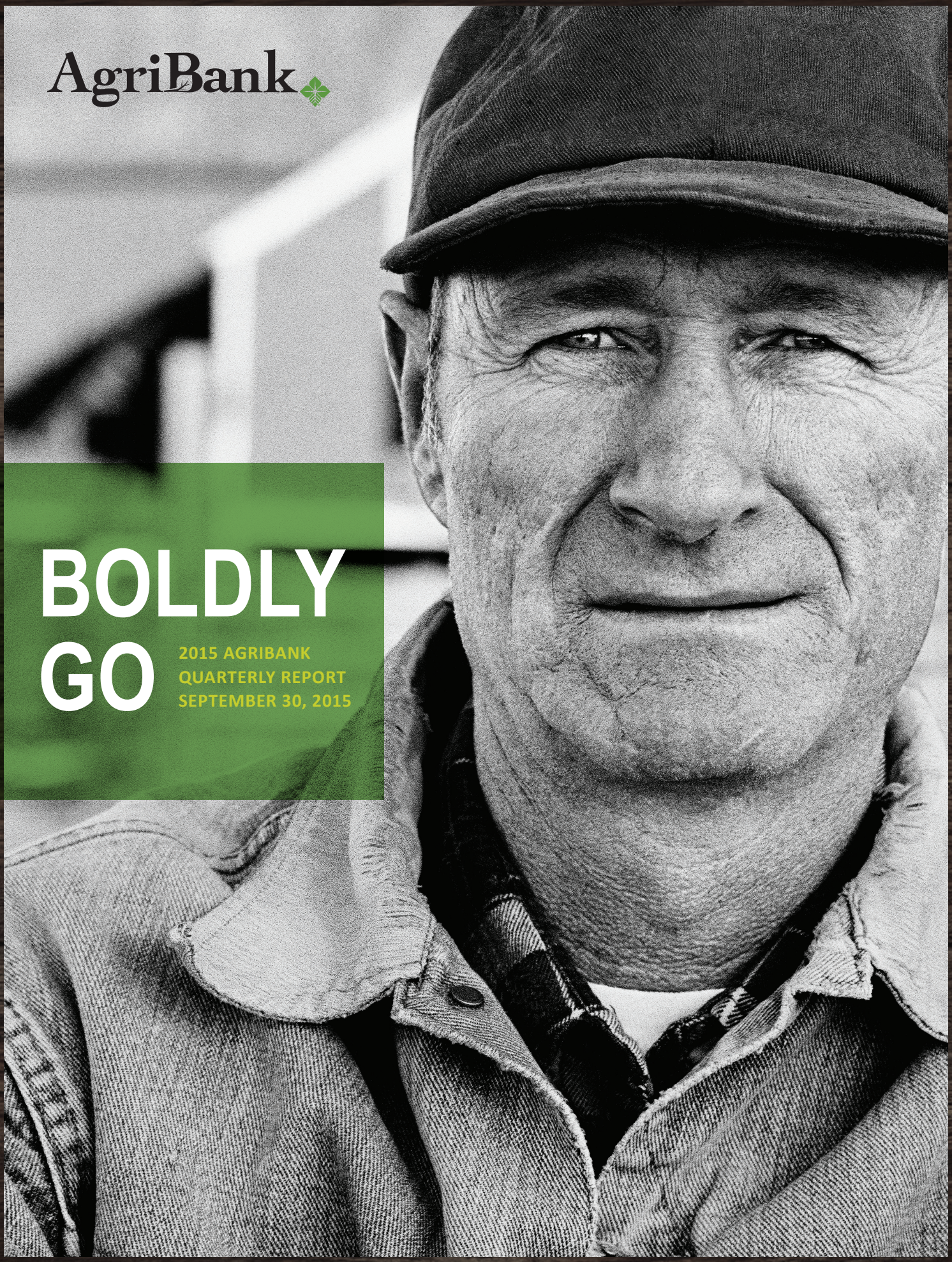
AgriBank

BOLDLY GO

2015 AGRIBANK
QUARTERLY REPORT
SEPTEMBER 30, 2015



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Management's Discussion and Analysis

AgriBank, FCB

The following discussion is a review of the financial position and results of operations of AgriBank, FCB (AgriBank). This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and the 2014 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, its affiliated Associations. AgriBank and its affiliated Associations are collectively referred to as the District. The affiliated 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. The affiliated Associations provide credit and financial services to farmers, ranchers, rural residents, agribusinesses and other eligible customers.

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 2014 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

Although net interest income from our core lending business remained relatively stable, net income decreased $59.5 million, or 14.1 percent, to $362.8 million for the nine months ended September 30, 2015, as compared to the same period of the prior year. The decrease in net income was primarily due to a reduction in mineral income driven by continued low oil prices and reduced mineral activity. Refer to the Results of Operations section for further discussion.

Loan portfolio credit quality remains strong and 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.

Agricultural Conditions

The U.S. Department of Agriculture's (USDA) Economic Research Service projects U.S. aggregate net farm income (NFI) to significantly decline from the revised final estimate of $91.1 billion in 2014 to a forecasted $58.3 billion in 2015. The overall decline in 2015 NFI is driven by lower receipts for both crops and livestock primarily due to lower expected prices. Despite the expected significant decline in 2015 farm incomes, the U.S. farm sector entered 2015 in perhaps its strongest financial condition in over 50 years.

Relative to recent history, the outlook for most crop producers looks challenging over the next five years, with most forecasters projecting corn and soybean prices staying at or near break-even levels. Producers may benefit from USDA commodity title programs under the Agricultural Act of 2014 which could be triggered by lower commodity prices. These programs, combined with disciplined risk management practices and the generally strong financial condition of borrowers comprising the District's crop portfolio, are expected to help mitigate the impact of lower margins.

Overall, the livestock industry is expected to continue to benefit from the reduced feed costs resulting from low commodity prices. However, profit margins are expected to tighten for most producers due to lower price levels for their output. Cow-calf operations continue to be the exception and are benefiting from continued strong feeder cattle prices.

Industry Conditions

Cattle Feedlots

Current futures prices show that fed cattle prices have peaked and decreases in fed cattle prices occurred during the third quarter of 2015. Further decline in prices is possible due to the expansion of cow herds as current estimates show that fed cattle will increase in late 2015 and 2016. Additionally, input costs remain high primarily due to continued strong feeder cattle prices. Based on these projections, we have downgraded our cattle feedlot outlook to negative as of September 30, 2015, from the neutral outlook discussed in our 2014 Annual Report.

Pork

Driven by prices dropping from record high levels in 2014 to break-even levels during 2015, the outlook for the swine industry at September 30, 2015 has been downgraded to neutral, from the positive outlook discussed in our 2014 Annual Report. Margins have been aided by lower feed prices and remain at breakeven to positive levels as of September 30, 2015. Producer profitability levels and balance sheet strength mitigated the drop in pork prices.

Poultry

While challenging to the individual turkey and egg producers directly impacted, the avian influenza outbreak in early 2015 appears to have passed, resulting in many producers benefiting from higher prices due to reduced supplies caused by these outbreaks. Some uncertainty remains regarding the migration of wild birds and the possibility of another outbreak during the fall.

