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Supporting Farm Credit Associations that serve rural communities and agriculture.

AGRIBANK 2017 QUARTERLY REPORT
MARCH 31, 2017

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 2016 Annual Report.

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

In April 2017, the owners of two District Associations, AgCountry Farm Credit Services, ACA and United FCS, ACA, voted in favor of merging the Associations. The FCA is expected to provide final approval for the merger in the second quarter of 2017 assuming no valid petition for reconsideration is filed by stockholders. The merger will be effective July 1, 2017, and the merged Association will be named AgCountry Farm Credit Services, ACA and will be headquartered in Fargo, North Dakota.

In April 2017, the owners of three District Associations, 1st Farm Credit Services, ACA (1st FCS), AgStar Financial Services, ACA (AgStar) and Badgerland Financial, ACA (Badgerland) voted in favor of merging the Associations. The FCA is expected to provide final approval for the merger in the second quarter of 2017 assuming no valid petition for reconsideration is filed by stockholders. The merger will be effective July 1, 2017, and the merged Association will be named Compeer Financial and will be headquartered in Sun Prairie, Wisconsin. Effective May 1, 2017, 1st FCS, AgStar and Badgerland will operate under joint management where AgStar's CEO, Rod Hebrink, will serve as CEO of all three Associations.

During 2016, District Associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by AgriBank. A separate service entity allows AgriBank and District Associations to develop and maintain long-term, cost-effective technology and business services. The service entity would be owned by AgriBank and certain District Associations that purchase its services. An application to form the service entity was submitted to the FCA for approval in May 2017.

Forward-Looking Information

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our

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

Financial Overview

Net income increased $5.1 million, or 4.1 percent, to $129.5 million for the three months ended March 31, 2017, as compared to the same period of the prior year, driven primarily by an increase in net interest income. Refer to the Results of Operations section for further discussion.

Loan portfolio credit quality remains strong with 99.6 percent of our loan portfolio in the acceptable category. Credit quality of our retail loan portfolio declined slightly to 95.0 percent acceptable as of March 31, 2017, but remained in a sound position. 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 as consumer spending remains resilient and investment spending rebounds from its negative growth rate in 2016. For 2017, the U.S. economy is forecasted to grow at 2.2 percent due to continued growth in consumer spending as a result of labor market improvements. However, a strong dollar is reducing demand for U.S. exports and could be a hindrance to economic growth if the dollar strengthens further.

The Federal Open Market Committee (FOMC) of the Federal Reserve has started the process of normalizing the level of interest rates. After a 25 basis points (bps) rate increase in March 2017, the target range for the federal funds rate stands at 75 to 100 bps. The path for the federal funds rate 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 50 bps in 2017 to a target range of 125 to 150 bps. Uncertainty around future fiscal policy and geopolitical risks have lowered U.S. Treasury rates somewhat in the first quarter of 2017. Economists expect a rebound of approximately 50 bps in U.S. Treasury rates by the end of 2017 with the 2-year and 10-year rates approaching 180 and 285 bps, respectively.

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

Agricultural Conditions
Updated Industry Conditions
The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) projects net farm income for 2017 to decline $6.0 billion, or 8.8 percent, to $62.3 billion for 2017, from the revised 2016 estimate of $68.3 billion. This decline is primarily driven by a decline in the value of farm inventories of unsold crops and livestock. In addition, crop receipts are projected to decline slightly in 2017, but are expected to be more than offset by an increase in other cash farm-related income items, primarily commodity insurance indemnities.

Aggregate farm balance sheet forecasts indicate that U.S. farmers are likely to see limited deterioration in their equity position in 2017 due to slight declines in farm asset values and increasing total farm debt. The decline in farm asset values primarily relates to lower valuations on farm machinery and motor vehicles as producers hold on to older equipment. In addition, the value of crop inventories and farm real estate is also expected to decline. The increase in total farm debt is primarily related to increases in real estate debt. The overall U.S. farm debt-to-asset ratio is forecasted to rise slightly to 13.9 percent, but still remains well below the record highs of over 20 percent during the 1980s.

An improving outlook for the U.S. economy is expected to support domestic demand for most agricultural commodities in 2017. The primary area of risk will remain the export side of the demand equation, with a strong dollar and increasing uncertainty surrounding the future of U.S. trade policy. Of the major cash crops, wheat is likely in the weakest position from a supply-demand perspective entering 2017. Of the sectors excluding cash crops; pork, broilers and dairy are most heavily dependent upon exports and the most susceptible to foreign trade related disruptions in 2017. Low feed costs should continue to support livestock and dairy margins. A full year of much lower feeder cattle prices should support margins in the cattle feedlot sector.

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

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

Land Values

The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. Our most recent real estate market value survey indicated that District real estate value changes ranged from negative 10.5 percent to positive 10.6 percent over the 12-month period ending June 30, 2016. We will complete the annual survey as of June 30, 2017, with updated results released during the third quarter of 2017.

Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago, Kansas City, Minneapolis, and St. Louis as of the end of the fourth quarter 2016 indicated declining farmland values. The Federal Reserve Banks surveys cited a year-over-year change in the average value of non-irrigated farmland of a decrease of 8 percent to a decrease of 1 percent.

The USDA 2016 land value survey, based primarily on agricultural producer opinions, indicated a 0.3 percent decrease in farmland values and a 1.0 percent decrease in cropland values in the AgriBank District. States heavily concentrated in corn, soybeans and wheat production experienced declines in cropland values.

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

Loan Portfolio

Components of Loans

(in thousands)	**March 31, 2017**	December 31, 2016
Accrual loans:		
Wholesale	**$77,573,617**	$78,300,557
Retail loans:		
Real estate mortgage	**3,272,929**	3,436,953
Production and intermediate-term	**3,497,403**	3,600,231
Agribusiness	**90,840**	65,228
Loans to other financing institutions (OFIs)	**522,440**	577,505
Other	**44,209**	44,077
Total retail loans	**7,427,821**	7,723,994
Nonaccrual retail loans	**53,283**	53,851
Total loans	**$85,054,721**	$86,078,402

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

Loans totaled $85.1 billion at March 31, 2017, a decrease of $1.0 billion, or 1.2 percent, from December 31, 2016. The decrease in total loans was driven primarily by paydowns on wholesale loans reflecting seasonal repayments on operating lines in the production and intermediate-term sector at District Associations following draws prior to year-end for tax planning purposes.

Credit quality on loans remained strong with 99.6 percent of our portfolio in the acceptable category at March 31, 2017, and unchanged from December 31, 2016. Adversely classified loans were 0.2 percent at March 31, 2017 and December 31, 2016. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong even when District Associations experience declines in their retail credit quality. Credit quality of our retail loan portfolio declined slightly to 95.0 percent acceptable as of March 31, 2017, compared to 95.5 percent acceptable at December 31, 2016. Given industry projections for continued low net farm income levels, we expect further increases in adverse credit quality in our retail portfolio.

Components of Risk Assets

(in thousands)	**March 31, 2017**	December 31, 2016
Nonaccrual loans	**$53,283**	$53,851
Accruing restructured loans	**4,805**	3,800
Accruing loans 90 days or more past due	**396**	378
Total risk loans	**58,484**	58,029
Other property owned	**696**	349
Total risk assets	**$59,180**	$58,378
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%**	0.06%

Note: Accruing loans include accrued interest receivable.

Risk assets remain at acceptable levels and total risk loans as a percentage of total loans remains within our established risk management guidelines. Risk assets over the past five years have primarily been concentrated in the real estate mortgage and production and intermediate-term sectors. At March 31, 2017, 56.5 percent of nonaccrual loans were current as to principal and interest, compared to 60.6 percent at December 31, 2016.

