



FOCUS ON FUNDAMENTALS

Strength and Stability for Farm Credit Associations

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

Management's Discussion and Analysis

AgriBank, FCB

(Unaudited)

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

AgriBank is part of the customer-owned, nationwide Farm Credit System. Under Farm Credit's cooperative structure, AgriBank is primarily owned by 14 local Farm Credit Associations, which provide financial products and services to rural communities and agriculture. AgriBank obtains funds and provides funding and financial solutions to those Associations. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

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 \$34.5 million, or 8.6 percent, to \$434.3 million for the nine months ended September 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. The increase in non-interest income was primarily attributable to increased mineral income and contributions from a non-recurring distribution from the Farm Credit System Insurance Corporation (FCSIC) received during 2018.

Return on assets ratio (ROA) of 55 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 September 30, 2018, compared to 95.1 percent acceptable at December 31, 2017. Robust capital levels ensure we are well-positioned to manage the cyclical nature that is characteristic of the agricultural market. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to continue advancing at a moderate pace and the U.S. economy is forecasted to grow at 2.9 percent in 2018 and 2.5 percent in 2019. U.S. economic growth should continue to be driven by consumer and investment spending. Consumer spending has remained strong due to consumer confidence, which is at elevated levels. Investment spending has increased considerably in 2018, partially due to the Tax Cuts and Jobs Act legislation that was passed in late 2017. Investment spending is also expected to increase in 2019, but at a somewhat slower pace than 2018. In addition, slower export growth due to the effects of the ongoing trade disputes with China, is expected to moderate economic growth in 2019.

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 (bp) rate increase in September 2018, the target range for the federal funds rate stands at 2.00 to 2.25 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 25 bps before the end of 2018 to a target range of 2.25 to 2.50 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 2.89 and 3.17 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 2018 U.S. net farm income to decrease \$9.8 billion, or 13 percent to \$65.7 billion from the latest 2017 estimate of \$75.5 billion. The decline in the forecasted 2018 net farm income is largely driven by increased expenses, primarily due to increases in production, labor costs and interest expense. The latest 2018 forecast does not include the USDA Market Facilitation Program (MFP) payments, which will likely improve the forecast by \$2 billion to \$4 billion.

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 MFP 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 other major importing countries 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.

Soybeans

A decline in the level of soybean prices, primarily due to the combined impact of high yields in 2018, large ending stocks and Chinese tariffs, has resulted in a downgrade to our industry outlook from neutral to negative.

Dairy

Producers in the industry have been operating at poor margins in 2018, and this is expected to continue in 2019. The margin challenges are due mainly to an increase in global supply suppressing prices, and tariffs from China and other major importing countries. Due to these factors, the industry outlook has been downgraded from neutral-to-negative to negative.

Land Values

The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The District's most recent real estate market value survey based on the twelve-month period ending June 30, 2018 indicated that the District real estate value changes ranged from a negative 6.5 percent to positive 12.5 percent. Land value increases continue to be most common in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, modest declines in values were concentrated primarily in areas of corn, soybean and wheat production.

The Federal Reserve Banks of Chicago, Kansas City and St. Louis reported on the change in farmland values from the end of the second quarter 2017 to the end of the second quarter 2018 in their respective districts.

These Federal Reserve district reports indicated overall farmland values ranging from a decrease of 4.0 percent to an increase of 3.0 percent.

The USDA 2018 land value survey, based primarily on agricultural producer opinions, indicated farmland values and cropland values in the AgriBank District increased 1.4 percent and 0.2 percent, respectively, compared to 2017 survey results. 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 expected interest rate increases.

Loan Portfolio

Components of Loans

(in thousands)	September 30, 2018	December 31, 2017
Accrual loans:		
Wholesale loans	\$83,485,026	\$79,960,907
Retail loans:		
Real estate mortgage	\$3,479,082	\$3,910,060
Production and intermediate-term	3,642,027	3,710,514
Loans to other financing institutions (OFIs)	672,688	593,677
Other	160,604	146,727
Total retail loans	7,954,401	8,360,978
Nonaccrual loans	53,612	53,038
Total loans	<u>\$91,493,039</u>	<u>\$88,374,923</u>

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

Loans totaled \$91.5 billion at September 30, 2018, an increase of \$3.1 billion, or 3.5 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 real estate mortgage and agribusiness volume at District Associations.

The credit quality of our total loan portfolio remained strong at 99.5 percent in the acceptable category at September 30, 2018, unchanged from December 31, 2017. Adversely classified loans were 0.3 percent at September 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 September 30, 2018, compared to 95.1 percent acceptable at December 31, 2017.

