43	(90)	7,500
Charge-offs	--	(155)	(3,846)	--	(1)	(4,002)
Recoveries	--	131	1,919	--	8	2,058
Balance at December 31, 2015	$ --	$1,928	$15,381	$278	$489	$18,076
At December 31, 2015:						
Ending balance: individually evaluated for impairment	$ --	$1,118	$2,358	$ --	$88	$3,564
Ending balance: collectively evaluated for impairment	$ --	$810	$13,023	$278	$401	$14,512
Recorded investments in loans outstanding:						
Ending balance at December 31, 2015	$74,990,957	$3,902,216	$3,463,322	$686,841	$136,489	$83,179,825
Ending balance for loans individually evaluated for impairment	$74,990,957	$32,185	$16,523	$ --	$355	$75,040,020
Ending balance for loans collectively evaluated for impairment	$ --	$3,870,031	$3,446,799	$686,841	$136,134	$8,139,805

Note: Accruing loans include accrued interest receivable.

NOTE 4

Investment Securities

All investment securities are classified as AFS.

AFS Investment Securities

(in thousands) **As of December 31, 2017**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$6,077,973**	**$8,670**	**$65,508**	**$6,021,135**	**1.6%**
Commercial paper and other	**5,221,146**	**169**	**637**	**5,220,678**	**1.6%**
U.S. Treasury securities	**2,934,886**	**3**	**17,489**	**2,917,400**	**1.2%**
Asset-backed securities	**227,636**	**--**	**394**	**227,242**	**1.3%**
Total	**$14,461,641**	**$8,842**	**$84,028**	**$14,386,455**	**1.5%**

(in thousands) As of December 31, 2016	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted 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%

(in thousands) As of December 31, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,774,742	$15,807	$33,538	$5,757,011	1.1%
Commercial paper and other	4,914,613	213	441	4,914,385	0.5%
U.S. Treasury securities	2,822,368	129	7,240	2,815,257	1.1%
Asset-backed securities	771,602	6,036	1,408	776,230	0.8%
Total	$14,283,325	$22,185	$42,627	$14,262,883	0.9%

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

As of December 31, 2017, 2016 and 2015, we had no investment securities or federal funds pledged as collateral.

Contractual Maturities of AFS Investment Securities

(in thousands) As of December 31, 2017	Year of Maturity: One Year or Less	One to Five Years	Five to Ten Years	More Than Ten Years	Total
Mortgage-backed securities	$726	$26,192	$612,058	$5,382,159	$6,021,135
Commercial paper and other	5,220,678	--	--	--	5,220,678
U.S. Treasury securities	1,839,953	1,077,447	--	--	2,917,400
Asset-backed securities	3,727	223,515	--	--	227,242
Total	$7,065,084	$1,327,154	$612,058	$5,382,159	$14,386,455
Weighted average yield	1.4%	1.4%	1.6%	1.6%	1.5%

Expected maturities differ from contractual maturities because borrowers may have the right to prepay these obligations. The remaining expected average life is 0.3 years for asset-backed securities (ABS) and 3.6 years for mortgage-backed securities (MBS) at December 31, 2017.

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	
As of December 31, 2017	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	$1,654,394	$13,301	$2,615,875	$52,207
Commercial paper and other	3,589,901	637	--	--
U.S. Treasury securities	725,349	3,524	2,167,019	13,965
Asset-backed securities	166,823	313	60,418	81
Total	$6,136,467	$17,775	$4,843,312	$66,253

(in thousands)	Less than 12 months		More than 12 months	
As of December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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	$7,290,418	$51,794	$1,791,212	$19,751

(in thousands)	Less than 12 months		More than 12 months	
As of December 31, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$3,484,228	$21,377	$693,595	$12,161
Commercial paper and other	2,461,453	441	--	--
U.S. Treasury securities	2,413,587	7,240	--	--
Asset-backed securities	709,820	1,254	59,641	154
Total	$9,069,088	$30,312	$753,236	$12,315

Additional Investment Security Information

(in thousands) For the year ended December 31,	2016	2015
Proceeds from sales	$245,439	$50,660
Realized gross gains on sales	11,009	4,864
Realized gross losses on sales	843	2,258
Impairment losses	--	693

AgriBank sold no AFS investment securities during the year ended December 31, 2017. The proceeds from sales in 2016 and 2015 were related to the sales of short-term commercial paper, home-equity ABS and non-agency MBS investment securities. We utilize specific identification to determine the basis of the cost of securities sold. The 2016 sales included all remaining OTTI AFS securities.

We evaluate our investment securities for OTTI on a quarterly basis. We have determined no securities were in an OTTI loss position at December 31, 2017 or 2016. We held $41.8 million of OTTI investment securities at December 31, 2015. Refer to Note 2 for additional information regarding fair value measurements and the accounting policy for assessing OTTI.

OTTI AFS Investment Securities Sold

(in thousands) For the year ended December 31,	2016	2015
OTTI AFS investment securities sold	$27,771	$17,552
Gains on sales of OTTI AFS investment securities, net	10,559	4,864
Total impairment previously recognized on OTTI AFS investment securities sold	24,696	12,633

There was no OTTI activity during the year ended December 31, 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 thousands) For the year ended December 31,	2016	2015
Credit-loss component, beginning of period	$25,160	$42,062
Additions:		
Initial credit impairment	--	73
Subsequent credit impairments	--	620
Reductions:		
Gains on securities sold	(10,559)	(4,864)
Incremental impairment previously recognized on securities sold	(14,137)	(7,769)
Increases in expected cash flows	(464)	(4,962)
Credit-loss component, end of period	$ --	$25,160

NOTE 5

Bonds and Notes

The System obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued by the System Banks through the Funding Corporation. Systemwide bonds and discount notes are joint and several obligations of the System Banks (refer to Note 10 for further discussion).

AgriBank's Participation in Systemwide Bonds and Notes

(in thousands) **As of December 31,**	**2017**	2016	2015
Systemwide obligations:			
Bonds	**$95,179,771**	$87,677,387	$83,156,562
Discount notes	**2,114,210**	8,017,311	9,192,397
Member investment bonds	**1,019,963**	938,733	1,055,292
Total	**$98,313,944**	$96,633,431	$93,404,251

Maturities and Weighted Average Interest Rate of Bonds and Notes

(in thousands)	Systemwide Obligations				Member			
As of December 31, 2017	**Bonds**		**Discount notes**		**investment bonds**		**Total**	
Year of maturity	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
2018	**$29,551,163**	**1.2%**	**$2,114,210**	**1.2%**	**$1,019,963**	**0.9%**	**$32,685,336**	**1.1%**
2019	**27,331,959**	**1.2%**	**--**	**--**	**--**	**--**	**27,331,959**	**1.2%**
2020	**9,266,699**	**1.4%**	**--**	**--**	**--**	**--**	**9,266,699**	**1.4%**
2021	**4,858,562**	**1.7%**	**--**	**--**	**--**	**--**	**4,858,562**	**1.7%**
2022	**5,049,648**	**2.0%**	**--**	**--**	**--**	**--**	**5,049,648**	**2.0%**
2023 and thereafter	**19,121,740**	**2.6%**	**--**	**--**	**--**	**--**	**19,121,740**	**2.6%**
Total	**$95,179,771**	**1.6%**	**$2,114,210**	**1.2%**	**$1,019,963**	**0.9%**	**$98,313,944**	**1.5%**

Discount notes are issued with maturities ranging from one to 365 days. The average maturity of discount notes at December 31, 2017 was 37 days.

Callable debt may be called on the first call date and generally is continuously callable thereafter.

Bonds and Notes with Call Options

(in millions) **As of December 31, 2017**	**Maturing Amount**	**Callable Amount**
Year of maturity / next call:		
2018	**$2,285.0**	**$36,141.0**
2019	**4,110.0**	**877.4**
2020	**4,617.0**	**980.9**
2021	**4,051.0**	**20.0**
2022	**4,300.0**	**15.0**
2023	**3,180.0**	**--**
2024	**2,510.0**	**--**
Thereafter	**12,981.3**	**--**
Total	**$38,034.3**	**$38,034.3**

Participation in Systemwide Debt Securities

Certain conditions must be met before System Banks can participate in the issuance of Systemwide Debt Securities. As one condition of participation, System Banks are required by the Farm Credit Act and FCA regulation to maintain specified eligible assets at least equal in value to the total amount of debt securities outstanding for which they are primarily liable. This requirement does not provide holders of Systemwide Debt Securities or bank bonds with a security interest in any assets of the System Banks. However, System Banks and the Funding Corporation have entered into a Market Access Agreement (MAA), which established criteria and procedures for the System Banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual System Bank's participation in Systemwide debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liability. At December 31, 2017, we were, and as of the date of this report remain, in compliance with the conditions of participation in the issuance of Systemwide Debt Securities.

Member Investment Bonds

Member investment bonds, specifically authorized by the Farm Credit Act, are an alternative source of funding in which we sell bonds directly to District members and employees. Member investment bonds issued by AgriBank are offered primarily through the Farm Cash Management program, which links a District Association members' revolving line of credit with an AgriBank investment bond to optimize the members' use of their funds. Member investment bonds are an unsecured obligation of AgriBank and are not insured or guaranteed by any other entity.

Insurance Fund

The Insurance Fund is available to insure the timely payment of principal and interest on consolidated bonds and notes of System Banks to the extent net assets are available in the Insurance Fund. At December 31, 2017, the assets of the Insurance Fund were $4.8 billion; however, due to the other authorized uses of the Insurance Fund, there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal, or interest on, insured debt securities in the event of default by any System Bank having primary liability for repayment of the debt. Refer to Note 1 for further information about the Insurance Fund.

Short-term Borrowings

We use short-term borrowings as a source of funds.

Short-term borrowings by Category

	2017		2016		2015	
(in thousands)	**Amount**	**Weighted average interest rate**	Amount	Weighted average interest rate	Amount	Weighted average interest rate
Systemwide discount notes:						
Outstanding as of December 31	**$2,114,210**	**1.2%**	$8,017,311	0.5%	$9,192,397	0.2%
Average during year	**4,010,399**	**0.9%**	8,930,845	0.3%	5,587,113	0.2%
Maximum month-end balance during the year	**5,915,833**		10,132,493		9,192,397	
Systemwide bonds[1]:						
Outstanding as of December 31	**112,944**	**1.6%**	1,495,615	0.6%	1,022,594	0.3%
Average during year	**748,120**	**1.0%**	1,609,281	0.4%	889,644	0.1%
Maximum month-end balance during the year	**1,494,637**		2,006,794		1,142,594	

[1]Represents bonds issued with an original maturity of one year or less.

NOTE 6

Subordinated Notes

On July 15, 2016, we redeemed all $500 million of outstanding subordinated notes at par value, which were redeemable on any interest payment date at any time following FCA notification of certain changes to our regulatory capital requirements.

Refer to Note 10 for additional information on our subordinated notes.

NOTE 7

Shareholders' Equity

Description of Equities

All shares and participation certificates are $5 par value, except the Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock), which is $100 par value.

(in whole numbers)	Number of Shares Outstanding		
As of December 31,	**2017**	2016	2015
Series A Perpetual Preferred Stock	**2,500,000**	2,500,000	2,500,000
Class D Preferred Stock	**--**	--	37,193
Class F Common Stock	**1,887,920**	--	--
Class P Common Stock	**461,505,087**	431,161,320	407,242,796
Series A Participation Certificates	**5,701,896**	5,542,849	5,340,551
Protected Series C Participation Certificates	**36,100**	36,100	48,100

Perpetual Preferred Stock
We have an authorized class of preferred stock that may be issued to investors in accordance with applicable rules of offering. This stock is non-voting and may bear dividends. There are 8 million shares authorized at $100 per share. Our board has approved the issuance of up to $400 million of preferred stock, for which we also received approval from District Associations, OFIs and the FCA.

We have $250 million of Series A Preferred Stock outstanding, representing 2.5 million shares at $100 per share par value. This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, tier 1 capital and total capital, subject to certain limitations as defined by the FCA.

Dividends on the Series A Preferred Stock, if declared by our board in its sole discretion, are non-cumulative and are payable quarterly in arrears on the first day of January, April, July and October. Dividends accrue at a fixed annual rate of 6.875 percent from the date of issuance through December 31, 2023, and beginning January 1, 2024 will accrue at an annual rate equal to three-month United States Dollar LIBOR rate, reset quarterly, plus 4.225 percent.

The Series A Preferred Stock is not mandatorily redeemable at any time. However, the Series A Preferred Stock will be redeemable at par value plus accrued and unpaid dividends, in whole or in part, at our option, quarterly beginning January 1, 2024. In addition, the Series A Preferred Stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

The Series A Preferred Stock is junior to any series of preferred stock we may issue in the future with priority rights. The Series A Preferred Stock is senior to our outstanding capital stock.

Member Stock
In accordance with the Farm Credit Act, eligible borrowers are required to purchase common stock in AgriBank as a condition of borrowing. District Associations fund member stock purchases through cash liquidity generated from capital and earnings. OFIs make cash purchases of Series A Participation Certificates as a condition of borrowing.

Member stock is comprised of Class D Preferred Stock, Class F Common Stock, Class P Common Stock, Series A Participation Certificates, Series B Participation Certificates and Protected Series C Participation Certificates.

Class D Preferred Stock is available to be issued solely to District Associations based on allocated equities issued and as a conversion of Class P Common Stock that is in excess of the minimum amounts required under our capital plan. Class D Preferred Stock has no voting rights.

Class F Common Stock is available to be issued only to other System institutions. Class F Common Stock has no voting rights.

Class P Common Stock is issued to District Associations and as a conversion of Class D Preferred Stock. Class P Common Stock has voting rights as provided in our bylaws so long as the stock is held by an eligible holder. In certain circumstances, a holder of Class P Common Stock can convert to an equal number of units of Series B Participation Certificates.

Series A Participation Certificates are issued to those entities identified in the Farm Credit Act that meet certain requirements of the Act in connection with loans made after October 5, 1988, in an amount required by our capital plan. Series A Participation Certificates have no voting rights.

Series B Participation Certificates are issued to District Associations and direct borrowers. Series B Participation Certificates have no voting rights, and no stock of this kind was outstanding at December 31, 2017, 2016 or 2015.