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

As of March 31, 2017, no District Association was declared in default of any covenants of its General Financing Agreement. One District Association is currently paying a risk premium as part of their cost of borrowing under their wholesale line with us; however, this does not materially impact any of the financial statements presented herein. No other District Association is currently paying a risk premium.

Allowance Coverage Ratios

	March 31, 2017	December 31, 2016
Allowance as a percentage of:		
Loans	**0.03%**	0.02%
Nonaccrual loans	**42.56%**	39.52%
Total risk loans	**38.77%**	36.67%
Adverse assets to risk funds*	**3.56%**	3.49%

*Risk funds includes total capital and allowance for loan losses.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. As of March 31, 2017, the allowance increased $1.4 million, compared to December 31, 2016. This was driven by provision for loan losses of $2.0 million for the three months ended March 31, 2017, primarily related to increases in loan loss reserves on certain loans to grain producers. This increase in allowance was partially offset by net chargeoffs of $606 thousand for the three months ended March 31, 2017.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the three months ended March 31, 2017, investor demand for System-wide debt securities remained favorable.

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

We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity and asset-backed securities (ABS). At March 31, 2017, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and FCA regulations also require maintaining a minimum of 90 days of liquidity on a continuous basis. In addition, our Contractual Interbank Performance Agreement (CIPA) with other System Banks requires maintaining a minimum of 120 days of liquidity. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of March 31, 2017, we had sufficient liquidity to fund all debt maturing within 149 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 March 31, 2017 was $5.6 billion, a $67.1 million increase from December 31, 2016. The increase was primarily driven by comprehensive income for the period, partially offset by earnings reserved for patronage distributions.

At March 31, 2017, we exceeded the regulatory minimum capital ratios. Refer to the Additional Regulatory Information section as well as Note 4 in the accompanying Financial Statements for further discussion of capital ratios and the recently effective regulations.

Results of Operations

Net income for the three months ended March 31, 2017 was $129.5 million, a 4.1 percent increase, compared to $124.4 million for the same period in 2016. The return on average assets was 0.52 percent for the three months ended March 31, 2017, compared to 0.51 percent for the same period in 2016.

Changes in Significant Components of Net Income

(in thousands) **For the three months ended March 31,**	**2017**	2016	Increase (decrease) in net income
Net interest income	**$143,071**	$140,554	$2,517
Provision for loan losses	**2,000**	3,000	1,000
Non-interest income	**19,589**	16,681	2,908
Non-interest expense	**31,112**	29,791	(1,321)
Net income	**$129,548**	$124,444	$5,104

Net interest income (NII) for the three months ended March 31, 2017 increased compared to the same period of 2016. NII was positively impacted by increased interest rates primarily related to our wholesale loans to District Associations and other financing institutions (OFIs), as well as increased loan volume. These positive variances were partially offset by an increase in interest expense on System-wide debt securities, driven by increased interest rates and, to a lesser extent, increased volume of debt.

Changes in NII

(in thousands)

For the three months ended March 31,	2017 vs 2016		
Increase (decrease) due to:	Volume	Rate	Total
Interest income:			
Loans	$13,952	$21,959	$35,911
Investments	(1,476)	11,923	10,447
Total interest income	12,476	33,882	46,358
Interest expense:			
System-wide debt securities and other	(6,624)	(37,217)	(43,841)
Net change in NII	$5,852	$(3,335)	$2,517

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 three months ended March 31,	2017			2016		
	ADB	Rate	NII	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	$77,253,609	1.90%	$361,454	$73,952,475	1.59%	$265,323
Retail accrual loans	7,509,557	3.76%	69,614	7,896,490	3.68%	70,733
Retail nonaccrual loans	52,771	7.35%	956	46,712	9.34%	1,088
Investment securities and federal funds	15,139,156	1.18%	43,982	15,805,978	0.85%	33,534
Total earning assets	99,955,093	1.93%	476,006	97,701,655	1.76%	429,648
Interest bearing liabilities	94,895,505	1.42%	332,935	92,798,243	1.09%	289,094
Interest rate spread	$5,059,588	0.51%		$4,903,412	0.51%	
Impact of equity financing		0.07%			0.07%	
Net interest margin		0.58%			0.58%	
Net interest income			$143,071			$140,554

Net interest margin for the three months ended March 31, 2017, was comparable to the same period of the prior year. The increase in interest rate spread was driven primarily by additional spread charged on our wholesale loans to District Associations and OFIs. This increase was offset by a reduction in the positive impact on interest rate spreads resulting from our funding actions. Equity financing represents the benefit of non-interest rate bearing funding, which was comparable to the prior year.

We recorded a $2.0 million provision for loan loss during the three months ended March 31, 2017. Refer to the Loan Portfolio section for further discussion.

The increase in non-interest income was primarily due to an increase in mineral income driven by higher oil prices for the three months ended March 31, 2017, compared to the same period of 2016.

Certification

The undersigned have reviewed the March 31, 2017 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of our knowledge and belief.

Matthew D. Walther
Chair of the Board
AgriBank, FCB
May 10, 2017

William J. Thone
Chief Executive Officer
AgriBank, FCB
May 10, 2017

Brian J. O’Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
AgriBank, FCB
May 10, 2017

Statements of Condition

AgriBank, FCB

(in thousands) *(unaudited)*	**March 31, 2017**	December 31, 2016
Assets		
Loans	**$85,054,721**	$86,078,402
Allowance for loan losses	**22,676**	21,282
Net loans	**85,032,045**	86,057,120
Investment securities	**14,314,518**	14,897,252
Cash	**335,752**	469,996
Federal funds	**750,000**	591,300
Accrued interest receivable	**427,948**	420,670
Derivative assets	**5,739**	13,125
Allocated prepaid pension costs	**33,051**	33,985
Cash collateral pledged to counterparties	**34,142**	31,128
Other assets	**38,242**	48,720
Total assets	**$100,971,437**	$102,563,296
Liabilities		
Bonds and notes	**$94,991,925**	$96,633,431
Accrued interest payable	**271,114**	223,023
Derivative liabilities	**31,678**	34,407
Accounts and other payables	**111,578**	170,613
Other liabilities	**11,909**	15,719
Total liabilities	**95,418,204**	97,077,193
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**2,197,620**	2,183,701
Unallocated surplus	**3,172,246**	3,132,432
Accumulated other comprehensive loss	**(66,633)**	(80,030)
Total shareholders' equity	**5,553,233**	5,486,103
Total liabilities and shareholders' equity	**$100,971,437**	$102,563,296

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

Statements of Comprehensive Income

AgriBank, FCB

(in thousands)
(unaudited)

	Three months	
For the periods ended March 31,	**2017**	2016
Interest income		
Loans	**$432,024**	$396,114
Investment securities	**43,982**	33,534
Total interest income	**476,006**	429,648
Interest expense	**332,935**	289,094
Net interest income	**143,071**	140,554
Provision for loan losses	**2,000**	3,000
Net interest income after provision for loan losses	**141,071**	137,554
Non-interest income		
Mineral income	**10,247**	8,535
Loan prepayment and fee income	**2,557**	3,192
Business services income	**4,638**	4,100
Miscellaneous income and other gains, net	**2,147**	854
Total non-interest income	**19,589**	16,681
Non-interest expense		
Salaries and employee benefits	**10,161**	9,731
Other operating expenses	**9,225**	8,162
Loan servicing fees paid to District Associations	**8,780**	8,569
Farm Credit System insurance expense	**2,946**	3,329
Total non-interest expense	**31,112**	29,791
Net income	**$129,548**	$124,444
Other comprehensive income (loss)		
Investments available-for-sale:		
Not-other-than-temporarily-impaired investments	**$8,649**	$40,906
Other-than-temporarily-impaired investments	**--**	(83)
Derivatives and hedging activity	**4,748**	(71,330)
Total other comprehensive income (loss)	**13,397**	(30,507)
Comprehensive income	**$142,945**	$93,937