Components of Risk Assets

(in thousands)	September 30, 2018	December 31, 2017
Nonaccrual loans	\$53,612	\$53,038
Accruing restructured loans	3,758	4,588
Accruing loans 90 days or more past due	1,041	8
Total risk loans	58,411	57,634
Other property owned	503	78
Total risk assets	\$58,914	\$57,712
Risk loans as a % of total loans	0.06%	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 September 30, 2018, 57.0 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

	September 30, 2018	December 31, 2017
Allowance as a percentage of:		
Loans	0.03%	0.03%
Nonaccrual loans	47.65%	49.11%
Total risk loans	43.73%	45.19%
Adverse assets to capital and allowance for loan losses	4.03%	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 September 30, 2018, the allowance decreased \$503 thousand, compared to December 31, 2017. This reflects \$3.0 million in net charge-offs significantly offset by \$2.5 million of provision for loan losses as our retail credit quality declined slightly during the nine months ended September 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 nine months ended September 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 September 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 September 30, 2018, we had sufficient liquidity to fund all debt maturing within 144 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 estimated operating and funding needs for a minimum of 30 days with a targeted \$500 million buffer.

Total shareholders' equity at September 30, 2018 was \$5.9 billion, a \$213.0 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 September 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.

During the third quarter of 2018, we began issuing non-qualified patronage on certain retail patronage pools. Earnings from these pools will now be paid as nonqualified patronage and classified as allocated surplus on the Statements of Changes in Shareholders' Equity.

Results of Operations

Net income for the nine months ended September 30, 2018 was \$434.3 million, an 8.6 percent increase, compared to \$399.8 million for the same period in 2017. Our year-to-date return on assets ratio of 55 basis points allowed us to reduce the wholesale spread charged to District Associations for the second half of 2018, in order to achieve our 50 basis point target at December 31, 2018. The return on assets ratio includes the impact of a non-recurring distribution from the FCSIC in the first quarter of 2018.

Changes in Significant Components of Net Income

(in thousands)			Increase (Decrease) in
For the nine months ended September 30,	2018	2017	Net Income
Net interest income	\$443,650	\$443,464	\$186
Provision for loan losses	2,500	6,500	4,000
Non-interest income	86,183	55,272	30,911
Non-interest expense	93,035	92,455	(580)
Net income	\$434,298	\$399,781	\$34,517

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

The decrease in provision for loan losses is primarily due to a moderating decline in credit quality during 2018.

Changes in Net Interest Income

(in thousands)	2018 vs 2017		
For the nine months ended September 30,	Volume	Rate	Total
Increase (decrease) due to:			
Interest income:			
Loans	\$45,464	\$278,247	\$323,711
Investments	4,059	76,529	80,588
Total interest income	49,523	354,776	404,299
Interest expense:			
Systemwide debt securities and other	(34,022)	(370,091)	(404,113)
Net change in net interest income	\$15,501	\$(15,315)	\$186

The slight increase in net interest income was primarily attributable to loan volume, which was almost entirely 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 (ADB) and annualized average rates earned and paid on our portfolio follows:

(in thousands)

For the nine months ended September 30,	2018			2017		
	ADB	Rate	NII	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	\$80,342,644	2.43%	\$1,461,581	\$77,927,151	2.00%	\$1,166,046
Retail accrual loans	7,986,045	4.13%	246,571	7,703,137	3.80%	219,421
Retail nonaccrual loans	55,262	8.98%	3,710	53,777	6.65%	2,683
Investment securities and federal funds	15,645,977	1.94%	226,556	15,188,290	1.25%	145,969
Total earning assets	104,029,928	2.49%	1,938,418	100,872,355	2.03%	1,534,119
Interest bearing liabilities	98,568,035	2.03%	1,494,768	95,652,217	1.52%	1,090,655
Interest rate spread	\$5,461,893	0.46%		\$5,220,138	0.51%	
Impact of equity financing		0.11%			0.08%	
Net interest margin		0.57%			0.59%	
Net interest income			\$443,650			\$443,464

Net interest margin for the nine months ended September 30, 2018, decreased two basis points 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 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

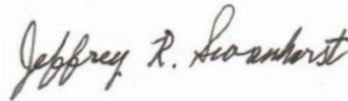
In May 2018, the FCA Board approved a final rule to revise the requirements governing the eligibility of investment securities for System Banks and Associations. The new regulation is intended to strengthen the eligibility criteria for investments that System Banks purchase and hold. Further, it removes 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

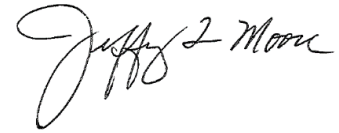
The undersigned have reviewed the September 30, 2018 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the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



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



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



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

Statements of Condition

AgriBank, FCB

(unaudited) (in thousands)	September 30, 2018	December 31, 2017
Assets		
Loans	\$91,493,039	\$88,374,923
Allowance for loan losses	25,544	26,047
Net loans	91,467,495	88,348,876
Investment securities	14,530,983	14,386,455
Cash	226,100	469,599
Federal funds	858,000	676,300
Accrued interest receivable	626,719	498,826
Derivative assets	36,614	8,956
Allocated prepaid pension costs	41,392	38,834
Cash collateral posted with counterparties	20,092	29,730
Other assets	36,725	87,149
Total assets	\$107,844,120	\$104,544,725
Liabilities		
Bonds and notes	\$101,345,572	\$98,313,944
Accrued interest payable	406,266	288,978
Derivative liabilities	6,188	34,562
Cash collateral posted by counterparties	9,750	--
Accounts payable and other payables	205,952	246,388
Other liabilities	15,470	18,971
Total liabilities	101,989,198	98,902,843
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	250,000	250,000
Capital stock and participation certificates	2,376,302	2,345,655
Allocated surplus	171	--
Unallocated surplus	3,259,541	3,132,653
Accumulated other comprehensive loss	(31,092)	(86,426)
Total shareholders' equity	5,854,922	5,641,882
Total liabilities and shareholders' equity	\$107,844,120	\$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 September 30,

