FOCUS ON FUNDAMENTALS

Strength and Stability for Farm Credit Associations

AGRIBANK 2018 QUARTERLY REPORT
JUNE 30, 2018

AgriBank
FARM CREDIT BANK

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Management's Discussion and Analysis

AgriBank, FCB

(Unaudited)

The following commentary is a review of the financial condition and results of operations of AgriBank, FCB (AgriBank or the Bank). This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and the 2017 Annual Report.

AgriBank is a funding Bank that supports and is primarily owned by 14 Farm Credit Associations, with over $105 billion in total assets. AgriBank and the 14 Associations are collectively referred to as the District. 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, AgriBank and District Associations have significant expertise in providing financial products and services for rural communities and agriculture.

Chief Executive Officer Transition

In March 2018, Jeffrey R. Swanhorst was named as chief executive officer (CEO) of AgriBank effective April 2, 2018. Previously as chief credit officer, Mr. Swanhorst was responsible for all AgriBank credit functions and served on various System committees. Retiring CEO William J. Thone remained with AgriBank through June 30, 2018 on a consulting basis to ensure a smooth leadership transition.

Forward-Looking Information

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2017 Annual Report. AgriBank undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Overview

Net income increased $23.4 million, or 8.8 percent, to $291.0 million for the six months ended June 30, 2018, compared to the same period of the prior year. The increase in net income was primarily due to an increase in non-interest income, and to a lesser extent, an increase in net interest income. The increase in non-interest income was primarily attributable to contributions from a non-recurring distribution received from the Farm Credit System Insurance Corporation (FCSIC) and increased mineral income during the first six months of 2018 compared to the same period of the prior year.

Return on assets ratio (ROA) of 56 basis points in 2018 remained above our 50 basis point target. This ratio includes the impact of a non-recurring distribution from the FCSIC. We anticipate meeting our 50 basis point target at year end.

Loan portfolio credit quality remained strong with 99.5 percent of our total loan portfolio in the acceptable category. Credit quality of our retail loan portfolio (accounting for approximately 9 percent of our total loan portfolio) moderated slightly to 94.7 percent acceptable as of June 30, 2018, compared to 95.1 percent acceptable at December 31, 2017. Robust capital levels ensure we are well-positioned to manage the cyclicality that is characteristic of the agricultural market. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment
U.S. economic activity is expected to continue advancing at a moderate pace and the U.S. economy is forecasted to grow at 3.0 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 Cuts and Jobs Act legislation that was passed in late 2017.

The Federal Open Market Committee (FOMC) of the Federal Reserve continues to move forward with the process of normalizing the level of interest rates and continues winding down its balance sheet. After the 25 basis point rate increase in June 2018, the target range for the federal funds rate stands at 1.75 to 2.00 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 25 basis points before the end of 2018 to a target range of 2.00 to 2.25 percent. The U.S. Treasury yield curve has flattened 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. Economists expect U.S. Treasury rates to move higher by the end of 2018 with the 2-year and 10-year rates approaching 2.81 and 3.13 percent, respectively.

We manage interest rate risk consistent with policies established by the AgriBank Board of Directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section of the 2017 Annual Report).

Agricultural Conditions
The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) has forecasted U.S. net farm income to decrease $4.3 billion, or 6.7 percent, to $59.5 billion for 2018, from the latest 2017 estimate of $63.8 billion. As forecasted, 2018 net farm income would result in the lowest level since 2006 in nominal terms. The decline in the forecasted 2018 net farm income is largely driven by increased expenses, primarily due to higher labor costs and interest expense.

U.S. farm sector working capital has declined in recent years and is expected to continue to decline in 2018, perpetuated by diminished levels of cash and other short-term assets, sustained low commodity prices and growing short-term debt.

While 2018 net farm income and working capital are expected to decline, a healthy U.S. economy is expected to support domestic demand for most agricultural commodities in the foreseeable future. The primary area of risk will remain the export component of the demand for U.S. agricultural commodities, with a stronger dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the United States are projected to remain at elevated supply levels resulting from a combination of factors, including overall excellent crop conditions, tariffs and strong harvests in recent years. In addition to cash crops, pork and dairy are heavily dependent upon exports and most susceptible to foreign trade-related disruptions in 2018. The risk in the export component of the demand for U.S. agricultural commodities may be partially mitigated by USDA assistance to producers impacted by retaliatory tariffs.

Continued low feed costs along with higher expected market prices in most major animal protein categories entering 2018 have driven increased production, giving rise to increased supply. This increased supply coupled with the expected impact of tariffs from China and Mexico are creating price challenges for producers, especially pork, as roughly one-fifth of domestically produced pork is exported.

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, adoption of cost-saving technologies, negotiating adjustments to various business arrangements such as rental cost of agricultural real estate, and effective use of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Updated Industry Conditions

The following are industry conditions for which we have updated our outlook since December 31, 2017. For further analysis of industry conditions which have not experienced a change in outlook since December 31, 2017, refer to the Agricultural Conditions section of Management's Discussion and Analysis of the 2017 Annual Report.

<u>Soybeans</u>
A decline in the level of soybean prices, primarily due to the combined impact of large ending stocks and Chinese tariffs, has resulted in a downgrade to our industry outlook from neutral to neutral-to-negative.

Land Values
The AgriBank District continues to monitor agricultural land values as an integral part of our credit risk assessment process. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The annual survey results will be compiled during the third quarter of 2018.

The Federal Reserve Banks of Chicago, Kansas City and St. Louis reported on the change in farmland values from the end of the first quarter 2017 to the end of the first quarter 2018 in their respective districts. These Federal Reserve district reports indicated overall farmland values ranging from no change to a decrease of 3.0%.

The USDA 2017 land value survey, based primarily on agricultural producer opinions, indicated a 0.7 percent increase in farmland values and stable cropland values in the AgriBank District. While recent slight increases in values have been observed by the USDA, agriculture land values in the District have generally stabilized or trended downward since 2013. Land values in the District are expected to remain stable or soften over the next year, primarily due to anticipated continued low levels of net farm income in 2018 and beyond and, to a lesser extent, expected interest rate increases.