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(in thousands) *(unaudited)*	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2015	$250,000	$2,063,343	$2,945,638	$(84,865)	$5,174,116
Net income			124,444		124,444
Other comprehensive loss				(30,507)	(30,507)
Patronage			(71,616)		(71,616)
Perpetual preferred stock dividends			(4,297)		(4,297)
Capital stock/participation certificates issued		39,325			39,325
Capital stock/participation certificates retired		(22,926)			(22,926)
Balance at March 31, 2016	$250,000	$2,079,742	$2,994,169	$(115,372)	$5,208,539
Balance at December 31, 2016	$250,000	$2,183,701	$3,132,432	$(80,030)	$5,486,103
Net income			**129,548**		**129,548**
Other comprehensive income				**13,397**	**13,397**
Patronage			**(85,437)**		**(85,437)**
Perpetual preferred stock dividends			**(4,297)**		**(4,297)**
Capital stock/participation certificates issued		**13,919**			**13,919**
Balance at March 31, 2017	**$250,000**	**$2,197,620**	**$3,172,246**	**$(66,633)**	**$5,553,233**

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

Statements of Cash Flows

AgriBank, FCB

(in thousands)

(unaudited)

For the three months ended March 31,	2017	2016
Cash flows from operating activities		
Net income	**$129,548**	$124,444
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**924**	873
Provision for loan losses	**2,000**	3,000
Amortization of discounts on investments, net	**(5,444)**	(2,868)
Amortization of discounts on debt and deferred debt issuance costs, net	**26,245**	19,103
(Gain) loss on derivative activities, net	**(890)**	172
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(346,345)**	(307,636)
Decrease in other assets	**15,836**	9,307
Increase in accrued interest payable	**48,091**	17,626
Decrease in other liabilities	**(29,982)**	(26,498)
Net cash used in operating activities	**(160,017)**	(162,477)
Cash flows from investing activities		
Decrease in loans, net	**1,361,149**	301,135
Proceeds from sales of other property owned	**1,040**	187
Decrease (increase) in investment securities, net	**596,827**	(438,632)
Purchases of premises and equipment, net	**(1,098)**	(523)
Net cash provided by (used in) investing activities	**1,957,918**	(137,833)
Cash flows from financing activities		
Bonds and notes issued	**44,818,598**	42,333,633
Bonds and notes retired	**(46,480,683)**	(42,951,782)
Decrease (increase) in cash collateral pledged to counterparties, net	**3,664**	(45,530)
Variation margin settled on cleared derivatives, net	**(2,049)**	--
Patronage distributions paid	**(122,597)**	(87,079)
Preferred stock dividends paid	**(4,297)**	(4,297)
Capital stock/participation certificates issued, net	**13,919**	16,399
Net cash used in financing activities	**(1,773,445)**	(738,656)
Net increase (decrease) in cash and federal funds	**24,456**	(1,038,966)
Cash and federal funds at beginning of period	**1,061,296**	1,960,836
Cash and federal funds at end of period	**$1,085,752**	$921,870
Supplemental schedule of non-cash activities		
Decrease (increase) in derivative assets	**$2,757**	$(954)
(Decrease) increase in derivative liabilities	**(2,729)**	67,377
Decrease in bonds from derivative activity	**(5,666)**	(5,079)
Increase (decrease) in shareholders' equity from cash flow derivatives	**4,748**	(71,330)
Increase in shareholders' equity from investment securities	**8,649**	40,823
Loans transferred to other property owned	**993**	168
Interest capitalized to loan principal	**339,067**	293,824
Preferred stock dividends accrued	**4,297**	4,297
Patronage refunds payable to owners	**85,437**	71,616
Supplemental information		
Interest paid	**$258,599**	$271,468

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

Notes to Financial Statements

AgriBank, FCB

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At March 31, 2017, the District had 17 Agricultural Credit Association parent Associations, each of which has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

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

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

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard	Description	Effective date and financial statement impact
In March 2017, the FASB issued Accounting Standards Update (ASU) 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost."	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	This guidance is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted with certain restrictions. AgriBank is currently evaluating the impact of the guidance on the results of operations and financial statement disclosures. This guidance will have no impact on the financial condition or cash flows.

Standard	Description	Effective date and financial statement impact
In August 2016, the FASB issued ASU 2016-15 “Classification of Certain Cash Receipts and Cash Payments.”	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	This guidance is effective for public entities for interim and annual periods beginning after December 15, 2017. The adoption of this guidance does not impact the financial condition or results of operations, but could change the classification of certain items in the statement of cash flows.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses."	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020 including interim periods within those annual periods. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases."	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018 including interim periods within that year. Early adoption is permitted and modified retrospective adoption is required. Based on our preliminary review and analysis, this new guidance will have an insignificant impact on our financial condition, results of operations, and financial statement disclosures, and will have no impact on cash flows.
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.”	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. Early adoption is permitted for only a portion of the guidance, but that guidance does not apply to the Financial Statements. We are currently evaluating the impact of the remaining guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.

Standard	Description	Effective date and financial statement impact
In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers."	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of contracts within the District would be excluded from the scope of this new guidance.	The guidance is effective for public entities for the first interim reporting period within the annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASUs 2016-08 and 2016-10 which provided further clarifying guidance on the previously issued standard. We are in the process of reviewing contracts to determine the effect, if any, on the financial condition, results of operations or cash flows.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

	March 31, 2017		December 31, 2016	
(in thousands)	Amount	%	Amount	%
Wholesale loans	$77,573,617	91.2%	$78,300,557	91.0%
Retail loans:				
Real estate mortgage	3,295,466	3.9%	3,461,590	4.0%
Production and intermediate-term	3,527,803	4.1%	3,629,121	4.2%
Agribusiness	90,866	0.1%	65,228	0.1%
Loans to other financing institutions (OFIs)	522,440	0.6%	577,505	0.7%
Other	44,529	0.1%	44,401	0.0%
Total retail Loans	7,481,104	8.8%	7,777,845	9.0%
Total loans	$85,054,721	100.0%	$86,078,402	100.0%

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

Participations

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

Retail Loan Participations Purchased

(in thousands)	March 31, 2017	December 31, 2016
Real estate mortgage	$3,295,167	$3,461,281
Production and intermediate-term	3,527,803	3,629,121
Agribusiness	90,866	65,228
Other	44,529	44,401
Total loans	$6,958,365	$7,200,031

Portfolio Performance

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

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

Credit Quality of Loans

(in thousands) **As of March 31, 2017**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$77,934,631**	**100.0%**	**$ --**	**--**	**$ --**	**--**	**$77,934,631**	**100.0%**
Retail loans:								
Real estate mortgage	**3,125,120**	**93.9%**	**101,707**	**3.1%**	**98,803**	**3.0%**	**3,325,630**	**100.0%**
Production and intermediate-term	**3,370,657**	**95.2%**	**71,672**	**2.0%**	**98,371**	**2.8%**	**3,540,700**	**100.0%**
Agribusiness	**86,429**	**94.9%**	**4,676**	**5.1%**	**26**	**0.0%**	**91,131**	**100.0%**
Loans to OFIs	**524,531**	**100.0%**	**--**	**--**	**--**	**--**	**524,531**	**100.0%**
Other	**43,662**	**98.0%**	**243**	**0.5%**	**658**	**1.5%**	**44,563**	**100.0%**
Total retail loans	**7,150,399**	**95.0%**	**178,298**	**2.4%**	**197,858**	**2.6%**	**7,526,555**	**100.0%**
Total loans	**$85,085,030**	**99.6%**	**$178,298**	**0.2%**	**$197,858**	**0.2%**	**$85,461,186**	**100.0%**

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

Note: Accruing loans include accrued interest receivable.