Protected Series C Participation Certificates are issued to entities identified in the Farm Credit Act that meet certain requirements of the Act in existence before the close of business on October 5, 1988. Refer to discussion under Protection Mechanisms. Protected Series C Participation Certificates have no voting rights. Protected Series C Participation Certificates of $181 thousand as of December 31, 2017 and 2016, and $241 thousand as of December 31, 2015 are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity.

All Member stock shall have such rights, designations and restrictions as provided in our bylaws. No fractional shares of such stock or participation certificates, or cash in lieu of fractional shares, shall be issued or paid. All Member stock is transferable to any eligible holder of such equities. If at any time we are out of compliance with minimum capital requirements as determined by the FCA, all Member stock required to be purchased as a condition for obtaining a loan must be purchased from us.

Protected Series C Participation Certificates must be retired and paid at par value in accordance with FCA regulations as they relate to the retirement of stock protected by the provisions of the Farm Credit Act. The board is authorized, but not required, to make retirements of all other Member stock on a case-by-case basis when requested by a holder of such equities without regard to the holder's total investment in us relative to the other holders of our equities. Such other Member stock shall be retired at book value not to exceed par or face value and cannot be retired while we are not in compliance with capital adequacy standards as determined by the FCA, or if such retirement would cause us to be out of compliance with capital adequacy standards and may be retired only at the discretion of the board.

All Member stock is subject to a statutory first lien in favor of us to secure any indebtedness of the holder of such capital investments to us.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- First, ratably to the holders of Series A Preferred Stock
- Second, to the holders of Class P and F Common Stock, Class D Preferred Stock and Series A, B and C Participation Certificates
- Third, to the holders of allocated surplus, pro rata, until an amount equal to the aggregate book value not to exceed face value has been distributed

In the event of impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates then by Class D preferred stock followed by Series A preferred stock; however, protected stock will be retired at par value regardless of impairment.

Capitalization Requirements

In accordance with the Farm Credit Act, and our capitalization bylaws, we are authorized to issue Series A Preferred Stock, Class D Preferred Stock, Classes F and P Common Stock, Series A, B and C Participation Certificates and such other classes of equity in such amounts as may be necessary to conduct our business.

As a condition of borrowing, District Associations and OFIs are required to maintain an investment in AgriBank. Our bylaws authorize us to require an investment of up to 4 percent of the borrower's line of credit with us upon board approval. Our capital plan is updated at least annually and is subject to change at the discretion of our board. Our current capital plan required investment is the lesser of 4 percent or a multiple component calculation based on a percentage of average wholesale loan balances (District Associations) and loan commitments (OFIs) with a higher percentage on balances above a specified growth rate if the District is also growing above a specified growth rate, and includes a component for additional investments under the Asset Pool program. The 2017 component requirements are currently 2.25 percent on average loan balances/commitments, plus an additional 3.00 percent on increases in loans/commitments that exceeded 7.5 percent, if the District is growing at a rate above 5.5 percent, and an 8 percent investment of the quarter-end balance under the Asset Pool program. AgDirect LLP, the limited liability partnership that is involved in the AgDirect retail equipment financing program, is required to purchase an investment equal to 6 percent of the AgDirect program participation projected loan balance at quarter-end plus 6 percent of the expected balance.

We may require an originator, as a condition of our purchase of a participation interest in a loan, to hold stock or participation certificates in an amount up to 7 percent of the amount of the participation interest as of the date purchased.

Certain District Associations entered into contractual agreements with AgriBank whereby their required investments in AgriBank were reduced and, in return, these District Associations agreed to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. The additional spread compensated us for the cost of third-party capital, including issuance costs. These contracts were effective from January 2014 through June 2017.

Protection Mechanisms

Protection of certain borrower capital is provided under the Farm Credit Act, which requires us to retire protected capital at par or stated value regardless of its book value when retiring protected borrower capital. Series C Participation Certificates are protected capital. Stock and participation certificates issued after October 5, 1988 are not subject to these protection provisions. If we are unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements and Restrictions

FCA regulations require us to maintain certain minimum capital ratios. 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. No such prohibitions were in effect as of December 31, 2017, and we do not foresee any events that would result in this prohibition during 2018.

Regulatory Capital Requirements and Ratios

As of December 31,	2017	Regulatory Minimums	Capital Conservation Buffer [1]	Total
Risk-adjusted:				
Common equity tier 1 capital ratio	**18.2%**	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.0%**	6.0%	2.5%	8.5%
Total capital ratio	**19.1%**	8.0%	2.5%	10.5%
Permanent capital ratio	**19.0%**	7.0%	0.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**5.6%**	4.0%	1.0%	5.0%
UREE[2] leverage ratio	**3.2%**	1.5%	0.0%	1.5%

[1] The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in over three years under the FCA capital requirements.

[2] Unallocated retained earnings and equivalents

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 capital, tier 1 capital and total capital risk-based capital ratios. The new regulations also added non-risk-adjusted capital tier 1 leverage and UREE leverage ratios to replace the net collateral ratio. The permanent capital ratio continues to remain in effect.

Risk-adjusted assets have been defined by FCA regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. 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 capital ratio is the core capital of AgriBank 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 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital ratio is tier 1 capital plus allowance for loan losses and reserve for credit losses subject to certain limitations, divided by average risk-adjusted assets.

- Permanent capital ratio is all at-risk borrower stock, non-cumulative perpetual preferred 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.

The amount of third-party capital instruments, including preferred stock and subordinated notes that may be counted in the total capital ratio must not exceed the lesser of 40 percent of total capital or 100 percent of common equity tier 1.

FCA regulations require System Banks and Associations to agree upon a plan for allocating the Associations' investments in System Banks for calculation of the permanent capital ratio. Our agreement with District Associations is, generally, each District Association would count in its permanent capital ratio any excess allocated investment over that required by AgriBank unless there is a specific agreement to count the investment differently. There are no allotment agreements allowed for other regulatory capital ratios effective in 2017; therefore, the capital was counted by the institution where the capital stock resides.

Refer to Note 7 in our 2016 Annual Report for a more complete description and calculation of the capital ratios effective as of December 31, 2016 and 2015. We were in compliance with the minimum required capital ratios as of December 31, 2016 and December 31, 2015.

Patronage Distributions and Dividends

Payment of discretionary patronage and/or dividends is allowed under our bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA capital adequacy regulations, and approved by the board. Patronage distributions may be in cash or stock. Cash patronage totaled $507.9 million, $332.1 million and $284.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. No patronage was distributed as allocated stock in any of the periods presented.

We declared $17.2 million of non-cumulative perpetual preferred stock dividends during each year ended December 31, 2017, 2016 and 2015. Dividends on non-cumulative perpetual preferred stock are payable quarterly on the first day of January, April, July and October.

In the event preferred stock dividends for the current dividend period have not been declared, we may not declare or pay any dividends, patronage refunds or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock (including borrower stock, participation certificates and preferred stock), other than exercising our statutory lien under the Farm Credit Act, which allows us to apply member stock and/or participation certificates to reduce the aggregate principal amount of outstanding loans to District Associations. Dividends have been declared as scheduled since issuing preferred stock.

NOTE 8

Employee Benefit Plans

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or boards of director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefits plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any) and termination of specific benefits plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

The funded status of the post-employment benefit plans is recorded at the District-level. Additional District-level financial information for these plans may be found in the “District-Level Pension and Post-Employment Benefit Plans Disclosures” section of this footnote.

Pension Benefit Plans

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a Districtwide defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers’ retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands) **As of December 31,**	**2017**	2016	2015
Unfunded liability	**$352,515**	$374,304	$453,825
Projected benefit obligation	**1,371,012**	1,269,625	1,255,259
Fair value of plan assets	**1,018,497**	895,321	801,434
Accumulated benefit obligation	**1,184,550**	1,096,912	1,064,133

For the year ended December 31,	**2017**	2016	2015
Total plan expense	**$44,706**	$53,139	$63,787
Our allocated share of plan expenses	**3,734**	4,689	5,873
Contributions by participating employers	**90,000**	90,000	62,722
Our allocated share of contributions	**8,584**	8,671	6,163

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Benefits paid to participants in the District were $103.7 million in 2017. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2018 is $90.0 million. Our allocated share of these pension contributions is expected to be $8.6 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the anticipated amounts.

Pension Restoration Plan: We also participate in the Districtwide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

Pension Restoration Plan Information

(in thousands)

As of December 31,	2017	2016	2015
Our unfunded liability	**$3,432**	$2,944	$2,992
Projected benefit obligation for the Combined District	**37,190**	28,514	31,650
Accumulated benefit obligation for the Combined District	**29,844**	22,778	26,323

For the year ended December 31,	2017	2016	2015
Total plan expense	**$8,336**	$5,769	$3,776
Our allocated share of plan expenses	**644**	446	524
Our cash contributions	**1,438**	494	411

Beginning in 2017, the recognition of our unfunded liability includes the impact of prior service cost and unamortized gain/loss. The increase in the liability was offset against accumulated other comprehensive income and had no impact to net income.

The amount of the pension benefits funding status is subject to many variables, including interest rate levels. Therefore changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Statements of Comprehensive Income. The Pension Restoration Plan is unfunded, and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions were equal to the benefits paid.

Other Post-Employment Benefit Plans

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented and are included in “Salaries and employee benefits” in the Statements of Comprehensive Income. Cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a Districtwide defined contribution retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0 percent and 50 cents on the dollar on the next 4.0 percent on both pre-tax and post-tax contributions. The maximum employer match is 4.0 percent. For employees hired after December 31, 2006, we contribute 3.0 percent of the employee’s compensation and will match employee contributions dollar for dollar up to a maximum of 6.0 percent on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0 percent.

We also participate in a Districtwide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, be either a chief executive officer or president of a participating employer or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan, the employee may defer a portion of his/her salary, bonus and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Our contribution expenses for the retirement savings plans, included in “Salaries and employee benefits” on the Statements of Comprehensive Income, were $1.4 million, $1.3 million and $1.2 million in 2017, 2016 and 2015, respectively. These expenses were equal to our cash contributions for each year.

Additionally, we participate in the Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purpose as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions will be made to the plan.

District Level Pension and Post-Employment Benefit Plans Disclosures
All District employers, with the exception of one District Association, participate in the defined benefit pension plan. Certain District employers also participate in the nonqualified retirement plan. Additionally, District employers provide certain health insurance benefits to eligible retired employees in the District. The current measurement date is December 31 for the defined benefit and other post-employment benefit plans.

AgriBank District Obligations and Funded Status

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2017**	2016	2015	**2017**	2016	2015
Change in benefit obligation:						
Benefit obligation at beginning of year	**$1,298,139**	$1,286,909	$1,262,655	**$29,697**	$30,479	$35,051
Service cost	**28,460**	30,606	30,085	**434**	452	559
Interest cost	**46,938**	46,335	50,594	**1,025**	1,083	1,392
Plan amendments	**965**	(27,632)	430	**--**	--	--
Actuarial loss (gain)	**140,048**	25,508	1,396	**(8,674)**	(902)	(5,120)
Benefits paid	**(109,135)**	(63,587)	(58,251)	**(1,438)**	(1,415)	(1,403)
Special termination benefits	**2,787**	--	--	**--**	--	--
Benefit obligation at end of year	**$1,408,202**	$1,298,139	$1,286,909	**$21,044**	$29,697	$30,479
Change in plan assets:						
Fair value of plan assets at beginning of year	**$895,321**	$801,434	$811,079	**$ --**	$ --	$ --
Actual return on plan assets	**136,898**	60,332	(16,193)	**--**	--	--
Employer contributions	**95,413**	97,142	64,799	**1,438**	1,415	1,403
Benefits, premiums and expenses paid	**(109,135)**	(63,587)	(58,251)	**(1,438)**	(1,415)	(1,403)
Fair value of plan assets at end of year	**$1,018,497**	$895,321	$801,434	**$ --**	$ --	$ --
Unfunded liability	**$(389,705)**	$(402,818)	$(485,475)	**$(21,044)**	$(29,697)	$(30,479)
Accumulated benefit obligation	**$1,214,394**	$1,119,690	$1,090,457	**n/a**	n/a	n/a

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2017**	2016	2015	**2017**	2016	2015
Amounts recognized in the District Statements of Condition consist of:						
Pension liabilities	**$389,705**	$402,818	$485,475	**$21,044**	$29,697	$30,479
Net loss (gain)	**$549,140**	$523,798	$541,704	**$(15,368)**	$(7,203)	$(6,744)
Prior service credit	**(25,521)**	(29,410)	(2,898)	**--**	(384)	(828)
Total recognized in accumulated other comprehensive loss (income)	**$523,619**	$494,388	$538,806	**$(15,368)**	$(7,587)	$(7,572)
Weighted-average assumptions used to determine benefit obligations:						
Discount rate	**3.70%**	4.25%	4.51%	**3.68%**	4.25%	4.51%
Rate of compensation increase	**5.25%**	5.25%	5.25%	**n/a**	n/a	n/a

During 2016, the pension plan was amended to change the discount rate basis for a certain distribution option utilizing a graduated increase from treasury rates to corporate bond rates. The plan amendment resulted in a reduction of the plan benefit obligation.