Loan Portfolio

Components of Loans

(in thousands)	**June 30, 2018**	December 31, 2017
Accrual loans:		
Wholesale loans	**$81,149,235**	$79,960,907
Retail loans:		
Real estate mortgage	**$3,600,491**	$3,910,060
Production and intermediate-term	**3,597,119**	3,710,514
Loans to other financing institutions (OFIs)	**558,754**	593,677
Other	**137,548**	146,727
Total retail loans	**7,893,912**	8,360,978
Nonaccrual loans	**55,285**	53,038
Total loans	**$89,098,432**	$88,374,923

The Other category is primarily composed of agribusiness, communication and rural residential real estate loans.

Loans totaled $89.1 billion at June 30, 2018, an increase of $723.5 million, or 0.8 percent, from December 31, 2017. The increase in total loans was driven primarily by increased draws on wholesale loans. The increase in wholesale loans is due to an increase in agribusiness volume at District Associations, which was partially offset by seasonal repayments on operating lines in the production and intermediate-term sector at District Associations.

The credit quality of our total loan portfolio remained strong at 99.5 percent in the acceptable category at June 30, 2018, unchanged from December 31, 2017. Adversely classified loans were 0.3 percent at June 30, 2018 and December 31, 2017. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong even as some District Associations experience further gradual declines in their retail credit quality. District Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans. Credit quality of our retail loan portfolio moderated slightly to 94.7 percent acceptable as of June 30, 2018, compared to 95.1 percent acceptable at December 31, 2017.

Components of Risk Assets

(in thousands)	**June 30, 2018**	December 31, 2017
Nonaccrual loans	**$55,285**	$53,038
Accruing restructured loans	**3,739**	4,588
Accruing loans 90 days or more past due	**969**	8
Total risk loans	**59,993**	57,634
Other property owned	**409**	78
Total risk assets	**$60,402**	$57,712
Risk loans as a % of total loans	**0.07%**	0.07%
Nonaccrual loans as a % of total loans	**0.06%**	0.06%
Delinquencies as a % of total loans	**0.06%**	0.05%

Note: Accruing loans include accrued interest receivable.

Risk assets remain at acceptable levels, and total risk loans as a percentage of total loans remains within our established risk management guidelines. Risk loans are primarily concentrated in the real estate mortgage and production and intermediate-term sectors. At June 30, 2018, 56.0 percent of nonaccrual loans were current as to principal and interest, compared to 61.2 percent at December 31, 2017.

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

Allowance Coverage Ratios

	June 30, 2018	December 31, 2017
Allowance as a percentage of:		
Loans	**0.03%**	0.03%
Nonaccrual loans	**45.47%**	49.11%
Total risk loans	**41.90%**	45.19%
Adverse assets to capital and allowance for loan losses	**4.02%**	3.90%

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. As of June 30, 2018, the allowance decreased $911 thousand, compared to December 31, 2017. This reflects $1.9 million in net charge-offs significantly offset by $1.0 million of provision for loan losses as our retail credit quality declined slightly during the six months ended June 30, 2018.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the six months ended June 30, 2018, investor demand for Systemwide Debt Securities remained favorable.

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

We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity and asset-backed securities (ABS). At June 30, 2018, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and Farm Credit Administration (FCA) regulations require maintaining minimum liquidity on a continuous basis of 120 days and 90 days, respectively. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of June 30, 2018, we had sufficient liquidity to fund all debt maturing within 145 days.

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

Total shareholders' equity at June 30, 2018 was $5.8 billion, a $141.5 million increase from December 31, 2017. The increase was primarily driven by comprehensive income, which was substantially offset by patronage distributions declared, consistent with our capital plan.

At June 30, 2018, we exceeded the regulatory minimum capital ratios. Refer to the Additional Regulatory Information section as well as Note 4 in the accompanying Financial Statements for further discussion of capital ratios.

Results of Operations

Net income for the six months ended June 30, 2018 was $291.0 million, an 8.8 percent increase, compared to $267.6 million for the same period in 2017. Return on assets ratio of 56 basis points in 2018 remained above our 50 basis point target. This ratio includes the impact of a non-recurring distribution from the FCSIC in the first quarter of 2018. In order to achieve our 50 basis point target at December 31, 2018, we lowered the wholesale spread charged to District Associations for the second half of 2018.

Changes in Significant Components of Net Income

(in thousands) **For the six months ended June 30,**	**2018**	2017	Increase (Decrease) in Net Income
Net interest income	**$298,405**	$292,832	$5,573
Provision for loan losses	**1,000**	3,000	2,000
Non-interest income	**55,877**	38,706	17,171
Non-interest expense	**62,297**	60,987	(1,310)
Net income	**$290,985**	$267,551	$23,434

The increase in non-interest income was primarily due to the Allocated Insurance Reserve Account (AIRA) distribution received from the FCSIC during the first quarter of 2018 and increased mineral income. The AIRA was established by the FCSIC when premiums collected increased the level of the insurance fund beyond the required 2 percent of insured debt. Refer to the 2017 AgriBank Annual Report for additional information about the FCSIC. The increase in mineral income was primarily due to higher oil and gas prices and production compared to the prior year.

Changes in Net Interest Income

(in thousands)

For the six months ended June 30,	2018 vs 2017		
Increase (decrease) due to:	Volume	Rate	Total
Interest income:			
Loans	$28,681	$178,959	$207,640
Investments	2,942	46,994	49,936
Total interest income	31,623	225,953	257,576
Interest expense:			
Systemwide debt securities and other	(19,789)	(232,214)	(252,003)
Net change in net interest income	$11,834	$(6,261)	$5,573

Net interest income (NII) for the six months ended June 30, 2018 increased slightly compared to the same period of 2017.

Increased NII was primarily attributable to loan volume, partially offset by the net impact of increased interest rates. Higher interest rates in 2018 have led to increased interest expense on Systemwide Debt Securities, which was significantly offset by increased interest income from our wholesale loans to District Associations and other financing institutions (OFIs) and, to a lesser extent, investments.