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

Aging Analysis of Loans

(in thousands) **As of March 31, 2017**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing loans 90 days or more past due**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$77,934,631**	**$77,934,631**	**$ --**
Real estate mortgage	**8,929**	**7,530**	**16,459**	**3,309,171**	**3,325,630**	**202**
Production and intermediate-term	**22,841**	**10,070**	**32,911**	**3,507,789**	**3,540,700**	**194**
Agribusiness	**--**	**26**	**26**	**91,105**	**91,131**	**--**
Loans to OFIs	**--**	**--**	**--**	**524,531**	**524,531**	**--**
Other	**210**	**--**	**210**	**44,353**	**44,563**	**--**
Total loans	**$31,980**	**$17,626**	**$49,606**	**$85,411,580**	**$85,461,186**	**$396**

(in thousands) As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Wholesale loans	$ --	$ --	$ --	$78,639,626	$78,639,626	$ --
Real estate mortgage	10,132	7,015	17,147	3,481,479	3,498,626	156
Production and intermediate-term	22,678	9,024	31,702	3,615,057	3,646,759	222
Agribusiness	26	--	26	65,441	65,467	--
Loans to OFIs	--	--	--	579,652	579,652	--
Other	252	--	252	44,184	44,436	--
Total loans	$33,088	$16,039	$49,127	$86,425,439	$86,474,566	$378

Note: Accruing loans include accrued interest receivable.

Risk Assets

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

Risk Loan Information

(in thousands)	**March 31, 2017**	December 31, 2016
Nonaccrual loans:		
Current as to principal and interest	**$30,089**	$32,622
Past due	**23,194**	21,229
Total nonaccrual loans	**53,283**	53,851
Accruing restructured loans	**4,805**	3,800
Accruing loans 90 days or more past due	**396**	378
Total risk loans	**$58,484**	$58,029
Volume with specific reserves	**$28,151**	$27,187
Volume without specific reserves	**30,333**	30,842
Total risk loans	**$58,484**	$58,029
Specific reserves	**$4,592**	$4,394
For the three months ended March 31,	**2017**	2016
Income on accrual risk loans	**$53**	$58
Income on nonaccrual loans	**956**	1,088
Total income on risk loans	**$1,009**	$1,146
Average recorded risk loans	**$57,052**	$52,121

Note: Accruing loans include accrued interest receivable.

Risk Assets by Loan Type

(in thousands)	**March 31, 2017**	December 31, 2016
Nonaccrual loans:		
Real estate mortgage	**$22,536**	$24,637
Production and intermediate-term	**30,400**	28,890
Other	**347**	324
Total nonaccrual loans	**$53,283**	$53,851
Accruing restructured loans:		
Real estate mortgage	**$4,805**	$3,800
Total accruing restructured loans	**$4,805**	$3,800
Accruing loans 90 days or more past due:		
Real estate mortgage	**$202**	$156
Production and intermediate-term	**194**	222
Total accruing loans 90 days or more past due	**$396**	$378
Total risk loans	**$58,484**	$58,029
Other property owned	**696**	349
Total risk assets	**$59,180**	$58,378

Note: Accruing loans include accrued interest receivable.

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

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

	As of March 31, 2017			For the three months ended March 31, 2017	
(in thousands)	Recorded Investment *	Unpaid Principal Balance **	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$4,708	$5,822	$1,034	$3,739	$ --
Production and intermediate-term	23,403	24,006	3,538	26,642	--
Other	40	43	20	40	--
Total loans	$28,151	$29,871	$4,592	$30,421	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$22,836	$39,354	$ --	$18,136	$714
Production and intermediate-term	7,191	5,963	--	8,213	295
Other	306	511	--	282	--
Total loans	$30,333	$45,828	$ --	$26,631	$1,009
Total impaired loans:					
Real estate mortgage	$27,544	$45,176	$1,034	$21,875	$714
Production and intermediate-term	30,594	29,969	3,538	34,855	295
Other	346	554	20	322	--
Total loans	$58,484	$75,699	$4,592	$57,052	$1,009

	As of December 31, 2016			For the three months ended March 31, 2016	
(in thousands)	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,107	$6,249	$1,095	$4,910	$ --
Production and intermediate-term	22,039	22,508	3,277	16,080	--
Other	41	43	22	118	--
Total loans	$27,187	$28,800	$4,394	$21,108	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$23,487	$39,431	$ --	$26,404	$774
Production and intermediate-term	7,072	5,951	--	4,428	372
Other	283	514	--	181	--
Total loans	$30,842	$45,896	$ --	$31,013	$1,146
Total impaired loans:					
Real estate mortgage	$28,594	$45,680	$1,095	$31,314	$774
Production and intermediate-term	29,111	28,459	3,277	20,508	372
Other	324	557	22	299	--
Total loans	$58,029	$74,696	$4,394	$52,121	$1,146

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

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

We did not have any material commitments to lend additional money to borrowers whose loans were at risk as of March 31, 2017.

Troubled Debt Restructurings

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

We modified certain real estate mortgage loans as TDRs during the three months ended March 31, 2017. The recorded investment in these loans prior to and immediately following modification was $31 thousand. The primary types of modification typically include forgiveness of interest, interest rate reduction below market or extension of maturity. There were no TDRs that occurred during the three months ended March 31, 2016. We had no TDRs that defaulted during the three months ended March 31, 2017 or 2016, in which the modifications were within 12 months of the respective reporting period.

TDRs Outstanding

(in thousands)	**March 31, 2017**	December 31, 2016
Accrual Status		
Real estate mortgage	**$4,805**	$3,800
Total TDRs in accrual status	**$4,805**	$3,800
Nonaccrual Status		
Real estate mortgage	**$2,953**	$3,900
Production and intermediate-term	**3**	7
Total TDRs in nonaccrual status	**$2,956**	$3,907
Total TDRs	**$7,761**	$7,707

We had no additional commitments to lend to borrowers whose loans have been modified as TDRs as of March 31, 2017.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the three months ended March 31,	**2017**	2016
Balance at beginning of period	**$21,282**	$18,076
Provision for loan losses	**2,000**	3,000
Charge-offs	**(829)**	(1,795)
Recoveries	**223**	350
Balance at end of period	**$22,676**	$19,631

Our allowance for loan losses increased from December 31, 2016, to $22.7 million at March 31, 2017, reflecting provision for loan losses of $2.0 million for the period, primarily related to increases in loan loss reserves on certain loans to grain producers. This increase in allowance was partially offset by net chargeoffs of $606 thousand for the period.

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

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2016	**$ --**	**$1,874**	**$18,930**	**$147**	**$220**	**$111**	**$21,282**
Provision for (reversal of) loan losses	**--**	**94**	**1,841**	**67**	**(13)**	**11**	**2,000**
Charge-offs	**--**	**(41)**	**(787)**	**(1)**	**--**	**--**	**(829)**
Recoveries	**--**	**1**	**221**	**--**	**--**	**1**	**223**
Balance at March 31, 2017	**$ --**	**$1,928**	**$20,205**	**$213**	**$207**	**$123**	**$22,676**
At March 31, 2017:							
Ending balance: individually evaluated for impairment	**$ --**	**$1,034**	**$3,538**	**$ --**	**$ --**	**$20**	**$4,592**
Ending balance: collectively evaluated for impairment	**$ --**	**$894**	**$16,667**	**$213**	**$207**	**$103**	**$18,084**
Recorded investments in loans outstanding:							
Ending balance at March 31, 2017	**$77,934,631**	**$3,325,630**	**$3,540,700**	**$91,131**	**$524,531**	**$44,563**	**$85,461,186**
Ending balance for loans individually evaluated for impairment	**$77,934,631**	**$27,544**	**$30,594**	**$26**	**$ --**	**$320**	**$77,993,115**
Ending balance for loans collectively evaluated for impairment	**$ --**	**$3,298,086**	**$3,510,106**	**$91,105**	**$524,531**	**$44,243**	**$7,468,071**

