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AgriBank District 2015 Annual Report

AgriBank, FCB and affiliated Associations

AgriBank
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To request free copies of the Annual or Quarterly Reports contact AgiBank as stated above. The Annual Report is available on AgriBank's website approximately 75 days after the end of the calendar year and members are provided a copy of such report 90 days after the end of the calendar year. The Quarterly Reports are available on AgriBank's website approximately 40 days after the end of each calendar quarter.

Combined Five-Year Summary of Selected Financial Data

AgriBank, FCB and affiliated Associations

(Dollars in thousands)

	2015	2014	2013	2012	2011
Combined Statement of Condition Data					
Loans	**$94,944,379**	$88,498,435	$82,770,309	$77,089,134	$68,349,565
Allowance for loan losses	**285,711**	248,081	236,312	262,930	300,508
Net loans	**94,658,668**	88,250,354	82,533,997	76,826,204	68,049,057
Investment securities - AgriBank, FCB	**14,262,883**	14,294,777	11,555,272	10,987,313	9,688,571
Investment securities - affiliated Associations	**1,712,097**	1,747,957	1,968,260	2,275,266	2,262,747
Other property owned	**13,051**	22,284	33,379	67,836	113,260
Other assets	**4,286,303**	4,271,572	4,201,468	3,296,980	2,968,146
Total assets	**$114,933,002**	$108,586,944	$100,292,376	$93,453,599	$83,081,781
Obligations with maturities of one year or less	**$32,771,588**	$29,299,783	$25,327,384	$25,863,061	$22,700,685
Subordinated notes with maturities greater than one year	**597,775**	597,268	596,794	596,350	595,935
Other obligations with maturities greater than one year	**62,278,870**	60,840,811	57,854,176	52,665,725	46,951,261
Total liabilities	**95,648,233**	90,737,862	83,778,354	79,125,136	70,247,881
Perpetual preferred stock	**350,000**	350,000	350,000	--	--
Capital stock and participation certificates	**268,697**	266,420	265,473	262,123	255,438
Allocated surplus	**406,758**	371,004	339,360	302,789	290,516
Unallocated surplus	**18,824,372**	17,368,747	15,838,875	14,324,793	12,875,783
Accumulated other comprehensive loss	**(616,099)**	(549,705)	(314,550)	(583,324)	(594,096)
Noncontrolling interest	**51,041**	42,616	34,864	22,082	6,259
Total shareholders' equity	**19,284,769**	17,849,082	16,514,022	14,328,463	12,833,900
Total liabilities and shareholders' equity	**$114,933,002**	$108,586,944	$100,292,376	$93,453,599	$83,081,781
Combined Statement of Income Data					
Net interest income	**$2,694,861**	$2,630,793	$2,512,287	$2,311,454	$2,172,337
Provision for (reversal of) credit losses	**71,894**	25,399	(28,537)	33,907	23,637
Provision for income taxes	**19,258**	45,627	50,145	39,116	55,726
Other expenses, net	**771,306**	671,377	660,289	519,042	553,180
Net income	**$1,832,403**	$1,888,390	$1,830,390	$1,719,389	$1,539,794
Combined Key Financial Ratios					
Return on average assets	**1.68%**	1.85%	1.93%	1.98%	1.91%
Return on average shareholders' equity	**9.87%**	10.88%	11.93%	12.56%	12.47%
Net interest income as a percentage of average earning assets	**2.52%**	2.64%	2.71%	2.73%	2.76%
Shareholders' equity as a percentage of total assets	**16.78%**	16.43%	16.46%	15.32%	15.44%
Net charge-offs (recoveries) as a percentage of average loans	**0.03%**	0.02%	(0.00%)	0.09%	0.18%
Allowance for loan losses as a percentage of loans	**0.30%**	0.28%	0.29%	0.34%	0.44%
Debt to shareholders' equity (:1)	**5.0**	5.1	5.1	5.5	5.5
Permanent capital ratio (AgriBank only)	**20.8%**	20.8%	22.1%	21.1%	20.9%
Total surplus ratio (AgriBank only)	**17.9%**	18.1%	18.5%	17.4%	17.3%
Core surplus ratio (AgriBank only)	**12.1%**	11.8%	11.4%	10.4%	10.1%
Net collateral ratio (AgriBank only)	**105.8%**	105.9%	106.4%	106.0%	106.2%
Net Income Distributed					
Patronage distributions:					
Cash	**$289,929**	$274,529	$240,435	$214,586	$199,854
Common stock	**--**	--	913	826	695
Allocated surplus	**62,911**	60,003	61,598	54,967	40,015
Total patronage distributions	**$352,840**	$334,532	$302,946	$270,379	$240,564
Preferred stock dividends	**$23,938**	$23,938	$5,806	$ --	$ --

Management's Discussion and Analysis

AgriBank, FCB and affiliated Associations

The following commentary reviews the financial condition and results of operations of AgriBank, FCB (AgriBank) and affiliated Associations and provides additional specific information. AgriBank and affiliated Associations are collectively referred to as the District. The accompanying Combined Financial Statements and Notes to the Combined Financial Statements also contain important information about the District's financial condition and results of operations.

The Farm Credit System

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

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

While the System has a national footprint, lenders are local – as of January 1, 2016, 74 independently owned and operated Farm Credit Associations provide services in the communities where they live and work. Each local Farm Credit Association is a cooperative that is owned by its customers and has a deep understanding of agriculture in its area. This expertise enables them to understand the industry sectors they finance and provide an unparalleled level of knowledge and service to its borrower-owners.

Combined, Farm Credit organizations provide $236 billion in loans, leases, and related services, which is more than a third of the credit needed by U.S. agriculture. This capital helps nearly 500,000 borrower-owners plant and nurture seeds; purchase and care for livestock; buy land and equipment such as harvesters and combines; build barns and milking parlors; and expand storage, packing and processing facilities. Farm Credit also finances agricultural cooperatives and communications, electric, power and water providers delivering essential infrastructure services to America's rural communities.

The 74 Farm Credit Associations are provided funding through one of four regional wholesale banks, including AgriBank. System entities have specific lending authorities within their chartered territories. Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation), and insured by the Farm Credit System Insurance Corporation (the Insurance Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Consolidated System-wide Debt Securities with broad ranges of maturities and structures on behalf of the System Banks. The Insurance Corporation insures the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of System Banks.

System Banks and Associations are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

The Farm Credit System 2015 Annual Information Statement, issued by the Funding Corporation, includes additional information about the System, its funding activities and its consolidated financial results. You can obtain a copy of that report by contacting the Funding Corporation or visiting www.farmcreditfunding.com.

AgriBank and affiliated Associations

AgriBank is a wholesale funding Bank that supports and is primarily owned by 17 affiliated Farm Credit Associations. The District has nearly $115 billion in assets. The District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. About half of the nation's cropland is located within the AgriBank District. In this position, with its prime location in America's agricultural heartland and nearly 100 years of experience, AgriBank and affiliated Associations are respected partners for rural America based on our collective expertise in providing financial products and services for rural communities and agriculture.

As of January 1, 2015 the Boards of Directors of Farm Credit Services of America (an affiliated Association in the District) and Frontier Farm Credit (an association in the CoBank, ACB District) implemented a strategic alliance. As part of the new alliance, Farm Credit Services of America and Frontier Farm Credit continue to exist as separate associations while integrating their day-to-day business operations, technology systems and leadership teams. Each association continues to have its own Board, with representatives participating in a Coordinating Committee to facilitate Board governance between the two organizations.

Under the alliance agreement, FCS of America and Frontier Farm Credit have agreed to share current year income and expenses based on the average total assets of each entity for the prior calendar year beginning in 2017. Due to the transition period required to fully implement the alliance, the agreement specifies that pre-tax net income generally will be shared on fixed percentages of 94.0 percent FCS of America and 6.0 percent Frontier Farm Credit for 2015 and 93.0 percent FCS of America and 7.0 percent Frontier Farm Credit for 2016.

Frontier Farm Credit has approximately $2 billion in assets and serves multiple counties in eastern Kansas. Farm Credit Services of America has approximately $25 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

Basis of Presentation

The Combined Financial Statements and related financial information found in this Annual Report include the accounts of AgriBank and affiliated Associations and related entities. These Combined Financial Statements are presented on a combined basis due to the financial and operational interdependence of the District entities. This interdependence results, in part, from the fact that AgriBank serves as an intermediary between the financial markets and the retail lending activities of affiliated Associations. As a result, the loans made by affiliated Associations to their borrowers are substantially funded by System-wide debt securities. AgriBank's ability to repay the System-wide debt securities is dependent upon the ability of the affiliated Associations' borrowers to repay their loans. In the Combined Financial Statements, the accounts of the individual District entities are combined and all significant intra-District transactions and balances are eliminated.

Risk Management

Risk is inherent in agricultural lending, and sound risk management practices are a fundamental component of operations across the District. Some of the major types of risk inherent in the business operations at AgriBank and affiliated Associations are:

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

AgriBank and affiliated Associations are engaged in risk management as individual entities, as a combined District, and as part of the System as a whole. The Board of Directors of each entity within the District oversees risk management by adopting policies to guide the organization's risk tolerance and by monitoring performance against established risk limits. Within each Board's risk framework and limits, management establishes controls to guide the day-to-day risk management activities of the organization. Each Board, through its Audit Committee (or other committee designated by the Board), also monitors risk management and policy compliance through the Internal Audit function.

AgriBank's prudent and disciplined approach to risk management includes a formal enterprise risk management structure established to identify emerging risks and evaluate risk implications of the decisions and actions of AgriBank and others. While practices vary by entity the overarching goals of the District's enterprise risk management practices are to:

- Effectively assess, prioritize, monitor and report key organizational risks, enhancing the ability to achieve business objectives
- Embed a risk-aware culture throughout the District
- Identify and implement strategies to mitigate risk where appropriate
- Ensure adequate compensation for risks that are taken

These risks, and the methods used to manage them, are discussed in the following sections.

Forward-Looking Information

This Annual Report includes, and AgriBank's and affiliated Associations' representations may from time to time make, projections regarding financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services and assumptions underlying these projections and statements. These projections and statements represent only belief regarding future events, many of which, by their nature, are inherently uncertain and outside AgriBank's and affiliated Associations' control. These projections and statements may

address, among other things, business strategy, competitive strengths, goals, market and industry developments and the growth of businesses and operations. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “outlook” and similar expressions, as they relate to the District or its management, are intended to identify forward-looking statements. Such statements reflect the current views of the District with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report, including without limitation, the information under “Management’s Discussion and Analysis” identifies important factors that could cause such differences, including but not limited to a change in the U.S. agricultural economy, overall economic conditions, changes in market rates of interest, and the effect of new legislation or government regulations or directives. However, actual results and developments may differ materially from expectations and predictions due to a number of risks and uncertainties, many of which are beyond AgriBank’s and affiliated Associations’ control. These risks and uncertainties include, but are not limited to:

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

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

Financial Overview

The District’s financial strength is evidenced by its continued strong financial performance in 2015. This strength translates into lasting value for customer-owners and reflects the District’s commitment to the Farm Credit mission to serve rural communities and agriculture.

Net income was the second-highest-ever at $1.8 billion for the year ended December 31, 2015.

Net interest income (NII) increased to $2.7 billion for the year ended December 31, 2015, primarily driven by increased loan volume, partially offset by increased System-wide debt volume and changing product mix. As the product mix between operating and real estate or intermediate term loans changes, and as competition increases, the interest rate spreads earned may change accordingly.

Provision for credit losses was $71.9 million for the year ended December 31, 2015, primarily related to crop industry reserves due to continued low commodity prices, as well as a slight decline in credit quality resulting from the current agricultural efficiency cycle.

Non-interest income decreased to $349.1 million primarily attributable to a decline in mineral income due to continuing low oil prices that began in the fourth quarter of 2014 and a decline in non-recurring net gains on sales of available-for-sale investment securities.

Salaries and employee benefits expense increased due to higher pension benefits costs related to changes in actuarial assumptions year over year.