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

(in thousands)

For the six months ended June 30,	2018			2017		
	ADB	Rate	NII	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	$79,500,339	2.38%	$940,171	$77,600,449	1.96%	$754,560
Retail accrual loans	8,038,782	4.09%	163,170	7,538,951	3.78%	141,279
Retail nonaccrual loans	55,487	7.06%	1,943	52,935	6.88%	1,806
Investment securities and federal funds	15,671,098	1.84%	142,606	15,152,785	1.23%	92,670
Total earning assets	103,265,706	2.44%	1,247,890	100,345,120	1.99%	990,315
Interest bearing liabilities	97,844,302	1.96%	949,485	95,195,181	1.48%	697,483
Interest rate spread	$5,421,404	0.48%		$5,149,939	0.51%	
Impact of equity financing		0.10%			0.08%	
Net interest margin		0.58%			0.59%	
Net interest income			$298,405			$292,832

Net interest margin for the six months ended June 30, 2018, decreased one basis point compared to the same period of the prior year. This decrease was primarily driven by the decreased interest rate spread. Equity financing represents the benefit of non-interest bearing funding, primarily shareholders' equity, and was up compared to the prior year due to higher equity volume and a higher level of interest rates. As anticipated, the positive contribution from funding actions has declined due to the current interest rate environment.

Additional Regulatory Information

Investment Securities Eligibility

In May 2018, the FCA Board approved a final rule to revise the requirements governing the eligibility of investment securities for System Banks and Associations. The new regulation is intended to strengthen the eligibility criteria for investments that System Banks purchase and hold. Further, it removes references to and requirements for credit ratings and substitutes other appropriate standards of credit worthiness in compliance with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The regulation is effective January 1, 2019. We are currently working to update policies, procedures and other documentation to ensure compliance by the effective date. We do not expect the regulation to have a material impact on our financial statements.

Certification

The undersigned have reviewed the June 30, 2018 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of our knowledge and belief.

Matthew D. Walther
Chair of the Board
AgriBank, FCB
August 9, 2018

Jeffrey R. Swanhorst
Chief Executive Officer
AgriBank, FCB
August 9, 2018

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
August 9, 2018

Statements of Condition

AgriBank, FCB

(unaudited) (in thousands)	**June 30, 2018**	December 31, 2017
Assets		
Loans	**$89,098,432**	$88,374,923
Allowance for loan losses	**25,136**	26,047
Net loans	**89,073,296**	88,348,876
Investment securities	**14,693,737**	14,386,455
Cash	**403,625**	469,599
Federal funds	**600,000**	676,300
Accrued interest receivable	**577,370**	498,826
Derivative assets	**28,807**	8,956
Allocated prepaid pension costs	**39,988**	38,834
Cash collateral posted with counterparties	**22,889**	29,730
Other assets	**140,772**	87,149
Total assets	**$105,580,484**	$104,544,725
Liabilities		
Bonds and notes	**$99,280,096**	$98,313,944
Accrued interest payable	**344,935**	288,978
Derivative liabilities	**11,827**	34,562
Cash collateral posted by counterparties	**6,390**	--
Accounts payable and other payables	**139,435**	246,388
Other liabilities	**14,389**	18,971
Total liabilities	**99,797,072**	98,902,843
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**2,352,110**	2,345,655
Unallocated surplus	**3,220,079**	3,132,653
Accumulated other comprehensive loss	**(38,777)**	(86,426)
Total shareholders' equity	**5,783,412**	5,641,882
Total liabilities and shareholders' equity	**$105,580,484**	$104,544,725

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

Statements of Comprehensive Income

AgriBank, FCB

(unaudited)
(in thousands)

For the periods ended June 30,	Three months 2018	Three months 2017	Six months 2018	Six months 2017
Interest income				
Loans	**$576,023**	$465,620	**$1,105,284**	$897,644
Investment securities	**76,840**	48,688	**142,606**	92,670
Total interest income	**652,863**	514,308	**1,247,890**	990,314
Interest expense	**499,206**	364,548	**949,485**	697,482
Net interest income	**153,657**	149,760	**298,405**	292,832
Provision for loan losses	**1,000**	1,000	**1,000**	3,000
Net interest income after provision for loan losses	**152,657**	148,760	**297,405**	289,832
Non-interest income				
Mineral income	**16,824**	12,215	**31,437**	22,462
Business services income	**5,570**	4,934	**11,336**	9,572
Loan prepayment and fee income	**1,326**	2,069	**3,240**	4,626
Allocated Insurance Reserve Accounts income	**--**	--	**9,302**	--
Miscellaneous income and other (losses) gains, net	**(477)**	(101)	**562**	2,046
Total non-interest income	**23,243**	19,117	**55,877**	38,706
Non-interest expense				
Salaries and employee benefits	**9,625**	9,694	**18,889**	19,854
Other operating expenses	**9,918**	9,112	**19,749**	18,338
Loan servicing and other fees paid to District Associations	**9,490**	8,100	**19,847**	16,880
Farm Credit System insurance expense	**1,879**	2,969	**3,812**	5,915
Total non-interest expense	**30,912**	29,875	**62,297**	60,987
Net income	**$144,988**	$138,002	**$290,985**	$267,551
Other comprehensive income (loss)				
Not-other-than-temporarily-impaired investments available-for-sale	**$(4,355)**	$13,039	**$(34,412)**	$21,689
Derivatives and hedging activity	**23,078**	(18,310)	**81,997**	(13,562)
Employee benefit plan activity	**32**	--	**64**	--
Total other comprehensive income (loss)	**18,755**	(5,271)	**47,649**	8,127
Comprehensive income	**$163,743**	$132,731	**$338,634**	$275,678

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(unaudited) (in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2016	$250,000	$2,183,701	$3,132,432	$(80,030)	$5,486,103
Net income			267,551		267,551
Other comprehensive income				8,127	8,127
Patronage			(172,700)		(172,700)
Perpetual preferred stock dividends			(8,594)		(8,594)
Capital stock/participation certificates issued		83,743			83,743
Balance at June 30, 2017	$250,000	$2,267,444	$3,218,689	$(71,903)	$5,664,230
Balance at December 31, 2017	$250,000	$2,345,655	$3,132,653	$(86,426)	$5,641,882
Net income			**290,985**		**290,985**
Other comprehensive income				**47,649**	**47,649**
Patronage			**(194,965)**		**(194,965)**
Perpetual preferred stock dividends			**(8,594)**		**(8,594)**
Capital stock/participation certificates issued		**20,287**			**20,287**
Capital stock/participation certificates retired		**(13,832)**			**(13,832)**
Balance at June 30, 2018	**$250,000**	**$2,352,110**	**$3,220,079**	**$(38,777)**	**$5,783,412**

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

Statements of Cash Flows

AgriBank, FCB

(unaudited)
(in thousands)