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2015	$ --	$1,928	$15,381	$269	$278	$220	$18,076
(Reversal of) provision for loan losses	--	343	2,445	210	(34)	36	3,000
Charge-offs	--	(323)	(1,417)	--	--	(55)	(1,795)
Recoveries	--	68	280	--	--	2	350
Balance at March 31, 2016	$ --	$2,016	$16,689	$479	$244	$203	$19,631
At December 31, 2016:							
Ending balance: individually evaluated for impairment	$ --	$1,095	$3,277	$ --	$ --	$22	$4,394
Ending balance: collectively evaluated for impairment	$ --	$779	$15,653	$147	$220	$89	$16,888
Recorded investments in loans outstanding:							
Ending balance at December 31, 2016	$78,639,626	$3,498,626	$3,646,759	$65,467	$579,652	$44,436	$83,179,825
Ending balance for loans individually evaluated for impairment	$78,639,626	$28,594	$29,111	$ --	$ --	$324	$78,697,655
Ending balance for loans collectively evaluated for impairment	$ --	$3,470,032	$3,617,648	$65,467	$579,652	$44,112	$7,776,911

NOTE 3

Investment Securities

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

Investment Securities

(in thousands) **As of March 31, 2017**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,825,857**	**$7,315**	**$51,423**	**$5,781,749**	**1.5%**
Commercial paper and other	**4,385,399**	**602**	**118**	**4,385,883**	**1.2%**
U.S. Treasury securities	**3,446,419**	**113**	**10,564**	**3,435,968**	**1.2%**
Asset-backed securities	**711,067**	**135**	**284**	**710,918**	**1.2%**
Total	**$14,368,742**	**$8,165**	**$62,389**	**$14,314,518**	**1.3%**

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

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

Contractual Maturities of Investment Securities

	Year of Maturity				
(in thousands) **As of March 31, 2017**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$195**	**$10,977**	**$124,838**	**$5,645,739**	**$5,781,749**
Commercial paper and other	**4,385,883**	--	--	--	**4,385,883**
U.S. Treasury securities	**1,288,196**	**2,147,772**	--	--	**3,435,968**
Asset-backed securities	**1,222**	**709,696**	--	--	**710,918**
Total	**$5,675,496**	**$2,868,445**	**$124,838**	**$5,645,739**	**$14,314,518**
Weighted average yield	**1.2%**	**1.2%**	**1.7%**	**1.5%**	**1.3%**

The expected average life is 0.6 years for asset-backed securities (ABS) and 3.7 years for mortgage-backed securities (MBS) at March 31, 2017. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

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

	Less than 12 months		**More than 12 months**	
(in thousands)	**Fair**	**Unrealized**	**Fair**	**Unrealized**
As of March 31, 2017	**Value**	**Losses**	**Value**	**Losses**
Mortgage-backed securities	**$2,741,240**	**$32,807**	**$2,194,754**	**$18,616**
Commercial paper and other	**1,265,906**	**118**	**--**	**--**
U.S. Treasury securities	**3,050,119**	**10,564**	**--**	**--**
Asset-backed securities	**506,739**	**284**	**1,455**	**--**
Total	**$7,564,004**	**$43,773**	**$2,196,209**	**$18,616**

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

There were no AFS investment securities sold during the three months ended March 31, 2017 or 2016.

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 March 31, 2017 or at December 31, 2016. No additional impairments were recorded during the three months ended March 31, 2016.

There was no OTTI activity during the three months ended March 31, 2017. The following represents the activity related to the credit-loss component for investment securities that have been written down for OTTI that has been recognized in earnings:

(in thousands)	
For the three months ended March 31,	2016
Credit-loss component, beginning of period	$25,160
Reductions:	
For increases in expected cash flows	(330)
Credit-loss component, end of period	$24,830

NOTE 4

Capital

Regulatory Capital Requirements and Ratios

	March 31, 2017	Regulatory Minimums	Capital Conservation Buffer*	Total
Risk adjusted:				
Common equity Tier 1 capital ratio	**18.4%**	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.3%**	6.0%	2.5%	8.5%
Total capital ratio	**19.4%**	8.0%	2.5%	10.5%
Permanent capital ratio	**19.3%**	7.0%	0.0%	7.0%
Non-risk adjusted:				
Tier 1 leverage ratio	**5.6%**	4.0%	1.0%	5.0%
Unallocated retained earnings equivalents (UREE) leverage ratio	**3.2%**	1.5%	0.0%	1.5%

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

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

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

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

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

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

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

NOTE 5

Employee Benefit Plans

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

District Components of Net Periodic Benefit Cost

(in thousands)	**2017**		2016	
For the three months ended March 31,	**Pension Benefits**	**Other Benefits**	Pension Benefits	Other Benefits
Service cost	**$7,134**	**$109**	$7,652	$113
Interest cost	**11,726**	**256**	11,584	271
Expected return on plan assets	**(15,486)**	**--**	(14,834)	--
Amortization of prior service cost	**(972)**	**(96)**	(280)	(111)
Actuarial loss (gain)	**9,786**	**(134)**	10,022	(111)
Settlements	**385**	**--**	2,330	--
Net periodic benefit cost	**$12,573**	**$135**	$16,474	$162

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

For the three months ended March 31, 2017, District employers have contributed $2.8 million to fund Pension Benefits and our share was $1.3 million. District employers anticipate contributing an additional $90.2 million to fund Pension Benefits in 2017. District employers typically fund 40 percent of their annual contributions to the AgriBank District Retirement Plan in June and the remaining 60 percent in December.

For the three months ended March 31, 2017, District employers have contributed $343 thousand for Other Benefits and our share was $74 thousand. District employers anticipate contributing an additional $1.3 million for Other Benefits in 2017.

Our allocated portion of the District benefit expenses for the three months ended March 31, 2017 was $934 thousand for Pension Benefits and income of $36 thousand for Other Benefits.

NOTE 6

Commitments and Contingencies

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

On November 4, 2016 an alleged class action complaint was filed in the Supreme Court of the State of New York against AgriBank by a purported beneficial owner of our Subordinated Notes. The plaintiff has asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that we impermissibly redeemed the Notes. The plaintiff has requested damages in an amount to be determined at trial, reasonable attorneys' fees and other relief. On December 14, 2016, the case was removed to federal court and is pending in the Southern District of New York. The case is in the early pleading stage, and we intend to vigorously defend against these allegations. As of the date of these financial statements, the likelihood of any outcome of this proceeding cannot be determined.

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

While primarily liable for our portion of System-wide bonds and notes, we are jointly and severally liable for the System-wide bonds and notes of the other System Banks. The total bonds and notes of the System at March 31, 2017 was $258.9 billion.

NOTE 7

Fair Value Measurements

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

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

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of March 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	**$ --**	**$750,000**	**$ --**	**$750,000**
Investments available-for-sale:				
Mortgage-backed securities	**--**	**5,781,749**	**--**	**5,781,749**
Commercial paper and other	**--**	**4,385,883**	**--**	**4,385,883**
U.S. Treasury securities	**--**	**3,435,968**	**--**	**3,435,968**
Asset-backed securities	**--**	**710,918**	**--**	**710,918**
Total investments available-for-sale	**--**	**14,314,518**	**--**	**14,314,518**
Cash collateral pledged to counterparties	**34,142**	**--**	**--**	**34,142**
Derivative assets	**--**	**5,739**	**--**	**5,739**
Total assets	**$34,142**	**$15,070,257**	**$ --**	**$15,104,399**
Liabilities:				
Derivative liabilities	**$ --**	**$31,678**	**$ --**	**$31,678**
Total liabilities	**$ --**	**$31,678**	**$ --**	**$31,678**

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

We had no level 3 assets at any time during the three months ended March 31, 2017.