Refer to the Results of Operations section for further discussion.

District loans totaled $94.9 billion at December 31, 2015, a $6.4 billion, or 7.3 percent, increase from December 31, 2014. The increase in total loans was primarily due to growth in real estate mortgage, agribusiness and production and intermediate term sectors at affiliated Associations.

The credit quality of the District's loan portfolio declined slightly to 95.8 percent acceptable under the FCA's Uniform Classification System at December 31, 2015, but remained above historical norms. This continued strong credit quality is primarily due to sound underwriting practices as well as the solid liquidity and equity positions of borrowers.

Refer to the Loan Portfolio section for further discussion.

Total shareholders' equity for the District remains very strong at $19.3 billion as of December 31, 2015, compared to $17.8 billion at December 31, 2014. This increase resulted primarily from net income for the year, partially offset by earnings reserved for patronage distributions.

Refer to the Shareholders' Equity section for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to continue advancing at a steady pace despite a backdrop of international headwinds. For 2016, the U.S. economy is forecasted to grow at 2.4 percent supported by firm consumer spending as a result of job market improvement and continued recovery in housing prices. A strong dollar should reduce demand for U.S. exports, while business investments growth is expected to slow due to the large declines in oil prices experienced over the past 18 months.

After seven years of record low policy rates, in December the Federal Open Market Committee of the Federal Reserve (FOMC) raised the target range for the federal funds rate by 25 basis points (bps), in an

effort to kick-start the process toward normalization in the level of interest rates. The path for policy rates is expected to remain data-dependent and, according to Federal Reserve communication, anticipated economic conditions will warrant only gradual increases in policy rates. Despite the anticipated tightening in monetary policy, most economists expect the yield curve to flatten in 2016, with long-term interest rates increasing by a lesser amount compared to short-term rates.

AgriBank prudently manages interest rate risk consistent with policies established by the Board of Directors and limits established by AgriBank's Asset and Liability Committee (ALCO) (refer to Interest Rate Risk Management section). While many factors can impact AgriBank's net interest income, it is management's expectation that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

Agricultural Conditions

The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) projected U.S. aggregate net farm income (NFI) to decline from $90.5 billion in 2014 to $56.4 billion in 2015. The overall decline in 2015 NFI is driven by continued low commodity prices and lower livestock prices resulting in a decline in receipts for both crops and livestock. This overall decline is projected to be partially offset by lower expenses primarily due to lower energy and feed costs. Despite the significant decline in 2015 farm income, the U.S. farm economy entered 2015 in perhaps its strongest financial condition in over 50 years. Over the course of the next few years, this strong financial condition is expected to experience some deterioration primarily due to small declines in farm asset values and a small increase in projected aggregate farm debt.

USDA-ERS projects similar economic conditions during 2016, resulting in a slight decline in NFI to $54.8 billion. Relative to recent history, the outlook for most crop producers is expected to be challenging. Prices for corn, soybean and wheat are expected to stay at or near break-even levels due to increased inventories of each commodity as a result of continued strong yields coupled with a projected reduction in exports as a result of the appreciation of the U.S. dollar. Producers may benefit from USDA commodity title programs under the Agricultural Act of 2014 which could be triggered by lower commodity prices. The realization of cost efficiencies, along with the use of farm programs and timely application of market risk management strategies, should mitigate some of the negative impact of continued low crop prices.

Overall, the livestock industry is expected to continue to benefit from reduced feed costs resulting from low commodity prices. However, profit margins have tightened for most producers, as output prices declined during the latter part of 2015, from previous record highs experienced in late 2014 and early 2015.

Land Values

The AgriBank District continues to closely monitor agricultural land values. AgriBank conducted 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 a decrease of 10.5 percent to an increase of 10.6 percent over the 12-month period ending June 30, 2015. Land value increases were generally concentrated in regions with comparatively lower land values,

whereas land value decreases were generally concentrated in regions where the strongest appreciation has been observed in recent years.

Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago, Kansas City, and St. Louis as of the end of the third 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 a decrease of 2.6 percent to an increase of 0.4 percent.

The USDA 2015 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 within 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.

For the most part, District agricultural land values have escaped the valuation declines that other assets suffered during the Great Recession of 2008-2009. Declining land values are a potential lending risk following periods of sustained, rapid land value increases. Nominal and real (inflation-adjusted) agricultural land values increased in proportions greater than other asset classes such as stocks and urban residential and commercial land during the past decade. This is largely because the agricultural sector, particularly crop farming, remained profitable throughout the economic crisis period, and demand for agricultural income-producing land remained strong. However, with the prospects for lower commodity prices, AgriBank does expect the moderation of land values to continue.

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels (LTVs) on the collateral that secures loans. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, the District's underwriting standards generally limit lending to no more than 65 percent at origination. Due to very strong land values in much of the District in recent years, many affiliated Associations 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.

Industry Conditions

AgriBank assesses the outlook for commodities with the largest concentrations in the 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. The categories for the outlook are defined as follows:

- Positive – Industry participants are generally profitable with margins above historic norms. Credit quality for borrowers in this segment is expected to improve or remain very strong.
- Positive to Neutral – Industry participants are generally profitable with margins at or above historic norms. Credit quality for borrowers in this segment is expected to be maintained with moderate levels of improvement.
- Neutral – Industry participants are generally profitable, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or

operate efficiently. Credit quality for borrowers in this segment is generally expected to be maintained.

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

AgriBank Outlook for Commodities in the Next 12 Months

As of December 31,	2015	2014
Corn	Negative	Neutral to Negative
Soybeans	Negative	Neutral to Negative
Wheat	Negative	Neutral to Negative
Cow-Calf	Positive	Positive
Cattle Feedlots	Negative	Neutral to Negative
Dairy	Neutral to Negative	Neutral
Pork	Neutral	Positive to Neutral
Timber	Neutral	Neutral
Poultry	Neutral	Positive to Neutral

Corn

The February 2016 USDA World Agricultural Supply and Demand Estimates (WASDE) report projects continued lower prices and a decline of $0.10 per bushel for the average corn price to $3.60 per bushel for the 2015-2016 marketing year. The lower price projection is the result of an increase in projected ending inventories. While feed and ethanol are expected to continue to be heavy users of corn in the coming year, a decline in exports due to large global inventories and the high value of the U.S. dollar is expected to generate continued downward pressure on price. Producers of all the major annual field crops have begun and are expected to be making more reductions in their cost per bushel of production based on the expectation of continued lower commodity prices over the next multiple years.

Soybeans

The February 2016 WASDE report projected a decline of nearly 13 percent for the average soybean price in the 2015-2016 marketing year to $8.80 per bushel. This decline in estimated price is primarily driven by an increase in ending inventories due to estimated record soybean yields and crop production for 2015. In addition, estimated aggregate soybean usage is projected to decline primarily due to a decrease in exports. This reduction in exports results from large global inventories, and the high value of the U.S. dollar.

Wheat

The February 2016 WASDE report projected a decline of over 16 percent per bushel for the average wheat price in the 2015-2016 marketing year to $5.00 per bushel. Continued strong domestic production and the high value of the dollar are primarily responsible for the projected decline in price and a large increase in ending domestic inventory.

Cow-Calf
The U.S. beef cow herd is projected to show continued growth for 2015. Improved soil moisture conditions for cow-calf producing areas of the U.S. have resulted in improved pasture conditions and reduced overall feed costs which have contributed to growth in the beef cow herd. Feeder calf prices reached record high levels in 2014 and remained strong into 2015 before declining significantly in the second half of 2015. While profitability is projected to be down relative to the highs realized in 2013 and 2014, margins for cow-calf producers are expected to be positive in 2016.

Cattle Feedlots
Despite reduced feed costs, profitability for cattle feedlots absent risk management practices was negative for most producers in 2015. The February 2016 USDA WASDE report projects a slight decrease in average steer price in 2015 to $148.12/cwt, down from $154.56/cwt in 2014. This reduction in price is driven by increased beef production, generally stagnant beef consumption and an abundance of cheaper protein options. High fed cattle prices over the past 3 years, which peaked in 2015, contributed to the beef cow herd expansion. Fed cattle prices retreated significantly in the last half of 2015 and even with lower feeder calf prices, cattle feedlots will continue to be challenged in 2016.

Dairy
The February 2016 WASDE report estimates a very significant decline of $6.54/cwt in average milk price to $15.80/cwt for 2015, down from record prices in 2014. The decline in milk prices has been primarily due to increased domestic and international dairy production. While benefiting from lower feed costs and increased dairy product consumption, the declines in milk price caused many dairy producers significant challenge in remaining profitable in 2015. The new Dairy Margin Protection Program offers a safety net for dairy farmers when facing low margins over feed costs. However, even with the declines in milk prices in 2015, payouts under this new program were minimal. Based on projected milk prices for 2016, only dairy producers who have purchased the highest level of coverage should expect any payouts.

Pork
The February 2016 WASDE report estimates a very significant decline of $25.80/cwt in average finished hog price to $50.23/cwt in 2015, down from record prices in 2014. This decline is the result of improved production due primarily from elimination of Porcine Epidemic Diarrhea Virus (PEDv) that significantly reduced production in 2014. Due to these lower pork prices and high beef prices, pork consumption and demand have increased. With lower prices, operating margins have declined, but remain at or near break-even levels. Risk management strategies have further mitigated the negative impact of declining pork prices and producers with material price coverage experienced profits in 2015. Many pork producers maintain a strong financial profile, with strong working capital going into 2016.

Timber
Housing starts have improved significantly since the low in 2009 with seasonally adjusted housing starts up 6.4 percent from December 2014. Housing affordability has decreased slightly, but remains at a favorable level. Continued low inflation has resulted in consumer confidence and optimism. However, consumers may reduce housing spending should interest rates continue to rise in 2016. While the improved U.S. labor market has led to increased timber demand, the strength of the U.S. dollar has resulted in decreased timber exports and increased timber imports. Timberland owners will continue to see soft prices while processors should see improvement in margins in 2016.

Poultry
Competing meat prices are expected to remain relatively high, making chicken and turkey favorable alternatives, especially compared to beef. The average price for broilers was negatively impacted during 2015 by increased production and some reduction in export demand. Turkey prices increased in 2015 due to a reduction in supply, partially offset by reduced export demand and continued favorable feed costs. Numerous cases of Highly Pathogenic Pathogenic Avian Influenza HPAI were reported in the U.S. during the first half of 2015 resulting in significant bird depopulation for individual producers. Most of the HPAI cases have been concentrated in turkey and egg layer operations in the Midwest, with Minnesota and Iowa being the hardest hit. Following seven months with no new reported HPAI cases to end 2015, in January 2016 a new strain of HPAI was confirmed in Indiana in a commercial turkey flock. While HPAI has not impacted any commercial broiler operations to date, many countries imposed trade restrictions on all U.S. poultry, resulting in increased domestic supply in 2015.

While the February 2016 USDA WASDE report estimated the average egg price will decrease approximately 18 percent in 2016, returning to 2014 prices, it is highly contingent on a lack of further impact related to HPAI outbreaks. Continued favorable feed costs combined with stable demand supports a neutral outlook for the industry.

Loan Portfolio

Components of Loans

(in millions)

As of December 31,	**2015**	2014	2013	2012	2011
Accrual loans:					
Real estate mortgage	**$52,884.8**	$49,422.4	$47,086.5	$43,388.4	$37,783.6
Production and intermediate term	**25,472.4**	24,240.4	22,060.0	21,121.9	19,198.7
Agribusiness	**8,772.6**	7,518.8	6,826.3	6,364.0	5,597.1
Rural residential real estate	**2,797.0**	2,696.1	2,582.2	2,450.7	2,257.1
Other	**4,500.6**	4,139.3	3,588.9	3,063.3	2,628.2
Nonaccrual loans	**517.0**	481.4	626.4	700.8	884.9
Total loans	**$94,944.4**	$88,498.4	$82,770.3	$77,089.1	$68,349.6

The other category is primarily comprised of communication and energy related loans, certain assets originated under the Mission Related Investment authority and loans to other financing institutions as well as finance leases.