	Three months		Nine months	
	2018	2017	2018	2017
Interest income				
Loans	\$606,579	\$490,506	\$1,711,862	\$1,388,150
Investment securities	83,950	53,298	226,556	145,969
Total interest income	690,529	543,804	1,938,418	1,534,119
Interest expense	545,283	393,172	1,494,768	1,090,655
Net interest income	145,246	150,632	443,650	443,464
Provision for loan losses	1,500	3,500	2,500	6,500
Net interest income after provision for loan losses	143,746	147,132	441,150	436,964
Non-interest income				
Mineral income	17,790	10,776	49,227	33,237
Business services income	5,549	4,923	16,885	14,496
Loan prepayment and fee income	6,989	1,470	10,229	6,096
Allocated Insurance Reserve Accounts income	--	--	9,302	--
Miscellaneous income and other (losses) gains, net	(21)	(603)	540	1,443
Total non-interest income	30,307	16,566	86,183	55,272
Non-interest expense				
Salaries and employee benefits	9,019	9,560	27,909	29,414
Other operating expenses	10,152	9,485	29,897	27,823
Loan servicing and other fees paid to District Associations	9,714	9,277	29,562	26,157
Farm Credit System insurance expense	1,855	3,146	5,667	9,061
Total non-interest expense	30,740	31,468	93,035	92,455
Net income	\$143,313	\$132,230	\$434,298	\$399,781
Other comprehensive income (loss)				
Available-for-sale investment activity	\$(15,890)	\$(1,399)	\$(50,302)	\$20,291
Derivatives and hedging activity	23,543	3,240	105,540	(10,323)
Employee benefit plan activity	32	--	96	--
Total other comprehensive income	7,685	1,841	55,334	9,968
Comprehensive income	\$150,998	\$134,071	\$489,632	\$409,749

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	Allocated Surplus	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				399,781		399,781
Other comprehensive income					9,968	9,968
Patronage				(314,059)		(314,059)
Perpetual preferred stock dividends				(12,891)		(12,891)
Capital stock/participation certificates issued		149,878				149,878
Balance at September 30, 2017	\$250,000	\$2,333,579	\$ --	\$3,205,263	\$(70,062)	\$5,718,780
Balance at December 31, 2017	\$250,000	\$2,345,655	\$ --	\$3,132,653	\$(86,426)	\$5,641,882
Net income				434,298		434,298
Other comprehensive income					55,334	55,334
Patronage				(294,348)		(294,348)
Surplus allocated under nonqualified patronage program			171	(171)		--
Perpetual preferred stock dividends				(12,891)		(12,891)
Capital stock/participation certificates issued		44,479				44,479
Capital stock/participation certificates retired		(13,832)				(13,832)
Balance at September 30, 2018	\$250,000	\$2,376,302	\$171	\$3,259,541	\$(31,092)	\$5,854,922

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

Statements of Cash Flows

AgriBank, FCB

(unaudited)
(in thousands)

For the nine months ended September 30,

	2018	2017
Cash flows from operating activities		
Net income	\$434,298	\$399,781
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	2,348	2,729
Provision for loan losses	2,500	6,500
Amortization of discounts on investments, net	(68,024)	(22,539)
Amortization of discounts on debt and deferred debt issuance costs, net	50,525	66,473
Loss (gain) on derivative activities, net	7,113	(1,970)
Insurance refund related to FCS Financial Assistance Corporation stock	(3,376)	--
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(1,482,124)	(1,185,159)
Decrease in other assets	48,123	9,964
Increase in accrued interest payable	110,868	83,822
Increase (decrease) in other liabilities	2,306	(12,941)
Net cash used in operating activities	(895,443)	(653,340)
Cash flows from investing activities		
(Increase) decrease in loans, net	(1,767,332)	2,313
Proceeds from sales of other property owned	30	1,405
Purchases of investment securities	(2,759,307)	(2,001,685)
Proceeds from maturing investment securities	2,682,536	2,616,753
Purchases of premises and equipment, net	(2,221)	(2,571)
Proceeds from insurance refund related to FCS Financial Assistance Corporation stock	3,376	--
Net cash (used in) provided by investing activities	(1,842,918)	616,215
Cash flows from financing activities		
Bonds and notes issued	158,388,274	130,125,369
Bonds and notes retired	(155,395,476)	(130,032,668)
Decrease in cash collateral posted with counterparties, net	9,638	3,372
Increase in cash collateral posted by counterparties	9,750	--
Variation margin settled on cleared derivatives, net	37,120	(12,952)
Patronage distributions paid	(390,500)	(288,179)
Preferred stock dividends paid	(12,891)	(12,891)
Capital stock/participation certificates issued, net	30,647	149,878
Net cash provided by (used in) financing activities	2,676,562	(68,071)
Net decrease in cash and federal funds	(61,799)	(105,196)
Cash and federal funds at beginning of period	1,145,899	1,061,296
Cash and federal funds at end of period	\$1,084,100	\$956,100
Supplemental non-cash investing and financing activities		
(Decrease) increase in shareholders' equity from investment securities	\$(50,302)	\$20,291
Interest capitalized to loan principal	1,354,231	1,093,032
Patronage and preferred stock dividends accrued	112,850	152,774
Supplemental non-cash fair value changes related to hedging activities		
(Increase) decrease in derivative assets	\$(62,749)	\$6,993
(Decrease) increase in derivative liabilities	(42,790)	7,291
Decrease in bonds from derivative activity	(11,695)	(5,931)
Increase (decrease) in shareholders' equity from cash flow derivatives	105,540	(10,323)
Supplemental Information		
Interest paid	\$1,326,955	\$940,360