Fair Value Measurement Activity of Level 3 Instruments

	Investments Available-For-Sale		
(in thousands)	Mortgage-backed Securities	Asset-backed Securities	Total
Balance at December 31, 2015	$70,438	$7,958	$78,396
Total gains (losses) realized/unrealized:			
Included in other comprehensive income	724	(395)	329
Settlements	(3,627)	(205)	(3,832)
Balance at March 31, 2016	$67,535	$7,358	$74,893

There were no assets or liabilities transferred between levels during the three months ended March 31, 2017 or 2016.

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

	As of March 31, 2017				For the three months ended March 31, 2017
	Fair Value Measurement Using			Total Fair	Total
(in thousands)	Level 1	Level 2	Level 3	Value	(Losses) Gains
Impaired loans	$ --	$ --	$24,737	$24,737	$(1,027)
Other property owned	--	--	724	724	47

	As of December 31, 2016				For the three months ended March 31, 2016
	Fair Value Measurement Using			Total Fair	Total
(in thousands)	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$ --	$23,933	$23,933	$(2,193)
Other property owned	--	--	363	363	(113)

Other Financial Instrument Measurements

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

(in thousands) **As of March 31, 2017**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$335,752**	**$335,752**	**$ --**	**$ --**	**$335,752**
Net non-impaired loans	**85,008,486**	**--**	**--**	**84,624,707**	**84,624,707**
Total assets	**$85,344,238**	**$335,752**	**$ --**	**$84,624,707**	**$84,960,459**
Liabilities:					
Bonds and notes	**$94,991,925**	**$ --**	**$ --**	**$94,653,883**	**$94,653,883**
Total liabilities	**$94,991,925**	**$ --**	**$ --**	**$94,653,883**	**$94,653,883**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**$(21,923)**	**$(21,923)**

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

NOTE 8

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our 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. We consider the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

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

- Interest rate swaps allow us to change 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.

- Interest rate options allow us to manage the impact of changing interest rates on certain assets and liabilities.
- We also facilitate interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We generally manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating-for Floating	Other Derivatives	Total
Balance at December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	**--**	**80**	**--**	**--**	**80**
Maturities/amortization	**(100)**	**--**	**--**	**--**	**(100)**
Balance at March 31, 2017	**$2,466**	**$2,168**	**$3,100**	**$90**	**$7,824**
Balance at December 31, 2015	$1,550	$1,523	$2,500	$35	$5,608
Additions	290	260	1,400	--	1,950
Maturities/amortization	--	--	(600)	--	(600)
Balance at March 31, 2016	$1,840	$1,783	$3,300	$35	$6,958

Other derivatives consisted of retail customer derivative products.

By using derivative products, we expose ourselves to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value gain in a derivative. To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency, and we monitor the credit standing and levels of exposure to individual counterparties. At March 31, 2017 we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. All derivative contracts are supported by bilateral collateral agreements with counterparties. Certain derivatives were in a negative fair value position, requiring us to post cash collateral to counterparties of $12.1 million as of March 31, 2017, and $10.0 million as of December 31, 2016.

We may also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the credit worthiness of counterparties to all swaps that are sent to the CCP, set limits for each counterparty, collect initial margin as well as variation margin settlements from each counterparty for changes in the value of cleared derivatives. At March 31, 2017, initial margin pledged to counterparties was $22.1 million compared to $27.9 million as of December 31, 2016. In 2017, contracts with certain CCPs changed which resulted in treating daily variation margin payments as settlements rather than collateral posted. As of March 31, 2017, variation margin of $4.6 million was posted and settled by counterparties, compared to variation margin pledged as collateral by counterparties of $6.7 million as of December 31, 2016.

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

Financial Statement Impact of Derivatives

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

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

	March 31, 2017		December 31, 2016	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$108**	**$9,524**	$2,099	$6,746
Pay-fixed and amortizing pay-fixed swaps	**35,318**	**45,131**	33,102	50,378
Floating-for-floating and amortizing floating-for-floating swaps	**157**	**2,752**	1,744	1,625
Total derivatives designated as hedging instruments	**35,583**	**57,407**	36,945	58,749
Derivatives not designated as hedging instruments:				
Pay-fixed and amortizing pay-fixed swaps	**3,676**	**77**	3,568	130
Other derivative products	**184**	**3,095**	257	2,975
Total derivatives not designated as hedging instruments	**3,860**	**3,172**	3,825	3,105
Credit valuation adjustments	**(172)**	**--**	(198)	--
Total gross amounts of derivatives	**$39,271**	**$60,579**	$40,572	$61,854
Gross amounts offset in Statements of Condition	**(28,901)**	**(28,901)**	(27,447)	(27,447)
Variation margin settled	**(4,631)**	**--**	--	--
Net amounts in Statements of Condition	**$5,739**	**$31,678**	$13,125	$34,407

(in thousands)	**March 31, 2017**	December 31, 2016
Derivative assets, net	**$5,739**	$13,125
Derivative liabilities, net	**(31,678)**	(34,407)
Accrued interest payable on derivatives, net	**(6,677)**	(568)
Gross amounts not offset in Statements of Condition:		
Cash collateral pledged to counterparties	**34,142**	31,128
Net exposure amounts	**$1,526**	$9,278

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

Fair-Value Hedges: We recorded $897 thousand of gains related to swaps for the three months ended March 31, 2017, compared to $406 thousand of losses for the same period in 2016. The gains and losses on the derivative instruments are recognized in "Interest expense" on the Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of other comprehensive income (OCI) recognized on derivatives, the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges and amount excluded from effectiveness testing. These net gains reclassified into earnings are expected to increase net interest income related to the respective hedged items.

(in thousands) **For the three months ended March 31, 2017** **Cash Flow Hedging Relationships**	**Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Loss Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing**
Pay-fixed and amortizing pay-fixed swaps	**$7,462**	**$ --**
Floating-for-floating and amortizing floating-for-floating swaps	**(2,714)**	**--**
Total	**$4,748**	**$ --**

(in thousands) For the three months ended March 31, 2016 Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$(70,144)	$ --
Floating-for-floating and amortizing floating-for-floating swaps	(1,186)	(47)
Total	$(71,330)	$(47)

There were no amounts reclassified from AOCI into income for either three month period ended March 31, 2017 or 2016.

Derivatives not Designated as Hedges: We recorded $32 thousand of net losses on swaps, which are not designated as hedging instruments on the Statements of Comprehensive Income for the three months ended March 31, 2017, compared to $866 thousand of net losses for same period in 2016. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

NOTE 9

Accumulated Other Comprehensive Income

Changes in Components of Accumulated Other Comprehensive Income (Loss)

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Total
Balance at December 31, 2015	$(31,002)	$10,561	$(64,424)	$(84,865)
Other comprehensive income (loss)	40,906	(83)	(71,330)	(30,507)
Balance at March 31, 2016	$9,904	$10,478	$(135,754)	$(115,372)
Balance at December 31, 2016	$(62,873)	$ --	$(17,157)	$(80,030)
Other comprehensive income	**8,649**	--	**4,748**	**13,397**
Balance at March 31, 2017	**$(54,224)**	**$ --**	**$(12,409)**	**$(66,633)**

There were no amounts reclassified from AOCI in either period ending March 31, 2017 or 2016.

NOTE 10

Subsequent Events

We have evaluated subsequent events through May 10, 2017, 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 effective January 1, 2017, as required under Regulations 628.62 and 628.63, for risk-adjusted ratios, common equity tier 1, tier 1 capital and total capital ratios. Refer to Note 4 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years and can be accessed via AgriBank's website at www.AgriBank.com.