District loans totaled $94.9 billion at December 31, 2015, a $6.4 billion, or 7.3 percent, increase from December 31, 2014. The increase in total loans was primarily due to growth in the real estate mortgage sector as well as activity in large multiple lender activity in the agribusiness sector. Production and intermediate term loans increased compared to 2014 due to increased participation volume in input and equipment financing programs. The production and intermediate term loans also increased due to higher demand for year-end draws on operating lines of credit for tax planning purposes.

The loan portfolio exhibits some seasonality relating to the patterns of operating loans made to crop producers. Operating loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. The degree of

seasonality exhibited by the loan portfolio is diminished primarily due to growth in real estate mortgage, agribusiness and agri-consumer loans.

AgriBank and certain affiliated Associations as well as Associations outside the District participate in the AgDirect program, which is included within the production and intermediate term sector. Under this program, AgriBank purchases 100 percent loan participation interests in retail equipment financing loans from AgDirect LLP (LLP), a limited liability partnership. At December 31, 2015, the LLP was owned by 9 affiliated Associations and 8 Associations outside the District. AgriBank had $3.2 billion, $3.0 billion and $2.5 billion of these participation interests outstanding at December 31, 2015, 2014 and 2013, respectively. The LLP is included within the Combined Financial Statements.

AgriBank administers the AgriHedge product which certain affiliated Associations offer to their borrowers. The AgriHedge product is a simple, effective way for borrowers to hedge their price risk in agriculture production. Borrowers are able to establish a hedge price on various commodities including, but not limited to corn, soybeans, wheat, certain livestock or class III milk by combining an operating loan with a commodity swap product offered by a third-party. This product combination enables the borrower to hedge commodity price risk without the typical upfront cash flows for fees and on-going margin calls (including costs of borrowing) of a traditional swap product. Fees incurred are paid by the borrower when the contract is settled and cash is received or paid. Borrowers must meet certain credit and swap participant eligibility criteria and the hedges must be for their own production.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. The tables below illustrate commodity and geographic distribution of the District's portfolio as of December 31, 2015:

District Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**47%**	Iowa	**11%**
Cattle	**10%**	Illinois	**10%**
Dairy	**7%**	Minnesota	**9%**
Investor real estate	**7%**	Nebraska	**8%**
Other	**29%**	Indiana	**6%**
Total	**100%**	Michigan	**6%**
		Ohio	**6%**
		Wisconsin	**6%**
		South Dakota	**5%**
		Other	**33%**
		Total	**100%**

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

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

Certain affiliated Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers (agri-consumers) generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers have been more susceptible to changes in the general economy and the condition of the general economy will influence the credit quality of these segments of the portfolio. Credit quality in these sectors has remained strong as of December 31, 2015, 2014 and 2013.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. Extreme fluctuations in commodity prices can negatively impact all District producers. Continued low commodity prices throughout 2015 have led to additional financial stress for some grain producers. Conversely, due to these low commodity prices, livestock producers benefited from lower feed costs. However, in the latter part of 2015, livestock producers began to experience a reduction in output prices which has led to a decline in the short-term outlook for most livestock producers.

Portfolio Maturities

Contractual Maturities of Loans

(in millions) As of December 31, 2015	One Year or Less	Over One Through Five Years	Over Five Years	Total
Real estate mortgage	$5,815.9	$18,404.7	$28,942.3	$53,162.9
Production and intermediate term	13,547.1	10,970.1	1,110.0	25,627.2
Agribusiness	4,989.3	2,292.2	1,518.1	8,799.6
Rural residential real estate	187.5	708.8	1,942.7	2,839.0
Other	2,424.8	1,117.9	972.9	4,515.6
Total loans	$26,964.6	$33,493.7	$34,486.0	$94,944.3
Total of loans due after one year with:				
Fixed interest rates				$38,340.8
Variable and adjustable interest rates				$29,638.9

Credit Risk Management

AgriBank and affiliated Associations are authorized to make loans, or participate in loans, to eligible borrowers as specified in the Farm Credit Act. As a result, the loan portfolio is concentrated in the agricultural industry. Earnings, loan growth and credit quality of the loan portfolio can be affected significantly by the general state of the economy, primarily as it affects agriculture and users of agricultural products.

AgriBank and affiliated Associations actively manage credit risk through various policies and standards, including loan committees reviewing significant loan transactions. 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.

Borrower and commodity concentration lending limits are also used to manage credit exposure. As required by FCA regulations, the lending limit to a single borrower is generally 15 percent of each Association's lending and leasing limit base. Similarly, AgriBank's retail participation lending limit is 15 percent of AgriBank's lending and leasing limit base. The lending and leasing limit base is generally calculated as permanent capital with certain adjustments as allowed by FCA regulation. Although not required by FCA regulations, AgriBank and affiliated Associations generally have established single borrower lending limits below the FCA regulatory limits. In addition, AgriBank and affiliated Associations have established and utilize single borrower lending limits on a combined District basis.
AgriBank and affiliated Associations also manage credit risk through loan participations. AgriBank and affiliated Associations diversify the portfolio and limit exposure to an individual borrower or commodity through buying and selling loans to other institutions within or outside of the Farm Credit System. Managing loans through participations also provides the ability to manage growth and capital primarily to improve geographic or commodity diversification.

Many of the credits in the portfolio are large and complex and AgriBank and affiliated Associations do not use standardized credit scoring on these loans. The ten largest customers as of December 31, 2015 represented 2.6 percent of total loans (including accrued interest receivable). Of the ten largest customers, all were classified as acceptable. Within these ten largest customers there are concentrations in three significant industries, including:

- Food products at 58.9 percent
- Timber at 30.6 percent and
- Dairy at 10.5 percent.

Small loans (less than $250 thousand) account for 88.9 percent of District customers by number and 35.3 percent of District Loans by dollar amount as of December 31, 2015. Credit risk on small loans is usually reduced by non-farm income sources. Associations generally use statistically validated scorecards to evaluate smaller credits. The scorecards widely used by District institutions are related to operating, intermediate term (generally for farm equipment), agricultural mortgage and home mortgage loans. Scored loans account for 56.5 percent of District customers by number and 15.9 percent of total loans (including accrued interest receivable), of which only 0.2 percent were delinquent as of December 31, 2015.

One credit quality indicator AgriBank and affiliated Associations utilize is the FCA Uniform Classification System, which categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other Assets Especially Mentioned (Special Mention) – assets 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 millions) **As of December 31, 2015**	**Acceptable**		**Special Mention**		**Substandard/Doubtful**		**Total**	
Real estate mortgage	**$51,703.8**	**96.2%**	**$1,019.0**	**1.9%**	**$1,016.5**	**1.9%**	**$53,739.3**	**100.0%**
Production and intermediate term	**24,430.3**	**94.2%**	**731.4**	**2.8%**	**772.6**	**3.0%**	**25,934.3**	**100.0%**
Agribusiness	**8,585.7**	**97.3%**	**136.7**	**1.5%**	**109.6**	**1.2%**	**8,832.0**	**100.0%**
Rural residential real estate	**2,728.6**	**95.5%**	**36.9**	**1.3%**	**90.6**	**3.2%**	**2,856.1**	**100.0%**
Other	**4,432.1**	**98.0%**	**64.7**	**1.4%**	**27.5**	**0.6%**	**4,524.3**	**100.0%**
Total loans	**$91,880.5**	**95.8%**	**$1,988.7**	**2.1%**	**$2,016.8**	**2.1%**	**$95,886.0**	**100.0%**

(in millions) As of December 31, 2014	Acceptable		Special Mention		Substandard/Doubtful		Total	
Real estate mortgage	$48,826.3	97.2%	$646.1	1.3%	$745.7	1.5%	$50,218.1	100.0%
Production and intermediate term	23,781.9	96.4%	421.8	1.7%	457.7	1.9%	24,661.4	100.0%
Agribusiness	7,341.4	97.1%	54.2	0.7%	163.2	2.2%	7,558.8	100.0%
Rural residential real estate	2,640.1	96.0%	28.2	1.0%	83.1	3.0%	2,751.4	100.0%
Other	4,098.6	98.3%	47.1	1.1%	26.5	0.6%	4,172.2	100.0%
Total loans	$86,688.3	97.0%	$1,197.4	1.3%	$1,476.2	1.7%	$89,361.9	100.0%

(in millions) As of December 31, 2013	Acceptable		Special Mention		Substandard/Doubtful		Total	
Real estate mortgage	$46,568.8	97.2%	$502.0	1.0%	$868.3	1.8%	$47,939.1	100.0%
Production and intermediate term	21,634.2	96.2%	417.4	1.9%	428.5	1.9%	22,480.1	100.0%
Agribusiness	6,451.5	93.8%	194.7	2.8%	236.0	3.4%	6,882.2	100.0%
Rural residential real estate	2,528.1	95.8%	24.4	0.9%	86.4	3.3%	2,638.9	100.0%
Other	3,548.0	98.0%	22.6	0.6%	49.5	1.4%	3,620.1	100.0%
Total loans	$80,730.6	96.6%	$1,161.1	1.4%	$1,668.7	2.0%	$83,560.4	100.0%

Note: Accruing loans include accrued interest receivable.

No loans were classified as Loss as of December 31, 2015, 2014 or 2013.

The credit quality of the District loan portfolio has been consistently strong over the past three-year period, despite a slight decline during 2015, with 95.8 percent of the portfolio in the acceptable category at December 31, 2015. This was compared to 97.0 percent and 96.6 percent at December 31, 2014 and 2013, respectively. This strong credit quality is primarily due to sound underwriting practices, and generally, the solid liquidity and equity positions of borrowers. Substandard and doubtful loans, collectively called adverse loans, are loans AgriBank and affiliated Associations have identified as showing some credit weakness outside the credit standards.

Percentage of Adverse Loans by Commodity

As of December 31,	2015	2014	2013
District retail portfolio:			
Crops	**2.8%**	1.4%	0.9%
Cattle	**2.1%**	1.7%	2.0%
Dairy	**1.5%**	2.1%	5.4%
Other	**1.4%**	2.0%	2.7%
Total	**2.1%**	1.7%	2.0%

The increase in adverse crop loans is primarily due to real estate mortgage and production and intermediate term loans that have been stressed due the current economic conditions resulting from continued low commodity prices. AgriBank and affiliated Associations expect District credit quality to remain at acceptable levels. Agriculture has experienced mostly positive economic conditions over the past decade. However, agriculture is a cyclical industry and due to continued low commodity prices throughout 2015, some sectors of the portfolio may experience a further downturn in credit quality. Given the current outlook for commodity prices and the mix within the District portfolio, AgriBank and affiliated Associations expect to see the adverse credit quality and related allowance for loan losses and provision for loan losses will be more reflective of historical levels.

In addition to the FCA's Uniform Classification System, AgriBank and affiliated Associations also use a two-dimensional loan rating model that incorporates a 14-point probability of default scale to identify and track the probability of borrower default and a separate six-tier scale addressing loss given default over a period of time. Each of the probability of default rating categories carries a distinct percentage of default probability.

The 14-point probability of default scale provides for granularity of the probability of default, especially in the acceptable ratings. Generally, there are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The range of probabilities of default between one and nine is very narrow and would reflect almost no default to a minimal default percentage.

The six-tier scale for loss given default (LGD) measures the expected loss severity based upon the adequacy of the collateral supporting the loan. The scale ranges from A with no loss expected to F with an anticipated significant loan loss. A substantial portion of the loan portfolio is collateralized, which reduces the exposure to credit loss. Well collateralized loans, those loans in the LGD A or B tier, make up 61.1 percent of the District portfolio.