AgriBank District Components of Net Periodic Benefit Cost

(in thousands)	Pension Benefits			Other Benefits		
For the year ended December 31,	**2017**	2016	2015	**2017**	2016	2015
Net periodic benefit cost:						
Service cost	**$28,460**	$30,606	$30,085	**$434**	$452	$559
Interest cost	**46,938**	46,335	50,594	**1,025**	1,083	1,392
Expected return on plan assets	**(61,943)**	(59,335)	(55,632)	**--**	--	--
Amortization of prior service credit	**(2,924)**	(1,119)	(1,264)	**(384)**	(444)	(461)
Amortization of net loss (gain)	**39,297**	40,087	43,780	**(536)**	(442)	(21)
Settlements and termination benefits	**3,238**	2,330	--	**--**	--	--
Net periodic benefit cost	**$53,066**	$58,904	$67,563	**$539**	$649	$1,469
Other changes in plan assets and benefit obligations recognized in other comprehensive income:						
Net loss (gain)	**$65,090**	$24,511	$73,208	**$(8,701)**	$(901)	$(5,092)
Prior service cost	**965**	(27,631)	430	**--**	--	--
Amortization of prior service credit	**2,924**	1,119	1,264	**384**	444	461
Amortization of net (loss) gain	**(39,748)**	(42,417)	(43,780)	**536**	442	21
Total recognized in other comprehensive income	**$29,231**	$(44,418)	$31,122	**$(7,781)**	$(15)	$(4,610)
Total recognized in net periodic benefit cost and other comprehensive income	**$82,297**	$14,486	$98,685	**$(7,242)**	$634	($3,141)
Weighted-average assumptions used to determine net costs:						
Discount rate:						
Spot yield curve	**n/a**	n/a	4.10%	**n/a**	n/a	4.10%
Projected benefit obligation	**4.25%**	4.51%	n/a	**4.24%**	4.49%	n/a
Service cost	**4.40%**	4.67%	n/a	**4.55%**	4.84%	n/a
Interest cost	**3.72%**	3.73%	n/a	**3.57%**	3.67%	n/a
Expected return on plan assets	**6.75%**	7.25%	7.25%	**n/a**	n/a	n/a
Rate of compensation increase	**5.25%**	5.25%	4.50%	**n/a**	n/a	n/a

The estimated net loss and prior service credit for the Pension Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is an expense of $45.8 million. The estimated net gain and prior service credit for the Other Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is income of $1.7 million.

Assumptions

Benefit obligations and net periodic benefit costs are measured using assumptions designed to reflect future economic conditions. The most significant assumptions used in calculating the benefit obligations are discount rates, mortality rates and compensation rate increases. In addition to these assumptions, expected return on plan assets is also a significant driver in the measurement of net periodic benefit cost.

Beginning in 2016, the discount rates used to estimate service and interest components of net period benefit cost are calculated using a full yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time. Previously, a single weighted-average discount rate was used to estimate the service and interest components of net periodic benefit cost.

The mortality improvement assumptions are updated when new tables are issued by the Society of Actuaries. The adoption of the most recent tables did not have a significant impact to the projected benefit obligation as of December 31, 2017.

Periodically, independent actuaries perform an assumption study based on actual plan participants' results over the past three years. Assumptions in this study include, but are not limited to: rates of termination, retirement age, and benefit form elected. The most recent study was completed in 2015.

The expected long-term rate of return assumption is determined by the Plan Sponsor Committee with input from the Trust Committee. Historical return information is used to establish a best-estimate range for each asset class in which the plans are invested. The most appropriate rate is selected from the best-estimate range, taking into consideration the duration of plan benefit liabilities and Plan Sponsor Committee investment policies. Generally, a lower rate of return assumption correlates to an increase in the net periodic benefit cost.

For measurement purposes, a 6.0 percent rate of increase in the per capita cost of covered health care benefits is assumed for 2018. The rate is assumed to decrease gradually to 5.0 percent by the year 2029 and remain at that level thereafter.

Assumed health care cost trend rates effect the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have minimal effect for the District.

Estimated Future Contributions and Benefit Payments
The amount of total District employer contributions expected to be paid into the plans during 2018 is $93.6 million for Pension Benefits and $1.2 million for Other Benefits.

The following benefit payments are expected to be paid by the District plans and reflect expected future service, as appropriate:

(in thousands) **As of December 31, 2017**	**Pension Benefits**	**Other Benefits**
Year:		
2018	**$72,710**	**$1,171**
2019	**77,210**	**1,241**
2020	**80,720**	**1,289**
2021	**89,920**	**1,327**
2022	**88,430**	**1,354**
2023 to 2027	**472,110**	**6,728**

Plan Assets
The overall objective of the investment policy is intended to meet the benefit obligations for the plan beneficiaries and to earn a long-term rate of return consistent with the related cash flow profile of the underlying benefit obligations.

The policy uses a risk management strategy designed to reduce investment risks as the funded status improves. To implement the policy, the plan has adopted a diversified set of portfolio management strategies to optimize the risk reward profile of the plan. Plan assets are divided into two primary component portfolios:

- A return-seeking portfolio that is invested in a diversified set of assets designed to deliver performance in excess of the underlying liability growth rate coupled with diversification controls regarding the level of risk. Equity exposures are expected to be the primary drivers of excess returns, but also introduce the greatest level of volatility of returns. Accordingly, the return-seeking portfolio contains additional asset classes that are intended to diversify equity risk as well as contribute to excess return.

  The largest subset contains U.S. equities including securities that are both actively and passively managed to their benchmarks across a full spectrum of capitalization and styles. Non-U.S. equities contain securities in both passively and actively managed strategies. Currency futures and forward contracts may be held for the sole purpose of hedging existing currency risk in the portfolio. Other investments that serve as equity diversifiers include:
  - High yield bonds: fixed income portfolio of securities below investment grade including up to 30 percent of the portfolio in non-U.S. issuers,
  - Global real estate: portfolio of diversified real estate investment trusts and private direct real estate and
  - Hedge fund of funds.

  These portfolios combine income generation and capital appreciation opportunities from developed markets globally. Other investment strategies may be employed to gain certain market exposures, reduce portfolio risk and to further diversify portfolio assets.

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan's funded ratio improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is comprised of short-term assets intended to pay periodic plan benefits and expenses.

Portfolios are measured and monitored daily to ensure compliance with the investment policy. Tactical tilts will be employed based on medium term views and capital market assumptions, but will remain within stated policy ranges. For 2018, the asset allocation policy of the pension plan provides a target of 75 percent of assets in return seeking investments and 25 percent of assets in liability hedging investments. Specifically, return seeking investments include: global equity securities, global real estate investment trust securities, hedge funds, and high yield bonds; and liability hedging investments include high quality credit debt securities.

AgriBank District Fair Value of Pension Plan Assets

(in thousands)	Fair Value Measurements			
As of December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	**$84,554**	**$ --**	**$ --**	**$84,554**
Mutual funds:				
International funds	**--**	**279,832**	**--**	**279,832**
Fixed income funds	**--**	**221,846**	**--**	**221,846**
Domestic funds	**--**	**167,106**	**--**	**167,106**
Bond funds	**--**	**80,520**	**--**	**80,520**
Real estate equity funds	**--**	**26,503**	**2,165**	**28,668**
Investment insurance contracts	**--**	**--**	**5,593**	**5,593**
Total	**$84,554**	**$775,807**	**$7,758**	**$868,119**
Investments measured at net asset value[(1)]				**150,378**
Total assets at fair value				**$1,018,497**

(in thousands)	Fair Value Measurements			
As of December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$60,424	$ --	$ --	$60,424
Mutual funds:				
International funds	--	236,938	--	236,938
Domestic funds	--	143,933	--	143,933
Fixed income funds	--	187,105	--	187,105
Bond funds	--	96,503	--	96,503
Real estate equity funds	--	20,246	--	20,246
Investment insurance contracts	--	--	5,917	5,917
Total	$60,424	$684,725	$5,917	$751,066
Investments measured at net asset value[(1)]				144,255
Total assets at fair value				$895,321

(in thousands)	Fair Value Measurements			
As of December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$25,347	$ --	$ --	$25,347
Mutual funds:				
International funds	--	221,260	--	221,260
Domestic funds	--	127,944	--	127,944
Fixed income funds	--	176,130	--	176,130
Bond funds	--	88,191	--	88,191
Real estate equity funds	--	19,580	--	19,580
Investment insurance contracts	--	--	6,303	6,303
Total	$25,347	$633,105	$6,303	$664,755
Investments measured at net asset value[(1)]				136,679
Total assets at fair value				$801,434

[(1)]Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.

Fair Value Measurements using Level 3	Investment Insurance Contracts	Real Estate Equity Funds
As of December 31, 2014	$6,736	$ --
Actual return on plan assets:		
Still held at the reporting date	106	--
Sales	(539)	--
As of December 31, 2015	$6,303	$ --
Actual return on plan assets:		
Still held at the reporting date	99	--
Sales	(485)	--
As of December 31, 2016	$5,917	$ --
Actual return on plan assets:		
Still held at the reporting date	**95**	**491**
Purchases	--	**1,674**
Sales	**(419)**	--
As of December 31, 2017	**$5,593**	**$2,165**

There were no assets transferred out of Level 2 or Level 3 in 2017, 2016 or 2015.

Valuation Techniques
Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and that can be redeemed at NAV per share at the measurement date are classified as Level 2. Assets valued using unobservable inputs (e.g., a company's own assumptions and data) would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 12 for a complete description of fair value measurements.

NOTE 9

Related Party Transactions

As discussed in Note 1, Note 3 and Note 11, we lend to District Associations to fund their loan portfolios.

We also purchase participations from District Associations or related entities. At December 31, 2017, we had $7.8 billion of such loan participations purchased, which included $3.5 billion of participation interests in the AgDirect program and $3.4 billion in asset pool programs.

We pay compensation to District Associations and related entities for servicing loans and loan participations. We paid $37.2 million, $37.4 million and $35.8 million in 2017, 2016 and 2015, respectively, to District Associations and related entities.

Interest income recognized on District Associations' wholesale loans was $1.6 billion, $1.3 billion and $1.1 billion during 2017, 2016 and 2015, respectively. In addition, we recorded fees of $6.1 million, $29.7 million and $12.4 million during 2017, 2016 and 2015, respectively, representing fees assessed on funding District Associations' wholesale loans.

We provide certain services to District Associations, including financial, technology, insurance and internal audit services. Total business services income recorded from District Associations totaled $19.2 million, $16.6 million and $19.2 million during 2017, 2016 and 2015, respectively.

We, along with other System entities, collectively own Foundations. Our investment in Foundations was $25 thousand at December 31, 2017, 2016 and 2015, respectively. We purchase human resource information systems, benefit, payroll, and workforce management services from Foundations. Foundations subleases office space and purchases various business services from us.

Elected members of our board are District Association borrowers. We have no direct lending relationships with any of our board of directors or Senior Officers. In the ordinary course of business, our Directors and Senior Officers are eligible to hold member investment bonds under the same terms and conditions as all other District Association borrowers and AgriBank employees. The amount held by our Directors and Senior Officers was negligible to the Statements of Condition. Refer to Note 5 for additional information regarding member investment bonds.

NOTE 10

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 accompanying 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 us 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. We 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, we 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 Systemwide bonds and notes, we are jointly and severally liable for the Systemwide bonds and notes of the other System Banks. The total bonds and notes of the System at December 31, 2017 were $265.2 billion.

We, together with all System Banks and the Funding Corporation, have entered into the Contractual Interbank Performance Agreement (CIPA). This agreement establishes agreed-upon standards of District financial condition and performance to achieve and maintain. AgriBank, and each of the other System Banks, exceeded the minimum performance measures at December 31, 2017.

We, together with all System Banks and the Funding Corporation, have entered into the MAA. This agreement establishes criteria and procedures for the System Banks to provide information and, under specific circumstances, restricting or prohibiting participation in issuances of Systemwide Debt Securities. The agreement is intended to identify and resolve individual System Bank financial problems in a timely manner. AgriBank, and each of the other System Banks, were in compliance with all aspects of the agreement at December 31, 2017.

If a System Bank fails to meet the MAA performance criteria, it will be placed into one of three categories. Each category gives the other System Banks progressively more control over a System Bank that has declining financial performance under the MAA performance criteria. A "Category I" Bank is subject to additional monitoring and reporting requirements; a "Category II" Bank's ability to participate in issuances of Systemwide Debt Securities may be limited to refinancing maturing debt obligations; and a "Category III" Bank may not be permitted to participate in issuances of Systemwide Debt Securities.

NOTE 11

Financial Instruments with Off-Balance Sheet Risk

We participate in financial instruments with off-balance sheet risk to satisfy the financing needs of borrowers. These financial instruments are in the form of commitments to extend credit and letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the Financial Statements. Commitments to extend credit are agreements to lend to a borrower as long as they are in compliance with conditions established in the contract. At December 31, 2017, AgriBank had various commitments, primarily to extend credit and unexercised commitments related to standby letters of credit, totaling $22.3 billion at December 31, 2017, of which $21.2 billion were on wholesale loans. Standby letters of credit are agreements to pay a beneficiary if there is default on a contractual arrangement. At December 31, 2017, we had issued standby letters of credit of $85.4 million.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses, and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized on the Financial Statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers, and we apply the same credit practices. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 12

Fair Value Measurements

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize a fair value hierarchy intended to maximize the use of observable inputs and is based upon the transparency of inputs used in the valuation of an asset or liability. A financial instrument’s categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement. Refer to Note 2 for additional discussion of our fair value measurement policy.

Recurring Measurements

The following is a list of financial instruments each with a summary of the methods, valuation techniques and inputs used to measure fair value on a recurring basis:

Valuation Techniques and Significant Inputs Used to Measure Fair Value on a Recurring Basis

	Source	Valuation Technique	Inputs
Federal Funds	Counterparty report	Cost approach	Principal plus accrued interest
Mortgage-backed securities	Third party pricing service	Market approach	Benchmark yield curves
			Volatilities
			Market spreads
			Prepayment speeds
			Quoted prices
Commercial paper and other	Third party pricing service	Market approach	Benchmark yield curves
U.S. Treasury securities	Third party pricing service	Market approach	Benchmark yield curves
			Quoted prices
			Bid prices
			Trade prices, yields, spreads
			Other observable market information
Asset-backed securities	Third party pricing service	Market approach	Benchmark yield curves
			Volatilities
			Market spreads
			Prepayment speeds
			Quoted prices
U.S. Agencies	Third party pricing service	Income approach	Benchmark yield curves
			Quoted prices
			Bid prices
			Trade prices, yields, spreads
			Other observable market information
Cash collateral posted with counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Cash collateral posted by counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Derivative assets	Internally developed	Market approach	LIBOR swap curves
			Volatilities
			Quoted prices
Derivative liabilities	Internally developed	Market approach	LIBOR swap curves
			Volatilities
			Quoted prices

Federal Funds: The fair value of federal funds is generally their face value, plus accrued interest, as these instruments are readily convertible to cash due to their next business day maturity.