Scope of Application

AgriBank, FCB (AgriBank or the Bank) is one of the four banks of the Farm Credit System (System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

As of March 31, 2017, the AgriBank District has 17 ACA parent Associations, each of which has wholly owned FLCA and PCA subsidiaries. AgriBank is primarily owned by these 17 Farm Credit Associations. We are 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. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation, the FCS Building Association, the Farm Credit Association Captive Insurance Corporation and Farm Credit Foundations. The Bank's investments in other System institutions are deducted from regulatory capital as only the institution who issued the equities may count the amount as regulatory capital. The Bank has no unincorporated business entity (UBE) which would be included in risk-weighted assets and is not deducted from any capital component in accordance with FCA regulations. As AgriBank has no consolidated subsidiaries, there are no consolidated entities which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities, and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's consolidated level.

Capital Structure

All shares and participation certificates are $5 par value, except the Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock), which is $100 par value. Our bylaws authorize us to require an investment of up to 4 percent of the borrower's line of credit with us upon Board approval. Effective January 1, 2017, the required investment is the lesser of 4 percent or a multiple component calculation based on a percentage of average wholesale loan balances (District Associations) and loan commitments (OFIs) with a higher percentage on balances above a sustainable growth rate and includes a component for additional investments under the Asset Pool program. The 2017 component requirements are currently 2.25 percent on average loan balances/commitments, with an additional 4.5 percent on growth above a 5.5 percent sustainable growth rate and an 8 percent investment under the Asset Pool program. AgDirect, LLP, the limited liability partnership that is involved in the AgDirect retail equipment financing program, is required to purchase an investment in Class P Common Stock equal to 6 percent of the AgDirect program participation projected loan balance at quarter-end plus 6 percent of the expected balance. Certain District Associations may enter into contractual agreements with us whereby their required investment in AgriBank is reduced up to a specified amount. In return for having a lower required investment, these District Associations agree to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. Our capital plan is updated at least annually and is subject to change at the discretion of our Board.

FCA regulations require Associations and System Banks to agree upon a plan for allocating the Associations' investments in System Banks for calculation of permanent capital ratio. For the purposes of calculating common equity tier 1, tier 1, total regulatory capital and tier leverage ratios, there are no allotment agreements; the capital is counted by the institution where the capital stock resides.

Member Stock

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

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

Class D Preferred Stock is available to be issued solely to District Associations based on allocated equities issued and as a conversion of Class P Common Stock that is in excess of the minimum amounts required under our capital plan. Class D Preferred Stock has no voting rights. All outstanding Class D Preferred Stock was converted to Class P common stock at December 31, 2016.

Class F Common Stock is available to be issued only to other System institutions. Class F Common Stock has no voting rights, and no stock of this kind was outstanding at December 31, 2016, 2015 or 2014.

Class P Common Stock is issued to District Associations in an amount not less than that required by our capital plan and as a conversion of Class D Preferred Stock in accordance with the capital plan. Class P Common Stock has voting rights as provided in our bylaws, so long as the stock is held by an eligible holder. After a two-year period during which a holder of Class P Common Stock does not have a loan with us or is not a servicer of our loans, all such holder's Class P Common Stock will be converted to an equal number of units of Series B Participation Certificates.

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

Series B Participation Certificates are issued to District Associations and direct borrowers. Series B Participation Certificates have no voting rights, and no stock of this kind was outstanding at December 31, 2016, 2015 or 2014.

Protected Series C Participation Certificates are issued to entities identified in the Farm Credit Act that meet certain requirements of the Act in existence before the close of business on October 5, 1988. Protected Series C Participation Certificates have no voting rights.

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

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

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

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

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

Perpetual Preferred Stock
We have an authorized class of preferred stock that may be issued to investors in accordance with applicable rules of offering. This stock is non-voting and may bear dividends. There are 8 million shares authorized at $100 per share. During 2013, our Board approved the issuance of up to $400 million of preferred stock, for which we also received approval from District Associations, OFIs and the FCA.

On October 29, 2013, we issued $250 million of Series A Preferred Stock, representing 2.5 million shares at $100 per share par value, resulting in net proceeds of $246.1 million. The net proceeds reflect issuance costs from underwriting, auditor and attorney fees.

This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, tier 1 and total capital ratios.

Dividends on the Series A Preferred Stock, if declared by our Board in its sole discretion, are non-cumulative and are payable quarterly in arrears on the first day of January, April, July and October, beginning on January 1, 2014. Dividends accrue at a fixed annual rate of 6.875 percent from the date of issuance through December 31, 2023, and beginning January 1, 2024 will accrue at an annual rate equal to three-month United States Dollar LIBOR rate, reset quarterly, plus 4.225 percent.

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

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

Regulatory Capital Structure

(3-month average daily balance in thousands)	As of March 31, 2017
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	$31
Other required member purchased stock	961,543
Allocated equities:	
Allocated stock subject to retirement	1,222,830
Unallocated retained earnings as regulatorily prescribed	3,200,169
Regulatory adjustments and deductions made to CET1	(5,266)
Total CET1	$5,379,307
Tier 1 Capital	
Non-cumulative perpetual preferred stock	$250,000
Total additional tier 1 capital	250,000
Total Tier 1 Capital	$5,629,307
Total Capital	
Allowance for loan losses	$20,916
Total tier 2 capital	20,916
Total Capital	$5,650,223

Capital Adequacy and Capital Buffers

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

Risk Adjusted Assets

(Risk-adjusted 3-month average daily balance in thousands)	As of March 31, 2017
Exposures to:	
Cash held at depository institutions	$2,242
Securities avaliable for sale, excluding securitizations	4,019,624
Securitization exposures	842,178
Wholesale exposures to Farm Credit Institutions	16,156,802
Retail exposures, including OFIs	8,065,300
Derivative exposures	11,270
Intrasystem equity investments	5,266
All other assets	59,657
Deductions:	
Regulatory adjustments and deductions made to CET1	5,266
Regulatory adjustments and deductions made to AT1	--
Regulatory adjustments and deductions made to T2	--
Total standardized risk-weighted assets	$29,157,073

As of March 31, 2017, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $307.2 million as of March 31, 2017.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of March 31, 2017	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	0.625%	18.4%	13.9%
Tier 1 capital ratio*	6.0%	0.625%	19.3%	13.3%
Total capital ratio*	8.0%	0.625%	19.4%	11.4%
Capital conservation buffer				11.4%
Tier 1 leverage ratio	4.0%	1.0%	5.6%	1.6%
Leverage buffer				1.6%

*The capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the FCA revised capital requirements, up to 2.5% beginning in 2020.

Credit Risk

System entities have specific lending authorities within their chartered territories. We are chartered to serve Associations in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Our chartered territory is referred to as the District. We serve our chartered territory by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs). Allowance is determined individually by loan or by pool based on homogeneous characteristics such as PD and LGD, as further discussed in the section "Allowance for Loan Losses and Reserve for Unfunded Commitments" herein. 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 March 31, 2017.

Impaired Loans

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

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

Impaired loans are loans for which it is probable that all amounts due will not be collected according to the contractual terms of the loans. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

Allowance for Loan Losses and Reserve for Unfunded Commitments

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

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. We generally measure impairment based on the net realizable value of the collateral.

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

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

We also assess the credit risk associated with off-balance sheet loan commitments and letters of credit and determine the appropriate level of reserve for unfunded commitments that should be recorded. Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on our best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. However, no such reserve was necessary as of March 31, 2017.

Refer to Counterparty Credit Risk and Credit Risk Mitigation section for further discussion on our credit risk management policies.