For the six months ended June 30,	2018	2017
Cash flows from operating activities		
Net income	$290,985	$267,551
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	1,572	1,848
Provision for loan losses	1,000	3,000
Amortization of discounts on investments, net	(41,021)	(12,738)
Amortization of discounts on debt and deferred debt issuance costs, net	30,033	48,728
Loss (gain) on derivative activities, net	275	(1,545)
Insurance refund related to FCS Financial Assistance Corporation stock	(3,376)	--
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(939,779)	(750,969)
(Increase) decrease in other assets	(2,027)	14,752
Increase in accrued interest payable	55,957	33,197
Decrease in other liabilities	(10,438)	(21,318)
Net cash used in operating activities	(616,819)	(417,494)
Cash flows from investing activities		
Decrease in loans, net	135,464	229,711
Proceeds from sales of other property owned	30	733
Purchases of investment securities	(1,969,250)	(1,067,460)
Proceeds from maturing investment securities	1,616,241	1,757,659
Purchases of premises and equipment, net	(1,664)	(1,398)
Proceeds from insurance refund related to FCS Financial Assistance Corporation stock	3,376	--
Net cash (used in) provided by investing activities	(215,803)	919,245
Cash flows from financing activities		
Bonds and notes issued	97,127,074	89,490,991
Bonds and notes retired	(96,178,736)	(89,827,810)
Decrease in cash collateral posted with counterparties, net	6,841	2,268
Increase in cash collateral posted by counterparties	6,390	--
Variation margin settled on cleared derivatives, net	26,916	(13,602)
Patronage distributions paid	(295,998)	(204,341)
Preferred stock dividends paid	(8,594)	(8,594)
Capital stock/participation certificates issued, net	6,455	83,743
Net cash provided by (used in) financing activities	690,348	(477,345)
Net (decrease) increase in cash and federal funds	(142,274)	24,406
Cash and federal funds at beginning of period	1,145,899	1,061,296
Cash and federal funds at end of period	$1,003,625	$1,085,702
Supplemental non-cash investing and financing activities		
(Decrease) increase in shareholders' equity from investment securities	$(34,412)	$21,689
Interest capitalized to loan principal	861,235	700,080
Patronage and preferred stock dividends accrued	107,969	95,253
Supplemental non-cash fair value changes related to hedging activities		
(Increase) decrease in derivative assets	$(44,526)	$7,593
(Decrease) increase in derivative liabilities	(24,977)	9,911
Decrease in bonds from derivative activity	(12,219)	(5,487)
Increase (decrease) in shareholders' equity from cash flow derivatives	81,997	(13,562)
Supplemental Information		
Interest paid	$863,495	$615,557

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

Notes to Financial Statements

AgriBank, FCB

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System or FCS), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At June 30, 2018, the District had 14 Agricultural Credit Associations (ACA). Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of our organization and operation, significant accounting policies followed, financial condition and results of operations as of and for the year ended December 31, 2017 are contained in the 2017 Annual Report. There have been no significant changes in our accounting policies since December 31, 2017. These unaudited second quarter 2018 Financial Statements should be read in conjunction with the Annual Report. The results for the six months ended June 30, 2018 do not necessarily indicate the results to be expected for the year ended December 31, 2018.

The accompanying Financial Statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to accounting principles generally accepted (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 prior year's Financial Statements have been reclassified to conform to current year presentation.

The Financial Statements include the accounts of AgriBank. The Financial Statements do not include the assets, obligations, or results of operations of District Associations. AgriBank operates as a single segment for reporting purposes.

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. The adoption of the guidance did not impact our financial condition or cash flows, but did result in an immaterial change to the classification of certain items in the results of operations. The components of net periodic benefit cost other than the service cost component are included in the other operating expenses line item on the Statements of Comprehensive Income. As the change in classification was immaterial, there were no retroactive adjustments to the Statements of Comprehensive Income. There were no material changes to the financial statement disclosures.
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 from the 2018 Annual Report.

Standard and effective date	Description	Adoption status and financial statement impact
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. When this guidance is adopted, a liability for lease obligations and a corresponding right-of-use asset will be recognized on the Combined Statements of Condition for all lease arrangements spanning more than 12 months.	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.
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. We expect 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 in the process of reviewing the accounting standard. Significant implementation matters yet to be addressed include system selection, drafting of accounting policies and disclosures, and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	June 30, 2018 Amount	%	December 31, 2017 Amount	%
Wholesale loans	**$81,149,235**	**91.1%**	$79,960,907	90.6%
Retail loans:				
Real estate mortgage	**3,619,282**	**4.1%**	3,928,551	4.4%
Production and intermediate-term	**3,633,552**	**4.1%**	3,744,997	4.2%
Loans to other financing institutions (OFIs)	**558,754**	**0.6%**	593,677	0.7%
Other	**137,609**	**0.1%**	146,791	0.1%
Total retail loans	**7,949,197**	**8.9%**	8,414,016	9.4%
Total loans	**$89,098,432**	**100.0%**	$88,374,923	100.0%

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

Participations

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

Retail Loan Participations Purchased

(in thousands)	June 30, 2018	December 31, 2017
Real estate mortgage	**$3,619,106**	$3,928,341
Production and intermediate-term	**3,633,552**	3,744,997
Other	**137,609**	146,791
Total loans	**$7,390,267**	$7,820,129

Portfolio Performance

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

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

Credit Quality of Loans

(in thousands) As of June 30, 2018	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$81,642,238	100.0%	$ --	--	$ --	--	$81,642,238	100.0%
Retail loans:								
Real estate mortgage	3,413,379	93.3%	125,654	3.4%	120,665	3.3%	3,659,698	100.0%
Production and intermediate-term	3,478,498	95.3%	65,574	1.8%	107,331	2.9%	3,651,403	100.0%
Loans to OFIs	561,796	100.0%	--	--	--	--	561,796	100.0%
Other	132,614	96.0%	495	0.4%	5,018	3.6%	138,127	100.0%
Total retail loans	7,586,287	94.7%	191,723	2.4%	233,014	2.9%	8,011,024	100.0%
Total loans	$89,228,525	99.5%	$191,723	0.2%	$233,014	0.3%	$89,653,262	100.0%

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	141,723	96.2%	543	0.4%	5,090	3.5%	147,356	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%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as loss at June 30, 2018 or December 31, 2017.