Unlike turkey and egg production, broiler production has increased. Additionally, lower than anticipated export levels in 2015 have increased domestic broiler supplies, resulting in a substantial decrease in average broiler prices from December 31, 2014. As a result of these various factors, we have downgraded our outlook to neutral as of September 30, 2015, from the positive to neutral outlook discussed in our 2014 Annual Report.

For further analysis of industry conditions which have not experienced a change in outlook since December 31, 2014, refer to the Agricultural Conditions section of Management's Discussion & Analysis of the 2014 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 affiliated Associations throughout the District. The District's most recent real estate market value survey indicated that District real estate value changes ranged from -10.5 percent to 10.6 percent over the twelve-month period ending June 30, 2015.

Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago, Kansas City, and St. Louis as of the end of the second quarter 2015 indicated steady to slightly-declining farmland values. The Federal Reserve Banks surveys cited a year-over-year change in the average value of non-irrigated farmland ranging from no change to a 3.0 percent decline. The most recent information available from the Federal Reserve Bank of Minneapolis as of the end of the first quarter 2015 indicated that the average value of non-irrigated cropland in the District fell by almost 4 percent from a year earlier.

The USDA 2015 mid-year land value survey, based primarily on agricultural producer opinions, indicated a 2.0 percent increase in farmland values and a 0.5 percent increase in cropland values in the AgriBank District. States heavily concentrated in corn and soybean production experienced declines in cropland values, while values in states with more diversified crops, including wheat and rice, continued to increase, albeit at a more moderate pace.

Declining land values are a potential lending risk following periods of sustained, rapid land value increases. AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans. 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 percent at origination. Due to very strong land values in much of our District in recent years, many affiliated Associations have implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65 percent level. In addition, many 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.

Loan Portfolio

Components of Loans

(in millions)	**September 30, 2015**	December 31, 2014
Accrual loans:		
Wholesale	**$72,021.7**	$69,523.5
Real estate mortgage	**3,764.1**	3,955.9
Production and intermediate term	**3,295.7**	3,186.4
Agribusiness	**106.5**	126.6
Loans to other financing institutions (OFIs)	**711.9**	665.6
Other	**49.4**	50.4
Nonaccrual loans	**43.3**	37.8
Total loans	**$79,992.6**	$77,546.2

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

Loans totaled $80.0 billion at September 30, 2015, an increase of $2.4 billion or 3.2 percent, from December 31, 2014. The increase in total loans was driven primarily by increases to our wholesale loans due to loan growth at our affiliated Associations, primarily in the real estate mortgage and agribusiness sectors. These increases were partially offset by a decrease in our real estate mortgage loans, primarily related to paydowns on our loan participations purchased from our affiliated Associations through the Asset Pool program. These paydowns were partially offset by $153.2 million of additional Asset Pool loan sales by two affiliated Associations during the third quarter of 2015.

Credit quality on loans remained very strong with 99.7 percent of our portfolio in the acceptable category at September 30, 2015, and December 31, 2014. Adversely classified loans were 0.2 percent at September 30, 2015, and December 31, 2014. Due to the strong credit quality at September 30, 2015, and given the current outlook for commodity prices, we expect to see the adverse credit quality and related allowance for loan losses and provision for loan losses increase from the historically low levels seen at December 31, 2014.

Components of Risk Assets

(dollars in millions)	**September 30, 2015**	December 31, 2014
Nonaccrual loans	**$43.3**	$37.8
Accruing restructured loans	**4.3**	17.2
Accruing loans 90 days or more past due	**0.6**	0.3
Total risk loans	**48.2**	55.3
Other property owned	**0.6**	1.8
Total risk assets	**$48.8**	$57.1
Risk loans as a % of total loans	**0.06%**	0.07%
Nonaccrual loans as a % of total loans	**0.05%**	0.05%
Delinquencies as a % of total loans	**0.07%**	0.03%

Note: Accruing loans include accrued interest receivable.

Risk assets have decreased from December 31, 2014, remaining at historically low levels. Total risk loans as a percentage of total loans remains within our established risk management guidelines. At September 30, 2015, 62.0 percent of nonaccrual loans were current as to principal and interest compared to 69.6 percent at December 31, 2014.

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

As of September 30, 2015, no affiliated Associations were declared in default of any covenants. No affiliated Associations are currently paying a risk premium.

Allowance Coverage Ratios

	September 30, 2015	December 31, 2014
Allowance as a percentage of:		
Loans	**0.02%**	0.02%
Nonaccrual loans	**36.99%**	33.12%
Total risk loans	**33.22%**	22.65%
Adverse assets to risk funds*	**2.52%**	2.45%

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

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. As of September 30, 2015, the allowance increased $3.5 million, compared to December 31, 2014. This was driven by $5.0 million of provisions for loan losses primarily related to the credit quality of the AgDirect portfolio. Provision for loan losses were partially offset by net charge-offs during the period, primarily in the production and intermediate term sector. We believe the allowance for loan losses is reasonable in relation to the risk in the portfolio at September 30, 2015.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the nine months ended September 30, 2015, investor demand for System-wide debt securities has 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 by forecasting, preparing and meeting seasonal demands. We maintain maturing investments and bank balances of at least $500 million on hand each day to meet cash management and loan disbursements needs in the normal course of business.

The composition of the liquidity investment portfolio is structured to meet both regulatory requirements and our operational demands. Specifically, it provides 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, 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 certain money market instruments, asset-backed securities and non-agency mortgage-backed securities. At September 30, 2015 we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and Farm Credit Administration (FCA) regulations require maintaining a minimum of 90 days of liquidity on a continuous basis. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of September 30, 2015, we had sufficient liquidity to fund all debt maturing within 153 days.

We maintain a contingency funding plan that 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.

Total shareholders' equity at September 30, 2015 was $5.1 billion, a $185.9 million increase from December 31, 2014. The increase was primarily driven by net income for the period, partially offset by earnings reserved for patronage distributions and preferred stock dividends.

At September 30, 2015, we exceeded the regulatory minimum capital ratios. Refer to Note 4 in the accompanying Financial Statements for further discussion.

Results of Operations

Net income for the nine months ended September 30, 2015 was $362.8 million, a 14.1 percent decrease, compared to $422.3 million for the same period in 2014. The return on average assets was 0.52 percent for the nine months ended September 30, 2015, compared to 0.64 percent for the same period in 2014.

Changes in Significant Components of Net Income

(in millions) **For the nine months ended September 30,**	**2015**	2014	Decrease in Net Income
Net interest income	**$386.1**	$390.6	$(4.5)
Provision for loan losses	**5.0**	2.5	(2.5)
Non-interest income	**70.5**	114.5	(44.0)
Non-interest expense	**88.8**	80.3	(8.5)
Net income	**$362.8**	$422.3	$(59.5)

Net interest income (NII) for the nine months ended September 30, 2015 decreased slightly compared to the same period of 2014. NII was negatively impacted by an increase in interest expense on System-wide debt securities driven by increases in volume as well a slight increase in interest rates. Lower interest rates earned on our retail loan portfolio due to increased competitive pressures also negatively impacted NII. These negative variances were partially offset by increases in loan and investment volume. In addition, we recorded $3.3 million of non-recurring investment interest income on impaired securities due to a change in our methodology for recognizing cash received on fully impaired securities, which further offset the negative impacts on NII. This change in methodology is reflective of the economics of the current environment for previously impaired securities.