Total Loans Outstanding by Probability of Default and Loss Given Default Code
As of December 31, 2015

(in millions)	Loss Given Default						
Probability of Default	**A**	**B**	**C**	**D**	**E**	**F**	**Total**
1	$441.8	$3.2	$ --	$0.7	$ --	$ --	$445.7
2	0.2	--	--	15.1	--	--	15.3
3	16.8	39.2	70.5	3.8	42.9	73.0	246.2
4	3,147.6	1,597.7	886.6	656.8	241.1	172.1	6,701.9
5	6,089.1	3,981.2	2,545.8	2,906.0	902.0	325.1	16,749.2
6	7,458.5	5,656.6	2,803.6	3,814.7	1,410.2	370.2	21,513.8
7	7,265.6	6,212.3	3,108.0	4,421.8	1,900.0	244.2	23,151.9
8	4,779.5	4,429.1	2,225.5	2,111.5	1,243.8	157.6	14,947.0
9	2,104.8	2,093.8	990.0	939.2	674.1	116.7	6,918.6
10	608.7	762.1	314.1	309.0	83.3	32.0	2,109.2
11	508.2	516.2	271.9	150.9	71.0	22.9	1,541.1
12	154.9	173.4	55.7	65.2	63.4	75.3	587.9
13	--	--	--	0.1	5.9	10.6	16.6
	$32,575.7	$25,464.8	$13,271.7	$15,394.8	$6,637.7	$1,599.7	$94,944.4

There were no loans classified as 14 on the probability of default scale at December 31, 2015.

Credit policies reduce credit risk with emphasis placed on repayment capacity rather than exclusively on the underlying collateral. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, the affiliated Association underwriting standards generally limit lending to no more than 65 percent at origination. Due to strong land values in much of the District, many affiliated Associations have also 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. In addition to sound underwriting standards, the District also has hold restrictions to limit the District's credit exposure of any one borrower.

AgriBank and affiliated Associations also reduce credit risk in the loan portfolio through government guarantee programs. At December 31, 2015, $1.9 billion of loans contained various levels of guarantees under such programs, compared to $1.8 billion and $1.7 billion as of December 31, 2014 and 2013, respectively.

Certain affiliated Associations have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, affiliated Associations have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The net investment of loans subject to the purchase agreement was $683.6 million, $697.6 million and $651.7 million at December 31, 2015, 2014 and 2013, respectively. The affiliated Associations paid Farmer Mac commitment fees totaling $3.0 million, $3.4 million and $3.2 million in 2015, 2014 and 2013, respectively. These amounts are included in "Other operating expenses" on the Combined Statements of

Comprehensive Income. There were $13.5 million of loans sold to Farmer Mac under this agreement in 2015. No loans were sold to Farmer Mac under this agreement in either 2014 or 2013.

One affiliated Association has reduced risk in its loan portfolio through the use of credit default swaps in connection with synthetic securitizations. The amount of loans under credit default swaps was $220.6 million, $279.2 million, and $339.5 million at December 31, 2015, 2014, and 2013, respectively.

One affiliated Association holds loans for sale under a rural residential mortgage program to provide qualified borrowers with additional options for financing rural properties at competitive interest rates. Loans held for sale, including related accrued interest receivable, were $35.5 million, $7.9 million and $4.5 million at December 31, 2015, 2014 and 2013, respectively. Loans held for sale were included in "Other assets" on the Combined Statements of Condition.

Competitive Conditions

Competition historically is from small commercial banks, insurance companies, large banks, manufacturers/suppliers and captive finance companies. In general, community banks continue to be very competitive, and insurance companies and regional/national banks are increasingly more competitive particularly on the highest quality larger credits. Affiliated Associations' market shares vary greatly, with Farm Credit dominating the market in certain affiliated Associations' territories, while in other territories the competition holds significant market share positions.

In traditional agriculture lending markets, affiliated Associations have historically been most competitive in falling interest rate environments because Farm Credit cost of funds declines more rapidly than that of competitors. In a rising rate environment, Farm Credit cost of funds tends to increase more quickly than competitors, resulting in significant competitive pressure and narrowing spreads. Most affiliated Associations anticipate narrower spreads will continue in 2016 from increased competition which may be exacerbated by increased interest rates. Increased interest rates may sustain a challenging competitive environment in which the affiliated Associations may not be able, or may choose not, to maintain current spreads. Refer to the Results of Operations - Net Interest Income section for further discussion.

Risk Assets

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

Components of Risk Assets

(in millions)

As of December 31,	**2015**	2014	2013	2012	2011
Nonaccrual loans	**$517.0**	$481.4	$626.4	$700.8	$884.9
Accruing restructured loans	**65.2**	75.4	53.3	45.6	31.2
Accruing loans 90 days or more past due	**11.1**	8.1	2.2	20.5	4.2
Total risk loans	**593.3**	564.9	681.9	766.9	920.4
Other property owned	**13.1**	22.3	33.4	67.8	113.3
Total risk assets	**$606.4**	$587.2	$715.3	$834.7	$1,033.7
Risk loans as a % of total loans	**0.62%**	0.64%	0.82%	0.99%	1.33%
Nonaccrual loans as a % of total loans	**0.54%**	0.54%	0.76%	0.91%	1.30%
Delinquencies as a % of total loans	**0.44%**	0.42%	0.44%	0.65%	0.74%

Note: Accruing loans include accrued interest receivable.

Total risk assets have remained low over the last five years, demonstrating the District's continued strong credit quality. Nonaccrual loans concentrated in the real estate mortgage and production and intermediate term sectors have increased slightly during 2015, primarily due to continued low commodity prices and current economic conditions. As District credit quality continues to revert to more normal levels, risk assets may continue to increase over time.

Total risk loans as a percentage of total loans remains at acceptable levels. At December 31, 2015, 61.4 percent of nonaccrual loans were current as to principal and interest.

AgriBank's and affiliated Associations' policies require loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on AgriBank's and affiliated Associations' analyses, all accruing loans 90 days or more past due were eligible to remain in accruing status.

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

(in thousands)

For the year ended December 31, 2015	
Interest income which would have been recognized under original contract terms	**$36,264**
Less: interest income recognized	**35,849**
Interest income not recognized	**$415**

Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected and the loan has no unrecovered prior charge-offs.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans as of the financial statement date. AgriBank and affiliated Associations 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. AgriBank and affiliated Associations' management believe the allowance for loan losses is reasonable in relation to the risk in the portfolios at December 31, 2015.

Allowance for Loan Losses by Loan Category

(in thousands)	**2015**		2014		2013		2012		2011	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$111,000**	**38.9%**	$88,542	35.7%	$85,573	36.2%	$94,385	36.0%	$107,075	35.6%
Production and intermediate term	**118,409**	**41.4%**	101,976	41.1%	87,261	36.9%	91,565	34.8%	124,448	41.4%
Agribusiness	**32,166**	**11.3%**	30,790	12.4%	37,409	15.8%	48,434	18.4%	47,933	16.0%
Rural residential real estate	**8,986**	**3.1%**	9,673	3.9%	8,864	3.8%	11,683	4.4%	12,789	4.3%
Other	**15,150**	**5.3%**	17,100	6.9%	17,205	7.3%	16,863	6.4%	8,263	2.7%
Total allowance for loan losses	**$285,711**	**100.0%**	$248,081	100.0%	$236,312	100.0%	$262,930	100.0%	$300,508	100.0%

Allowance Coverage Ratios

As of December 31,	**2015**	2014	2013
Allowance as a % of:			
Loans	**0.30%**	0.28%	0.29%
Nonaccrual loans	**55.26%**	51.53%	37.73%
Total risk loans	**48.15%**	43.92%	34.66%
Adverse loans as a % of risk funds*	**10.37%**	8.28%	9.96%

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

AgriBank and affiliated Associations determine the amount of allowance that is required by analyzing risk loans individually and all other loans by grouping them into loan segments sharing similar risk characteristics. An allowance is recorded for the loan segments collectively evaluated using the combination of estimated probability of default and estimated loss given default assumptions. These estimated losses may be adjusted for relevant current environmental factors. These factors may vary by the different segments reflecting the risk characteristics of each segment. As these factors change, earnings are impacted. Risk loans are analyzed individually and, if appropriate, AgriBank and affiliated Associations record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral.

Allowance for Loan Losses Activity

(in thousands) **For the year ended December 31,**	**2015**	2014	2013	2012	2011
Balance at beginning of year	**$248,081**	$236,312	$262,930	$300,508	$406,346
Charge-offs:					
Real estate mortgage	**(9,453)**	(15,688)	(21,246)	(28,538)	(30,938)
Production and intermediate term	**(27,393)**	(11,259)	(12,620)	(46,079)	(33,922)
Agribusiness	**(441)**	(250)	(900)	(1,036)	(54,701)
Rural residential real estate	**(2,466)**	(2,936)	(6,293)	(7,038)	(6,044)
Other	**(2,277)**	(2,106)	(1,723)	(260)	(16,518)
Total charge-offs	**(42,030)**	(32,239)	(42,782)	(82,951)	(142,123)
Recoveries:					
Real estate mortgage	**3,473**	6,113	9,303	8,477	6,306
Production and intermediate term	**6,896**	6,693	31,122	9,141	12,537
Agribusiness	**1,179**	983	2,366	368	3,399
Rural residential real estate	**826**	846	519	220	349
Other	**447**	4	--	10	57
Total recoveries	**12,821**	14,639	43,310	18,216	22,648
Net (charge-offs) recoveries	**(29,209)**	(17,600)	528	(64,735)	(119,475)
Provision for (reversal of) loan losses	**66,839**	29,369	(27,146)	27,157	13,637
Balance at end of year	**$285,711**	$248,081	$236,312	$262,930	$300,508
Net charge-offs (recoveries) as a % of average loans	**0.03%**	0.02%	(0.00%)	0.09%	0.18%

The District's loan portfolio is primarily made up of real estate mortgage and production intermediate term loans which, due to disciplined underwriting standards, generally have strong collateral. The allowance for loan losses increased in 2015 due to the slight decline in credit quality resulting from low commodity prices and the challenging economic environment. Additional increases in the allowance for loan losses are expected as District credit quality reverts to more normal levels.

The provision for credit losses for the year ended December 31, 2015 reported in the Combined Statements of Comprehensive Income includes provision for credit losses for unfunded commitments and unfunded letters of credit of $5.1 million. Any reserves for unfunded commitments and letters of credit are recorded in "Other liabilities" on the Combined Statements of Condition.

Refer to the Results of Operations – Provision for (Reversal of) Credit Losses section for further discussion of provision for loan loss changes.

Investment Portfolio and Liquidity

Liquidity Risk Management

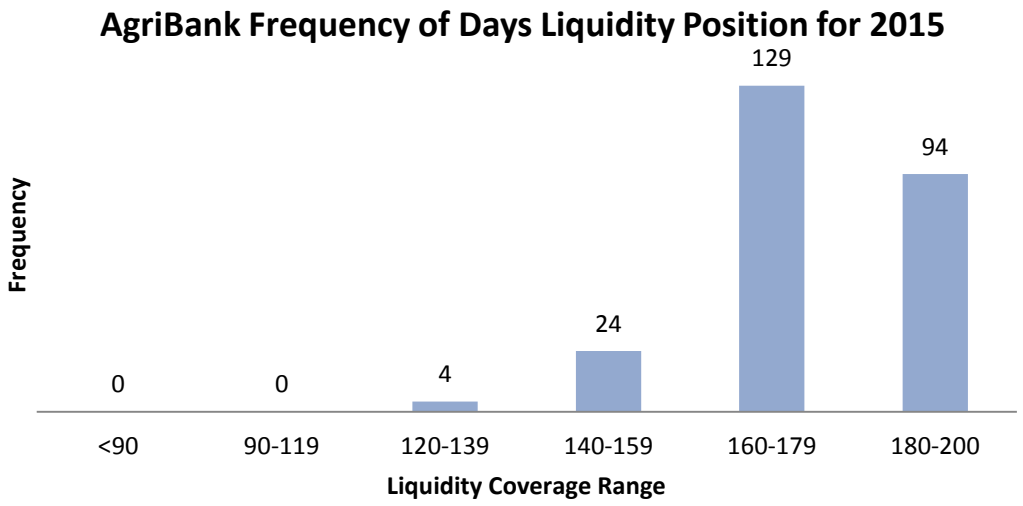
AgriBank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains AgriBank's primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the year ended December 31, 2015, investor demand for System-wide Debt Securities has remained favorable.