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. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

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

Exposures by Contractual Maturity
As of March 31, 2017

(in thousands)	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	$67,561,880	$10,372,751	$ --	$77,934,631
Retail loans	679,223	3,612,609	3,234,723	7,526,555
Investments (including federal funds)	6,425,496	2,868,445	5,770,577	15,064,518
Wholesale loan commitments	13,580,413	2,531,627	--	16,112,040
Retail loan commitments	291,927	779,906	165,611	1,237,444
Cleared derivative notional	--	1,275,000	1,083,891	2,358,891
Bilateral derivative notional	1,500,000	1,889,000	2,075,891	5,464,891

Retail Portfolio Distribution
As of March 31, 2017

Commodity Distribution		Geographic Distribution	
Crops	52%	Minnesota	14%
Cattle	11%	Illinois	10%
Dairy	9%	Wisconsin	10%
OFIs	7%	Iowa	9%
Investor real estate	5%	Nebraska	8%
Other	16%	Michigan	5%
Total	100%	Indiana	5%
		Other	39%
		Total	100%

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives
Derivative activities are guided by Board policy and monitored by our Asset/Liability Committee (ALCO) and Counterparty Risk Committee (CRC), who are responsible for approving strategies that are developed through analysis of data derived from financial simulation models and other internal and industry sources. The resulting strategies are incorporated into our overall interest rate risk management strategies.

By using derivative instruments, we are subject to credit and market risk. Our counterparty credit risk arising from derivative transactions is managed within credit methodologies and limits approved by the CRC. 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. 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.

Certain derivative instruments contain provisions that require us to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by existing derivative contracts, are downgrades in the credit rating of AgriBank or if AgriBank is no longer considered a Federally Chartered Instrumentality of the United States. In the event that we are downgraded, a tiered collateral posting would be activated which may require us to post collateral equal to the fair value for any derivative instruments in a liability position with these credit-risk-related contingent features.

We may enter into over-the-counter (OTC) derivative transactions directly with a counterparty or we may clear such transactions through a futures commission merchant with a clearinghouse or a central counterparty. For OTC derivative transactions entered into before mandatory clearing under the Dodd-Frank Act, and for derivative transactions that qualify for the Cooperative Exemption, we may enter into derivative transactions directly with counterparties under bilateral master agreements. With the exception of our interest rate swaps with retail borrowers, we execute our bilateral derivative transactions only with non-customer counterparties that have an investment-grade or better credit rating from a rating agency. We manage credit risk by monitoring the credit standing and managing levels of exposure to individual counterparties. As counterparty credit ratings are downgraded, we lower the credit exposure level at which collateral must be pledged, thereby reducing our exposure to counterparty risk. We currently anticipate performance by all of our counterparties. We enter into master agreements that contain netting provisions, which allow us to offset amounts we owe the counterparty on one derivative contract to amounts owed to us by the same counterparty on another derivative contract. 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 of our derivative transactions are supported by collateral arrangements with counterparties. Collateral is typically cash and in limited circumstances, securities. The fair value of collateral assets and liabilities related to derivative contracts is their face value plus accrued interest, if applicable. Collateral exchanged is typically cash; therefore, fair value approximates face value.

We also facilitate interest rate swaps to qualified borrowers of 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. We receive an appropriate risk-adjusted spread on our swap with the retail swap customer. Customer derivative transactions are typically secured through loan agreements.

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 March 31, 2017**
Interest rate contracts	**$39,755**

Credit Risk Mitigation Related to Loans

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

Credit risk is the risk of loss arising from a borrower or counterparty failing to perform on an obligation. We actively manage our credit risk through various policies and standards, including our Loan Committee reviewing significant loan transactions. Our underwriting standards include analysis of five credit factors: repayment capacity, capital position, collateral, management ability and loan terms. These standards vary by agricultural industry and are updated to reflect current market conditions.

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

Wholesale Credit Risk Management

Wholesale loans to District Associations represent the majority of our loan portfolio. The financial strength of District Associations directly impacts the credit quality of our portfolio. Deterioration in a single wholesale loan could have a material adverse effect on our financial condition. This concentrated credit risk is substantially offset by the composition of the underlying collateral, which is made up of many diversified retail loans and other assets; therefore, our distribution of credit risk in various commodities and geographic concentrations approximate that of the District as a whole. Credit risk on wholesale loans is also reduced by the strong financial condition of District Associations. Our risk of loss on wholesale loans is significantly mitigated, because the earnings, capital and allowance for loan losses of District Associations would first absorb losses on their retail assets.

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

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

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

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

- A pledge of substantially all an Association's assets as collateral for the loan.
- A risk score calculated based on a District Association's profitability, credit quality, risk coverage, capital adequacy and quality of credit administration. A risk premium of up to 35 basis points is added to base pricing if a District Association's risk score falls below established levels. Additionally, there are default interest rate provisions should the loan go into default.
- A requirement that retail loans originated by a District Association over an established dollar amount, as well as all loans to a District Association's Board members and employees and AgriBank Board members, are approved by AgriBank's Credit Department in order to be eligible for inclusion in a District Association's borrowing base.

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

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

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

Financial collateral is not used to mitigate credit risk in our loan portfolio. Refer to the Credit Risk Mitigation Related to Derivatives section for further information on financial collateral obtained to mitigate credit risk exposure.

Loan and Commitment Exposures Covered by Guarantees
As of March 31, 2017

(in thousands)	3-month Average Daily Balance	Risk-adjusted 3-month Average Daily Balance
Conditionally guaranteed		
Loans	$62,201	$12,440
Commitments	22,282	891
Total	$84,483	$13,331

Credit Risk Mitigation Related to Investments
Our ALCO and CRC oversee the credit risk in our investment portfolio. We manage investment portfolio credit risk by investing only in securities that are liquid, of high quality and whose risks are well understood. At purchase, all securities must meet eligibility requirements as permitted by FCA regulations and related to rating categories assigned by one or more Nationally Recognized Statistical Rating Organizations.

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

Financial collateral is not used to mitigate credit risk in our investment portfolio. Refer to the Credit Risk Mitigation Related to Derivatives section for further information on financial collateral obtained to mitigate credit risk exposure.

Investment Exposures Covered by Guarantees
As of March 31, 2017

(in thousands)	3-month Average Daily Balance	Risk-adjusted 3-month Average Daily Balance
Unconditionally guaranteed	$6,483,086	$ --
Conditionally guaranteed	4,966,600	993,320
Total	$11,449,686	$993,320

Securitization

Securitizations are transactions in which:

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

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

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

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

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

Securitization Exposures
As of March 31, 2017

(3-month average daily balance in thousands)	Exposure	Weighted average risk-weight factor	Risk adjusted assets
Gross up capital approach	**$696,769**	**121%**	**$842,178**

Refer to Note 3 of the accompanying Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of MBS and ABS held in our investment portfolio. Refer to Note 7 of the accompanying Financial Statements for a description of the methods and assumptions, including any changes as applicable, applied in valuing our purchased interests in non-agency ABS.

Equities

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

Equity Investments included in Capital Ratios

(in thousands) As of March 31, 2017	Disclosed in Other Assets	Life-to-Date gains (losses) recognized in Retained Earnings[1]
RBIC	$8,509	$309

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

Interest Rate Risk

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

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

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

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of March 31, 2017	**Down 38**	**Up 100**	**Up 200**
Immediate Change (Shock):			
NII sensitivity	(1.9%)	(1.7%)	(4.4%)
Board policy	(15.0%)		(15.0%)
Gradual Change (Ramp):			
NII sensitivity		(0.3%)	(1.3%)

EVE Sensitivity Analysis

	Basis Point Interest Rate Change		
As of March 31, 2017	**Down 38**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	1.9%	(4.0%)	(7.6%)
Board policy	(12.0%)		(12.0%)