Changes in NII

(in millions) **For the nine months ended September 30,**	**2015 vs 2014**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$50.9**	**$ --**	**$50.9**
Investments	**7.8**	**11.2**	**19.0**
Total interest income	**58.7**	**11.2**	**69.9**
Interest expense:			
System-wide debt securities and other	**(48.0)**	**(26.4)**	**(74.4)**
Net change in NII	**$10.7**	**$(15.2)**	**$(4.5)**

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

(in millions) **For the nine months ended September 30,**	**2015**			2014		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	**$69,017.9**	**1.60%**	**$825.2**	$64,747.8	1.57%	$762.6
Retail accrual loans	**7,781.5**	**3.63%**	**211.4**	8,028.3	3.69%	221.7
Retail nonaccrual loans	**41.4**	**5.77%**	**1.8**	37.9	11.32%	3.2
Investment securities and federal funds	**15,796.5**	**0.63%**	**74.7**	13,961.3	0.53%	55.8
Total earning assets	**92,637.3**	**1.61%**	**1,113.1**	86,775.3	1.61%	1,043.3
Interest bearing liabilities	**88,024.7**	**1.10%**	**727.0**	82,377.7	1.06%	652.7
Interest rate spread	**$4,612.6**	**0.51%**		$4,397.6	0.55%	
Impact of equity financing		**0.05%**			0.05%	
Net interest margin		**0.56%**			0.60%	
Net interest income			**$386.1**			$390.6

As expected, we have continued to experience net interest margin compression through the nine months ended September 30, 2015. Net interest margin decreased four basis points compared to the same period last year. The positive impact of the higher loan volume was offset by increases in interest expense related to System-wide debt securities as well as our changing earning asset mix. The earning asset mix changes were driven by increases in lower yielding assets held in the liquidity investment portfolio and loans to affiliated Associations. In addition, competitive pressures on the AgDirect equipment and retail loan portfolios contributed to compressed spreads. Equity financing represents the benefit of non-interest rate bearing funding, which was comparable to the prior year due to relatively consistent equity positioning and continued low interest rates. Interest rate spreads are expected to remain lower than last year due to continued reduction in the positive impact of our funding actions through callable debt replacement activity, portfolio composition and continued competitive pressures on retail assets.

We recorded a $5.0 million provision for loan loss during the nine months ended September 30, 2015. Refer to the Loan portfolio section for further discussion.

The decrease in non-interest income was primarily due to a decline in mineral income for the nine months ended September 30, 2015 compared to the same period of 2014, driven by a decline in oil prices and mineral leasing activity in 2015. This trend is expected to continue through the remainder of 2015. In addition, non-recurring gains on sales of available-for-sale securities also declined for the nine months ended September 30, 2015, compared to the same period of the prior year.

The largest impact to non-interest expense was related to salaries and benefits expense driven by an increase in pension benefits expense due to a decrease in the discount rate and revised actuarial assumptions used during 2015, and to a lesser extent, annual merit increases in employee salaries. In addition, other operating expenses also increased related to various strategic initiatives, strategic sponsorships and our share of allocated System expense.

Additional Regulatory Information

On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed rule are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- Ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The most recent comment period closed July 10, 2015. The initial comment period on the proposed rule, after extension, closed February 16, 2015.

The proposed rule to modify regulatory capital requirements, if adopted in its current form, would have an impact on the capital treatment of our subordinated debt.

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. The stated objectives of the proposed rule are to:

- Strengthen the safety and soundness of System Banks and Associations
- Ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption
- Enhance the ability of the System Banks to supply credit to agricultural and aquatic producers,
- Comply with the requirements of section 939A of the Dodd-Frank Act
- Modernize the investment eligibility criteria for System Banks
- Revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk

The public comment period ended on October 23, 2014.

Certification

The undersigned have reviewed the September 30, 2015 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.

Douglas A. Felton
Chair of the Board
November 9, 2015

L. William York
Chief Executive Officer
November 9, 2015

Brian J. O'Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
November 9, 2015

Statements of Condition

AgriBank, FCB

(in thousands) *(unaudited)*	**September 30, 2015**	December 31, 2014
Assets		
Loans	**$79,992,554**	$77,546,155
Allowance for loan losses	**16,007**	12,520
Net loans	**79,976,547**	77,533,635
Investment securities	**14,003,058**	14,294,777
Cash	**538,089**	780,948
Federal funds	**1,087,154**	1,336,780
Accrued interest receivable	**387,514**	350,211
Derivative assets	**7,120**	15,383
Other property owned	**565**	1,822
Debt issuance costs	**34,973**	31,832
Allocated prepaid pension costs	**28,019**	30,123
Cash collateral pledged to counterparties	**47,844**	22,018
Other assets	**29,589**	27,865
Total assets	**$96,140,472**	$94,425,394
Liabilities		
Bonds and notes	**$90,096,144**	$88,583,553
Subordinated notes	**500,000**	500,000
Accrued interest payable	**238,952**	204,659
Derivative liabilities	**70,180**	44,562
Cash collateral pledged by counterparties	**3,660**	7,280
Accounts and other payables	**110,958**	151,190
Other liabilities	**18,595**	18,105
Total liabilities	**91,038,489**	89,509,349
Commitments and contingencies	**--**	--
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**2,005,672**	1,944,292
Unallocated surplus	**2,906,508**	2,766,818
Accumulated other comprehensive loss	**(60,197)**	(45,065)
Total shareholders' equity	**5,101,983**	4,916,045
Total liabilities and shareholders' equity	**$96,140,472**	$94,425,394

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

Statements of Comprehensive Income

AgriBank, FCB

(in thousands) *(unaudited)*	Three months		Nine months	
For the periods ended September 30,	**2015**	2014	**2015**	2014
Interest income				
Loans	**$357,113**	$335,333	**$1,038,352**	$987,458
Investment securities	**24,602**	19,035	**74,737**	55,756
Total interest income	**381,715**	354,368	**1,113,089**	1,043,214
Interest expense	**250,866**	222,044	**726,980**	652,608
Net interest income	**130,849**	132,324	**386,109**	390,606
Provision for loan losses	**2,000**	--	**5,000**	2,500
Net interest income after provision for loan losses	**128,849**	132,324	**381,109**	388,106
Non-interest income				
Mineral income	**14,275**	28,968	**44,841**	75,885
Loan prepayment and fee income	**3,890**	3,420	**12,139**	11,324
Business services income	**3,878**	3,988	**11,290**	11,768
Miscellaneous income and other gains, net	**150**	14,755	**2,275**	15,525
Total non-interest income	**22,193**	51,131	**70,545**	114,502
Non-interest expense				
Salaries and employee benefits	**9,443**	8,885	**28,973**	26,229
Other operating expenses	**8,637**	8,572	**26,345**	23,564
Loan servicing and other fees paid to affiliated Associations	**8,572**	7,699	**24,830**	22,806
Farm Credit System insurance expense	**2,688**	2,549	**8,028**	7,559
Net impairment losses recognized in earnings	**620**	--	**693**	150
Total non-interest expense	**29,960**	27,705	**88,869**	80,308
Net income	**$121,082**	$155,750	**$362,785**	$422,300
Other comprehensive loss				
Investments available-for-sale:				
Not-other-than-temporarily-impaired investments	**$7,500**	$(4,038)	**$12,181**	$12,628
Other-than-temporarily-impaired investments	**813**	(2,298)	**(2,176)**	10,944
Derivatives and hedging activity	**(46,125)**	2,127	**(25,137)**	(35,886)
Total other comprehensive loss	**(37,812)**	(4,209)	**(15,132)**	(12,314)
Comprehensive income	**$83,270**	$151,541	**$347,653**	$409,986