AgriBank also maintains a secondary source of liquidity through a high quality investment portfolio and other short-term liquid assets. AgriBank manages liquidity for operating and debt repayment needs through managing debt maturities, as well as forecasting and anticipating seasonal demands. AgriBank maintains 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 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 (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, asset-backed securities (ABS) and non-agency MBS. At December 31, 2015 AgriBank held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

AgriBank's liquidity policy and 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. During 2015, AgriBank had a liquidity operating target between 120 and 165 days. AgriBank spent most of the year between 140 and 200 days as noted in the chart below. As of December 31, 2015, AgriBank had sufficient liquidity to fund all debt maturing within 136 days, compared to 147 days as of December 31, 2014. The decline in number of days liquidity was intentional as maturing investments were used for seasonal loan advances in the fourth quarter, followed by significant paydowns leading to an increase in days coverage in the first quarter of the year.

AgriBank maintains a contingency funding plan (CFP) that helps inform operating and funding needs and addresses actions to 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 liquid investments. AgriBank sizes the investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted $500 million buffer.



District Cumulative Debt Maturities

(in millions) **As of December 31, 2015**	**Bonds and Notes Amount**
Cumulative debt maturing in:	
15 days	**$3,251.4**
45 days	**8,541.0**
90 days	**12,317.7**
120 days	**14,210.6**
One year	**31,123.7**
One to five years*	**77,611.3**
Five to ten years	**88,597.7**
More than ten years*	**94,002.0**

*Amount includes subordinated debt which is not included in regulatory liquidity coverage ratios.

AgriBank Investment Securities

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

Composition of AgriBank AFS Investment Securities

(in millions) **As of December 31,**	**2015**	2014	2013
Mortgage-backed securities:			
Government collateralized mortgage obligations	**$3,008.4**	$2,902.0	$2,854.7
Agency collateralized mortgage obligations	**2,519.6**	2,193.8	1,002.8
Agency pass through	**158.6**	193.8	228.0
Non-agency	**70.4**	124.9	208.8
Total mortgage-backed securities	**5,757.0**	5,414.5	4,294.3
Commercial paper and other	**4,914.4**	5,345.8	3,827.1
U.S. Treasury securities	**2,815.3**	2,564.9	2,623.6
Asset-backed securities:			
Automobile	**724.6**	739.1	456.5
Equipment	**43.6**	94.5	139.7
Home equity	**8.0**	33.7	107.4
Student loans	**--**	--	0.5
Total asset-backed securities	**776.2**	867.3	704.1
U.S. Agencies	**--**	102.3	106.2
Total	**$14,262.9**	$14,294.8	$11,555.3

With the exception of AgriBank's ABS and MBS, the majority of securities mature within one year. The expected average remaining life is 0.7 years for ABS and 3.4 years for MBS at December 31, 2015.

AgriBank's Asset-Liability Committee (ALCO) and Investment Credit Risk Committee oversee the credit risk in AgriBank's investment portfolio. AgriBank manages 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.

Fair Value of AgriBank Eligible AFS Investment Securities by Credit Rating

(in millions)	**Eligible**			
As of December 31, 2015	**AAA/Aaa**	**A1/P1/F1**	**Split Rated** [1]	**Total**
Mortgage-backed securities	**$ --**	**$ --**	**$5,686.6**	**$5,686.6**
Commercial paper and other	**--**	**3,278.8**	**1,635.6**	**4,914.4**
U.S. Treasury securities	**--**	**--**	**2,815.3**	**2,815.3**
Asset-backed securities	**768.2**	**--**	**--**	**768.2**
Total	**$768.2**	**$3,278.8**	**$10,137.5**	**$14,184.5**

Fair Value of AgriBank Ineligible AFS Investment Securities by Credit Rating

(in millions)	Ineligible [2]								
As of December 31, 2015	**AA/Aa**	**A**	**BBB**	**BB**	**B**	**CCC/Caa**	**CC/Ca**	**C and below**	**Total**
Mortgage-backed securities	**$6.2**	**$10.1**	**$11.8**	**$6.0**	**$13.8**	**$12.6**	**$9.9**	**$ --**	**$70.4**
Asset-backed securities	**0.7**	**0.3**	**--**	**--**	**0.1**	**1.4**	**2.4**	**3.1**	**8.0**
Total	**$6.9**	**$10.4**	**$11.8**	**$6.0**	**$13.9**	**$14.0**	**$12.3**	**$3.1**	**$78.4**

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

Holdings of split-rated U.S. government securities are due to the 2011 downgrade of the U.S. government. AgriBank does not believe these downgrades reflect deterioration in credit quality of these securities.

At December 31, 2015, AgriBank had securities that received downgrades to a rating below AAA, and were no longer eligible under FCA regulations. FCA regulations specify that ineligible securities which meet certain conditions may be included in the net collateral ratio without formal FCA approval. These conditions were met for all ineligible securities.

The liquidity of the investment portfolio can be greatly influenced by factors such as U.S. and global economic conditions and liquidity. Accordingly, there is no guarantee the investments could be sold easily at acceptable prices. In addition, because of the inherent uncertainty and judgment involved in estimating the fair value of investment securities that may not have an active market, the fair value at which AgriBank carries the investment securities may differ significantly from the values that would be realized if AgriBank were to sell the securities.

AgriBank evaluates all investment securities in an unrealized loss position for other-than-temporary impairment (OTTI) on a quarterly basis. AgriBank continually evaluates the assumptions used in estimating fair value and impairment and adjusts those assumptions as appropriate. As a result of its evaluations, AgriBank recognized impairment losses of $693 thousand, $150 thousand, and $1.9 million during 2015, 2014 and 2013, respectively.

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

AgriBank AFS Investment Securities Sold

(in millions)		
For the year ended December 31,	**2015**	2014
Non-OTTI AFS investment securities sold	**$30.5**	$17.4
OTTI AFS investment securities sold	**17.6**	101.5
Total AFS investment securities sold	**$48.1**	$118.9
Losses on sales of non-OTTI AFS investment securities, net	**$(2.3)**	$(1.6)
Gains on sales of OTTI AFS investment securities, net	**4.9**	21.6
Gains on sales of AFS investment securities, net	**$2.6**	$20.0
Impairment previously recognized on OTTI AFS investment securities sold	**$12.6**	$84.4

There were no sales of AFS investment securities during 2013.

Affiliated Association Investment Securities

Periodically, one affiliated Association may sell loans held for sale to a third party and purchase back securities collateralized by the loans sold. As the affiliated Association may not hold the investments to maturity, all or a portion of these securities are classified as AFS and have contractual maturities greater than ten years. No affiliated Association held AFS investment securities as of December 31, 2013 or 2015. The fair value of affiliated Association AFS investment securities was $21.0 million as of December 31, 2014.

During 2015, the affiliated Association sold AFS investment securities with sales proceeds of $53.7 million, resulting in gains of $355 thousand. No affiliated Association sold AFS investment securities during the years ended December 31, 2014 or 2013.

All other investment securities held by the affiliated Associations are classified as held-to-maturity (HTM).

Composition of HTM Investment Securities

(in thousands) **As of December 31, 2015**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Government guaranteed instruments	**$1,420,940**	**$12,351**	**$43,507**	**$1,389,784**	**2.3%**
Farmer Mac mortgage-backed securities	**275,990**	**1,338**	**2,115**	**275,213**	**4.3%**
ARC bonds	**7,230**	**--**	**4**	**7,226**	**1.8%**
Total	**$1,704,160**	**$13,689**	**$45,626**	**$1,672,223**	**2.6%**

(in thousands) As of December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,425,175	$15,407	$25,255	$1,415,327	2.3%
Farmer Mac mortgage-backed securities	287,842	2,400	1,186	289,056	4.4%
ARC bonds	7,219	--	--	7,219	1.7%
Total	$1,720,236	$17,807	$26,441	$1,711,602	2.6%

(in thousands) As of December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,688,870	$20,060	$28,875	$1,680,055	2.6%
Farmer Mac mortgage-backed securities	272,384	1,764	5,099	269,049	4.5%
ARC bonds	2,756	24	--	2,780	3.9%
Total	$1,964,010	$21,848	$33,974	$1,951,884	2.9%

No HTM securities were other-than-temporarily impaired during any of the years presented.

Other Investments

AgriBank and certain affiliated Associations are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC will facilitate equity and debt investments in agriculture-related businesses that will create growth and job opportunities in rural America. The total multi-year commitment in the District is $90.0 million. District

institutions invested $19.0 million and $3.4 million as of December 31, 2015 and 2014, respectively. The investment is included in "Other assets" on the Combined Statements of Condition.

The RBIC was evaluated for impairment. No impairments were recognized on these investments during the years ended December 31, 2015 and 2014. There were no distributions from the RBIC during the years ended December 31, 2015 and 2014.

As of December 31, 2015, AgriBank and certain affiliated Associations have committed to another RBIC limited partnership, which will have aggregate capital commitments of up to $45.0 million. The commitment to this RBIC has been approved by the boards of the various partners and awaits USDA approval. The fund's closing is contingent on raising at least 15 percent of total commitments from investors outside the System.

Refer to Note 4 of the accompanying Combined Financial Statements for additional information regarding other investments held by affiliated Associations.

Shareholders' Equity

AgriBank and affiliated Associations believe a sound capital position is critical to long-term financial stability. AgriBank and affiliated Associations maintain adequate capital to protect against unanticipated losses as well as to meet the District's growth needs. Total shareholders' equity was $19.3 billion, $17.8 billion and $16.5 billion at December 31, 2015, 2014 and 2013, respectively. This increase resulted primarily from net income for the year, partially offset by earnings reserved for patronage distributions.

Select Capital Ratios

As of December 31,	Regulatory minimums	**2015**	2014	2013
Shareholders' equity to assets		**16.78%**	16.43%	16.46%
Surplus and allowance to risk loans (:1)		**32.9**	31.8	24.1
Surplus to total shareholders' equity		**99.72%**	99.39%	97.97%
Permanent capital ratio (AgriBank only)	7.0%	**20.8%**	20.8%	22.1%
Total surplus ratio (AgriBank only)	7.0%	**17.9%**	18.1%	18.5%
Core surplus ratio (AgriBank only)	3.5%	**12.1%**	11.8%	11.4%
Net collateral ratio (AgriBank only)*	104.0%	**105.8%**	105.9%	106.4%

* FCA regulations require AgriBank to maintain a net collateral ratio of at least 103.0%. However, AgriBank is required by the FCA to maintain a higher minimum of 104.0% during the period in which AgriBank has subordinated notes outstanding.

At December 31, 2015, AgriBank and each affiliated Association exceeded regulatory minimum capital ratios, which are further discussed in Note 8 to the accompanying Combined Financial Statements. Strong earnings and issuances of non-cumulative perpetual preferred stock and subordinated notes allowed AgriBank and affiliated Associations to maintain strong regulatory capital ratios while efficiently leveraging existing District capital.

In 2013, AgriBank issued $250 million of Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock). Dividends on the Series A Preferred Stock, if declared by AgriBank's Board in its sole discretion, are non-cumulative and are payable quarterly in arrears.

In 2013, an affiliated Association, AgStar Financial Services, ACA (AgStar), issued $100 million of Series A-1 Non-cumulative Perpetual Preferred Stock. Dividends on the Series A-1 Preferred Stock, if declared by AgStar's Board in its sole discretion, are non-cumulative and are payable quarterly in arrears.

For regulatory capital purposes, perpetual preferred stock is included in permanent capital, total surplus and core surplus, subject to certain limitations as defined by FCA. Refer to Note 8 in the accompanying Combined Financial Statements for further discussion.