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 part of the customer-owned nationwide Farm Credit System (the System or FCS), established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At September 30, 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 third quarter 2018 Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 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 any 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." In July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements." The guidance is effective 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 Statements of Condition for all lease arrangements spanning more than 12 months. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We have no plans to early adopt this guidance. Based on our 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, for which hedge accounting is applied, 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 August 2018, the FASB issued ASU 2018-13 "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This guidance is effective for public business entities for our first quarter of 2020 and early adoption is permitted.	The guidance removes, adds and modifies certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, we expect to modify certain fair value related disclosures. Prior to the effective date, we may adopt a portion of this guidance and remove certain fair value disclosures, as permitted by the guidance.

Standard and effective date	Description	Adoption status and financial statement impact
In August 2018, the FASB issued ASU 2018-15 "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This guidance is effective for public business entities for our first quarter of 2020 and early adoption is permitted.	The guidance clarifies that implementation costs incurred in a hosting arrangement that is a service contract should be accounted for in the same manner as implementation costs incurred to develop or obtain internal-use software.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, this new guidance will not have a material impact on our financial condition, results of operations, cash flows and financial statement disclosures.
In August 2018, the FASB issued ASU 2018-14 "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. This guidance is effective for public business entities for our first quarter of 2021 and early adoption is permitted.	The guidance removes and adds certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, we expect to modify certain employee benefit plan related disclosures. Prior to the effective date, we may early adopt this disclosure guidance.
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 have reviewed the accounting standard and are in the process of system selection and drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies 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)	September 30, 2018		December 31, 2017	
	Amount	%	Amount	%
Wholesale loans	\$83,485,026	91.2%	\$79,960,907	90.6%
Retail loans:				
Real estate mortgage	3,495,167	3.8%	3,928,551	4.4%
Production and intermediate-term	3,679,519	4.0%	3,744,997	4.2%
Loans to other financing institutions (OFIs)	672,688	0.7%	593,677	0.7%
Other	160,639	0.3%	146,791	0.1%
Total retail loans	8,008,013	8.8%	8,414,016	9.4%
Total loans	\$91,493,039	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)	September 30, 2018	December 31, 2017
Real estate mortgage	\$3,495,002	\$3,928,341
Production and intermediate-term	3,679,519	3,744,997
Other	160,639	146,791
Total loans	\$7,335,160	\$7,820,129

Portfolio Performance

The primary 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 September 30, 2018	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	\$84,006,425	100.0%	\$ --	--	\$ --	--	\$84,006,425	100.0%
Retail loans:								
Real estate mortgage	3,299,527	92.9%	126,152	3.6%	122,511	3.5%	3,548,190	100.0%
Production and intermediate-term	3,529,767	95.3%	67,098	1.8%	108,912	2.9%	3,705,777	100.0%
Loans to OFIs	676,292	100.0%	--	--	--	--	676,292	100.0%
Other	155,812	96.7%	493	0.3%	4,879	3.0%	161,184	100.0%
Total retail loans	7,661,398	94.7%	193,743	2.4%	236,302	2.9%	8,091,443	100.0%
Total loans	\$91,667,823	99.5%	\$193,743	0.2%	\$236,302	0.3%	\$92,097,868	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 September 30, 2018 or December 31, 2017.