Investments Available-for-Sale: The fair value of nearly all of our investment securities is determined from third-party valuation services that estimate current market prices using discounted cash flow models. Level 2 inputs and assumptions related to third-party market valuation services are typically observable in the marketplace. Level 3 inputs are based on the relatively illiquid marketplace for some investments and the lack of marketplace information available for significant inputs and assumptions to the valuation process. Third-party provided prices are compared against publicly available benchmarks and/or dealer quotes from time to time. In an illiquid marketplace and when the price variance between third parties is greater than 5 percent, an average price from two pricing services is used to determine fair value.

Significant increases in volatilities, market spreads, default probabilities, loss severities and possibly prepayment speeds could result in significantly lower fair value measurements. Conversely, significant decreases in those same elements could result in significantly higher fair value measurements. Generally, a change in the assumption used for the probability of default may be accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

As the fair value is determined by third-party valuation services without adjustment by management, quantitative information about significant unobservable inputs used in the fair value measurement are not reasonably available to us.

Derivative Assets and Liabilities: The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models and inputs are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

Cash Collateral Posted With/By Counterparties: Derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to either post cash or pledge investment securities as collateral in the event certain dollar thresholds of credit exposure are reached or in the case of cleared derivatives, the posting of initial and variation margins. The market value of cash collateral posted with counterparties and by counterparties is the face value of the collateral posted, as that approximates fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	**$ --**	**$676,300**	**$ --**	**$676,300**
Investments available-for-sale:				
Mortgage-backed securities	**--**	**6,021,135**	**--**	**6,021,135**
Commercial paper and other	**--**	**5,220,678**	**--**	**5,220,678**
U.S. Treasury securities	**--**	**2,917,400**	**--**	**2,917,400**
Asset-backed securities	**--**	**227,242**	**--**	**227,242**
Total investments available-for-sale	**--**	**14,386,455**	**--**	**14,386,455**
Cash collateral posted with counterparties	**29,730**	**--**	**--**	**29,730**
Derivative assets	**--**	**8,956**	**--**	**8,956**
Total assets	**$29,730**	**$15,071,711**	**$ --**	**$15,101,441**
Liabilities:				
Derivative liabilities	**$ --**	**$34,562**	**$ --**	**$34,562**
Total liabilities	**$ --**	**$34,562**	**$ --**	**$34,562**

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2016	Level 1	Level 2	Level 3	Value
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

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2015	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$1,427,125	$ --	$1,427,125
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,686,573	70,438	5,757,011
Commercial paper and other	--	4,914,385	--	4,914,385
U.S. Treasury securities	--	2,815,257	--	2,815,257
Asset-backed securities	--	768,272	7,958	776,230
Total investments available-for-sale	--	14,184,487	78,396	14,262,883
Cash collateral posted with counterparties	32,023	--	--	32,023
Derivative assets	--	698	--	698
Total assets	$32,023	$15,612,310	$78,396	$15,722,729
Liabilities:				
Derivative liabilities	$ --	$52,002	$ --	$52,002
Total liabilities	$ --	$52,002	$ --	$52,002

Fair Value Measurement Activity of Level 3 Instruments

	Investments Available-for-Sale		
(in thousands)	Mortgage-backed Securities	Asset-backed Securities	Total
Balance at December 31, 2014	$124,890	$33,716	$158,606
Total gains (losses) realized/unrealized:			
Included in earnings	2,141	(228)	1,913
Included in other comprehensive income	(2,265)	(729)	(2,994)
Sales	(34,547)	(16,113)	(50,660)
Settlements	(19,781)	(8,688)	(28,469)
Balance at December 31, 2015	$70,438	$7,958	$78,396
Total gains (losses) realized/unrealized:			
Included in earnings	4,545	5,573	10,118
Included in other comprehensive income	(3,610)	(5,957)	(9,567)
Sales	(63,093)	(7,325)	(70,418)
Settlements	(8,280)	(249)	(8,529)
Balance at December 31, 2016	$ --	$ --	$ --

There were no assets or liabilities transferred between levels during 2017, 2016 or 2015. There were no Level 3 assets during the year ended December 31, 2017.

Non-Recurring Measurements

The following represents a summary of the valuation techniques and inputs used to measure fair value on a non-recurring basis:

Impaired Loans: Certain collateral dependent loans are measured at fair value on a non-recurring basis using the market approach when they are evaluated for impairment in which fair values are based upon the underlying collateral. Costs to sell represent transaction costs and are not included as a component of the fair value. Since the value of the collateral, less estimated costs to sell, was less than the principal balance of the loan, specific reserves were established for these loans. Level 2 inputs are based on independent appraisals and other market-based information. Level 3 inputs are significantly impacted based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters.

Assets Measured at Fair Value on a Non-recurring Basis

	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$26,274	$26,274

	As of December 31, 2016			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$23,933	$23,933

	As of December 31, 2015			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired Loans	$ --	$ --	$15,621	$15,621

Other Financial Instrument Measurements

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, measured at carrying amounts and not measured at fair value on the Statements of Condition, follows:

Valuation Techniques and Significant Inputs Used to Measure Fair Value for Certain Financial Instruments

	Source(s)	Valuation Technique	Inputs
Cash	Counterparty report	Cost approach	Par
Net loans	Internally developed	Income approach	Yield curve (Farm Credit) Prepayment speeds Credit classification Contractual loan information Collateral values Discount rates
Bonds and notes	Third party pricing service	Income approach	Yield curve (Treasury) Market spreads U.S. dollar interest rate swap curve Quoted prices Discount rates
Subordinated notes	Internally developed	Income approach	Credit spreads Interest rate risks Market trends Other market information
Commitments to extend credit and letters of credit	Internally developed	Income approach	Benchmark yield curves Volatilities Market spreads Prepayment speeds Quoted prices

Cash: The carrying value is a reasonable estimate of fair value.

Net Loans: Because no active market exists for our loans, the fair value of loans that are not specifically impaired with related allowance for loan loss is estimated by segregating the loan portfolio into pools of loans with approximate homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool which are then discounted using current interest rates to determine the fair value. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

Bonds and Notes: Systemwide Debt Securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between Systemwide Debt Securities and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated Notes: The fair value of obligations held by us is based on an estimated fair value using credit spreads, market trends, interest rate risks and comparisons to similar institutions which we receive from an independent investment dealer.

Commitments to Extend Credit and Letters of Credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments based on rate of funding and credit loss factors.

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

(in thousands) **As of December 31, 2017**	**Total Carrying Amount**	**Fair Value Measurement Using** **Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$469,599**	**$469,599**	**$ --**	**$ --**	**$469,599**
Net loans	**88,323,853**	**--**	**--**	**87,813,307**	**87,813,307**
Total assets	**$88,793,452**	**$469,599**	**$ --**	**$87,813,307**	**$88,282,906**
Liabilities:					
Bonds and notes	**$98,313,944**	**$ --**	**$ --**	**$97,834,887**	**$97,834,887**
Total liabilities	**$98,313,944**	**$ --**	**$ --**	**$97,834,887**	**$97,834,887**
Unrecognized financial instruments:					
Commitments to extend credit					
and letters of credit		**$ --**	**$ --**	**$(27,991)**	**$(27,991)**

(in thousands) As of December 31, 2016	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
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)

(in thousands) As of December 31, 2015	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$533,711	$533,711	$ --	$ --	$533,711
Net loans	82,786,699	--	--	82,692,611	82,692,611
Total assets	$83,320,410	$533,711	$ --	$82,692,611	$83,226,322
Liabilities:					
Bonds and notes	$93,404,251	$ --	$ --	$93,319,254	$93,319,254
Subordinated notes	498,283	--	--	604,885	604,885
Total liabilities	$93,902,534	$ --	$ --	$93,924,139	$93,924,139
Unrecognized financial instruments:					
Commitments to extend credit					
and letters of credit		$ --	$ --	$(10,996)	$(10,996)

NOTE 13

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 goals are 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. As a result of interest rate fluctuations, fixed-rate assets will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by our gains or losses on the derivative instruments that are linked to fixed-rate liabilities. Another result of interest rate fluctuations is that the interest expense of floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by our gains and losses on the derivative instruments that are linked to these floating-rate liabilities. 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 reduce funding costs, improve liquidity and manage interest rate sensitivity. We use various derivative instruments as follows:

- Interest rate swaps allow us to change the 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.
- 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 manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

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 the board 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.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2014	$1,550	$1,235	$1,150	$40	$3,975
Additions	700	468	1,700	15	2,883
Maturities/amortization	(700)	(200)	(350)	--	(1,250)
Forward starting becoming effective	--	20	--	(20)	--
As of December 31, 2015	$1,550	$1,523	$2,500	$35	$5,608
Additions	1,216	566	1,400	56	3,238
Maturities/amortization	(200)	(1)	(800)	(1)	(1,002)
As of December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	**1,001**	**230**	**--**	**--**	**1,231**
Maturities/amortization	**(950)**	**(2)**	**(400)**	**(2)**	**(1,354)**
As of December 31, 2017	**$2,617**	**$2,316**	**$2,700**	**$88**	**$7,721**

Other derivatives consisted of retail customer interest rate swaps.

Credit Risk Management

By using derivative instruments, we are subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, our credit risk equals the net amount due to us. Generally, when the fair value of a derivative contract is positive, we have credit exposure to the counterparty, creating credit risk for us. When the fair value of the derivative contract is negative, we do not have credit exposure; however, there is a risk of our nonperformance under the terms of the derivative transaction.

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 December 31, 2017, we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring collateral to be posted in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating.

Bilateral Interest Rate Swaps

(in thousands)

As of December 31,	**2017**	2016	2015
Notional amount	**$4,313,360**	$5,564,400	$4,885,000
Cash collateral posted with counterparties	**$11,150**	$9,952	--
Total collateral posted with counterparties	**$11,150**	$9,952	$ --

We also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP. Beginning in 2017, contracts with certain CCPs changed the legal treatment of variation margin payments, which resulted in daily variation margin payments being recognized as settlements rather than collateral posted.

Centrally Cleared Interest Rate Swaps

(in thousands)

As of December 31,	**2017**	2016	2015
Notional Amount	**$3,408,360**	$2,279,396	$723,000
Initial margin posted with counterparties	**$18,580**	$27,856	$17,769
Variation margin posted (by) with counterparties	**--**	(6,680)	14,254
Total margin posted with counterparties, net	**$18,580**	$21,176	$32,023

All margin posted by or with counterparties was in cash. We had no securities posted by counterparties or to counterparties for any year presented.

Certain derivative instruments contain provisions that require us to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by existing derivative contracts, are downgrades in the credit rating of AgriBank or if AgriBank is no longer considered a Federally Chartered Instrumentality of the United States. The fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at December 31, 2017 was $30.7 million. In the event that we are downgraded, a tiered collateral posting would be activated which may require us to post collateral of up to $19.5 million.

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Gains and losses on derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive (loss) income, until earnings are affected by the variability of the cash flows of the hedged transaction. Gains and losses on the derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Derivatives not Designated as Hedges: For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Financial Statement Impact of 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 net for counterparties with master netting agreements.

	2017		2016		2015	
(in thousands) **As of December 31,**	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:						
Receive-fixed swaps	**$ --**	**$18,276**	$2,099	$6,746	$13,480	$649
Pay-fixed swaps	**34,447**	**39,615**	33,102	50,378	3,380	64,587
Floating-for-floating swaps	**--**	**4,950**	1,744	1,625	151	3,368
Total derivatives designated as hedging instruments	**34,447**	**62,841**	36,945	58,749	17,011	68,604
Derivatives not designated as hedging instruments:						
Pay-fixed swaps	**3,670**	**--**	3,568	130	40	305
Other derivative products	**14**	**3,088**	257	2,975	483	--
Total derivatives not designated as hedging instruments	**3,684**	**3,088**	3,825	3,105	523	305
Credit valuation adjustments	**(49)**	**--**	(198)	--	71	--
Total gross amounts of derivatives	**$38,082**	**$65,929**	$40,572	$61,854	$17,605	$68,909
Gross amounts offset in Statements of Condition	**(29,126)**	**(29,126)**	(27,447)	(27,447)	(16,907)	(16,907)
Variation margin settled	**--**	**(2,241)**	--	--	--	--
Net amounts in Statements of Condition	**$8,956**	**$34,562**	$13,125	$34,407	$698	$52,002

(in thousands) **As of December 31,**	**2017**	2016	2015
Derivative assets, net	**$8,956**	$13,125	$698
Derivative liabilities, net	**(34,562)**	(34,407)	(52,002)
Accrued interest payable on derivatives, net	**(3,457)**	(568)	2,426
Gross amounts not offset in Statements of Condition:			
Cash collateral posted with counterparties	**29,730**	31,128	32,023
Net exposure amounts	**$667**	$9,278	$(16,855)

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 CVA was not material in any of the periods presented. The change in the CVA for the period is included in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Fair Value Hedges: We recorded gains of $1.9 million and $169 thousand in 2017 and 2015, respectively and losses related to swaps of $262 thousand 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, the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges and amounts excluded from effectiveness testing. During the next 12 months, no net losses in AOCI on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

Cash Flow Hedging Relationships

(in thousands) **For the year ended December 31, 2017**	**Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gain Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)**
Pay-fixed swaps	**$12,108**	**$ --**	**$ --**
Floating-for-floating swaps	**(5,070)**	**--**	**--**
Total	**$7,038**	**$ --**	**$ --**

(in thousands) For the year ended December 31, 2016	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
Pay-fixed swaps	$43,931	$ --	$ --
Floating-for-floating swaps	3,336	--	(47)
Total	$47,267	$ --	$(47)

(in thousands) For the year ended December 31, 2015	Amount of Loss (Gain) Recognized in OCI on Derivatives (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
Pay-fixed swaps	$(1,512)	$(27)	$2
Floating-for-floating swaps	1,991	--	(20)
Other derivative products	(105)	(36)	167
Total	$374	$(63)	$149

Derivatives not Designated as Hedges: We recorded net losses related to swaps of $124 thousand and $171 thousand, in 2017 and 2015, respectively, and net gains of $3.7 million in 2016. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

NOTE 14

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive (Loss) Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2014	$4,605	$15,191	$(64,861)	$ --	$(45,065)
Other comprehensive (loss) income before reclassifications	(37,938)	(386)	374	--	(37,950)
Amounts reclassified from accumulated other comprehensive income	2,331	(4,244)	63	--	(1,850)
Net other comprehensive (loss) income	(35,607)	(4,630)	437	--	(39,800)
Balance at December 31, 2015	$(31,002)	$10,561	$(64,424)	$ --	$(84,865)
Other comprehensive (loss) income before reclassifications	(32,264)	(2)	47,267	--	15,001
Amounts reclassified from accumulated other comprehensive income	393	(10,559)	--	--	(10,166)
Net other comprehensive (loss) income	(31,871)	(10,561)	47,267	--	4,835
Balance at December 31, 2016	$(62,873)	$ --	$(17,157)	$ --	$(80,030)
Other comprehensive (loss) income	**(12,311)**	**--**	**7,038**	**--**	**(5,273)**
Net other comprehensive (loss) income	**(12,311)**	**--**	**7,038**	**--**	**(5,273)**
Other pension adjustments	--	--	--	**(1,123)**	**(1,123)**
Balance at December 31, 2017	**$(75,184)**	**$ --**	**$(10,119)**	**$(1,123)**	**$(86,426)**

Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)

Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	
For the year ended December 31,	2016	2015
Not-other-than-temporarily-impaired investments:		
Impairment losses	$ --	$73
Realized loss on sale of investment securities, net	393	2,258
	393	2,331
Other-than-temporarily-impaired investments:		
Impairment losses	--	620
Realized gain on sale of investment securities, net	(10,559)	(4,864)
	(10,559)	(4,244)
Derivatives and hedging activity:		
Interest rate contracts	--	63
Total reclassifications	$(10,166)	$(1,850)

There were no reclassifications out of accumulated other comprehensive loss in 2017.