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) Income	Total
Balance at December 31, 2013	$250,000	$2,109,843	$2,552,005	$9,470	$4,921,318
Net income			422,300		422,300
Other comprehensive loss				(12,314)	(12,314)
Patronage			(235,632)		(235,632)
Perpetual preferred stock dividends			(12,891)		(12,891)
Perpetual preferred stock issuance costs			(48)		(48)
Capital stock/participation certificates issued		112,353			112,353
Capital stock/participation certificates retired		(314,328)			(314,328)
Balance at September 30, 2014	$250,000	$1,907,868	$2,725,734	$(2,844)	$4,880,758
Balance at December 31, 2014	$250,000	$1,944,292	$2,766,818	$(45,065)	$4,916,045
Net income			**362,785**		**362,785**
Other comprehensive loss				**(15,132)**	**(15,132)**
Patronage			**(210,204)**		**(210,204)**
Perpetual preferred stock dividends			**(12,891)**		**(12,891)**
Capital stock/participation certificates issued		**113,650**			**113,650**
Capital stock/participation certificates retired		**(52,270)**			**(52,270)**
Balance at September 30, 2015	**$250,000**	**$2,005,672**	**$2,906,508**	**$(60,197)**	**$5,101,983**

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

Statements of Cash Flows

AgriBank, FCB

(in thousands)

(unaudited)

For the nine months ended September 30,	2015	2014
Cash flows from operating activities		
Net income	**$362,785**	$422,300
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**2,191**	2,656
Gain on sales of premises and equipment	**--**	(1)
Provision for loan losses	**5,000**	2,500
Gain on sales of other property owned	**(37)**	(290)
Net impairment losses recognized in earnings	**693**	150
Gain on sale of investment securities, net	**(1,324)**	(14,123)
Amortization of premiums and discounts on investments, net	**10,254**	13,597
Gain on derivative activities	**(190)**	(526)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(843,712)**	(771,030)
Decrease in other assets	**1,191**	8,116
Increase in accrued interest payable	**34,293**	21,568
Decrease in other liabilities	**(6,346)**	(643)
Net cash used in operating activities	**(435,202)**	(315,726)
Cash flows from investing activities		
Increase in loans, net	**(1,645,373)**	(446,613)
Proceeds from sales of other property owned	**1,911**	1,366
Decrease (increase) in investment securities, net	**265,685**	(2,166,754)
Proceeds from the sale of investment securities	**29,669**	99,362
Purchases of premises and equipment, net	**(1,846)**	(1,933)
Net cash used in investing activities	**(1,349,954)**	(2,514,572)
Cash flows from financing activities		
Consolidated bonds and notes issued	**156,420,829**	185,209,502
Consolidated bonds and notes retired	**(154,899,304)**	(182,341,284)
Increase in cash collateral pledged to counterparties	**(25,826)**	(10,142)
Decrease in cash collateral pledged by counterparties	**(3,620)**	(13,330)
Patronage distributions paid	**(247,897)**	(244,746)
Preferred stock issuance costs paid	**--**	(48)
Preferred stock dividends paid	**(12,891)**	(11,269)
Capital stock/participation certificates issued (retired), net	**61,380**	(249,498)
Net cash provided by financing activities	**1,292,671**	2,339,185
Net decrease in cash and federal funds	**(492,485)**	(491,113)
Cash and federal funds at beginning of period	**2,117,728**	1,985,836
Cash and federal funds at end of period	**$1,625,243**	$1,494,723
Supplemental schedule of non-cash activities		
Decrease in derivative assets	**$8,263**	$52,472
Increase in derivative liabilities	**25,618**	15,772
Decrease in bonds from derivative activity	**(8,934)**	(32,884)
Decrease in shareholders' equity from cash flow derivatives	**(25,137)**	(35,886)
Increase in shareholders' equity from investment securities	**10,005**	23,572
Loans transferred to other property owned	**617**	1,820
Interest capitalized to loan principal	**803,156**	748,569
Preferred stock dividends accrued	**4,297**	4,297
Patronage refunds payable to owners	**79,928**	87,708
Stock patronage issued	**--**	47,523
Supplemental information		
Interest paid	**$692,687**	$631,040

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

Notes to Financial Statements

AgriBank, FCB

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 affiliated Associations are collectively referred to as the District. At September 30, 2015, 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, 2014 are contained in the 2014 Annual Report. These unaudited third quarter 2015 Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ended December 31, 2015.

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.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, 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 April 2015, the FASB issued ASU 2015-03 “Interest–Imputation of Interest"	The guidance requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as a deferred charge (asset).	The guidance is effective for public entities for annual and interim periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. The adoption of this guidance will not have a material impact on the Statements of Condition.
In February 2015, the FASB issued ASU 2015-02 “Consolidation-Amendments to the Consolidation Analysis.”	The guidance modifies the assessment of Variable Interest Entity (VIE) characteristics as well as the assessment of related parties.	The guidance is effective for public entities for annual periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. We are currently evaluating the impact on the Statements of Condition, Comprehensive Income and Notes to Financial Statements.
In August 2014, the FASB issued ASU 2014-15 “Presentation of Financial Statements-Going Concern.”	The guidance requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year after the date the Financial Statements are issued or within one year after the Financial Statements are available to be issued, when applicable. Substantial doubt to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations for the assessed period.	This guidance becomes effective for all entities for interim and annual periods ending after December 15, 2016, and early application is permitted. The adoption of this guidance will not have a material impact on the Notes to Financial Statements.
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 our contracts would be excluded from the scope of this new guidance.	After the July 2015 FASB approval of a one year deferral of the effective date, the guidance is effective for public entities for the first interim reporting period within the annual reporting periods after December 15, 2017. We are in the process of reviewing contracts to determine the effect, if any, on our Statements of Condition or Comprehensive Income.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	September 30, 2015 Amount	%	December 31, 2014 Amount	%
Wholesale loans	**$72,021,692**	**90.1%**	$69,523,491	89.6%
Real estate mortgage	**3,790,920**	**4.7%**	3,985,435	5.1%
Production and intermediate term	**3,311,916**	**4.1%**	3,194,263	4.1%
Agribusiness	**106,510**	**0.1%**	126,612	0.2%
Loans to other financing institutions (OFIs)	**711,871**	**0.9%**	665,574	0.9%
Other	**49,645**	**0.1%**	50,780	0.1%
Total loans	**$79,992,554**	**100.0%**	$77,546,155	100.0%

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

Participations

We may purchase participations from and sell participations to others, primarily affiliated Associations. We have no purchases outside of the System in the periods presented.