Aging Analysis of Loans

(in thousands)	30-89 Days	90 Days or More	Total	Not Past Due or Less than 30 Days	Total	Accruing loans 90 days or more
As of September 30, 2018	Past Due	Past Due	Past Due	Past Due	Loans	past due
Wholesale loans	\$ --	\$ --	\$ --	\$84,006,425	\$84,006,425	\$ --
Retail loans:						
Real estate mortgage	6,664	5,962	12,626	3,535,564	3,548,190	12
Production and intermediate-term	25,155	14,096	39,251	3,666,526	3,705,777	1,029
Loans to OFIs	--	--	--	676,292	676,292	--
Other	317	--	317	160,867	161,184	--
Total retail loans	32,136	20,058	52,194	8,039,249	8,091,443	1,041
Total loans	\$32,136	\$20,058	\$52,194	\$92,045,674	\$92,097,868	\$1,041

(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)	September 30, 2018	December 31, 2017
Nonaccrual loans:		
Current as to principal and interest	\$30,569	\$32,455
Past due	23,043	20,583
Total nonaccrual loans	53,612	53,038
Accruing restructured loans	3,758	4,588
Accruing loans 90 days or more past due	1,041	8
Total risk loans	\$58,411	\$57,634
Volume with specific reserves	\$32,635	\$30,075
Volume without specific reserves	25,776	27,559
Total risk loans	\$58,411	\$57,634
Specific reserves	\$5,922	\$5,052

Note: Accruing loans include accrued interest receivable.

For the nine months ended September 30,	2018	2017
Income on accrual risk loans	\$192	\$200
Income on nonaccrual loans	3,710	2,683
Total income on risk loans	\$3,902	\$2,883
Average risk loans	\$60,835	\$58,887

Risk Loans by Type

(in thousands)	September 30, 2018	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	\$16,085	\$18,491
Production and intermediate-term	37,492	34,483
Other	35	64
Total nonaccrual loans	\$53,612	\$53,038
Accruing restructured loans:		
Real estate mortgage	\$3,758	\$4,588
Total accruing restructured loans	\$3,758	\$4,588
Accruing loans 90 days or more past due:		
Real estate mortgage	\$12	\$ --
Production and intermediate-term	1,029	8
Total accruing loans 90 days or more past due	\$1,041	\$8
Total risk loans	\$58,411	\$57,634

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at September 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 September 30, 2018			For the nine months ended September 30, 2018	
	Recorded Investment ⁽¹⁾	Unpaid Principal Balance ⁽²⁾	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$2,620	\$3,049	\$697	\$3,089	\$ --
Production and intermediate-term	29,980	31,451	5,208	29,072	--
Other	35	41	17	56	--
Total	\$32,635	\$34,541	\$5,922	\$32,217	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$17,235	\$28,400	\$ --	\$20,316	\$3,065
Production and intermediate-term	8,541	8,540	--	8,282	836
Other	--	177	--	20	1
Total	\$25,776	\$37,117	\$ --	\$28,618	\$3,902
Total impaired loans:					
Real estate mortgage	\$19,855	\$31,449	\$697	\$23,405	\$3,065
Production and intermediate-term	38,521	39,991	5,208	37,354	836
Other	35	218	17	76	1
Total	\$58,411	\$71,658	\$5,922	\$60,835	\$3,902

(in thousands)	As of December 31, 2017			For the nine months ended September 30, 2017	
	Recorded Investment ⁽¹⁾	Unpaid Principal Balance ⁽²⁾	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$2,752	\$3,193	\$747	\$3,091	\$ --
Production and intermediate-term	27,285	28,298	4,286	24,998	--
Other	38	42	19	133	--
Total	<u>\$30,075</u>	<u>\$31,533</u>	<u>\$5,052</u>	<u>\$28,222</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$20,327	\$36,221	\$ --	\$24,455	\$2,034
Production and intermediate-term	7,206	7,093	--	6,004	849
Agribusiness	--	--	--	26	--
Other	26	214	--	180	--
Total	<u>\$27,559</u>	<u>\$43,528</u>	<u>\$ --</u>	<u>\$30,665</u>	<u>\$2,883</u>
Total impaired loans:					
Real estate mortgage	\$23,079	\$39,414	\$747	\$27,546	\$2,034
Production and intermediate-term	34,491	35,391	4,286	31,002	849
Agribusiness	--	--	--	26	--
Other	64	256	19	313	--
Total	<u>\$57,634</u>	<u>\$75,061</u>	<u>\$5,052</u>	<u>\$58,887</u>	<u>\$2,883</u>

⁽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 September 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 type of modification is 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 nine months ended September 30, 2018 or 2017. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the nine months ended September 30,	2018	2017
Balance at beginning of period	\$26,047	\$21,282
Provision for loan losses	2,500	6,500
Charge-offs	(3,850)	(3,249)
Recoveries	847	928
Balance at end of period	\$25,544	\$25,461