NOTE 15

Subsequent Events

We have evaluated subsequent events through March 1, 2018, which is the date the Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2017 Financial Statements or disclosure in the Notes to those Financial Statements.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)
(In whole dollars unless otherwise noted)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Financial Statements included in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis" section included in this Annual Report.

Description of Property

We lease our headquarters located in St. Paul, Minn. In addition to base rent, we are responsible for our share of the operating costs of the building under the lease agreement. Our lease agreement expires October 31, 2026. We sublease a portion of our office space to Farm Credit Foundations.

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference from Note 10 to the Financial Statements included in this Annual Report. We were not subject to any enforcement actions as of December 31, 2017.

Description of Capital Structure

Information regarding capital structure is incorporated herein by reference from Note 7 to the Financial Statements included in this Annual Report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference from Notes 5, 6, 8, 10, 12 and 13 to the Financial Statements included in this Annual Report.

Selected Financial Data

"Five-Year Summary of Selected Financial Data," included at the beginning of this Annual Report, is incorporated herein by reference.

Management's Discussion and Analysis

"Management's Discussion and Analysis," included in this Annual Report, is incorporated herein by reference.

Board of Directors of AgriBank, FCB

During 2017, the Board of Directors of AgriBank (the board) reduced the number of committees and developed more focused charters for these committees. This action was part of the conclusion reached as the board works through a project to determine a board design and operations that will align with AgriBank's role as a funding bank in the Farm Credit System. Finance and credit topics are directed to the full board under the updated board design.

The board is organized into the following committees to carry out board responsibilities:

- The **Audit Committee** assists the board in fulfilling its oversight responsibilities for financial reporting, the adequacy of the Bank's internal control systems, the scope of the Bank's internal audit program, the independence of the outside auditors and the Bank's process for monitoring compliance with laws, regulations, and the standards of conduct including the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Compensation Committee** oversees Bank human resource programs and policies in areas such as, compensation, benefits, succession planning, performance management, diversity and inclusion, and other AgriBank programs that impact human capital.
- The **Governance Committee** oversees matters related to board governance and board operations, monitors director training and development, and monitors the board's involvement in AgriBank's strategic planning process.
- The **Risk Management Committee** assists the full board in overseeing the integration of risk management in the Bank through a formal enterprise risk management process. The Committee monitors the risk framework of the Bank, promotes effective management of all risks and fosters the establishment and maintenance of an effective risk culture throughout the Bank.

Information regarding directors who served as of December 31, 2017, including business experience in the past five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Matt Walther, **Board chair** Year term began: 2015	2019	**Principal Occupation:** Self-employed crop and cow/calf herd and finished cattle farmer in Centerville, Ind. **Board Committees:** Ex officio on AgriBank Board Committees **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Member: Buell Drainage, LLC, tile drainage company, Centerville, Ind. Federal Farm Credit Banks Funding Corporation Board, Jersey City, N.J
Keri Votruba, **Board vice chair** Year term began: 2016	2020	**Principal Occupation:** Self-employed grain and livestock farmer in Hemingford, Neb. **Board Committees:** Audit Committee
Ed Breuer Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and livestock farmer in Mandan, N.D. **Board Committees:** Vice chair of the Compensation Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C.

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Stan Claussen Year term began: 2016	2020	**Principal Occupation:** Self-employed grain, cattle, sugar beet and vegetable farmer in Montevideo, Minn. **Board Committees:** Chair of the Governance Committee **Other Affiliations:** Vice President: Bushmills Ethanol Board, Atwater, Minn. Fairland Management Company Board, Windom, Minn. National Farm Credit Council Board, Washington, D.C. AgriBank District Farm Credit Council Board, St. Paul, Minn.
Dale Crawford Year term began: 2017	2021	**Principal Occupation:** Self-employed crop farmer in Sullivan, Ill. **Board Committees:** Vice chair of Audit Committee
Richard Davidson Year term began: 2017	2021	**Principal Occupation:** Self-employed grain and livestock farmer in Washington Court House, Ohio. **Board Committees:** Risk Management Committee **Other Affiliations:** Federal Agricultural Mortgage Corporation (Farmer Mac) Board, an agricultural secondary market real estate lending corporation, Washington, D.C.
Ernie Diggs Year term began: 2016	2020	**Principal Occupation:** Self-employed crop farmer in Paris, Tenn. **Board Committees:** Risk Management Committee
Dan Flanagan Year term began: 2014	2018	**Principal Occupation:** Self-employed grain farmer in Campbellsville, Ky. **Board Committees:** Vice chair of the Governance Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C. President: 4-E Flanagan Farms, Inc., farm related business, Campbellsville, Ky. President: Saloma Chick Litter Company, Inc., farm related business, Campbellsville, Ky. President: Kentucky Poultry Federation, Bowling Green, Ky.
Natalie Laackman, appointed director Year term began: 2017	2021	**Principal Occupation:** Currently, Chief Financial Officer, Service Operations North America, Sodexo, a quality of life services company, Gaithersburg, Md **Positions previously held during the past five years:** Formerly, Chief Financial Officer of The Shamrock Foods Company, a food manufacturing and distribution company, Phoenix, Arizona. Formerly, Chief Financial Officer and vice president of Finance Global Information Systems and of the specialty channels division of The Kellogg Company, a multinational food manufacturing company. Battle Creek, Michigan. **Board Committees:** Chair and financial expert of the Audit Committee
Brian Peterson Year term began: 2016	2020	**Principal Occupation:** Self-employed dairy and crop farmer in Trenton, Mo. **Board Committees:** Audit Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Treasurer: Rural Dale Cemetery Association, Trenton, Mo.
Richard Price Year term began: 2017	2021	**Principal Occupation:** Self-employed dairy and crop farmer in Stanley, Wis. **Board Committees:** Compensation Committee
Timothy Rowe Year term began: 2017	2021	**Principal Occupation:** Self-employed grain and livestock farmer in Elwood, Neb. **Board Committees:** Governance Committee **Other Affiliations:** Chair: Country Partners Cooperative Board, a local supply co-op, Gothenburg, Neb.
John Schmitt Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and beef cattle farmer in Quincy, Ill. **Board Committees:** Vice chair of the Risk Management Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Director: Adams County Farm Bureau Board, Quincy, Ill.

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Daniel Shaw Year term began: 2014	2018	**Principal Occupation:** Self-employed livestock and grain farmer and grain merchandiser in Edgar, Neb. **Board Committees:** Chair of the Risk Management Committee **Other Affiliations:** Owner/Operator: Shaw Grain LLC, a local grain elevator, Edgar, Neb. Owner/Operator: Shaw Farms LLC, a poultry breeding operation, Edgar, Neb. Board chair: Edgar Township Board, Edgar, Neb.
William Stutzman Year term began: 2014	2018	**Principal Occupation:** Full-time farmer and President of Farm Resource Management, Inc., a grain marketing and consulting company in Blissfield, Mich. **Board Committees:** Compensation Committee **Other Affiliations:** President and CEO: Ogden Communications, Inc., a communications company, Ogden, Mich. Farm Credit Foundations Board, St. Paul, Minn. Farm Credit Foundations Plan Sponsor Committee, St. Paul, Minn.
Nick Vande Weerd Year term began: 2015	2019	**Principal Occupation:** Self-employed dairy, livestock and grain farmer in Brookings, S.D. **Board Committees:** Chair of the Compensation Committee **Other Affiliations:** Captain: South Dakota Air National Guard
Leon Westbrock, appointed director Year term began: 2015	2019	**Principal Occupation:** Retired from CHS Inc., a U.S.-based diversified energy, grains and foods company headquartered in Inver Grove Heights, Minn. **Board Committees:** Governance Committee **Other Affiliations:** Director: Southern Minnesota Sugar Beet Cooperative, a farmer-owned producer of beet sugar in Renville, Minn.
Thomas Wilkie, III Year term began: 2014	2018	**Principal Occupation:** Manager, Thomas W. Wilkie III Investments LLC, a land management and investment company in Forrest City, Ark. Owner and President: Wifco, Inc, a drainage supply company in Forrest City, Ark. **Positions previously held during the past five years:** Self-employed grain farmer in Forrest City, Ark. **Board Committees:** Audit Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Chair: National Farm Credit Council Board, Washington, D.C. Farm Credit System Coordinating Committee, Washington, D.C.

Information regarding days served and compensation paid during 2017 for each director follows:

	Days Served		(in dollars)
	Board Meetings	**Other Activities**	**Compensation Paid in 2017**
Matt Walther	**15**	**17**	**$59,115**
Keri Votruba	**17**	**14**	**60,115**
Ed Breuer	**17**	**12**	**61,115**
Stan Claussen	**17**	**20**	**61,115**
Dale Crawford(1)	**13**	**12**	**43,586**
Richard Davidson	**17**	**8**	**58,115**
Ernie Diggs	**17**	**4**	**58,115**
Dan Flanagan	**17**	**6**	**58,115**
Thomas Klahn(2)	**4**	**--**	**14,529**
Natalie Laackman	**17**	**9**	**58,115**
Brian Peterson	**17**	**14**	**58,115**
Richard Price(1)	**13**	**4**	**43,586**
Timothy Rowe(1)	**13**	**2**	**43,586**
John Schable(2)	**4**	**5**	**14,529**
John Schmitt	**17**	**8**	**58,115**
Daniel Shaw	**17**	**16**	**58,115**
William Stutzman	**15**	**10**	**58,115**
Roy Tiarks(2)	**4**	**4**	**14,529**
Nick Vande Weerd	**17**	**9**	**58,115**
Leon Westbrock	**17**	**12**	**61,115**
Thomas Wilkie, III	**17**	**13**	**58,115**
Total			**$1,058,070**

(1) Elected to Board in 2017

(2) Term expired in 2017

Farm Credit Administration (FCA) regulations and other FCA guidance relating to director compensation for extraordinary service provide that additional compensation may be paid in excess of the statutory maximum, if circumstances justify such additional compensation. The board of directors approved compensation for extraordinary service in the amount of $1 thousand for each Board Design Work Group meeting attended, up to $3 thousand per member. These amounts were paid as no individual director's compensation exceeded the cap of 30 percent above the maximum annual statutory amount authorized by the FCA.

Days served in the preceding chart represent actual days at board meetings and activities. Board members also spend additional time in preparation for meetings and in travel to and from meetings.

The board members receive an annual retainer which is paid quarterly for attendance at meetings and other official activities. Directors are also reimbursed for reasonable expenses incurred.

Senior Officers

The senior officers of AgriBank, FCB at December 31, 2017 included:

Name	Position	Business experience and employment during past five years
William J. Thone	Chief Executive Officer	Current position began in August 2016. Prior to that served as vice president and general counsel for AgriBank until retirement in 2015.
James B. Jones	Chief Risk Officer	Current position began in August 2015. Prior to that served as vice president, chief risk officer for AgriBank beginning in 2011.
Jeffrey L. Moore	Chief Financial Officer	Current position began in October 2017. Prior to that served as senior vice president, finance for AgriBank beginning in August 2012. Committee member on the Farm Credit Foundations Trust Committee.
Barbara K. Stille	Chief Administrative Officer and General Counsel	Current position began in October 2017. Prior to that served as senior vice president and general counsel for AgriBank beginning in December 2014. Prior to that served as executive vice president-operations and general counsel for 1st Farm Credit Services, ACA since January 2014 and senior vice president and general counsel for 1st Farm Credit Services, ACA beginning in 2006. Board member on Farm Credit System Association Captive Insurance Company.
Jeffrey R. Swanhorst	Chief Credit Officer	Current position began in August 2011.

On October 16, 2017 a workforce reduction plan was implemented 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. Additionally, the Vice President, Business Services and Senior Vice President, Credit roles were modified and no longer are responsible for major policy-making functions at the Bank. Lastly, the Chief Risk Officer, Chief Financial Officer, and Chief Administrative Officer and General Counsel roles were modified for expanded responsibilities in conjunction with the workforce reduction plan.

Senior Officer Compensation

All senior officers, including the chief executive officer (CEO), are compensated with a mix of salary, short-term and long-term incentives as well as various AgriBank Farm Credit District post-employment benefit plans. The Compensation Committee of the board determines the appropriate levels and mix of short-term and long-term incentives in a responsible manner. Annual compensation for senior officers is intended to be competitive with annual compensation for comparable positions at peer organizations. The Compensation Committee engages a consulting firm to conduct an independent review of external benchmark data on a regular basis for senior officers. Our compensation philosophy enables us to attract and retain highly qualified senior officers with the requisite skills and experience to achieve our desired business results, including our mission to ensure that safe, sound and reliable sources of credit and related services are provided to rural America.

Salary: Senior officer base salaries reflect the officer's experience and level of responsibility. The base salary of the CEO is subject to review and approval by the board. All other senior officer salaries are subject to review and approval by the CEO.