AgriBank had $500 million of unsecured subordinated notes outstanding as of December 31, 2015, 2014 and 2013. AgStar had $100 million of unsecured subordinated notes outstanding as of December 31, 2015, 2014 and 2013. Subordinated notes are allowed to be counted as capital in certain risk-adjusted ratios and are excluded from liabilities in the net collateral ratio, subject to certain limitations, which has the effect of increasing certain regulatory capital ratios pursuant to FCA regulations.

The limitations on the treatment of subordinated notes in the regulatory capital ratios are discussed further in Note 8 in the accompanying Combined Financial Statements. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, but senior to all classes of shareholders.

In accordance with the Farm Credit Act, each affiliated Association borrower is required to invest in the affiliated Association from whom they borrow as a condition of obtaining a loan. Each affiliated Association's Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan which is generally 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. Similarly, as a condition of borrowing, OFIs are required to maintain an investment in AgriBank equal to 2.25 percent of their quarter end loan commitment plus an additional one percent on growth that exceeds a targeted rate.

Capital Plan and Regulatory Requirements

Each institution's Board of Directors establishes a formal capital plan that addresses its capital targets in relation to its risks and establishes the required investment levels. The plans assess the capital level and composition necessary to support financial viability and growth. These plans are updated at least annually and are approved by each institution's Board of Directors. The plans consider 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.

AgriBank and affiliated Associations model economic capital requirements which measure total enterprise risk looking at credit, interest rate and operational risk.

Patronage Programs and Dividend Distributions
Payment of patronage and/or dividends is generally allowed under AgriBank and affiliated Associations' bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA capital adequacy regulations.

The affiliated Associations designated $282.9 million, $268.7 million and $238.5 million of earnings for patronage during 2015, 2014 and 2013, respectively.

Additionally, one affiliated Association has a nonqualified patronage program that allocated surplus of $62.9 million, $60.0 million and $61.6 million in 2015, 2014 and 2013, respectively. Nonqualified patronage of $27.2 million, $28.4 million and $25.0 million was redeemed during 2015, 2014 and 2013, respectively.

Certain affiliated Associations attribute all income in excess of the qualified patronage program to shareholders. It is communicated to shareholders that this amount will not be redeemed and as such, is not considered allocated surplus.

AgriBank also pays patronage, substantially all of which was eliminated in combination. Patronage paid by AgriBank that was not eliminated in combination was $7.0 million, $5.8 million and $2.8 million at December 31, 2015, 2014 and 2013, respectively.

AgriBank declared non-cumulative preferred stock dividends of $17.2 million, $17.2 million and $2.7 million during 2015, 2014 and 2013, respectively.

AgStar declared non-cumulative preferred stock dividends of $6.7 million, $6.7 million and $3.1 million during 2015, 2014 and 2013, respectively.

Accumulated Other Comprehensive Loss
AgriBank's investment portfolio is held primarily for liquidity purposes; accordingly, it is considered available-for-sale and is carried at fair value. Unrealized gains and losses on investment securities that are not other-than-temporarily impaired are reported as a separate component of shareholders' equity. Unrealized gains and losses related to the non-credit component of other-than-temporarily impaired investment securities are also reported as a separate component of shareholders' equity. During 2015 the change in net unrealized losses on all AFS investment securities, including those held at an affiliated Association, totaled $40.3 million of other comprehensive loss, primarily reflecting unrealized losses from increases in interest rates.

AgriBank's derivative portfolio includes certain derivatives designated as cash flow hedges. Unrealized gains and losses on the effective portion of cash flow hedges are reported as a separate component of shareholders' equity. During 2015 the change in net unrealized losses on cash flow derivatives totaled $437 thousand of other comprehensive income. The majority of cash flow derivatives are hedging rising long-term interest rates.

The unfunded status of the District pension and post-employment benefit plans is recognized as a liability on the Combined Statements of Condition. During 2015, the change in net unrealized losses recognized in accumulated other comprehensive loss for pension and post-employment liabilities was driven by actuarial

losses partially offset by amortization of actuarial losses from prior periods. Refer to Notes 2, 10 and 16 to the accompanying Combined Financial Statements for further discussion.

Results of Operations

Income levels remain strong, driven primarily by net interest income. AgriBank and affiliated Associations recorded earnings of $1.8 billion.

Profitability Information

(in millions) **For the year ended December 31,**	**2015**	2014	2013
Net income	**$1,832.4**	$1,888.4	$1,830.4
Return on average assets	**1.68%**	1.85%	1.93%
Return on average shareholders' equity	**9.87%**	10.88%	11.93%

Changes in Significant Components of Net Income

(in millions) **For the year ended December 31,**	**2015**	2014	2013	Increase (Decrease) in Net Income	Prior Year Increase (Decrease) in Net Income
Net interest income	**$2,694.9**	$2,630.8	$2,512.3	$64.1	$118.5
Provision for (reversal of) credit losses	**71.9**	25.4	(28.5)	(46.5)	(53.9)
Non-interest income	**349.1**	396.7	344.0	(47.6)	52.7
Non-interest expense	**1,120.4**	1,068.1	1,004.3	(52.3)	(63.8)
Provision for income taxes	**19.3**	45.6	50.1	26.3	4.5
Net income	**$1,832.4**	$1,888.4	$1,830.4	($56.0)	$58.0

Net Interest Income

Changes in Net Interest Income

(in millions) **For the year ended December 31,**	**2015 vs 2014**			2014 vs 2013		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Interest income:						
Loans	**$221.9**	**$(70.3)**	**$151.6**	$225.9	$(35.8)	$190.1
Investments	**10.6**	**9.3**	**$19.9**	10.9	(17.3)	(6.4)
Other earning assets	**0.6**	**(0.1)**	**$0.5**	(5.2)	1.4	(3.8)
Total interest income	**233.1**	**(61.1)**	**172.0**	231.6	(51.7)	179.9
Interest expense:						
Systemwide debt securities and other	**(61.6)**	**(46.3)**	**(107.9)**	(50.9)	(10.5)	(61.4)
Net change in net interest income	**$171.5**	**$(107.4)**	**$64.1**	$180.7	$(62.2)	$118.5

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

(in millions)

For the year ended December 31,	**2015**		
	ADB	**Rate**	**NII**
Interest earning assets:			
Accrual loans	**$88,837.2**	**3.96%**	**$3,516.2**
Nonaccrual loans	**531.0**	**5.83%**	**31.0**
Investment securities and federal funds	**17,411.9**	**0.83%**	**144.4**
Other earning assets	**21.9**	**4.50%**	**0.4**
Total earning assets	**106,802.0**	**3.46%**	**3,692.0**
Interest bearing liabilities	**89,019.5**	**1.12%**	**997.1**
Interest rate spread	**$17,782.5**	**2.34%**	
Impact of equity financing		**0.18%**	
Net interest margin		**2.52%**	
Net interest income			**$2,694.9**

(in millions)

For the year ended December 31,	2014		
	ADB	Rate	NII
Interest earning assets:			
Accrual loans	$83,028.2	4.05%	$3,361.2
Nonaccrual loans	575.4	5.95%	34.2
Investment securities and federal funds	16,099.2	0.77%	124.5
Other earning assets	2.3	8.21%	0.2
Total earning assets	99,705.1	3.53%	3,520.1
Interest bearing liabilities	83,437.7	1.07%	889.3
Interest rate spread	$16,267.4	2.46%	
Impact of equity financing		0.18%	
Net interest margin		2.64%	
Net interest income			$2,630.8

(in millions)

For the year ended December 31,	2013		
	ADB	Rate	NII
Interest earning assets:			
Accrual loans	$77,313.4	4.10%	$3,173.6
Nonaccrual loans	693.5	4.59%	31.8
Investment securities and federal funds	14,793.8	0.88%	130.8
Other earning assets	74.9	5.33%	4.0
Total earning assets	92,875.6	3.60%	3,340.2
Interest bearing liabilities	78,394.0	1.06%	827.9
Interest rate spread	$14,481.6	2.54%	
Impact of equity financing		0.17%	
Net interest margin		2.71%	
Net interest income			$2,512.3

Net interest income increased primarily due to increases in loan volume compared to the prior year. This increase was partially offset by the changing product mix as the growth in the investment portfolio outpaced the growth in loan volume. Additionally, a decrease in the credit spread of interest rates earned

on loans coupled with increased interest expense due to higher debt levels and rates also contributed to offset the positive impact of higher interest income.

Overall, interest rate spreads continue to tighten. In general, operating loans, which are typically variable rate, have the highest spreads. Longer term fixed-rate loans generally carry narrower spreads. As the product mix between operating and real estate or intermediate term loans changes, and as competition increases, the interest rate spreads earned may change accordingly. Operating loans and real estate loans (typically longer term fixed-rate loans) volume increased at similar rates year over year. The decrease in spread has been substantially driven by competitive pressures, as well as an increase in overall debt costs.

During the past several years, falling interest rates and an upward sloping yield curve created the opportunity to refinance callable bonds ahead of, and at times, in greater quantities than, loans that have refinanced or converted, contributing favorably to net interest income. Furthermore, funding longer term fixed-rate loans results in a greater contribution to net interest income during the first few years loans are outstanding, but the spread declines and becomes unfavorable in later years of the loan. The District has observed a slight decline in contributions to net interest income from the structure of funding compared to the prior year. To the extent that new asset and debt pricing volumes remain low, the positive impact on the net interest margin resulting from funding actions could continue to diminish going forward.

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

Provision for (Reversal of) Credit Losses

The year-over-year fluctuations for the District's provision for loan losses can be impacted by economic stress in individual agricultural sectors. Low commodity prices and slight credit quality deterioration has resulted in higher provision for loan losses year over year. Prolonged low commodity prices, reduced net farm income and other economic factors could contribute to credit quality reverting to more normal levels over time, which may increase provision for loan losses across the District.

The provision for credit losses for the year ended December 31, 2015 reported in the Combined Statements of Comprehensive Income includes provision for credit losses for unfunded commitments and unfunded letters of credit of $5.1 million. Any reserves for unfunded commitments and letters of credit are recorded in "Other liabilities" on the Combined Statements of Condition.

Refer to the Loan Portfolio - Allowance for Loan Losses section for further discussion of allowance for loan losses changes.

Non-interest Income

Components of Non-Interest Income

(in millions)

For the year ended December 31,	**2015**	2014	2013
Financially related services	**$168.4**	$156.8	$144.8
Loan prepayment and fee income	**87.1**	61.6	85.1
Mineral income	**56.5**	105.9	82.2
Miscellaneous income and other gains, net:			
Operating lease income	**17.0**	17.6	18.7
Loan servicing fee income	**5.8**	6.0	10.4
Other property owned (losses) gains, net	**(2.4)**	10.3	(11.6)
Derivative fair value adjustments	**(0.6)**	(0.2)	(0.7)
Other	**17.3**	38.7	15.1
Total	**$349.1**	$396.7	$344.0

The increase in financially related services was primarily due to an increase in multi-peril and other crop insurance income. These increases were primarily driven by increased profit sharing distributions to affiliated Association participants as well as a higher number of policies compared to 2014**.**

Mineral income was earned primarily from royalties received on mineral rights, specifically in the Williston Basin in western North Dakota. Toward the latter part of 2014 and continuing throughout 2015, oil prices dropped significantly. The decline in mineral income in 2015 was primarily related to continued low oil prices. Based on oil futures, oil prices are anticipated to remain low in 2016, resulting in further declines in mineral income.

The change in miscellaneous income and other gains, net was primarily due to $3.0 million and $20.0 million of non-recurring net gains related to the sales of AFS investment securities during 2015 and 2014, respectively. The majority of these sales occurred at AgriBank and were home-equity ABS and non-agency MBS which no longer met earnings or capital usage targets. Refer to Note 4 of the accompanying Combined Financial Statements for further discussion.