Aging Analysis of Loans

(in thousands) As of June 30, 2018	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	$ --	$ --	$ --	$81,642,238	$81,642,238	$ --
Retail loans:						
Real estate mortgage	11,761	6,133	17,894	3,641,804	3,659,698	223
Production and intermediate-term	24,187	13,502	37,689	3,613,714	3,651,403	746
Loans to OFIs	--	--	--	561,796	561,796	--
Other	488	24	512	137,615	138,127	--
Total retail loans	36,436	19,659	56,095	7,954,929	8,011,024	969
Total loans	$36,436	$19,659	$56,095	$89,597,167	$89,653,262	$969

(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 of 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	146,733	147,356	--
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

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands)	June 30, 2018	December 31, 2017
Nonaccrual loans:		
Current as to principal and interest	**$30,941**	$32,455
Past due	**24,344**	20,583
Total nonaccrual loans	**55,285**	53,038
Accruing restructured loans	**3,739**	4,588
Accruing loans 90 days or more past due	**969**	8
Total risk loans	**$59,993**	$57,634
Volume with specific reserves	**$31,117**	$30,075
Volume without specific reserves	**28,876**	27,559
Total risk loans	**$59,993**	$57,634
Specific reserves	**$5,000**	$5,052

Note: Accruing loans include accrued interest receivable.

Income on Risk Loans

For the six months ended June 30,	**2018**	2017
Income on accrual risk loans	**$142**	$128
Income on nonaccrual loans	**1,943**	1,806
Total income on risk loans	**$2,085**	$1,934
Average risk loans	**$61,480**	$57,743

Risk Loans by Type

(in thousands)	June 30, 2018	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	**$18,792**	$18,491
Production and intermediate-term	**36,433**	34,483
Other	**60**	64
Total nonaccrual loans	**$55,285**	$53,038
Accruing restructured loans:		
Real estate mortgage	**$3,739**	$4,588
Total accruing restructured loans	**$3,739**	$4,588
Accruing loans 90 days or more past due:		
Real estate mortgage	**$223**	$ --
Production and intermediate-term	**746**	8
Total accruing loans 90 days or more past due	**$969**	$8
Total risk loans	**$59,993**	$57,634

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at June 30, 2018 or December 31, 2017.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of June 30, 2018 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the six months ended June 30, 2018 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$2,583**	**$2,996**	**$730**	**$2,702**	**$ --**
Production and intermediate-term	**28,498**	**29,887**	**4,253**	**28,807**	**--**
Other	**36**	**41**	**17**	**66**	**--**
Total	**$31,117**	**$32,924**	**$5,000**	**$31,575**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$20,171**	**$35,007**	**$ --**	**$21,104**	**$1,515**
Production and intermediate-term	**8,681**	**8,307**	**--**	**8,775**	**569**
Other	**24**	**212**	**--**	**26**	**1**
Total	**$28,876**	**$43,526**	**$ --**	**$29,905**	**$2,085**
Total impaired loans:					
Real estate mortgage	**$22,754**	**$38,003**	**$730**	**$23,806**	**$1,515**
Production and intermediate-term	**37,179**	**38,194**	**4,253**	**37,582**	**569**
Other	**60**	**253**	**17**	**92**	**1**
Total	**$59,993**	**$76,450**	**$5,000**	**$61,480**	**$2,085**

(in thousands)	As of December 31, 2017 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the six months ended June 30, 2017 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,752	$3,193	$747	$3,595	$ --
Production and intermediate-term	27,285	28,298	4,286	28,906	--
Other	38	42	19	40	--
Total	$30,075	$31,533	$5,052	$32,541	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$20,327	$36,221	$ --	$17,213	$1,357
Production and intermediate-term	7,206	7,093	--	7,683	577
Agribusiness	--	--	--	26	--
Other	26	214	--	280	--
Total	$27,559	$43,528	$ --	$25,202	$1,934
Total impaired loans:					
Real estate mortgage	$23,079	$39,414	$747	$20,808	$1,357
Production and intermediate-term	34,491	35,391	4,286	36,589	577
Agribusiness	--	--	--	26	--
Other	64	256	19	320	--
Total	$57,634	$75,061	$5,052	$57,743	$1,934

[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 classified as risk loans as of June 30, 2018.

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 six months ended June 30, 2018 or 2017. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of June 30, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the six months ended June 30,	2018	2017
Balance at beginning of period	$26,047	$21,282
Provision for loan losses	1,000	3,000
Charge-offs	(2,569)	(1,758)
Recoveries	658	701
Balance at end of period	$25,136	$23,225

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, 2017	$ --	$2,298	$22,711	$425	$613	$26,047
(Reversal of) provision for loan losses	--	(79)	1,235	(77)	(79)	1,000
Charge-offs	--	(196)	(2,372)	--	(1)	(2,569)
Recoveries	--	165	491	--	2	658
Balance as of June 30, 2018	$ --	$2,188	$22,065	$348	$535	$25,136
As of June 30, 2018:						
Ending balance: individually evaluated for impairment	$ --	$730	$4,253	$ --	$17	$5,000
Ending balance: collectively evaluated for impairment	$ --	$1,458	$17,812	$348	$518	$20,136
Recorded investments in loans outstanding:						
Ending balance as of June 30, 2018	$81,642,238	$3,659,699	$3,651,402	$561,796	$138,127	$89,653,262
Ending balance for loans individually evaluated for impairment	$81,642,238	$22,754	$37,179	$ --	$60	$81,702,231
Ending balance for loans collectively evaluated for impairment	$ --	$3,636,945	$3,614,223	$561,796	$138,067	$7,951,031

(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 (reversal of) loan losses	--	619	2,193	7	181	3,000
Charge-offs	--	(267)	(1,487)	--	(4)	(1,758)
Recoveries	--	99	599	--	3	701
Balance as of June 30, 2017	$ --	$2,325	$20,235	$227	$438	$23,225
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

Note: Accruing loans include accrued interest receivable.