Participations Purchased

(in thousands)	September 30, 2015	December 31, 2014
Real estate mortgage	**$3,790,407**	$3,984,667
Production and intermediate term	**3,311,916**	3,194,263
Agribusiness	**106,510**	126,612
Other	**49,645**	50,780
Total loans	**$7,258,478**	$7,356,322

We did not have any participation interests sold as of September 30, 2015 or December 31, 2014.

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 September 30, 2015**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$72,305,700**	**100.0%**	**$ --**	**--**	**$ --**	**--**	**$72,305,700**	**100.0%**
Real estate mortgage	**3,711,935**	**96.5%**	**60,419**	**1.6%**	**73,712**	**1.9%**	**3,846,066**	**100.0%**
Production and intermediate term	**3,264,870**	**97.8%**	**26,638**	**0.8%**	**46,140**	**1.4%**	**3,337,648**	**100.0%**
Agribusiness	**99,229**	**92.8%**	**--**	**--**	**7,738**	**7.2%**	**106,967**	**100.0%**
Loans to OFIs	**713,637**	**100.0%**	**--**	**--**	**--**	**--**	**713,637**	**100.0%**
Other	**48,351**	**97.3%**	**358**	**0.7%**	**1,003**	**2.0%**	**49,712**	**100.0%**
Total loans	**$80,143,722**	**99.7%**	**$87,415**	**0.1%**	**$128,593**	**0.2%**	**$80,359,730**	**100.0%**

(in thousands) As of December 31, 2014	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$69,789,561	100.0%	$ --	--	$ --	--	$69,789,561	100.0%
Real estate mortgage	3,897,369	96.8%	53,682	1.3%	76,989	1.9%	4,028,040	100.0%
Production and intermediate term	3,174,558	98.7%	17,508	0.5%	25,941	0.8%	3,218,007	100.0%
Agribusiness	112,329	88.4%	--	--	14,750	11.6%	127,079	100.0%
Loans to OFIs	666,693	100.0%	--	--	--	--	666,693	100.0%
Other	49,185	96.7%	414	0.8%	1,246	2.5%	50,845	100.0%
Total loans	$77,689,695	99.7%	$71,604	0.1%	$118,926	0.2%	$77,880,225	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as loss at September 30, 2015 or December 31, 2014.

Aging Analysis of Loans

(in thousands) **As of September 30, 2015**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing loans 90 days or more past due**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$72,305,700**	**$72,305,700**	**$ --**
Real estate mortgage	**15,293**	**7,864**	**23,157**	**3,822,909**	**3,846,066**	**446**
Production and intermediate term	**16,772**	**4,992**	**21,764**	**3,315,884**	**3,337,648**	**167**
Agribusiness	**6,377**	**--**	**6,377**	**100,590**	**106,967**	**--**
Loans to OFIs	**--**	**--**	**--**	**713,637**	**713,637**	**--**
Other	**636**	**67**	**703**	**49,009**	**49,712**	**--**
Total loans	**$39,078**	**$12,923**	**$52,001**	**$80,307,729**	**$80,359,730**	**$613**

(in thousands) As of December 31, 2014	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	$ --	$ --	$ --	$69,789,561	$69,789,561	$ --
Real estate mortgage	8,957	7,182	16,139	4,011,901	4,028,040	--
Production and intermediate term	8,127	2,186	10,313	3,207,694	3,218,007	277
Agribusiness	--	--	--	127,079	127,079	--
Loans to OFIs	--	--	--	666,693	666,693	--
Other	413	222	635	50,210	50,845	--
Total loans	$17,497	$9,590	$27,087	$77,853,138	$77,880,225	$277

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)	**September 30, 2015**	December 31, 2014
Nonaccrual loans:		
Current as to principal and interest	**$26,841**	$26,305
Past due	**16,429**	11,493
Total nonaccrual loans	**43,270**	37,798
Accruing restructured loans	**4,305**	17,210
Accruing loans 90 days or more past due	**613**	277
Total risk loans	**$48,188**	$55,285
Volume with specific reserves	**$15,517**	$12,218
Volume without specific reserves	**32,671**	43,067
Total risk loans	**$48,188**	$55,285
Specific reserves	**$2,375**	$2,122

For the nine months ended September 30,	**2015**	2014
Income on accrual risk loans	**$163**	$343
Income on nonaccrual loans	**1,787**	3,208
Total income on risk loans	**$1,950**	$3,551
Average recorded risk loans	**$46,408**	$56,576

Note: Accruing loans include accrued interest receivable.

Risk Assets by Loan Type

(in thousands)	**September 30, 2015**	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	**$26,846**	$29,555
Production and intermediate term	**16,241**	7,873
Other	**183**	370
Total nonaccrual loans	**$43,270**	$37,798
Accruing restructured loans:		
Real estate mortgage	**$4,305**	$17,196
Production and intermediate term	**--**	14
Total accruing restructured loans	**$4,305**	$17,210
Accruing loans 90 days or more past due:		
Real estate mortgage	**$446**	$ --
Production and intermediate term	**167**	277
Total accruing loans 90 days or more past due	**$613**	$277
Total risk loans	**$48,188**	$55,285
Other property owned	**565**	1,822
Total risk assets	**$48,753**	$57,107

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at September 30, 2015 or December 31, 2014.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of September 30, 2015			For the nine months ended September 30, 2015	
	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	$4,186	$5,837	$596	$4,304	$ --
Production and intermediate term	11,287	11,562	1,754	9,446	--
Other	44	44	25	44	--
Total loans	$15,517	$17,443	$2,375	$13,794	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$27,412	$43,723	$ --	$28,189	$1,395
Production and intermediate term	5,120	8,072	--	4,286	555
Other	139	383	--	139	--
Total loans	$32,671	$52,178	$ --	$32,614	$1,950
Total impaired loans:					
Real estate mortgage	$31,598	$49,560	$596	$32,493	$1,395
Production and intermediate term	16,407	19,634	1,754	13,732	555
Other	183	427	25	183	--
Total loans	$48,188	$69,621	$2,375	$46,408	$1,950

(in thousands)	As of December 31, 2014			For the nine months ended September 30, 2014	
	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	$5,104	$5,529	$1,100	$3,271	$ --
Production and intermediate term	6,892	7,071	1,022	3,385	--
Other	222	217	--	100	--
Total loans	$12,218	$12,817	$2,122	$6,756	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$41,647	$59,347	$ --	$47,670	$3,256
Production and intermediate term	1,272	4,234	--	1,916	295
Other	148	379	--	234	--
Total loans	$43,067	$63,960	$ --	$49,820	$3,551
Total impaired loans:					
Real estate mortgage	$46,751	$64,876	$1,100	$50,941	$3,256
Production and intermediate term	8,164	11,305	1,022	5,301	295
Other	370	596	--	334	--
Total loans	$55,285	$76,777	$2,122	$56,576	$3,551

*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 September 30, 2015.

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.