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
Provision for (reversal of) loan losses	--	274	2,284	(34)	(24)	2,500
Charge-offs	--	(518)	(3,330)	--	(2)	(3,850)
Recoveries	--	233	600	--	14	847
Balance as of September 30, 2018	\$ --	\$2,287	\$22,265	\$391	\$601	\$25,544
As of September 30, 2018:						
Ending balance: individually evaluated for impairment	\$ --	\$697	\$5,208	\$ --	\$17	\$5,922
Ending balance: collectively evaluated for impairment	\$ --	\$1,590	\$17,057	\$391	\$584	\$19,622
Recorded investments in loans outstanding:						
Ending balance as of September 30, 2018	\$84,006,425	\$3,548,190	\$3,705,777	\$676,292	\$161,184	\$92,097,868
Ending balance for loans individually evaluated for impairment	\$84,006,425	\$19,855	\$38,521	\$ --	\$35	\$84,064,836
Ending balance for loans collectively evaluated for impairment	\$ --	\$3,528,335	\$3,667,256	\$676,292	\$161,149	\$8,033,032
(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	--	1,145	4,802	191	362	6,500
Charge-offs	--	(897)	(2,342)	--	(10)	(3,249)
Recoveries	--	100	821	--	7	928
Balance as of September 30, 2017	\$ --	\$2,222	\$22,211	\$411	\$617	\$25,461
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)	Amortized	Unrealized	Unrealized	Fair	Weighted
As of September 30, 2018	Cost	Gains	Losses	Value	Average Yield
Mortgage-backed securities	\$5,933,386	\$7,623	\$109,233	\$5,831,776	2.1%
Commercial paper and other	5,358,395	250	217	5,358,428	2.3%
U.S. Treasury securities	3,266,759	--	23,724	3,243,035	1.5%
Asset-backed securities	97,935	--	191	97,744	2.5%
Total	<u>\$14,656,475</u>	<u>\$7,873</u>	<u>\$133,365</u>	<u>\$14,530,983</u>	<u>2.0%</u>

(in thousands)	Amortized	Unrealized	Unrealized	Fair	Weighted
As of December 31, 2017	Cost	Gains	Losses	Value	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	<u>\$14,461,641</u>	<u>\$8,842</u>	<u>\$84,028</u>	<u>\$14,386,455</u>	<u>1.5%</u>

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

Contractual Maturities of AgriBank AFS Investment Securities

(in thousands)	Year of Maturity				Total
	One Year or Less	One to Five Years	Five to Ten Years	More Than Ten Years	
As of September 30, 2018					
Mortgage-backed securities	\$7	\$18,506	\$924,347	\$4,888,916	\$5,831,776
Commercial paper and other	5,308,423	50,005	--	--	5,358,428
U.S. Treasury securities	1,233,347	2,009,688	--	--	3,243,035
Asset-backed securities	--	97,744	--	--	97,744
Total	<u>\$6,541,777</u>	<u>\$2,175,943</u>	<u>\$924,347</u>	<u>\$4,888,916</u>	<u>\$14,530,983</u>
Weighted average yield	2.1%	1.7%	1.8%	2.2%	2.0%

The expected average life is 1.1 years for asset-backed securities (ABS) and 4.1 years for mortgage-backed securities (MBS) at September 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:

(in thousands) As of September 30, 2018	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	\$1,192,856	\$7,767	\$2,981,141	\$101,466
Commercial paper and other	2,809,989	217	--	--
U.S. Treasury securities	1,516,076	9,293	1,726,959	14,431
Asset-backed securities	78,436	159	19,307	32
Total	\$5,597,357	\$17,436	\$4,727,407	\$115,929

(in thousands) As of December 31, 2017	Less than 12 months		More than 12 months	
	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

There were no AFS investment securities sold during the nine months ended September 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 September 30, 2018 or at December 31, 2017.

There was no OTTI activity during the nine months ended September 30, 2018 or 2017.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

	September 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	19.0%	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	5.5%	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 September 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) For the nine months ended September 30,	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Service cost	\$22,709	\$21,364	\$199	\$326
Interest cost	34,822	35,195	504	769
Expected return on plan assets	(49,245)	(46,458)	--	--
Amortization of prior service credit	(2,712)	(2,434)	--	(288)
Amortization of net loss (gain)	37,350	29,434	(1,283)	(402)
Settlements and termination benefits	--	2,534	--	--
Net periodic benefit cost	\$42,924	\$39,635	\$(580)	\$405

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 nine months ended September 30, 2018, District employers have contributed \$66.6 million to fund pension benefits. District employers anticipate contributing an additional \$27.0 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 AgriBank by purported beneficial owners of some of our Subordinated Notes. The plaintiff asserted a breach of contract claim and a breach of an implied covenant of good faith and fair dealing alleging that we impermissibly redeemed the Subordinated Notes. AgriBank removed the lawsuit to federal court in the Southern District of New York. Plaintiff requested damages in an amount to be determined at trial, reasonable attorneys' fees, and other relief. In October 2017, AgriBank filed an answer to the lawsuit. On July 31, 2018, the plaintiff filed an amended complaint adding a second named plaintiff. On August 30, 2018, AgriBank filed an answer to the amended complaint. The lawsuit is in the 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 September 30, 2018 was \$268.5 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, and collateral assets and liabilities. 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 and for estimating fair value for financial instruments not recorded at fair value.