NOTE 3

Investment Securities

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

Investment Securities

AgriBank AFS Investment Securities

(in thousands) **As of June 30, 2018**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$6,083,619**	**$8,417**	**$99,334**	**$5,992,702**	**2.0%**
Commercial paper and other	**5,597,844**	**704**	**156**	**5,598,392**	**2.2%**
U.S. Treasury securities	**3,058,755**	**230**	**19,303**	**3,039,682**	**1.3%**
Asset-backed securities	**63,117**	**--**	**156**	**62,961**	**1.4%**
Total	**$14,803,335**	**$9,351**	**$118,949**	**$14,693,737**	**2.0%**

(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%

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

Contractual Maturities of AgriBank AFS Investment Securities

	Year of Maturity				
(in thousands) **As of June 30, 2018**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$149**	**$21,329**	**$995,355**	**$4,975,869**	**$5,992,702**
Commercial paper and other	**5,598,392**	**--**	**--**	**--**	**5,598,392**
U.S. Treasury securities	**1,458,003**	**1,581,679**	**--**	**--**	**3,039,682**
Asset-backed securities	**583**	**62,378**	**--**	**--**	**62,961**
Total	**$7,057,127**	**$1,665,386**	**$995,355**	**$4,975,869**	**$14,693,737**
Weighted average yield	**2.0%**	**1.5%**	**1.8%**	**2.1%**	**2.0%**

The expected average life is 0.2 years for asset-backed securities (ABS) and 4.1 years for mortgage-backed securities (MBS) at June 30, 2018. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

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

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of June 30, 2018	**Value**	**Losses**	**Value**	**Losses**
Mortgage-backed securities	**$1,768,556**	**$25,208**	**$2,398,153**	**$74,126**
Commercial paper and other	**1,274,432**	**156**	**--**	**--**
U.S. Treasury securities	**1,137,048**	**8,899**	**1,730,923**	**10,404**
Asset-backed securities	**15,834**	**44**	**47,126**	**112**
Total	**$4,195,870**	**$34,307**	**$4,176,202**	**$84,642**

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of December 31, 2017	Value	Losses	Value	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

There were no AFS investment securities sold during the six months ended June 30, 2018 or 2017.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. We have determined no securities were in an OTTI loss position at June 30, 2018 or at December 31, 2017.

There was no OTTI activity during the six months ended June 30, 2018 or 2017.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

	June 30, 2018	December 31, 2017	**Regulatory Minimums**	**Capital Conservation Buffer [1]**	**Total**
Risk-adjusted:					
Common equity tier 1 capital ratio	**18.1%**	18.2%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.9%**	19.0%	6.0%	2.5%	8.5%
Total capital ratio	**19.0%**	19.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**19.0%**	19.0%	7.0%	0.0%	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.6%**	5.6%	4.0%	1.0%	5.0%
UREE[2] leverage ratio	**3.1%**	3.2%	1.5%	0.0%	1.5%

[1]The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in through 2020 under the FCA capital requirements.

[2] Unallocated retained earnings and equivalents

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.

Protected participation certificates of $181 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of June 30, 2018 and December 31, 2017.

NOTE 5

Employee Benefit Plans

We participate in District-wide employee benefit plans. The funded status of the post-employment benefit plans is recorded at the District-level. The components of net periodic benefit cost other than the service cost component, are included in the line item "Other operating expenses" on the Statements of Comprehensive Income. Service costs are included in the line item "Salaries and employee benefits" on the Statements of Comprehensive Income.

Components of AgriBank District Net Periodic Benefit Cost

(in thousands)	Pension Benefits		Other Benefits	
For the six months ended June 30,	**2018**	2017	**2018**	2017
Service cost	**$15,139**	$14,269	**$132**	$217
Interest cost	**23,214**	23,452	**336**	512
Expected return on plan assets	**(32,830)**	(30,972)	**--**	--
Amortization of prior service credit	**(1,808)**	(1,945)	**--**	(192)
Amortization of net loss (gain)	**24,678**	19,572	**(855)**	(268)
Settlements and termination benefits	**--**	385	**--**	--
Net periodic benefit cost	**$28,393**	$24,761	**$(387)**	$269

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan covering most of the District. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to Note 8 in the 2017 Annual Report for a more complete description of the Employee Benefit Plans.

For the six months ended June 30, 2018, District employers have contributed $39.5 million to fund pension benefits. District employers anticipate contributing an additional $54.1 million to fund Pension Benefits in 2018. During the second quarter of 2018, the Plan Sponsor Committee of the AgriBank District Retirement Plan changed the funding frequency of the plan for 2018 to 40 percent of the annual contribution in June, 30 percent in September and 30 percent in December. In previous years, 40 percent of the annual contribution was made in June and the remaining 60 percent was made in December. The Nonqualified Pension plan is funded as benefits are paid.

NOTE 6

Commitments and Contingencies

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

In November 2016, an alleged class action lawsuit was filed in New York state court against 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 we are primarily liable for our portion of System-wide bonds and notes, we are jointly and severally liable for the System-wide bonds and notes of the other System Banks. The total bonds and notes of the System at June 30, 2018 was $268.9 billion.

NOTE 7

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities measured at fair value on a recurring and non-recurring basis consist of federal funds, investments available-for-sale, derivative assets and liabilities, impaired loans, collateral assets and liabilities, and impaired loans. The fair value is also calculated and disclosed for other financial instruments that are not measured at fair value on the Statements of Condition. These assets and liabilities consist of cash, loans, bonds and notes and commitments to extend credit and letters of credit. Refer to Note 12 in the 2017 Annual Report for descriptions of the valuation methodologies we use for asset and liabilities recorded at fair value on a recurring or non-recurring basis.

A fair value hierarchy is used for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Refer to Note 2 within the 2017 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	**$ --**	**$600,000**	**$ --**	**$600,000**
Investments available-for-sale:				
Mortgage-backed securities	**--**	**5,992,702**	**--**	**5,992,702**
Commercial paper and other	**--**	**5,598,392**	**--**	**5,598,392**
U.S. Treasury securities	**--**	**3,039,682**	**--**	**3,039,682**
Asset-backed securities	**--**	**62,961**	**--**	**62,961**
Total investments available-for-sale	**--**	**14,693,737**	**--**	**14,693,737**
Cash collateral posted with counterparties	**22,889**	**--**	**--**	**22,889**
Derivative assets	**--**	**28,807**	**--**	**28,807**
Total assets	**$22,889**	**$15,322,544**	**$ --**	**$15,345,433**
Liabilities:				
Cash collateral posted by counterparties	**$6,390**	**$ --**	**$ --**	**$6,390**
Derivative liabilities	**--**	**11,827**	**--**	**11,827**
Total liabilities	**$6,390**	**$11,827**	**$ --**	**$18,217**

(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
AgriBank 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

We had no level 3 assets measured at fair value on a recurring basis at any time during the six months ended June 30, 2018.