Non-interest Expense

Components of Non-interest Expenses

(in millions)

For the year ended December 31,	2015	2014	2013
Salaries and employee benefits	**$678.9**	$653.2	$626.5
Occupancy expense	**45.0**	43.2	40.5
Other operating expenses	**292.1**	281.8	261.8
Farm Credit System insurance expense	**103.7**	89.7	69.6
Loss on debt extinguishment	**--**	--	4.0
Net impairment losses recognized in earnings	**0.7**	0.2	1.9
Total	**$1,120.4**	$1,068.1	$1,004.3
Operating rate	**1.1%**	1.1%	1.1%

The increase in salaries and benefits expense in 2015 was primarily due to increased District defined benefit pension expense of $18.1 million due to a decrease in the discount rate and revised actuarial assumptions used during 2015. Refer to Note 10 of the accompanying Combined Financial Statements for further information regarding employee benefit plans.

Farm Credit System insurance expense is directly impacted by the premium rate the bank is assessed. Premiums were 13 basis points, 12 basis points and 10 basis points in 2015, 2014 and 2013, respectively. The Insurance Corporation has announced premiums will increase to 16 basis points for the first half and 18 basis points for the second half of 2016.

Provision for Income Taxes

The decrease in provision for income taxes from the prior year was primarily related to decreased income in taxable entities due to increased patronage deductions. Refer to Note 9 of the accompanying Combined Financial Statements for further information regarding.

Interest Rate Risk Management

Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition. Interest rate risk arises primarily from financing fixed rate loans that can be prepaid, adjustable rate loans with interest rate caps and decisions related to the investment of equity. While AgriBank manages substantially all of the District's interest rate risk, the affiliated Associations manage retail spread compression risk. AgriBank's primary method of managing interest rate risk is to issue debt with similar terms as the assets originated by the affiliated Associations. Because a substantial portion of those assets are pre-payable, AgriBank issues a significant amount of callable debt. AgriBank's ability to effectively manage interest rate risk relies on its ability to issue debt with terms and structures that match the asset terms and structures. AgriBank also utilizes derivatives to manage interest rate risk and reduce funding costs.

AgriBank manages exposure to changes in interest rates under policies established by its Board of Directors and limits established by its 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.

AgriBank's primary analytical techniques used to analyze interest rate risk are:

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

The assumptions used in AgriBank's 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. AgriBank monitors and tracks actual prepayment history and considers adjustments to the assumed prepayment speeds based on the historical observed experience. AgriBank uses third-party data for prepayment assumptions on ABS and MBS.

Interest Rate Gap Analysis

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

Interest Rate Gap Position

(in millions) AgriBank, FCB (Bank Only) As of December 31, 2015	Repricing Intervals Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 Years	Total
Earning assets:							
Prepayable loans	$40,827.2	$8,270.4	$6,465.2	$4,855.1	$3,878.8	$15,349.2	$79,645.9
Other loans	466.7	455.7	329.4	409.0	263.9	1,249.1	3,173.8
Investments and federal funds	12,005.7	1,640.2	952.1	252.1	207.7	632.2	15,690.0
Total earning assets	$53,299.6	$10,366.3	$7,746.7	$5,516.2	$4,350.4	$17,230.5	$98,509.7
Callable debt	$516.6	$3,696.0	$4,259.5	$4,140.0	$3,405.0	$15,463.5	$31,480.6
Other debt	52,092.1	6,087.2	2,346.3	625.2	341.0	930.1	62,421.9
Effect of interest rate swaps and other derivatives	211.7	(991.3)	(391.6)	66.0	57.0	1,048.2	--
Total rate-sensitive liabilities	$52,820.4	$8,791.9	$6,214.2	$4,831.2	$3,803.0	$17,441.8	$93,902.5
Interest rate sensitivity gap	$479.2	$1,574.4	$1,532.5	$685.0	$547.4	$(211.3)	$4,607.2
Cumulative gap	$479.2	$2,053.6	$3,586.1	$4,271.1	$4,818.5	$4,607.2	
Cumulative gap as a % of earning assets	0.9%	3.2%	5.0%	5.6%	5.9%	4.7%	

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

Policy limits related to interest rate sensitivity assume interest rates for all maturities change immediately in the same direction and amount (a parallel shock). AgriBank also routinely reviews the impact of a gradual change over one year in interest rates in the same direction and same amount (a parallel ramp). Periodically, AgriBank reviews forward market value risk profiles, multi-year net interest income projections and the impact of varying the amount of change in rates at different maturities (a twist, flattening or steepening of the yield curve). AgriBank's policies establish a maximum variance from the base case in a plus or minus 200 basis point change in rates, except when the U.S. Treasury three-month rate is below 4 percent, when the minus scenario is limited to one-half of the U.S. Treasury three-month rate. Because of the low interest rates at December 31, 2015, the down 200 scenario is limited to a down eight basis point change.

NII Sensitivity Analysis

As of December 31, 2015	Basis Point Interest Rate Change Down 8	Up 100	Up 200
Immediate Change (Shock):			
District NII sensitivity	(0.3%)	(0.4%)	0.5%
AgriBank NII sensitivity	(0.9%)	(1.0%)	(3.8%)
AgriBank Board policy	(15.0%)		(15.0%)
Gradual Change (Ramp):			
AgriBank NII sensitivity		(0.5%)	(2.3%)

EVE Sensitivity Analysis

	Basis Point Interest Rate Change		
As of December 31, 2015	**Down 8**	**Up 100**	**Up 200**
Immediate Change (Shock):			
AgriBank EVE sensitivity	**0.4%**	**(4.5%)**	**(8.7%)**
AgriBank Board policy	**(12.0%)**		**(12.0%)**
District EVE sensitivity	**0.3%**	**(3.7%)**	**(7.3%)**

AgriBank Derivative Financial Instruments

AgriBank primarily uses derivative financial instruments to reduce funding costs, improve liquidity and manage interest rate sensitivity. AgriBank does not hold or issue derivatives for trading purposes. The types and uses of derivatives AgriBank may use are:

- Receive-fixed swaps to convert interest payments on fixed rate bonds into floating rates. These transactions enable AgriBank to improve liquidity, obtain lower funding cost or to hedge basis risk.
- Pay-fixed swaps including forward starting swaps, primarily to create lower cost synthetic fixed rate funding, to hedge future debt issuance costs or to manage interest rate sensitivity.
- Swaps with floors to hedge cash flow exposure to falling rates on floating rate assets.
- Caps and swaps with caps to hedge cash flow risk in caps sold with retail loans or embedded in investments or to cap interest rates on floating rate debt.
- Pay-fixed swaptions (option to enter into a pay-fixed swap) to hedge future debt issuance costs.
- Corridors to limit net interest costs on floating rate or rolling short term debt in rising rate scenarios by using a purchased cap and a sold cap with a higher strike rate.
- Interest rate swaps with retail borrowers including pay-fixed and receive-fixed swaps, to create product offerings to qualified borrowers of affiliated Associations. Typically AgriBank would enter into an offsetting swap with a third-party.

Derivative activities are guided by Board policy and monitored by AgriBank's ALCO. ALCO is 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 AgriBank's overall interest rate risk management strategies.

By using derivative instruments, AgriBank is subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, AgriBank's credit risk equals the net amount due to AgriBank. Generally, when the fair value of a derivative contract is positive AgriBank has credit exposure to the counterparty, creating credit risk for AgriBank. When the fair value of the derivative contract is negative, AgriBank does not have credit exposure; however, there is a risk of AgriBank's nonperformance under the terms of the derivative transaction. The fair value of derivatives includes credit valuation adjustments (CVA) which resulted in increases in the fair value of derivative assets of $71 thousand and $82 thousand at December 31, 2015 and 2014, respectively, and a decrease in the fair value of derivative assets of $127 thousand at December 31, 2013. The CVA reflects credit risk of each derivative counterparty to which AgriBank has exposure, net of any collateral posted by the counterparty and an adjustment for AgriBank's creditworthiness where the counterparty has exposure to AgriBank. The change in the CVA for the year is included in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income.

In 2014, AgriBank began facilitating interest rate swaps to qualified borrowers of 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. AgriBank manages the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions. AgriBank receives an appropriate risk adjusted spread on swaps with the retail swap customer.

AgriBank may enter into over-the-counter (OTC) derivative transactions directly with a counterparty or AgriBank may also clear such transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP.

The Dodd-Frank Act requires the centralized clearing of certain OTC swaps by swap dealers and major swap participants, as well as certain other market participants, including financial institutions. Currently, instrument types that must be cleared will primarily be interest rate swaps and credit default swaps. Many end users of swaps, including certain banks, credit unions and Farm Credit System institutions with less than $10 billion in assets, qualify for an exemption from clearing if the swap is used to hedge commercial risk. The U.S. Commodity Futures Trading Commission has also established a clearing exemption for certain swaps entered into by cooperatives. All Farm Credit System institutions qualify for this Cooperative Exemption, and, therefore, will be able to elect the clearing exemption for any swap that meets the criteria stipulated in the exemption. This exemption does not cover all swaps that are executed by Farm Credit System institutions and is generally limited to transactions entered into in connection with loans to members.

Centrally Cleared Interest Rate Swaps

(in millions)

As of December 31,	**2015**	2014	2013
Notional Amount	**$723.0**	$305.0	$225.0
Initial margin pledged to counterparties	**$17.7**	$8.0	$5.9
Variation margin pleged to (by) counterparties	**14.3**	14.0	(1.6)
Total margin pledged to counterparties	**$32.0**	$22.0	$4.3

For OTC derivative transactions entered into before mandatory clearing, and for derivative transactions that qualify for the Cooperative Exemption, AgriBank may enter into derivative transactions directly with counterparties under bilateral master agreements. With the exception of interest rate swaps with retail borrowers, AgriBank executes its bilateral derivative transactions only with non-customer counterparties that have an investment-grade or better credit rating from a rating agency. AgriBank manages credit risk by monitoring the credit standing and managing levels of exposure to individual counterparties. As

counterparty credit ratings are downgraded, AgriBank lowers the credit exposure level at which collateral must be pledged thereby reducing its exposure to counterparty risk. AgriBank anticipates performance by all of its counterparties. AgriBank enters into master agreements that contain netting provisions, which allow them to offset amounts they owe the counterparty on one derivative contract to amounts owed to them by the same counterparty on another derivative contract. These provisions allow AgriBank 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 AgriBank's derivative transactions are supported by collateral arrangements with counterparties. AgriBank had no cash collateral pledged by counterparties as of December 31, 2015. At December 31, 2014 and 2013, AgriBank had cash collateral pledged by counterparties of $7.3 million and $24.2 million, respectively. AgriBank had no securities posted as collateral from counterparties at December 31, 2015 and 2014. At December 31, 2013, AgriBank had $12.3 million of securities posted as collateral from counterparties.

AgriBank Derivative Credit Loss Exposure by Credit Rating

(in millions)	Years to maturity			Maturity			Exposure
	Less Than	One to	Over	Distribution		Collateral	Net of
As of December 31, 2015	**One Year**	**Five Years**	**Five Years**	**Netting**	**Exposure**	**Pledged**	**Collateral**
Moody's Credit Rating							
Aa2	**$9.8**	**$0.5**	**$1.5**	**$(8.3)**	**$3.5**	**$ --**	**$3.5**
Total	**$9.8**	**$0.5**	**$1.5**	**$(8.3)**	**$3.5**	**$ --**	**$3.5**

Derivative credit loss exposure is estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts in a gain position and does not include cleared derivatives. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty. If the net position within a maturity category with a particular counterparty is a loss, no amount is reported. Maturity distribution netting represents the impact of netting of derivatives in a gain position and derivatives in a loss position for the same counterparty across different maturity categories.

Derivative instruments are discussed further in Notes 2, 14 and 15 to the accompanying Combined Financial Statements.