A fair value hierarchy is used for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based 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 September 30, 2018	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	\$ --	\$858,000	\$ --	\$858,000
Investments available-for-sale:				
Mortgage-backed securities	--	5,831,776	--	5,831,776
Commercial paper and other	--	5,358,428	--	5,358,428
U.S. Treasury securities	--	3,243,035	--	3,243,035
Asset-backed securities	--	97,744	--	97,744
Total investments available-for-sale	--	14,530,983	--	14,530,983
Cash collateral posted with counterparties	20,092	--	--	20,092
Derivative assets	--	36,614	--	36,614
Total assets	\$20,092	\$15,425,597	\$ --	\$15,445,689
Liabilities:				
Cash collateral posted by counterparties	\$9,750	\$ --	\$ --	\$9,750
Derivative liabilities	--	6,188	--	6,188
Total liabilities	\$9,750	\$6,188	\$ --	\$15,938

(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 nine months ended September 30, 2018.

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

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	As of September 30, 2018			
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$28,050	\$28,050

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

Other Financial Instrument Measurements

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

(in thousands) As of September 30, 2018	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	\$226,100	\$226,100	\$ --	\$ --	\$226,100
Net loans	91,440,782	--	--	89,955,782	89,955,782
Total assets	\$91,666,882	\$226,100	\$ --	\$89,955,782	\$90,181,882
Liabilities:					
Bonds and notes	\$101,345,572	\$ --	\$ --	\$99,826,845	\$99,826,845
Total liabilities	\$101,345,572	\$ --	\$ --	\$99,826,845	\$99,826,845
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		\$ --	\$ --	\$(23,718)	\$(23,718)

(in thousands) As of December 31, 2017	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
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 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	(400)	(2)	(400)	(2)	(804)
As of September 30, 2017	\$2,666	\$2,166	\$2,700	\$88	\$7,620
As of December 31, 2017	\$2,617	\$2,316	\$2,700	\$88	\$7,721
Additions	200	79	--	8	287
Maturities/amortization	(625)	(52)	(200)	(2)	(879)
As of September 30, 2018	\$2,192	\$2,343	\$2,500	\$94	\$7,129

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 September 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)	September 30, 2018	December 31, 2017
Notional amount	\$3,669,298	\$4,313,360
Cash collateral posted with counterparties	\$1,550	\$11,150
Cash collateral posted by counterparties	\$9,750	--

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)	September 30,	December 31,
	2018	2017
Notional Amount	\$3,459,298	\$3,408,360
Initial margin posted with counterparties	\$18,542	\$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.

(in thousands)	September 30, 2018		December 31, 2017	
	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	\$ --	\$30,452	\$ --	\$18,276
Pay-fixed swaps	101,309	2,945	34,447	39,615
Floating-for-floating swaps	--	2,941	--	4,950
Total derivatives designated as hedging instruments	101,309	36,338	34,447	62,841
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	5,764	--	3,670	--
Other derivative products	164	5,228	14	3,088
Total derivatives not designated as hedging instruments	5,928	5,228	3,684	3,088
Credit valuation adjustments	(367)	--	(49)	--
Total gross amounts of derivatives	\$106,870	\$41,566	\$38,082	\$65,929
Gross amounts offset in Statements of Condition	(35,378)	(35,378)	(29,126)	(29,126)
Variation margin settled	(34,878)	--	--	(2,241)
Net amounts in Statements of Condition	\$36,614	\$6,188	\$8,956	\$34,562

(in thousands)	September 30, 2018	December 31, 2017
Derivative assets, net	\$36,614	\$8,956
Derivative liabilities, net	(6,188)	(34,562)
Accrued interest payable on derivatives, net	(6,442)	(3,457)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted by counterparties	(9,750)	--
Cash collateral posted with counterparties	20,092	29,730
Net exposure amounts	<u>\$34,326</u>	<u>\$667</u>

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 \$480 thousand and gains of \$1.9 million for the nine months ended September 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, \$7.7 million in gains on derivative instruments that qualified as cash flow hedges are expected to be reclassified from accumulated other comprehensive loss into earnings.

(in thousands) For the nine months ended September 30, 2018 Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion)
Pay-fixed swaps	\$98,062	\$5,470
Floating-for-floating swaps	848	1,160
Total	<u>\$98,910</u>	<u>\$6,630</u>

(in thousands) For the nine months ended September 30, 2017 Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain Reclassified from AOCI into Income (Effective Portion)
Pay-fixed swaps	\$(5,804)	\$ --
Floating-for-floating swaps	(4,519)	--
Total	<u>\$(10,323)</u>	<u>\$ --</u>

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

Derivatives not Designated as Hedges: We recorded \$105 thousand of net gains on swaps for the nine months ended September 30, 2018, compared to \$90 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)	20,291	(10,323)	--	9,968
Balance at September 30, 2017	\$(42,583)	\$(27,479)	\$ --	\$(70,062)
Balance at December 31, 2017	\$(75,184)	\$(10,119)	\$(1,123)	\$(86,426)
Other comprehensive (loss) income before reclassifications	(50,302)	98,910	--	48,608
Amounts reclassified from accumulated other comprehensive loss	--	6,630	96	6,726
Net other comprehensive (loss) income	(50,302)	105,540	96	55,334
Balance at September 30, 2018	\$(125,486)	\$95,421	\$(1,027)	\$(31,092)

Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statements of Comprehensive Income
Accumulated Other Comprehensive Loss Components		
For the nine months ended September 30,	2018	
Derivatives and hedging activity:		
Interest rate contracts	\$6,630	Interest expense
Employee benefit plans activity:		
Other pension adjustments	96	Salaries and employee benefits expense
Total reclassifications	\$6,726	

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

NOTE 10

Subsequent Events

We have evaluated subsequent events through November 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 September 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)	(3-month average daily balance)
As of September 30, 2018	
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	\$27
Other required member purchased stock	1,129,930
Allocated equities:	
Allocated stock subject to retirement	1,222,830
Unallocated retained earnings as regulatorily prescribed	3,266,983
Regulatory adjustments and deductions made to CET1	(5,162)
Total CET1	<u>\$5,614,608</u>
Tier 1 Capital	
Non-cumulative perpetual preferred stock	\$250,000
Total additional tier 1 capital	<u>250,000</u>
Total Tier 1 Capital	<u>\$5,864,608</u>
Total Capital	
Allowance for loan losses	\$24,408
Total tier 2 capital	<u>24,408</u>
Total Capital	<u>\$5,889,016</u>

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands)

As of September 30, 2018

Exposures to:

Cash held at depository institutions	\$1,495
Securities available for sale, excluding securitizations	5,171,571
Securitization exposures	66,235
Wholesale exposures to Farm Credit Institutions	17,269,827
Retail exposures, including OFIs	8,378,585
Derivative exposures	11,203
Intrasystem equity investments	5,162
All other assets	54,606

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 **\$30,953,522**

⁽¹⁾ AT1 capital is additional tier 1 capital

⁽²⁾ T2 is tier 2 capital

As of September 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 \$120.8 million as of September 30, 2018.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of September 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%	19.0%	13.0%
Total capital ratio*	8.0%	1.3%	19.0%	11.0%
Capital conservation buffer				11.0%
Tier 1 leverage ratio	4.0%	1.0%	5.5%	1.5%
Leverage buffer				1.5%

*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 September 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)	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
As of September 30, 2018				
Wholesale loans	\$16,645,885	\$67,360,540	\$ --	\$84,006,425
Retail loans	657,931	3,816,597	3,616,915	8,091,443
Investments (including federal funds)	7,399,780	2,175,942	5,813,261	15,388,983
Wholesale loan commitments	1,427,959	16,379,784	--	17,807,743
Retail loan and other commitments	210,514	754,829	119,769	1,085,112
Cleared derivative notional	977,000	1,349,000	1,133,298	3,459,298
Bilateral derivative notional	115,000	2,424,000	1,130,298	3,669,298

Note: Accruing loans include accrued interest receivable.

Retail Portfolio Distribution

As of September 30, 2018			
Commodity Distribution		Geographic Distribution	
Crops	55%	Minnesota	14%
Cattle	10%	Illinois	14%
Dairy	8%	Wisconsin	10%
OFIs	8%	Iowa	8%
Investor real estate	4%	Nebraska	8%
Other	15%	Michigan	5%
Total	<u>100%</u>	Indiana	5%
		Other	36%
		Total	<u>100%</u>

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives

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

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

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

Current Credit Exposure	
(in thousands)	As of September 30, 2018
Interest rate contracts	\$97,323

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 September 30, 2018	3-month Average Daily Balance	Risk-adjusted 3- month Average Daily Balance
Conditionally guaranteed		
Loans	\$58,932	\$11,786
Commitments	24,264	971
Total	\$83,196	\$12,757

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 September 30, 2018	3-month Average Daily Balance	Risk-adjusted 3- month Average Daily Balance
Unconditionally guaranteed	\$6,661,150	\$ --
Conditionally guaranteed	4,645,522	929,104
Total	\$11,306,672	\$929,104

Securitization

Securitization Exposures

(3-month average daily balance in thousands) As of September 30, 2018		Weighted average risk- weight factor	Risk adjusted assets
	Exposure		
Gross up capital approach	\$66,235	100%	\$66,235

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 September 30, 2018		Disclosed in Other Assets	Life-to-Date losses recognized in Retained Earnings ⁽¹⁾
RBIC		\$13,506	\$(1,062)

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

Interest Rate Risk

NII Sensitivity Analysis

As of September 30, 2018	Basis Point Interest Rate Change			
	Down 110	Down 100	Up 100	Up 200
Immediate Change (Shock):				
NII sensitivity	(1.0%)	(0.5%)	0.2%	0.2%
Board policy	(15.0%)			(15.0%)
Gradual Change (Ramp):				
NII sensitivity			1.1%	2.2%

Economic Value of Equity (EVE) Sensitivity Analysis

As of September 30, 2018	Basis Point Interest Rate Change			
	Down 110	Down 100	Up 100	Up 200
Immediate Change (Shock):				
EVE sensitivity	7.7%	6.5%	(3.2%)	(5.4%)
Board policy	(12.0%)			(12.0%)