There were no assets or liabilities transferred between levels for either six month period ended June 30, 2018 or 2017.

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

	As of June 30, 2018			
	Fair Value Measurement Using			**Total Fair**
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Value**
Impaired loans	**$ --**	**$ --**	**$27,423**	**$27,423**

	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

Other Financial Instrument Measurements

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

(in thousands)	**Total Carrying**	**Fair Value Measurement Using**			**Total Fair**
As of June 30, 2018	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:					
Cash	**$403,625**	**$403,625**	**$ --**	**$ --**	**$403,625**
Net loans	**89,047,179**	**--**	**--**	**87,849,115**	**87,849,115**
Total assets	**$89,450,804**	**$403,625**	**$ --**	**$87,849,115**	**$88,252,740**
Liabilities:					
Bonds and notes	**$99,280,096**	**$ --**	**$ --**	**$97,923,547**	**$97,923,547**
Total liabilities	**$99,280,096**	**$ --**	**$ --**	**$97,923,547**	**$97,923,547**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**$(26,546)**	**$(26,546)**

(in thousands)	Total Carrying	Fair Value Measurement Using			Total Fair
As of December 31, 2017	Amount	Level 1	Level 2	Level 3	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)

NOTE 8

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our 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 liabilities 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 our Board of Directors through our analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into our overall interest rate risk-management strategies. Refer to Note 13 of the 2017 Annual Report for additional information regarding counterparty risk and our risk mitigation practices.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	500	80	--	--	580
Maturities/amortization	(100)	(1)	(100)	(1)	(202)
As of June 30, 2017	$2,966	$2,167	$3,000	$89	$8,222
As of December 31, 2017	$2,617	$2,316	$2,700	$88	$7,721
Additions	**200**	**78**	**--**	**8**	**286**
Maturities/amortization	**(625)**	**(51)**	**(200)**	**(1)**	**(877)**
As of June 30, 2018	**$2,192**	**$2,343**	**$2,500**	**$95**	**$7,130**

Other derivatives consisted of retail customer derivative products.

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 June 30, 2018, 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)	**June 30, 2018**	December 31, 2017
Notional amount	**$3,669,819**	$4,313,360
Cash collateral posted with counterparties	**$3,900**	$11,150
Cash collateral posted by counterparties	**$6,390**	--

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. Typically, daily variation margin payments are recognized as settlements rather than collateral posted.

Centrally Cleared Interest Rate Swaps

(in thousands)	**June 30, 2018**	December 31, 2017
Notional Amount	**$3,459,819**	$3,408,360
Initial margin posted with counterparties	**$18,989**	$18,580

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

Financial Statement Impact of Derivatives

Refer to Notes 2 and 13 of the 2017 Annual Report for additional information regarding the accounting for derivatives.

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

	June 30, 2018		December 31, 2017	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$ --**	**$30,624**	$ --	$18,276
Pay-fixed swaps	**85,262**	**10,525**	34,447	39,615
Floating-for-floating swaps	**--**	**2,857**	--	4,950
Total derivatives designated as hedging instruments	**85,262**	**44,006**	34,447	62,841
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**5,457**	**--**	3,670	--
Other derivative products	**164**	**4,887**	14	3,088
Total derivatives not designated as hedging instruments	**5,621**	**4,887**	3,684	3,088
Credit valuation adjustments	**(335)**	**--**	(49)	--
Total gross amounts of derivatives	**$90,548**	**$48,893**	$38,082	$65,929
Gross amounts offset in Statements of Condition	**(37,066)**	**(37,066)**	(29,126)	(29,126)
Variation margin settled	**(24,675)**	**--**	--	(2,241)
Net amounts in Statements of Condition	**$28,807**	**$11,827**	$8,956	$34,562

(in thousands)	**June 30, 2018**	December 31, 2017
Derivative assets, net	**$28,807**	$8,956
Derivative liabilities, net	**(11,827)**	(34,562)
Accrued interest payable on derivatives, net	**(3,418)**	(3,457)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted by counterparties	**(6,390)**	--
Cash collateral posted with counterparties	**22,889**	29,730
Net exposure amounts	**$30,061**	$667

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

Fair-Value Hedges: Due to hedge ineffectiveness, we recorded losses of $129 thousand and gains of $1.5 million for the six months ended June 30, 2018 and 2017, respectively. These gains and losses 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. During the next 12 months, no net losses in accumulated other comprehensive loss on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

(in thousands) **For the six months ended June 30, 2018** **Cash Flow Hedging Relationships**	**Amount of Gain Recognized in OCI on Derivatives (Effective Portion)**
Pay-fixed swaps	**$79,904**
Floating-for-floating swaps	**2,093**
Total	**$81,997**

(in thousands) For the six months ended June 30, 2017 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)
Pay-fixed swaps	$(9,186)
Floating-for-floating swaps	(4,376)
Total	$(13,562)

There was no income recognized for ineffective derivatives for either six month period ended June 30, 2018 or 2017.

Derivatives not Designated as Hedges: We recorded $139 thousand of net gains on swaps for the six months ended June 30, 2018, compared to $59 thousand of net losses for same period in 2017. The gains and losses on the derivative instruments are recognized in “Miscellaneous income and other (losses) gains, net” on the Statements of Comprehensive Income.

NOTE 9

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive (Loss) Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2016	$(62,874)	$(17,156)	$ --	$(80,030)
Other comprehensive income (loss)	21,689	(13,562)	--	8,127
Balance at June 30, 2017	$(41,185)	$(30,718)	$ --	$(71,903)
Balance at December 31, 2017	$(75,184)	$(10,119)	$(1,123)	$(86,426)
Other comprehensive (loss) income before reclassifications	**(34,412)**	**81,997**	**--**	**47,585**
Amounts reclassified from accumulated other comprehensive loss	**--**	**--**	**64**	**64**
Net other comprehensive (loss) income	**(34,412)**	**81,997**	**64**	**47,649**
Balance at June 30, 2018	**$(109,596)**	**$71,878**	**$(1,059)**	**$(38,777)**

There were no material reclassifications from accumulated other comprehensive loss in the period ending June 30, 2017.