There were no TDRs that occurred during the nine months ended September 30, 2015. We completed TDRs during the nine months ended September 30, 2014, the majority of which were in the real estate mortgage sector. Our recorded investment in these loans just prior to restructuring was $602 thousand and immediately following the restructuring was $606 thousand for the nine months ended September 30, 2014. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs, and may also reflect a previous direct charge-off.

The primary types of modification typically include forgiveness of interest, interest rate reduction below market or extension of maturity.

We had no TDRs that defaulted during the nine months ended September 30, 2015 or 2014, in which the modifications were within 12 months of the respective reporting period.

TDRs Outstanding

(in thousands)	**September 30, 2015**	December 31, 2014
Accrual Status		
Real estate mortgage	**$4,305**	$17,196
Production and intermediate term	**--**	14
Total TDRs in accrual status	**$4,305**	$17,210
Nonaccrual Status		
Real estate mortgage	**$4,771**	$5,604
Production and intermediate term	**126**	--
Total TDRs in nonaccrual status	**$4,897**	$5,604
Total TDRs	**$9,202**	$22,814

We have no additional commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2015.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **For the nine months ended September 30,**	**2015**	2014
Balance at beginning of period	**$12,520**	$10,100
Provision for loan losses	**5,000**	2,500
Charge-offs	**(3,212)**	(1,291)
Recoveries	**1,699**	397
Balance at end of period	**$16,007**	$11,706

Our allowance for loan losses increased from December 31, 2014, to $16.0 million at September 30, 2015, reflecting $5.0 million of provision expense recorded for the period, partially offset by net charge-offs of $1.5 million. The provision expense and net charge-offs were primarily related to the credit quality of the AgDirect portfolio.

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, 2014	$ --	$2,003	$9,710	$457	$235	$115	$12,520
(Reversal of) provision for loan losses	--	(326)	5,381	(168)	37	76	5,000
Charge-offs	--	(270)	(2,941)	--	--	(1)	(3,212)
Recoveries	--	121	1,572	--	--	6	1,699
Balance at September 30, 2015	$ --	$1,528	$13,722	$289	$272	$196	$16,007
At September 30, 2015:							
Ending balance: individually evaluated for impairment	$ --	$596	$1,754	$ --	$ --	$25	$2,375
Ending balance: collectively evaluated for impairment	$ --	$932	$11,968	$289	$272	$171	$13,632
Recorded investments in loans outstanding:							
Ending balance at September 30, 2015	$72,305,700	$3,846,066	$3,337,648	$106,967	$713,637	$49,712	$80,359,730
Ending balance for loans individually evaluated for impairment	$72,305,700	$31,598	$16,407	$ --	$ --	$183	$72,353,888
Ending balance for loans collectively evaluated for impairment	$ --	$3,814,468	$3,321,241	$106,967	$713,637	$49,529	$8,005,842

(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, 2013	$ --	$2,041	$7,181	$590	$220	$68	$10,100
(Reversal of) provision for loan losses	--	(219)	2,832	(190)	20	57	2,500
Charge-offs	--	(225)	(1,062)	--	--	(4)	(1,291)
Recoveries	--	135	252	--	--	10	397
Balance at September 30, 2014	$ --	$1,732	$9,203	$400	$240	$131	$11,706
At December 31, 2014:							
Ending balance: individually evaluated for impairment	$ --	$1,100	$1,022	$ --	$ --	$ --	$2,122
Ending balance: collectively evaluated for impairment	$ --	$903	$8,688	$457	$235	$115	$10,398
Recorded investments in loans outstanding:							
Ending balance at December 31, 2014	$69,789,561	$4,028,040	$3,218,007	$127,079	$666,693	$50,845	$77,880,225
Ending balance for loans individually evaluated for impairment	$69,789,561	$46,751	$8,164	$ --	$ --	$370	$69,844,846
Ending balance for loans collectively evaluated for impairment	$ --	$3,981,289	$3,209,843	$127,079	$666,693	$50,475	$8,035,379

Note: Accruing loans include accrued interest receivable.

NOTE 3

Investment Securities

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

Investment Securities

(in thousands) **As of September 30, 2015**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,872,553**	**$29,967**	**$13,049**	**$5,889,471**	**1.1%**
Commercial paper and other	**4,415,767**	**679**	**25**	**4,416,421**	**0.4%**
U.S. Treasury securities	**2,860,055**	**6,266**	**3**	**2,866,318**	**1.2%**
Asset-backed securities	**824,882**	**6,524**	**558**	**830,848**	**0.7%**
Total	**$13,973,257**	**$43,436**	**$13,635**	**$14,003,058**	**0.8%**

(in thousands) As of December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,403,078	$30,632	$19,173	$5,414,537	1.0%
Commercial paper and other	5,345,722	326	228	5,345,820	0.3%
U.S. Treasury securities	2,564,962	1,054	1,139	2,564,877	1.2%
Asset-backed securities	861,166	7,763	1,640	867,289	0.5%
U.S. Agencies	100,053	2,201	--	102,254	4.4%
Total	$14,274,981	$41,976	$22,180	$14,294,777	0.8%

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

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2015**	**Year of Maturity** **One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$7**	**$35,143**	**$84,361**	**$5,769,960**	**$5,889,471**
Commercial paper and other	**4,416,421**	**--**	**--**	**--**	**4,416,421**
U.S. Treasury securities	**1,075,455**	**1,790,863**	**--**	**--**	**2,866,318**
Asset-backed securities	**21,008**	**796,405**	**--**	**13,435**	**830,848**
Total	**$5,512,891**	**$2,622,411**	**$84,361**	**$5,783,395**	**$14,003,058**
Weighted average yield	**0.6%**	**0.9%**	**1.3%**	**1.1%**	**0.8%**

The expected average life is 0.6 years for asset-backed securities (ABS) and 3.3 years for mortgage-backed securities (MBS) at September 30, 2015. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

Additional Investment Security Information

(in thousands) **For the nine months ended September 30,**	**2015**	2014
Proceeds from sales	**$29,669**	$99,362
Realized gross gains on sales	**2,560**	15,800
Realized gross losses on sales	**1,236**	1,677
Impairment losses	**693**	150

The proceeds from sales in 2015 and 2014 were related to the sale of home-equity ABS and non-agency MBS investments.

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) **As of September 30, 2015**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	**$1,571,977**	**$4,982**	**$681,288**	**$8,067**
Commercial paper and other	**386,609**	**25**	**--**	**--**
U.S. Treasury securities	**49,684**	**3**	**--**	**--**
Asset-backed securities	**466,857**	**199**	**140,386**	**359**
Total	**$2,475,127**	**$5,209**	**$821,674**	**$8,426**

	Less than 12 months		More than 12 months	
(in thousands) As of December 31, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$1,667,257	$7,405	$711,946	$11,768
Commercial paper and other	1,240,551	228	--	--
U.S. Treasury securities	1,062,841	1,139	--	--
Asset-backed securities	805,207	618	24,114	1,022
Total	$4,775,856	$9,390	$736,060	$12,790

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. The impairments primarily reflect recent performance of underlying collateral for these securities. We have determined no other securities were in an OTTI loss position at September 30, 2015.