Short-term Incentive Compensation: Annually, a short-term incentive compensation program is available to all employees, including senior officers, based upon AgriBank performance criteria established by the board and personal objectives established by employees and their managers. The short-term incentive compensation amounts are calculated after the end of the plan year (calendar year) and are generally paid out in a lump sum within 90 days of year end. In 2017 and 2016 the criteria for AgriBank performance objectives included: financial measures for an efficiency ratio and a return available for patronage; client measures for our CIPA performance score and client satisfaction; and performance achievement of our strategic imperatives. In 2015 the criteria for AgriBank performance objectives included: financial measures of efficiency ratio, adverse credit quality ratio and return on equity ratio as well as client measures of client satisfaction and performance. In 2018 the criteria for AgriBank performance objectives will include: financial measures for net operating expense and earnings available for wholesale patronage; a funding measure for our CIPA performance score; and operational excellence measures for client satisfaction.

Long-term Incentive Compensation: The CEO and certain senior officers also receive long-term incentive compensation. The long-term incentive compensation amounts for the current CEO are determined based upon level of achievement as determined by the board of specific performance goals, intended to position the Bank for future success. The long-term incentive compensation amounts for the previous CEO and certain senior officers are determined based upon three-year performance criteria established by the board. A new three-year plan is established each year. The criteria for the plan years beginning in 2017 and 2016 were based on a return available for patronage measure and our CIPA performance score. Similar measures will continue for the plan beginning in 2018. The criteria for the plan year beginning in 2015 was based on AgriBank's performance and includes three potential incentive levels based on cumulative net income, average return on assets and CIPA asset quality at the end of each three-year period.

The board, in its sole discretion, may increase or decrease the amount of any incentive calculated. The long-term incentive compensation amounts are calculated annually and are generally paid out in a lump sum within 90 days of the final three-year plan year. Additionally, long-term incentive compensation may be provided to new senior officers on a phased in basis during the initial three years of participation in the long-term incentive program. Annual long-term incentive amounts reflect long-term incentives earned in the applicable year based on an estimate of the total incentive over the three-year period.

Perquisites: Perquisites may include compensation associated with group term life and long-term disability insurance premiums, taxable reimbursements, commuting assistance, and tax reimbursement for perquisite compensation, as applicable. The senior officers did not receive any additional noncash perquisite compensation during any year presented.

Other:

- Employer contributions to the AgriBank District Retirement Savings Plan which is available to all employees, including senior officers.
- Changes in the value of pension benefits, which is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the Districtwide Retirement Plan and Pension Restoration Plan, as applicable, as disclosed in Note 8 to the accompanying Financial Statements. This change in value does not represent cash payments made by AgriBank during the year, but rather is an estimate of the change in AgriBank's future obligations under the pension plans.
- Service awards available to all employees meeting pre-established years of service anniversaries.
- Severance reported in 2016 included payments to Mr. York, AgriBank's former CEO, in 2016 and amounts to be paid in 2017 and 2018 in connection with his employment separation.
- Severance reported in 2017 includes payments to Mr. O'Keane, AgriBank's former CFO, and Ms. Jones, AgriBank's former senior vice president of human resources and communications, in 2018. The separation agreements do not require further payments beyond 2018.

"Other" fluctuates from year to year based primarily on changes to pension actuarial assumptions and changes in composition of the aggregate senior officers.

In October 2017, certain employees were impacted by the implementation of a workforce reduction plan. As part of the severance offered to all terminated employees, outplacement services were offered up to $6 thousand per person based on his/her level in the organization. This noncash compensation has been excluded from the Compensation Paid to the Senior Officers.

Retirement Plans: The AgriBank District has various post-employment benefit plans which are generally available to all AgriBank employees, including the CEO and senior officers, based on dates of service to AgriBank and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is incorporated herein by reference from Notes 2 and 8 to the accompanying Financial Statements included in this Annual Report.

Senior officers and certain other individuals over a specified salary amount have an option to defer payments of their salary as well as payments under both the short-term and long-term incentive programs in accordance with applicable laws and regulations. William J. Thone, CEO, did not defer any compensation in 2017 or 2016. Total amounts deferred by L. William York, CEO, were $295 thousand and $342 thousand for amounts that were to be paid during 2016 and 2015, respectively. Total amounts deferred by senior officers (excluding the CEO) were $10 thousand, $4 thousand and $25 thousand for amounts that were to be paid in 2017, 2016 and 2015, respectively.

Compensation Paid to the Senior Officers

(in thousands) Name of Individual	Year	Salary	Short-term Incentive Compensation	Long-term Incentive Compensation[1]	Perquisites	Other	Total
CEO[2]:							
William J. Thone	**2017**	**$700**	**$467**	**$525**	**$25**	**$46**	**$1,763**
William J. Thone	2016	258	37	--	22	2	319
L. William York	2016	387	--	(32)	7	1,577	1,939
L. William York	2015	647	417	375	14	367	1,820
Aggregate Number of Senior Officers (excluding CEO):							
6[3]	**2017**	**$2,170**	**$1,009**	**$510**	**$20**	**$1,391**	**$5,100**
8[4]	2016	2,502	1,125	604	82	901	5,214
7[5]	2015	2,115	946	539	100	498	4,198

[1] All compensation is disclosed in the year it is earned. As the long-term incentive is on a rolling three-year basis, adjustments for earnings plan-to-date in a particular plan year may be reduced so the cumulative earned long-term compensation reflects the actual payments received at the end of the three-year period.

[2] On July 25, 2016, Mr. York left the position of CEO and Ms. Stille, senior vice president and general counsel assumed the duties of CEO until the interim CEO, Mr. Thone, was placed on August 1, 2016. Subsequently, Mr. Thone was named CEO of AgriBank on December 1, 2016. For the purposes of this disclosure, compensation for Ms. Stille is included in the aggregate Senior Officer group.

[3] 2017 count reflects the workforce reduction plan implementation effective October 16, 2017. Dollars include only those senior officers who served as of December 31, 2017, including those whose titles remained unchanged, but job duties changed effective with the workforce reduction.

[4] 2016 count includes a new senior officer position as of February 1, 2016. Dollars include new senior officer compensation for February to December 2016.

[5] 2015 count includes a new senior officer position as of August 1, 2015. Dollars include new senior offier compensation for August to December 2015.

Farm Credit Administration (FCA) regulations require the disclosure of the compensation paid during the last three fiscal years to all senior officers included in the above table to AgriBank shareholders and shareholders of related institutions upon request.

There were no highly compensated individuals who required disclosure under FCA regulations for any year presented in the Compensation to Senior Officers table.

Pension Benefits Attributable to Senior Officers

(in thousands) 2017 Name of Individual	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period[1]
CEO:				
William J. Thone	AgriBank District Retirement Plan	**38.0**	**$1,434**	**$ --**
	AgriBank District Pension Restoration Plan	**38.0**	**198**	**28**
Aggregate Number of Senior Officers (excluding CEO):				
3	AgriBank District Retirement Plan	**20.7**	**$2,922**	**$ --**
3	AgriBank District Pension Restoration Plan	**20.7**	**95**	**--**

[1]Upon his rehire in 2016, Mr. Thone's pension benefit payments from the AgriBank District Retirement Plan ceased and will resume at a future retirement date.

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits. Pension benefits include only those senior officers who served as of December 31, 2017. There were no highly compensated individuals included in 2017.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Not all employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 9 to the accompanying Financial Statements included in this Annual Report.

Travel, Subsistence and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with AgriBank's business functions. AgriBank Directors were reimbursed for expenses in the amount of $254,526, $307,055 and $290,754 in 2017, 2016 and 2015, respectively. A copy of AgriBank's policy for reimbursing these costs is available by contacting AgriBank at the address provided in the Financial Statements section below.

Involvement in Certain Legal Proceedings

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer of AgriBank on January 1, 2018 or at any time during 2017.

Shareholder Privacy

Shareholders' nonpublic personal financial information is protected by FCA regulations. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about AgriBank, District Associations or their shareholders.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2017 were $690 thousand. In addition, we incurred fees of $45 thousand for ICFR readiness and remediation procedures, $2 thousand for tax services, and $3 thousand for accounting research and disclosure software and employee training sponsored by the external auditor which occurred in the normal course of business and were pre-approved by the Audit Committee. There were no other audit, tax, audit related or non-audit related services paid in 2017.

Financial Statements

The "Report of Management, " "Report on Internal Control over Financial Reporting," "Report of Audit Committee," "Report of Independent Registered Public Accounting Firm, " "Financial Statements" and "Notes to Financial Statements, " included in this Annual Report, are incorporated herein by reference.

Copies of AgriBank's annual and quarterly reports and the annual and quarterly reports of the combined AgriBank, FCB and District Associations are available free of charge upon request to:

AgriBank, FCB
30 E. 7th St., Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800
financialreporting@agribank.com

The reports are also available through AgriBank's website at www.AgriBank.com. The quarterly reports are available approximately 40 days following the end of each calendar quarter and the Annual Report is available approximately 75 days following the end of the year.

Regulatory Capital

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 capital, tier 1 capital and total capital ratios. Refer to Note 7 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

AgriBank, FCB (AgriBank or the Bank) is one of the four banks of the Farm Credit System (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. We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

AgriBank has no subsidiaries; therefore, the financial statements are only those of AgriBank and are not consolidated with any other entity. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation, the FCS Building Association, the Farm Credit Association Captive Insurance Corporation and Farm Credit Foundations. The Bank’s investments in other System institutions are deducted from regulatory capital as only the institution who issued the equities may count the amount as regulatory capital. The Bank has no unincorporated business entity (UBE) which would be included in risk-weighted assets and is not deducted from any capital component in accordance with FCA regulations. As AgriBank has no consolidated subsidiaries, there are no consolidated entities which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities, and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank’s consolidated level.

Capital Structure

Refer to Note 7 of the accompanying financial statements for a description of capital structure.

Regulatory Capital Structure

(in thousands) As of December 31, 2017	(3-month average daily balance)
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	$27
Other required member purchased stock	1,110,935
Allocated equities:	
Allocated stock subject to retirement	1,222,830
Unallocated retained earnings as regulatorily prescribed	3,271,853
Regulatory adjustments and deductions made to CET1	(5,223)
Total CET1	$5,600,422
Tier 1 Capital	
Non-cumulative perpetual preferred stock	$250,000
Total additional tier 1 capital	250,000
Total Tier 1 Capital	$5,850,422
Total Capital	
Allowance for loan losses	$24,989
Total tier 2 capital	24,989
Total Capital	$5,875,411
Reconciliation to Audited Statement of Condition:	
Additions:	
Protected stock	$181
Accumulated other comprehensive loss	(72,048)
Regulatory adjustments and deductions	5,223
Subtractions:	
Tier 2 allowance and reserve	24,989
Unmatured subordinated debt, net	--
Adjustment to GAAP[1] unallocated retained earnings	94,708
Adjustment for average daily balance to point-in-time	47,188
Total shareholders' equity	$5,641,882

[1] Generally Accepted Accounting Principles

Capital Adequacy and Capital Buffers

We regularly assess the adequacy of our capital to support current and future activities. This assessment includes maintaining a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and growth. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of our board.

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands) **As of December 31,**	**2017**
Exposures to:	
Cash held at depository institutions	**$1,264**
Securities avaliable for sale, excluding securitizations	**4,868,970**
Securitization exposures	**303,966**
Wholesale exposures to Farm Credit Institutions	**16,710,930**
Retail exposures, including OFIs	**8,870,920**
Derivative exposures	**8,072**
Intrasystem equity investments	**5,223**
All other assets	**75,849**
Deductions:	
Regulatory adjustments and deductions made to CET1	**5,223**
Regulatory adjustments and deductions made to AT1[1]	**--**
Regulatory adjustments and deductions made to T2[2]	**--**
Total standardized risk-weighted assets	**$30,839,971**

[1] AT1 capital is additional tier 1 capital

[2] T2 is tier 2 capital

As of December 31, 2017, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because our capital level exceeded the buffer requirements, the Bank currently has no limitations on distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $283.4 million as of December 31, 2017.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of December 31 2017	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	0.6%	**18.2%**	**13.7%**
Tier 1 capital ratio*	6.0%	0.6%	**19.0%**	**13.0%**
Total capital ratio*	8.0%	0.6%	**19.1%**	**11.1%**
Capital conservation buffer				**11.1%**
Tier 1 leverage ratio	4.0%	1.0%	**5.6%**	**1.6%**
Leverage buffer				**1.6%**

*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% beginning in 2020.

Pursuant to FCA regulation 620.5(f)(4), the net collateral ratio, permanent capital ratio, total surplus ratio, and core surplus ratios were 106.0 percent, 21.1 percent, 17.4 percent, and 10.4 percent as of December 31, 2012, respectively. Refer to the Five Year Summary of Selected Financial Data for capital ratio calculations for the past five years.

Credit Risk

We are exposed to various forms of credit risk. Refer to the Credit Risk Management, Wholesale Credit Risk Management, Retail Credit Risk Management and Allowance for Loan Losses sections of the Management's Discussion & Analysis for information regarding the credit risk we are exposed to and the mitigation techniques applied to manage that risk.

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

Due to increasing interest rates during 2017, the fair value of certain cash flow derivatives increased, resulting in $7.0 million of other comprehensive income for the year ended December 31, 2017 compared to $47.3 million, and $437 thousand in 2016 and 2015, respectively.

Maturities in the following table are reflective of the wholesale loan agreements and retail loan agreements, respectively, and are based on the final maturity without consideration for amortization payments. Loan exposures include accrued interest receivable, as applicable, and investment exposures are at fair value.

Exposures by Contractual Maturity

(in thousands) **As of December 31, 2017**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$15,979,406**	**$64,395,591**	**$ --**	**$80,374,997**
Retail loans	**714,825**	**3,748,321**	**4,015,743**	**8,478,889**
Investments (including federal funds)	**7,741,385**	**1,327,153**	**5,994,217**	**15,062,755**
Wholesale loan commitments	**2,093,976**	**19,099,012**	**--**	**21,192,988**
Retail loan and other commitments	**383,970**	**576,898**	**146,936**	**1,107,804**
Cleared derivative notional	**545,000**	**1,751,000**	**1,112,360**	**3,408,360**
Bilateral derivative notional	**650,000**	**1,889,000**	**1,774,360**	**4,313,360**

Refer to Note 2 of the accompanying financial statements for our policy for determining past due or delinquency status, policy for placing loans on nonaccrual status, policy for returning loans to accrual status, definition of and policy for identifying impaired loans, description of the methodology used to estimate allowance for loan losses, policy for charging-off uncollectible amounts.