NOTE 10

Subsequent Events

We have evaluated subsequent events through August 9, 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 the Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)

The following information contains regulatory disclosures as required under FCA Regulations 628.62 and 628.63, for risk-adjusted ratios, common equity tier 1, tier 1 capital and total capital ratios. Refer to Note 4 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. As required by FCA Regulations, these disclosures, including Regulatory Capital ratios are made available for at least three years and can be accessed in our financial reports at www.AgriBank.com under investor relations.

Scope of Application

As of June 30, 2018, the AgriBank District has 14 Agricultural Credit Associations, each of which has wholly owned Farm Land Credit Association and Production Credit Association subsidiaries. AgriBank is primarily owned by these 14 Farm Credit Associations. AgriBank is the primary funding source for all District Associations. AgriBank has no subsidiaries; therefore, the financial statements are only those of AgriBank and are not consolidated with any other entity.

Capital Structure

Refer to Note 4 of the accompanying financial statements and Note 7 of the 2017 Annual Report for a description of capital structure.

Regulatory Capital Structure

(in thousands) **As of June 30, 2018**	**(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	**1,115,147**
Allocated equities:	
Allocated stock subject to retirement	**1,222,830**
Unallocated retained earnings as regulatorily prescribed	**3,223,951**
Regulatory adjustments and deductions made to CET1	**(5,162)**
Total CET1	**$5,556,793**
Tier 1 Capital	
Non-cumulative perpetual preferred stock	**$250,000**
Total additional tier 1 capital	**250,000**
Total Tier 1 Capital	**$5,806,793**
Total Capital	
Allowance for loan losses	**$24,678**
Total tier 2 capital	**24,678**
Total Capital	**$5,831,471**

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands)	
As of June 30, 2018	
Exposures to:	
Cash held at depository institutions	**$1,465**
Securities available for sale, excluding securitizations	**5,112,082**
Securitization exposures	**87,315**
Wholesale exposures to Farm Credit Institutions	**16,967,184**
Retail exposures, including OFIs	**8,434,148**
Derivative exposures	**10,992**
Intrasystem equity investments	**5,162**
All other assets	**48,961**
Deductions:	
Regulatory adjustments and deductions made to CET1	**5,162**
Regulatory adjustments and deductions made to AT1 [(1)]	--
Regulatory adjustments and deductions made to T2 [(2)]	--
Total standardized risk-weighted assets	**$30,662,147**

[(1)] AT1 capital is additional tier 1 capital

[(2)] T2 is tier 2 capital

As of June 30, 2018, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $146.5 million as of June 30, 2018.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of June 30, 2018	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	1.3%	**18.1%**	**13.6%**
Tier 1 capital ratio*	6.0%	1.3%	**18.9%**	**12.9%**
Total capital ratio*	8.0%	1.3%	**19.0%**	**11.0%**
Capital conservation buffer				**11.0%**
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 continues to be phased in under the Farm Credit Administration capital requirements, up to 2.5% beginning in 2020.

Credit Risk

Refer to Note 2 of the accompanying Financial Statements for amounts of impaired loans with and without related allowance, loans in nonaccrual status and greater than 90 day past due, loans past due greater than 90 days and still accruing, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses. Allowance is determined individually by loan or by pool based on homogeneous characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of June 30, 2018. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

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

Exposures by Contractual Maturity

(in thousands) **As of June 30, 2018**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$22,235,114**	**$59,407,124**	**$ --**	**$81,642,238**
Retail loans	**625,255**	**3,702,373**	**3,683,396**	**8,011,024**
Investments (including federal funds)	**7,657,127**	**1,665,385**	**5,971,225**	**15,293,737**
Wholesale loan commitments	**2,844,241**	**17,093,437**	**--**	**19,937,678**
Retail loan and other commitments	**175,592**	**895,139**	**144,406**	**1,215,137**
Cleared derivative notional	**425,000**	**1,901,000**	**1,133,819**	**3,459,819**
Bilateral derivative notional	**15,000**	**2,524,000**	**1,130,819**	**3,669,819**

Note: Accruing loans include accrued interest receivable.

Retail Portfolio Distribution

As of June 30, 2018			
Commodity Distribution		**Geographic Distribution**	
Crops	**55%**	Minnesota	**14%**
Cattle	**10%**	Illinois	**14%**
Dairy	**8%**	Wisconsin	**10%**
OFIs	**7%**	Iowa	**8%**
Investor real estate	**4%**	Nebraska	**7%**
Other	**16%**	Michigan	**5%**
Total	**100%**	Indiana	**5%**
		Other	**37%**
		Total	**100%**

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives

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

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

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

Current Credit Exposure

(in thousands)	**As of June 30, 2018**
Interest rate contracts	**$89,648**

Credit Risk Mitigation Related to Loans

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

Loan and Commitment Exposures Covered by Guarantees

(in thousands) **As of June 30, 2018**	**3-month Average Daily Balance**	**Risk-adjusted 3-month Average Daily Balance**
Conditionally guaranteed		
Loans	**$50,754**	**$10,151**
Commitments	**33,264**	**1,331**
Total	**$84,018**	**$11,482**

Credit Risk Mitigation Related to Investments

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

Investment Exposures Covered by Guarantees

(in thousands) **As of June 30, 2018**	**3-month Average Daily Balance**	**Risk-adjusted 3-month Average Daily Balance**
Unconditionally guaranteed	**$6,422,413**	**$ --**
Conditionally guaranteed	**4,965,243**	**993,049**
Total	**$11,387,656**	**$993,049**

Securitization

Securitization Exposures

(3-month average daily balance in thousands) **As of June 30, 2018**	**Exposure**	**Weighted average risk-weight factor**	**Risk adjusted assets**
Gross up capital approach	**$87,315**	**100%**	**$87,315**

Equities

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

Equity Investments included in Capital Ratios

(in thousands) **As of June 30, 2018**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings[1]**
RBIC	**$13,260**	**$(951)**

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

Interest Rate Risk

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of June 30, 2018	**Down 96**	**Up 100**	**Up 200**
Immediate Change (Shock):			
NII sensitivity	**(2.1%)**	**0.3%**	**0.2%**
Board policy	**(15.0%)**		**(15.0%)**
Gradual Change (Ramp):			
NII sensitivity		**0.7%**	**1.3%**

Economic Value of Equity (EVE) Sensitivity Analysis

	Basis Point Interest Rate Change		
As of June 30, 2018	**Down 96**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	**7.1%**	**(4.1%)**	**(7.0%)**
Board policy	**(12.0%)**		**(12.0%)**