OTTI Investments

(in thousands)	**September 30, 2015**	December 31, 2014
Fair Value of OTTI Investments	**$54,417**	$68,166

For the nine months ended September 30,	**2015**	2014
Gross impairment charges on OTTI Investments	**$748**	$391
Non-credit component recognized in other comprehensive income	**(55)**	(241)
Net impairment charges on OTTI investments	**$693**	$150

Of the securities sold during the nine months ended September 30, 2015, $9.7 million were OTTI AFS securities, compared to $70.9 million for the same period of 2014. Sales of OTTI AFS securities resulted in gains of $2.6 million for the nine months ended September 30, 2015, compared to gains of $15.8 million for the same period of 2014.

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 nine months ended September 30,**	**2015**	2014
Credit-loss component, beginning of period	**$42,062**	$127,947
Additions:		
Initial credit impairment	**73**	--
Subsequent credit impairments	**620**	150
Reductions:		
For gain on securities sold	**(2,560)**	(15,800)
For impairment previously recognized on securities sold	**(2,968)**	--
For increases in expected cash flows	**(4,600)**	(1,231)
Credit-loss component, end of period	**$32,627**	$111,066

NOTE 4

Capital

FCA's capital adequacy regulations require us to maintain permanent capital of at least 7.0 percent of risk-adjusted assets, a total surplus to risk-adjusted assets ratio of at least 7.0 percent and a core surplus to risk-adjusted assets ratio of at least 3.5 percent. At September 30, 2015, we exceeded these requirements with a 20.9 percent permanent capital ratio, 18.1 percent total surplus ratio and 12.2 percent core surplus ratio.

Typically, FCA regulations require us to maintain a net collateral ratio of at least 103.0 percent. However, we are required to maintain a higher minimum of 104.0 percent during the period in which we have subordinated notes outstanding. At September 30, 2015, our net collateral ratio was 105.9 percent.

Protected participation certificates of $241 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of September 30, 2015 and December 31, 2014.

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

	2015		2014	
(in thousands) **For the nine months ended September 30,**	**Pension Benefits**	**Other Benefits**	Pension Benefits	Other Benefits
Service cost	**$22,564**	**$419**	$19,839	$368
Interest cost	**37,946**	**1,044**	37,670	1,076
Expected return on plan assets	**(41,714)**	**--**	(41,536)	--
Amortization of prior service cost	**(948)**	**(346)**	(950)	(540)
Actuarial loss (gain)	**32,835**	**(16)**	22,087	(265)
Net periodic benefit cost	**$50,683**	**$1,101**	$37,110	$639

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. Due to a change in actuarial assumptions approved by the AgriBank District Coordinating Committee in May 2015, the amount of the total District employer contributions expected to be paid into the pension plan during 2015 increased from $57.9 million to $62.7 million. The assumption changes were updated to more closely align with recent historical actuals and included modifying the annual salary rate increases, retirement rates, unused sick leave and optional forms of benefit payments elected. Certain employees also participate in the Pension Restoration Plan, which is unfunded and the contributions are equal to the benefits paid to retirees covered by the plan. The expected contributions during 2015 to the Pension Restoration Plan have not changed from $2.0 million. Refer to Note 8 in the 2014 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2015, District employers have contributed $27.0 million to fund Pension Benefits and our share was $2.7 million. District employers anticipate contributing an additional $37.7 million to fund Pension Benefits in 2015. 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 nine months ended September 30, 2015, District employers have contributed $1.1 million for Other Benefits and our share was $223 thousand. District employers anticipate contributing an additional $665 thousand for Other Benefits in 2015.

Our allocated portion of the District benefit expenses for the nine months ended September 30, 2015 was $4.4 million for Pension Benefits and income of $106 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.

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

While primarily liable for our portion of System-wide bonds and notes, we are jointly and severally liable for the System-wide bonds and notes of the other System Banks. The total bonds and notes of the System at September 30, 2015 was $231.3 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, subordinated notes and commitments to extend credit and letters of credit. Refer to Note 13 in the 2014 Annual Report for descriptions of the valuation methodologies we use for asset and liabilities recorded at fair value on a recurring or nonrecurring 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 2014 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of September 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	$ --	$1,087,154	$ --	$1,087,154
Investments available-for-sale:				
Mortgage-backed securities	--	5,796,935	92,536	5,889,471
Commercial paper and other	--	4,416,421	--	4,416,421
U.S. Treasury securities	--	2,866,318	--	2,866,318
Asset-backed securities	--	817,413	13,435	830,848
Total investments available-for-sale	--	13,897,087	105,971	14,003,058
Cash collateral pledged to counterparties	47,844	--	--	47,844
Derivative assets	--	7,120	--	7,120
Total assets	$47,844	$14,991,361	$105,971	$15,145,176
Liabilities:				
Cash collateral pledged by counterparties	$3,660	$ --	$ --	$3,660
Derivative liabilities	--	70,180	--	70,180
Total liabilities	$3,660	$70,180	$ --	$73,840

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2014	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$1,336,780	$ --	$1,336,780
Investments available-for-sale:				
Mortgage-backed securities	--	5,289,647	124,890	5,414,537
Commercial paper and other	--	5,345,820	--	5,345,820
U.S. Treasury securities	--	2,564,877	--	2,564,877
Asset-backed securities	--	833,573	33,716	867,289
U.S. Agencies	--	102,254	--	102,254
Total investments available-for-sale	--	14,136,171	158,606	14,294,777
Cash collateral pledged to counterparties	22,018	--	--	22,018
Derivative assets	--	15,383	--	15,383
Total assets	$22,018	$15,488,334	$158,606	$15,668,958
Liabilities:				
Cash collateral pledged by counterparties	$7,280	$ --	$ --	$7,280
Derivative liabilities	--	44,562	--	44,562
Total liabilities	$7,280	$44,562	$ --	$51,842

Fair Value Measurement Activity of Level 3 Instruments

	Investments Available-For-Sale		
(in thousands)	**Mortgage-backed Securities**	**Asset-backed Securities**	**Total**
Balance at December 31, 2014	$124,890	$33,716	$158,606
Total gains (losses) realized/unrealized:			
Included in earnings	**526**	**105**	**631**
Included in other comprehensive income	**(472)**	**(658)**	**(1,130)**
Sales	**(16,729)**	**(12,940)**	**(29,669)**
Settlements	**(15,679)**	**(6,788)**	**(22,467)**
Balance at September 30, 2015	**$92,536**	**$13,435**	**$105,971**
Balance at December 31, 2013	$208,801	$107,954	$316,755
Total gains (losses) realized/unrealized:			
Included in earnings	6,023	7,947	13,970
Included in other comprehensive income	4,492	10,767	15,259
Sales	(26,993)	(72,369)	(99,362)
Settlements	(25,407)	(18,358)	(43,765)
Balance at September 30, 2014	$166,916	$35,941	$202,857

There were no assets or liabilities transferred between levels during the nine months ended September 30, 2015 or 2014.