Refer to Note 3 of the accompanying Financial Statements for amounts of impaired loans with and without related allowance, loans in nonaccrual status and greater than 90 days 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 loan losses.

Refer to the Retail Portfolio Diversification section of the Management's Discussion & Analysis for additional information about the commodity and geographic distribution of our retail loan portfolio.

Refer to Note 4 of the accompanying Financial Statements for a summary of contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

Counterparty Credit Risk and Credit Risk Mitigation

<u>Credit Risk Mitigation Related to Derivatives</u>
Refer to the Derivative Financial Instruments section in the Management's Discussion & Analysis and Note 13 of the accompanying Financial Statements for more information on credit risk mitigation related to derivatives.

All of our derivative transactions are supported by collateral arrangements with counterparties. Collateral is typically cash and in limited circumstances, securities. The fair value of collateral assets and liabilities related to derivative contracts is their face value plus accrued interest, if applicable. Collateral exchanged is typically cash; therefore, fair value approximates face value.

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

Refer to Note 13 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 $0 or the fair market value of a derivative contract.

Current Credit Exposure

(in thousands)	As of December 31, 2017
Interest rate contracts	**$38,028**

Credit Risk Mitigation Related to Loans

Refer to the Credit Risk Management section of the Management's Discussion & Analysis for information about credit risk mitigation related to loans including wholesale credit risk management and retail credit risk management.

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions. We assess the outlook for commodities with the largest concentrations in our Districtwide portfolio. These outlooks are for the industry in general, and individual producers may perform better or worse than the industry as a whole. Refer to the Agricultural Conditions section of the Management's Discussion & Analysis in the accompanying Financial Statements.

In certain circumstances, our loan participations may have guarantees from the U.S. government or one of its agencies.

Financial collateral is not used to mitigate credit risk in our loan portfolio. Refer to Note 13 of the accompanying Financial Statements for further information on financial collateral obtained to mitigate credit risk exposure for derivatives.

Loan and Commitment Exposures Covered by Guarantees

(in thousands) **As of December 31, 2017**	3-month Average Daily Balance	Risk-adjusted 3-month Average Daily Balance
Conditionally guaranteed		
Loans	**$62,136**	**$12,427**
Commitments	**22,671**	**907**
Total	**$84,807**	**$13,334**

Credit Risk Mitigation Related to Investments

Refer to the Investment Portfolio and Liquidity section of the Management's Discussion & Analysis for information related to our investment securities credit risk management.

Credit risk in our investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies.

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

Investment Exposures Covered by Guarantees

(in thousands) **As of December 31, 2017**	**3-month Average Daily Balance**	**Risk-adjusted 3-month Average Daily Balance**
Unconditionally guaranteed	**$6,266,326**	**$ --**
Conditionally guaranteed	**5,066,778**	**1,013,356**
Total	**$11,333,104**	**$1,013,356**

Securitization

Securitizations are transactions in which:

- The credit risk of the underlying exposure is transferred to third parties, and has been separated into two or more tranches;
- The performance of the securitization depends upon the performance of the underlying exposures or reference assets; and
- All or substantially all of the underlying exposures or reference assets are financial exposures.

Securitizations include on- or off-balance sheet exposures (including credit enhancements) that arise from a securitization or re-securitization transaction; or an exposure that directly or indirectly references a securitization (e.g., credit derivative). A re-securitization is a securitization transaction in which one or more of the underlying exposures that have been securitized is itself a securitization. We do not currently hold re-securitization investments.

The Bank currently only participates in securitizations as an investor through the purchase of mortgage-backed securities (MBS) and asset-backed securities (ABS) as included in its investment portfolio. We do not originate, service, provide credit enhancements, or sponsor securitizations. We do not hold any off-balance sheet securitization exposures and no securitization exposures have been deducted from capital. We manage exposure to changes in credit and market risk of securitization exposures under policies established by our Asset/Liability Committee. Further, FCA regulations prohibit investment in securities below established credit ratings.

We are subject to liquidity risk with respect to our securitization exposures. In volatile market conditions, it could be difficult to sell such investments, if the need arises, and the discounts from face value would likely be significant. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for the investments.

For our current portfolio of non-agency ABS securitization exposures, we have elected to utilize the “Gross Up” risk-based capital approach on an individual security level. Individual securities for which a “Gross Up” calculation cannot be performed (i.e. unavailable inputs) will receive a 1,250 percent risk weight. As of December 31, 2017, we did not hold any individual securities in which a “Gross Up” calculation could not be performed. Refer to Risk Adjusted Assets table herein for additional information related to our securitization exposures.

Securitization Exposures

(3-month average daily balance in thousands) **As of December 31, 2017**	**Exposure**	**Weighted average risk-weight factor**	**Risk adjusted assets**
Gross up capital approach	**$300,575**	**101%**	**$303,967**

Refer to Note 4 of the accompanying Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of MBS and ABS held in our investment portfolio. However, there were no purchases or sales of securitization exposures during the year ended December 31, 2017. Refer to Note 12 of the accompanying Financial Statements for a description of the methods and assumptions, including any changes as applicable, applied in valuing our purchased interests in securitization exposures.

Equities

We are a limited partner in a Rural Business Investment Company (RBIC) for various relationship and strategic reasons. This RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. This investment is accounted for under the equity method when we are considered to have significant influence; otherwise, it would be accounted for at cost. This investment is not publicly traded and the book value approximates fair value. There have been no sales or liquidations of this investment during the period.

Equity Investments included in Capital Ratios

(in thousands) **As of December 31, 2017**	**Disclosed in Other Assets**	**Life-to-Date gains recognized in Retained Earnings[1]**
RBIC	**$11,939**	**$116**

[1] Retained earnings is included in common equity tier 1, tier 1 and total capital ratios

Interest Rate Risk

Refer to the Interest Rate Risk Management section of the Management's Discussion & Analysis for information related to interest rate risk.

District Young, Beginning and Small Farmers and Ranchers

As part of the System's commitment to rural America, District Associations have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in their territories. The definitions of young, beginning and small farmers and ranchers follow:

- **Young**: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- **Beginning**: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- **Small**: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

It is important to note that a farmer/rancher may be included in multiple categories based on meeting specific definitions. A more detailed discussion of each District Association's programs for young, beginning and small farmers and ranchers can be found within their respective Annual Reports.

Young and Beginning Farmers and Ranchers Served by AgriBank District

As of December 31, 2017	Young	Beginning	Small
As a percentage of total District farm members:			
Number of loans	**19.4%**	**26.0%**	**46.6%**
Loans and commitment volume	**13.9%**	**18.2%**	**20.0%**

Risk Factors

AgriBank, FCB

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own business. The following discussion summarizes some of the more important risk factors that we face. This discussion is not exhaustive and there are other risk factors we face that are not described below. These risk factors, if realized, could negatively or positively affect our business, financial condition and future results of operations.

Our funding is dependent upon the System's ability to access the capital markets.
Our ability to fund our operations, meet our financial obligations, including unfunded commitments to extend credit, and generate income depends on the System's ability to issue Systemwide Debt Securities in the debt markets on a regular basis with select maturities and structures at attractive rates. The System's ability to continue to issue Systemwide Debt Securities depends, in part, on the conditions in the capital markets at that time, which are outside the System's control. As a result, the System cannot make any assurances that it will be able to issue competitively priced debt or issue any debt at all. If the System cannot issue competitively priced debt or cannot access the capital markets, the System's ability to access funding would be negatively impacted. This situation would have a negative effect on our financial condition and results of operations, which could be material.

Factors which could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms.
The System's government-sponsored enterprise (GSE) status has been an important factor in its ability to continually access the debt capital markets. In addition, the System's funding costs historically have been below that of similar non-GSEs. However, as a direct result of the financial difficulties experienced by the housing related GSEs, with both Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Company (Freddie Mac) having been placed into conservatorship by the U.S. government, housing related GSE status reform has been and will continue to be a topic of debate by Congress and the U.S. Administration. While the status and reform debate has not to date specifically related to the System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decision made as Congress addresses these and other GSEs. Any change in the System's status as a GSE or investors' general perception of GSE status could have a significant adverse impact on the System's ability to issue debt at favorable rates and terms.

The System is also subject to periodic review by credit rating agencies. Any event that could have an adverse impact on the System's financial condition or results of operations may cause the rating agencies to downgrade, place on negative watch, or change their outlook on the System's credit ratings. Such actions could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms and could trigger additional collateral requirements. Also, changes in the credit ratings or credit ratings outlook of the U.S. government may influence changes in the System's credit ratings and credit ratings outlook given its GSE status.

Any downgrades in credit ratings and outlook could also result in higher funding costs or disruptions in the System's access to capital markets. To the extent that the System cannot access funding when needed on acceptable terms or is unable to effectively manage its costs of funds, its financial condition and results of operations could be negatively affected.

The System also competes for competitively priced debt funding with the U.S. Treasury, other GSEs, including Fannie Mae, Freddie Mac and the Federal Home Loan Banks, and other highly rated institutions and companies. Competition for debt funding from these entities can vary with changes in economic, financial market and regulatory environments. In addition, any change in the perceptions of GSE status may intensify competition with other highly rated institutions and companies in connection with the issuance of Systemwide Debt Securities. Increased competition for competitively priced debt funding of highly rated institutions may result in a higher cost to finance our business, which could negatively affect our financial results. An inability to issue Systemwide Debt Securities at favorable rates in amounts sufficient to fund its business activities and meet its obligations could have an adverse effect on its liquidity, financial condition and results of operations.

The System issues combined financial statements and assurance of adequate disclosure controls and procedures and internal control over financial reporting. Failure by a System institution to provide required information for financial reporting, or to have adequate disclosure controls or procedures over financial reporting may delay the timely publication of the System's combined financial statements. Failure to timely issue the System's combined financial statements could disrupt the System's ability to access debt capital markets.

We and the other Banks in the Farm Credit System (the System) are liable for the debt of the System.
We, along with the other Banks in the System obtain funds for our lending activities and operations primarily from the Funding Corporation sale of Systemwide Debt Securities. The Systemwide Debt Securities are not obligations of and are not guaranteed by the United States of America or any agency or instrumentality thereof, other than the System Banks. Under the Farm Credit Act, each Bank is primarily liable for the portion of the Systemwide Debt Securities issued on its behalf. The Banks are also jointly and severally liable for interest payments on certain other debt securities issued individually by other Banks pursuant to Section 4.4(a)(1) of the Farm Credit Act (12 U.S.C. § 2155(a)(1)) (the "Co-Liability Statute"). However, the holders of outstanding subordinated notes that are subject to the Co-Liability Statute waived any right they may have pursuant to the Co-Liability Statute or otherwise to hold other Banks liable for interest payments on such subordinated notes. Additionally, each Bank is jointly and severally liable for the Systemwide Debt Securities issued on behalf of a Bank that is in default on its portion of the Systemwide Debt Securities and where the Farm Credit Insurance Fund (Insurance Fund) of Farm Credit System Insurance Corporation (FCSIC) is insufficient to cure the default. Although the Banks have established a system of mutual covenants and measures that are monitored on a quarterly basis, there is no assurance that these would be sufficient to protect a Bank from liability, should another Bank default and the Insurance Fund be insufficient to cure the default.

The Insurance Fund is available from the FCSIC to ensure the timely payment by each Bank of its primary obligations on the Systemwide Debt Securities, and can also be used by the FCSIC for its operating expenses and for other mandatory and permissive purposes. Under the Farm Credit Act, before joint and several liability can be invoked, available amounts in the Insurance Fund would be utilized to make the payment on such obligations. There is no assurance, however, that the Insurance Fund will have sufficient resources to fund a Bank's defaulted payment of principal and interest on its portion of the Systemwide Debt Securities. If the Insurance Fund is insufficient, then the non-defaulting

Banks must pay the default amount in proportion to their respective available collateral positions. “Available collateral” is collateral in excess of the aggregate of each Bank’s “collateralized” obligations and is approximately equal to AgriBank’s capital. The FCSIC does not insure any payments on the Series A Preferred Stock or any class of our common stock, preferred stock or subordinated notes.

To the extent we must fund our allocated portion of another Bank’s portion of the Systemwide Debt Securities as a result of its default on those securities, our earnings and capital would be reduced, possibly materially.

We are subject to regulation under the Farm Credit Act.
We, along with the ACAs, FLCAs, PCAs, FCBs, ACB and related service organizations in the System, are subject to regulatory oversight and examination by the Farm Credit Administration (FCA) under the Farm Credit Act. A number of rules and regulations are imposed on the operations of the Bank under the Farm Credit Act. Any change in the rules or regulations that govern the Bank’s business could have a material impact on the Bank and its operations. Rules and regulations may change from time to time and the interpretations of the relevant rules and regulations also are subject to change.

The Banks are subject to the supervision of, and regulation by, the FCA, including with respect to complying with certain capital requirements. The FCA periodically updates and revises these requirements, including consideration of new capital requirements adopted by U.S. banking regulators. In this regard, revised capital requirements became effective January 1, 2017, that are more consistent with those the U.S. banking regulators have adopted under the Basel Accord (Basel III) for U.S. banks. In addition, the FCA intends to complete a study to determine whether to align its liquidity requirements with U.S. banking regulators and Basel III. Compliance with capital requirements or proposed and adopted liquidity or other requirements, may limit the System’s business activities and could adversely affect its financial performance.

Effective January 1, 2017, FCA rules and regulations include requirements to maintain regulatory capital at or above minimum levels, including a capital conservation buffer, for risk-based ratios including common equity tier 1, tier 1 and total capital risk-based as well as non-risk-adjusted ratios tier 1 leverage and unallocated retained earnings and equivalents. The permanent capital ratio remained in effect in accordance with statutory requirements. If the capital ratios fall below the total requirements, including the buffer amounts, we would be restricted or prohibited under the Farm Credit Act and FCA Regulations from paying patronage refunds or distributions, dividends on our preferred stock, including shares of Series A perpetual Preferred Stock, or discretionary senior executive bonuses without prior FCA approval. The FCA has broad discretionary authority to bring enforcement actions whenever we fall below these prescribed standards or when the FCA otherwise determines that our capital is insufficient, including, without limitation, the power to issue a capital directive or a cease and desist order.