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	As of September 30, 2015 Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value	For the nine months ended September 30, 2015 Total (Losses) Gains
Impaired loans	$ --	$ --	$13,799	$13,799	$(3,465)
Other property owned	--	--	588	588	37

(in thousands)	As of December 31, 2014 Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value	For the nine months ended September 30, 2014 Total (Losses) Gains
Impaired loans	$ --	$ --	$10,601	$10,601	$(1,700)
Other property owned	--	--	1,895	1,895	290

Other Financial Instrument Measurements

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

(in thousands) As of September 30, 2015	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$538,089	$538,089	$ --	$ --	$538,089
Net non-impaired loans	79,963,405	--	--	80,289,504	80,289,504
Total assets	$80,501,494	$538,089	$ --	$80,289,504	$80,827,593
Liabilities:					
Bonds and notes	$90,096,144	$ --	$ --	$90,261,661	$90,261,661
Subordinated notes	500,000	--	--	619,200	619,200
Total liabilities	$90,596,144	$ --	$ --	$90,880,861	$90,880,861
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(13,501)	$(13,501)

(in thousands) As of December 31, 2014	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$780,948	$780,948	$ --	$ --	$780,948
Net non-impaired loans	77,523,539	--	--	77,788,304	77,788,304
Total assets	$78,304,487	$780,948	$ --	$77,788,304	$78,569,252
Liabilities:					
Bonds and notes	$88,583,553	$ --	$ --	$88,459,535	$88,459,535
Subordinated notes	500,000	--	--	625,280	625,280
Total liabilities	$89,083,553	$ --	$ --	$89,084,815	$89,084,815
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(12,624)	$(12,624)

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.
- Interest rate options allow us to manage the impact of changing interest rates on certain assets and liabilities.
- We also offer interest rate swaps as part of a loan product to qualified borrowers of the affiliated 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.

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, 2014	$1,550	$1,235	$1,150	$40	$3,975
Additions	**500**	**358**	**1,100**	**15**	**1,973**
Maturities/amortization	**(250)**	**(200)**	**(350)**	**--**	**(800)**
Forward starting becoming effective	**--**	**20**	**--**	**(20)**	**--**
Balance at September 30, 2015	**$1,800**	**$1,413**	**$1,900**	**$35**	**$5,148**
Balance at December 31, 2013	$2,150	$1,216	$1,350	$ --	$4,716
Maturities/amortization	(750)	(41)	--	--	(791)
Balance at September 30, 2014	$1,400	$1,175	$1,350	$ --	$3,925

Other derivatives consisted of forward starting swaps and customer derivative products.

By using derivative products, we expose ourselves to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value gain in a derivative. To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency and we monitor the credit standing and levels of exposure to individual counterparties. At September 30, 2015 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.

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 and collect initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. At September 30, 2015, initial margin pledged to counterparties was $17.5 million and variation margin pledged to counterparties was $30.3 million, compared to initial margin pledged to counterparties of $8.0 million and variation margin pledged to counterparties of $14.0 million as of December 31, 2014.

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 2014 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 2014 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 net for counterparties with master netting agreements.

	September 30, 2015		December 31, 2014	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$26,543**	**$ --**	$35,460	$77
Pay-fixed and amortizing pay-fixed swaps	**424**	**87,366**	4,102	63,787
Floating-for-floating and amortizing floating-for-floating swaps	**--**	**3,056**	--	5,114
Total derivatives designated as hedging instruments	**26,967**	**90,422**	39,562	68,978
Derivatives not designated as hedging instruments:				
Pay-fixed and amortizing pay-fixed swaps	**--**	**748**	--	93
Other derivative products	**980**	**--**	248	--
Total derivatives not designated as hedging instruments	**980**	**748**	248	93
Credit valuation adjustments	**163**	**--**	82	--
Total gross amounts of derivatives	**$28,110**	**$91,170**	$39,892	$69,071
Gross amounts offset in Statements of Condition	**(20,990)**	**(20,990)**	(24,509)	(24,509)
Net amounts in Statements of Condition	**$7,120**	**$70,180**	$15,383	$44,562

(in thousands)	**September 30, 2015**	December 31, 2014
Derivative assets, net	**$7,120**	$15,383
Derivative liabilities, net	**(70,180)**	(44,562)
Accrued interest (payable) receivable on derivatives, net	**(1,591)**	285
Gross amounts not offset in Statements of Condition:		
Cash collateral pledged by counterparties	**(3,660)**	(7,280)
Cash collateral pledged to counterparties	**47,844**	22,018
Net exposure amounts	**$(20,467)**	$(14,156)

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 $93 thousand of gains related to swaps which are designated as fair value hedging instruments on the Statements of Comprehensive Income for the nine months ended September 30, 2015, compared to $201 thousand for the same period in 2014. 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 losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

(in thousands) **For the nine months ended September 30, 2015** **Cash Flow Hedging Relationships**	**Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Loss Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing**
Pay-fixed and amortizing pay-fixed swaps	**$(26,499)**	**$(27)**	**$2**
Floating-for-floating and amortizing floating-for-floating swaps	**1,404**	**--**	**(1)**
Other derivative products	**(105)**	**(36)**	**--**
Total	**$(25,200)**	**$(63)**	**$1**

(in thousands) For the nine months ended September 30, 2014 Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$(36,989)	$366	$5
Floating-for-floating and amortizing floating-for-floating swaps	1,247	--	--
Other derivative products	--	(222)	--
Total	$(35,742)	$144	$5

Derivatives not Designated as Hedges: We recorded $655 thousand of losses on swaps which are not designated as hedging instruments on the Statements of Comprehensive Income for the nine months ended September 30, 2015, compared to $24 thousand of gains for same period in 2014. 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, 2013	$(1,245)	$10,252	$463	$9,470
Other comprehensive income (loss) before reclassifications	10,951	26,594	(35,742)	1,803
Amounts reclassified from accumulated other comprehensive income	1,677	(15,650)	(144)	(14,117)
Net other comprehensive income (loss)	12,628	10,944	(35,886)	(12,314)
Balance at September 30, 2014	$11,383	$21,196	$(35,423)	$(2,844)
Balance at December 31, 2014	$4,605	$15,191	$(64,861)	$(45,065)
Other comprehensive income (loss) before reclassifications	**10,872**	**(236)**	**(25,200)**	**(14,564)**
Amounts reclassified from accumulated other comprehensive income	**1,309**	**(1,940)**	**63**	**(568)**
Net other comprehensive income (loss)	**12,181**	**(2,176)**	**(25,137)**	**(15,132)**
Balance at September 30, 2015	**$16,786**	**$13,015**	**$(89,998)**	**$(60,197)**

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

(in thousands) Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statements of Comprehensive Income
For the nine months ended September 30,	**2015**	2014	
Not-other-than-temporarily-impaired investments:			
Impairment losses	**$73**	$ --	Net impairment losses recognized in earnings
Realized loss on sale of investment securities	**1,236**	1,677	Miscellaneous income and other gains, net
	1,309	1,677	
Other-than-temporarily-impaired investments:			
Impairment losses	**620**	150	Net impairment losses recognized in earnings
Realized gain on sale of investment securities	**(2,560)**	(15,800)	Miscellaneous income and other gains, net
	(1,940)	(15,650)	
Derivatives and hedging activity:			
Interest rate contracts	**63**	(144)	Interest expense
Total reclassifications	**$(568)**	$(14,117)	

NOTE 10

Subsequent Events

We have evaluated subsequent events through November 9, 2015, 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.

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