We are exposed to political risk.
Political risk is the risk that adverse consequences through U.S. Government actions or inactions could affect the viability of the Farm Credit System or create instability in agriculture, impacting the viability of Farm Credit System borrowers. The Farm Credit System, as a GSE, is directly at risk of changing legislation. Legislative change could inhibit our ability to fulfill the Farm Credit mission of reliably extending credit to agricultural producers and rural communities. The System is also influenced by

changes to trade policies and farm programs, including the Farm Bill and crop insurance support. Legislative and policy changes that adversely impact the System may negatively influence our borrowers' financial results, ultimately affecting our credit quality.

We manage political risk by monitoring and remaining abreast of pending legislative changes. When necessary, we proactively address political concerns by communicating our views on positions and policies directly to our congressional representatives and by supporting our own System councils and industry trade associations representing System interests before Congress.

An unfavorable change in U.S. tax laws or an adverse interpretation of existing tax laws could negatively impact our financial results.
We are statutorily exempt from federal taxes. Certain of the Association affiliates operate as non-exempt cooperatives. As such, they are eligible, under Subchapter T of the Internal Revenue Code, to deduct or exclude from taxable income amounts determined to be qualified patronage dividends. A change in U.S. tax law or an adverse interpretation of existing tax laws in a manner that reduces or eliminates these tax benefits or that is different from our application of such laws would negatively impact our results of operations.

We and District Associations are exposed to credit risk.
In the course of our lending and investment activities, we and District Associations are exposed to credit risk. Credit risk arises from changes in a borrower's or counterparty's ability or willingness to repay funds borrowed or meet agreed-to obligations, changes in collateral values and changes in prevailing economic environments.

Factors that can influence credit risk exposure include, but are not limited to:

- A general slowdown in the global economy and the relationship of demand for, and supply of, U.S. agricultural commodities in a global marketplace
- Political or regulatory changes that disrupt or modify an established market
- Major international events, including a downturn in the world economy, military or other armed conflicts, political disruptions, civil unrest or trade agreements, which can affect, among other things, the price of commodities or products used or sold by our borrowers or their access to markets
- Changes in financial and credit markets, which could affect our ability to buy and sell loan exposures or issue debt
- Fluctuations in prices of agricultural commodities
- Weakness in the U.S. financial, housing and mortgage markets that may impact the carrying value of certain of our mortgage-related investment securities and the ability of our derivative counterparties to perform under the terms of their contracts
- Changes in the general U.S. economy that may impact the availability of off-farm sources of income and prices of real estate
- Changes in farmland values
- Extreme adverse seasonal or weather conditions (such as flooding or drought) or market-related risks that significantly affect agricultural production and commodity prices
- The deteriorating credit quality or bankruptcy of market participants
- Changes in technology, regulations or shifts in demographics

- Changes in production expenses (such as feed, fuel and fertilizer)
- Availability and cost of agricultural workers
- An outbreak of a widespread disease in livestock/poultry populations, or in humans attributable to agricultural production
- Federal subsidies for agriculture that may be reduced or eliminated, including the federal crop insurance program
- Development of alternative uses and market for agricultural commodities, or the cessation thereof, including ethanol and other biofuel production
- Environmental conditions or laws impacting our lending activities
- Changes in U.S. tax laws could modify deductions taken by Farm Credit System borrowers

We believe we and District Associations maintain consistent and well-developed underwriting standards and industry-specific lending guidelines, which assist in managing credit risk. We also believe we and District Associations maintain adequate allowance for credit losses inherent in the loan portfolio. Additionally, we and District Associations are regulated by and believe we comply with standards set by the FCA. We minimize credit risk in our liquidity investment portfolio by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. We and District Associations employ many tools to manage credit risk exposures. While we believe these standards and tools are appropriate to manage our credit risk, there is no assurance that significant deterioration in credit quality will not occur, which would reduce our earnings, possibly materially.

We and District Associations are exposed to risks associated with the agricultural industry and commodity prices.
We are chartered to make loans to District Associations and other financing institutions (OFIs), as provided in the Farm Credit Act. Due to these statutory provisions, we have a significant concentration of lending to agricultural concerns. Our loan portfolio consists of wholesale loans to District Associations, OFIs and participations with other lenders in loans to eligible borrowers. Our earnings, loan growth and the credit quality of our lending portfolio can be impacted significantly by the general state of the agricultural economy. Production agriculture remains a cyclical business that is heavily influenced by the demand for U.S. agricultural products and by commodity prices. Regional agricultural economies within our territory can be impacted by weather, domestic and international demand for food and other agricultural products and other factors. Extreme seasonal conditions can substantially impact grain harvests and commodity prices and, ultimately, impact the credit quality of agricultural borrowers. In addition, declining land values are a potential lending risk following periods of sustained, rapid land value increases.

Furthermore, the U.S. agricultural sector receives significant financial support from the U.S. government through payments authorized under federal legislation, including USDA-sponsored crop insurance programs. While U.S. government support for agriculture has historically remained consistent, congressional efforts to decrease the U.S. budget deficit likely will result in continued pressure to reduce federal spending. The significant reduction or elimination of such support programs would have a negative impact on the credit quality of certain borrowers. As a result, our earnings could be reduced, possibly materially.

Fluctuations in both commodity prices and production expenses (including interest rates), may have an adverse impact on the cash flow and profitability of certain District Association borrowers as well as our participations, which, in turn, may negatively affect their ability to repay their loans. While certain borrowers are negatively impacted by these conditions, other borrowers may benefit. For example, decreased prices for grains will result in lower risk profiles for livestock producers, processors and marketers of grains and oilseeds, and borrowers that purchase corn or other grains for use in their products. However, grain farmers may be negatively impacted by lower prices. Fluctuations in the agricultural commodities market and the cost of farm inputs may adversely impact the credit quality of the System's loan portfolio and, as a result, negatively affect operating results.

The volatility and prices for both crude oil and gasoline, diesel fuel and other refined petroleum products fluctuate widely and can have an adverse impact on the cash flow of our Association borrowers, as well as our participation partners. Additionally, the level of mineral income generated from mineral rights we own is a function of oil prices. Various factors beyond our control influence these prices, including, but not limited to: levels of worldwide and domestic supplies, the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil price and production controls, the price and level of foreign imports and exports, disruption in supply, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline capacity, and domestic and foreign governmental regulations and taxes. Our mineral income is predominantly derived from royalties received from the extraction of crude oil. Should extraction slow, stop entirely or the supply chain be disrupted, our mineral income could be severely and adversely impacted.

We and District Associations may lend only to qualified borrowers in the agricultural and rural sectors and certain related entities and are subject to geographic lending restrictions.
Unlike commercial banks and other financial institutions that lend to both the agricultural sector and other sectors of the economy, we and District Associations are restricted solely to making loans and providing financial services to qualified, eligible borrowers in the agricultural and rural sectors and to certain related entities. In addition, we are subject to certain geographic lending restrictions. As a result, we do not have as much flexibility in attempting to diversify our loan portfolios as compared to commercial banks and other financial institutions. This concentration may limit our ability to offset adverse performance in one sector against positive performance in another sector like most diversified financial institutions.

We and District Associations face intense competition from competitors, many of whom are substantially larger and have more capital and other resources.
We and District Associations face intense competition, primarily from mortgage banking companies, commercial banks, thrift institutions, insurance companies, finance companies, and other non-traditional sources of funding. Many of these competitors in the financial services business are substantially larger and have more capital and other resources. We and District Associations' future results may become increasingly sensitive to fluctuations in the volume and cost of their retail lending activities resulting from competition from other lenders and purchasers of loans. There can be no assurance that we and District Associations will be able to continue to compete successfully in the markets served.

We and District Associations depend on the accuracy and completeness of information from our customers and counterparties.
District Associations and we rely on information furnished by or on behalf of customers and counterparties, including financial information. District Associations and we may also rely on representations of customers and counterparties as to the accuracy and completeness of that information. If the financial or other information provided to us is incorrect, District Associations and we could suffer credit losses or other consequences.

We are exposed to interest rate and counterparty risk.
In the course of our lending and investment activities, we are subject to interest rate risk, which is defined as the risk of changes to future earnings or long-term market value of equity due to changes in interest rates. Interest rate risk arises from differences in timing between the contractual maturity, repricing characteristics and prepayments of our assets and the contractual maturity and repricing characteristics of the financing obtained to fund these assets. The risk can also arise from differences between the interest rate indices used to price our assets and the indices used to fund those assets. We have asset/liability management policies, including risk limits, and strategies to actively manage our interest rate risk, including an Asset and Liability Committee comprised of a cross-functional group of senior leaders. However there can be no assurance that our interest rate risk management procedures will be effective or that changes in interest rates will not adversely impact our earnings and capital.

We fund real estate mortgage loans through District Associations and purchase mortgage-backed and asset-backed securities that are impacted by changes in interest rates. Changes in interest rates can significantly impact the prepayment patterns of these assets and thus affect our earnings. We strive to manage or reduce this risk by "match-funding" debt securities issued to the maturities of our loans and investments and entering into interest-rate derivative transactions, and through the rebalancing of cash-flow mismatches of assets and liabilities. Our inability to "match-fund" debt securities to longer-term assets may increase the prepayment risks.

We use derivative financial instruments to minimize the financial effects of changes in interest rates and must determine the nature and quantity of these hedging transactions. The effectiveness of the hedging transactions depends upon management's ability to determine the appropriate hedging position, taking into consideration our assets, liabilities and prevailing and anticipated market conditions. In addition, the usefulness of the hedging strategy depends on the availability of cost-effective hedging instruments and the ability to enter into hedging transactions with high quality counterparties. If we are unable to manage our hedging position properly, it will negatively impact our financial condition and results of operations. We also face the risk of operational failure of any of the clearing members, exchanges, clearinghouses, or other financial intermediaries used to facilitate such hedging transactions. If a clearing member or clearinghouse were to fail, we could experience losses related to any collateral we had posted with such clearing member or clearinghouse to cover initial or variation margin. A default by a counterparty with significant obligations to us could adversely affect our ability to conduct our operations efficiently, which in turn could adversely affect our results of operations or our financial condition. To minimize the risk of credit losses, we have developed credit risk management policies and procedures as well as counterparty credit requirements.

If market interest rates move contrary to our interest rate risk position, our earnings and the net present value of our interest-sensitive assets and liabilities will be adversely affected.
We realize income primarily from the spread between interest earned on our loans and investments and the interest paid on borrowings. Also, it is expected that we will from time to time incur interest rate risk in the form of "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, the "gap" will adversely affect earnings and the net present value of our interest-sensitive assets and liabilities.

Changes in LIBOR could adversely affect our operations and cash flows.
In July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021. Further, in the United States, there are multiple efforts to identify a set of alternative U.S dollar reference interest rates. The potential reform, replacement, or elimination of LIBOR may adversely affect the interest we pay on Systemwide debt, the returns we earn on loans and investments, and the effectiveness of our derivatives, which could adversely impact our results of operations and cash flows. If LIBOR is replaced, we would likely need to take steps to restructure our debt and derivatives, which could adversely impact our results of operations.

We are exposed to risks associated with our investments.
We maintain a liquidity plan covering certain contingencies in the event our access to normal funding mechanisms is not available. We purchase only high credit quality investments to best position our investment portfolio to be readily marketable and available to serve as a source of funding in the event of disruption of our normal funding mechanisms. Our liquidity investment portfolio can also be used as collateral to borrow funds to meet obligations.

The majority of our investment portfolio consists of securities issued or guaranteed by GSEs or the U.S. government, which remain liquid. The remainder of our investment portfolio represents investments in commercial paper, federal funds, certificates of deposit, asset-backed securities, and non-agency mortgage-backed securities. In further support of our liquidity, we have cash on deposit at the Federal Reserve Bank.

Uncertainty in financial markets or distressed economic conditions may significantly reduce the liquidity of our investments and may make it difficult for us to sell such investments if the need arises. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a liquid market existed for the investments.

We are subject to legal proceedings and legal compliance risks.
We are subject to a variety of legal proceedings and legal compliance risks. We are at times reviewed by the FCA and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. While we believe we have adopted appropriate risk management and compliance programs, legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

We are subject to reputation risk.
Reputation risk arising from negative public opinion could adversely affect our ability to obtain financing, impede our ability to hire and retain qualified personnel or expose us to greater regulatory scrutiny or adverse regulatory or legislative changes. Such risk encompasses the loss of confidence, trust and esteem among customers, investors, partners, policymakers, shareholders and other key stakeholders. Like all businesses, we are subject to a wide variety of reputation risks both within and outside our control, including credit difficulties with individual customers or industries, business disputes, lawsuits, credit market disruptions, regulatory events and public allegations of misconduct against associates. As a member of the System, we could also be indirectly impacted by events that damage the reputation of another System entity. The board of directors and our management regard our reputation as a critical asset and have implemented a number of policies, procedures and programs to ensure it is protected.

Our ability to attract and retain qualified employees is critical to successfully fulfilling our mission.
Our continued success will largely depend on our ability to attract and retain a high caliber of talent and on the efforts and abilities of key employees.

We may be subject to information technology system failures, network disruptions and breaches in data security.
We rely to a large extent upon information technology systems and infrastructure to operate our business. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. While our systems are primarily centralized within the AgriBank District, there is de-centralization of systems across the Farm Credit System resulting in increased complexity in the technology infrastructure. Likewise, data privacy breaches by employees and others with permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested in protection of data and information technology, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

A failure or circumvention of our controls and procedures could have an adverse effect on our business, results of operations and financial condition.
We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. However, no control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, while we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have an adverse effect on our business, results of operations and financial condition.

Failures of critical vendors and other third parties could disrupt our ability to conduct and manage our businesses.

We rely on vendors and other third parties to perform certain critical services. A failure in, or an interruption to, one or more of those services provided could negatively impact our business operations. If one or more of these key external parties were not able to perform their functions for a period of time, at an acceptable service level, or for increased volumes, our business operations could be constrained, disrupted, or otherwise negatively affected.

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