Expected Maturities of AgriBank Derivative Products and Other Financial Instruments

(in millions) As of December 31, 2015	2016	2017	2018	2019	2020	2021 and thereafter	Total	Fair Value
Bonds and Notes:								
Fixed rate	$16,043.4	$9,286.3	$6,596.3	$4,760.0	$3,766.0	$16,292.9	$56,744.9	$56,723.4
Average interest rate	0.9%	1.0%	1.2%	1.6%	1.8%	2.7%	1.7%	
Variable rate	15,080.3	14,125.0	7,400.0	54.0	--	--	36,659.3	36,595.8
Average interest rate	0.2%	0.2%	0.3%	0.2%	--	--	0.2%	
Subordinated notes	--	--	--	498.3	--	--	498.3	604.9
Average interest rate	--	--	--	9.1%	--	--	9.1%	
Total bonds and notes	$31,123.7	$23,411.3	$13,996.3	$5,312.3	$3,766.0	$16,292.9	$93,902.5	$93,924.1
Derivative Instruments:								
Receive-fixed swaps								
Notional value	$200.0	$950.0	$400.0	$ --	$ --	$ --	$1,550.0	$12.8
Weighted average receive rate	5.2%	1.5%	1.1%	--	--	--	1.9%	
Weighted average pay rate	1.1%	1.8%	2.0%	--	--	--	1.8%	
Pay-fixed swaps								
Notional value	--	--	50.0	115.0	100.0	1,258.0	1,523.0	(61.5)
Weighted average receive rate	--	--	2.0%	2.3%	2.3%	2.5%	2.5%	
Weighted average pay rate	--	--	4.3%	3.3%	3.4%	2.5%	2.7%	
Floating for floating swaps								
Notional value	800.0	400.0	200.0	200.0	200.0	700.0	2,500.0	(3.2)
Weighted average receive rate	1.3%	1.8%	2.0%	2.3%	2.3%	2.5%	1.9%	
Weighted average pay rate	1.4%	2.0%	2.4%	2.3%	2.3%	2.5%	2.0%	
Customer swaps								
Notional value	--	--	--	15.0	--	20.0	35.0	0.5
Weighted average receive rate	--	--	--	1.4%	--	2.2%	1.9%	
Weighted average pay rate	--	--	--	2.3%	--	2.5%	2.4%	
Total derivative instruments	$1,000.0	$1,350.0	$650.0	$330.0	$300.0	$1,978.0	$5,608.0	$(51.4)
Total weighted average rates on swaps:								
Receive rate	2.1%	1.6%	1.4%	2.3%	2.3%	2.5%	2.1%	
Pay rate	1.3%	1.9%	2.3%	2.6%	2.7%	2.5%	2.1%	

The table was prepared based on implied forward variable interest rates as of December 31, 2015 and, accordingly, the actual interest rates to be received or paid will be different to the extent that the variable rates fluctuate from December 31, 2015 implied forward rates.

Affiliated Association Derivative Products

One affiliated Association uses forward commitments to sell to-be-announced (TBAs) securities at specified prices to economically hedge the interest rate risk on interest rate lock commitments, loans held for sale and available for sale investment securities. The TBAs are measured in terms of notional amounts. The notional amount is not exchanged and is used as a basis on which interest payments are determined. The margin pledged to the counterparty under a bilateral agreement was $1.3 million as of December 31, 2015 and $650 thousand as of December 31, 2014.

Other Risks

Operational Risk

Operational risk represents the risk of loss resulting from operations. Operational risk includes risks related to fraud, processing errors, breaches of internal controls, cyber security and natural disasters. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of objectives. AgriBank and affiliated Associations maintain a strong control environment including independent audit committees, codes of ethics for senior officers and key financial personnel and anonymous whistleblower programs. AgriBank and affiliated Associations manage operational risk through established internal control processes and disaster recovery plans. AgriBank maintains systems of controls with the objectives of providing proper transaction authorization and execution, proper system operations, safeguarding of assets and reliability of financial and other data. AgriBank and affiliated Associations have analyzed their cybersecurity posture and continue to enhance a variety of programs with the goal of ensuring on-going operations under a variety of adverse scenarios which may include:

- maintaining and routinely testing business continuity and/or disaster recovery plans
- maintaining a sound security infrastructure and
- providing privacy and cybersecurity awareness training to staff

All District entities document, test and evaluate controls supporting financial reporting to support the Farm Credit System level attestation for internal controls as well as management's own internal assessment over financial reporting consistent with that required by Sarbanes-Oxley Section 404. All significant processes supporting the internal controls over financial reporting are covered by this effort. This effort supports strong control environments through increased awareness, documentation and testing of key controls. Individual District entities with assets greater than $1.0 billion at the preceding calendar year-end also include a report of management's assessment of internal controls over financial reporting for the current year. Each of these management reports expressed that internal controls over financial reporting were effective and there were no material weaknesses at December 31, 2015. The loan and general ledger systems maintained at AgriBank are used centrally for a large majority of the District. These systems are examined by an independent auditor annually and a Statement of Standards Attestation Engagement No. 16, Reporting on Controls at a Service Organization, is provided to all users of these technology systems. AgriBank and affiliated entities also receive Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization*, reports covering the internal controls for various service providers. These reports are analyzed to ensure appropriate controls are operating at the service provider, as well as ensuring user controls and compensating controls, if needed, are operating at the District entity to support each institution's internal control structure.

Reputation Risk

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

Credit Risk Related to Joint and Several Liability

The District has credit risk because AgriBank is jointly and severally liable for all System-wide debt issued. Under joint and several liability, if another System Bank is unable to pay its obligations as they come due, the other Banks in the System would ultimately be called upon to fulfill those obligations. Total System-wide debt at December 31, 2015 was $243.3 billion. The existence of the Farm Credit Insurance Fund (Insurance Fund), the Contractual Interbank Performance Agreement (CIPA) and the Market Access Agreement (MAA) help to mitigate this risk.

AgriBank, together with all System Banks and the Funding Corporation, have entered into the CIPA. This agreement establishes a model for measuring financial condition and performance of each System Bank. AgriBank, and each of the other System Banks, exceeded the minimum performance measures at December 31, 2015.

AgriBank, together with all System Banks and the Funding Corporation, have entered into the MAA. This agreement establishes CIPA score categories and procedures for the Banks to provide information and, under specific circumstances, restricting or prohibiting participation in issuances of System-wide debt securities. The agreement is intended to identify and resolve individual Bank financial problems in a timely manner. AgriBank, and each of the other System Banks, are in compliance with all aspects of the agreement at December 31, 2015.

If a System Bank fails to meet certain CIPA performance criteria as defined in the MAA, it will be placed into one of three categories. Each category gives the other System Banks progressively more control over debt issuances at a System Bank that has declining financial performance under the MAA performance criteria. A “Category I” Bank is subject to additional monitoring and reporting requirements; a “Category II” Bank’s ability to participate in issuances of System-wide debt securities may be limited to refinancing maturing debt obligations; and a “Category III” Bank may not be permitted to participate in issuances of System-wide debt securities.

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

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

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2 percent (the secure base amount) of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. The percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and under certain circumstances is required to transfer excess funds to establish Allocated Insurance Reserve Accounts (AIRAs). The Insurance Corporation may also distribute all or a portion of these reserve accounts to the System Banks. No distributions were received during 2015, 2014 or 2013.

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

The Insurance Corporation does not insure any payments on AgriBank's or affiliated Association's subordinated notes, preferred stock, at-risk common stock or at-risk participation certificates. To the extent AgriBank must fund its allocated portion of another System Bank's portion of the System-wide debt securities due to default, AgriBank's earnings and total shareholders' equity would be negatively impacted.

Unincorporated Business Entities (UBEs)
Certain circumstances, including the limitation of legal liability, may warrant the need for certain affiliated Associations to establish separate entities to acquire and manage complex collateral. A more detailed discussion of affiliated Associations' UBEs can be found in their respective annual reports.

Additional Regulatory Information

Regulatory Capital Requirements
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

On March 10, 2016, FCA approved final revised capital regulations to become effective January 1, 2017. AgriBank and affiliated Association management are currently evaluating the impact of the regulations.

Investment Securities Eligibility
On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investment securities 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.

Critical Accounting Policies

AgriBank and affiliated Associations elected early adoption of ASU 2015-03 *"Interest–Imputation of Interest,"* which required retroactive reclassification of certain line items presented in the Five-Year Summary of Selected Financial Data and the accompanying Combined Financial Statements consistent with the current year presentation.

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

- Allowance for loan losses — The allowance for loan losses is the best estimate of the amount of losses on loans in AgriBank's and affiliated Associations' portfolios as of the date of the Combined Financial Statements. AgriBank and affiliated Associations determine the allowance for loan losses based on a periodic evaluation of each loan portfolio, which considers loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. Refer to the Loan Portfolio – Analysis of the Allowance for Loan Losses section for further discussion.
- Fair Value Measurements — AgriBank and affiliated Associations apply various valuation methods to assets and liabilities that often involve judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as certain investment securities. However, for those items for which an observable active market does not exist, management utilizes significant estimates and assumptions to value such items. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, loss severity rates and third-party prices. The use of different assumptions could produce significantly different results.

Report of Management

AgriBank, FCB and affiliated Associations

AgriBank, FCB prepares the accompanying Combined Financial Statements of AgriBank, FCB and affiliated Associations and is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. AgriBank management has relied upon the Associations' management to advise us of all material transactions, events and commitments. The Combined Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Combined Financial Statements, in the opinion of management, present fairly the financial condition of AgriBank, FCB and affiliated Associations. Other financial information included in the Annual Report is consistent with that in the Combined Financial Statements.

To meet its responsibility for reliable financial information, management depends on the accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, the independent auditors, audit the Combined Financial Statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

AgriBank's Board of Directors has overall responsibility for AgriBank's system of internal controls and financial reporting. The Board of Directors and its Audit Committee consults regularly with management and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of AgriBank or affiliated Associations.

The undersigned certify that they have reviewed the combined AgriBank, FCB and affiliated Associations' December 31, 2015 Annual Report and it has been prepared in accordance with all applicable statutory and regulatory requirements and the information contained herein is true, accurate and complete to the best of their knowledge and belief.

Matthew D. Walther
Chair of the Board
AgriBank, FCB

L. William York
Chief Executive Officer
AgriBank, FCB

Brian J. O'Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
AgriBank, FCB

March 14, 2016

Independent Auditor's Report

To the Boards of Directors of AgriBank, FCB and affiliated Associations:

We have audited the accompanying Combined Financial Statements of AgriBank, FCB and affiliated Associations (the District), which comprise the combined statements of condition as of December 31, 2015, 2014 and 2013, and the related combined statements of comprehensive income, of changes in shareholders' equity and of cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the Combined Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Combined Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements referred to above present fairly, in all material respects, the combined financial position of AgriBank, FCB and affiliated Associations as of December 31, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 14, 2016

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
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Combined Statements of Condition

AgriBank, FCB and affiliated Associations

(Dollars in thousands)

As of December 31,	2015	2014	2013
Assets			
Loans	**$94,944,379**	$88,498,435	$82,770,309
Allowance for loan losses	**285,711**	248,081	236,312
Net loans	**94,658,668**	88,250,354	82,533,997
Investment securities - AgriBank, FCB	**14,262,883**	14,294,777	11,555,272
Investment securities - affiliated Associations	**1,712,097**	1,747,957	1,968,260
Other earning assets	**--**	--	74,048
Cash	**596,730**	831,269	1,162,636
Federal funds	**1,427,125**	1,336,780	911,644
Accrued interest receivable	**974,722**	892,214	824,289
Premises and equipment, net	**484,646**	451,030	408,690
Deferred tax assets, net	**16,543**	14,393	15,023
Assets held for lease, net	**514,461**	559,272	608,848
Derivative assets	**777**	15,400	74,706
Other property owned	**13,051**	22,284	33,379
Cash collateral pledged to counterparties	**33,323**	22,018	4,254
Other assets	**237,976**	149,196	117,330
Total assets	**$114,933,002**	108,586,944	100,292,376
Liabilities			
Bonds and notes	**$93,404,251**	$88,552,711	$81,855,249
Subordinated notes	**597,775**	597,268	596,794
Accrued interest payable	**231,858**	205,054	197,840
Derivative liabilities	**52,034**	44,562	181
Deferred tax liabilities, net	**142,059**	153,286	159,586
Accounts payable	**191,841**	182,334	155,131
Patronage and dividends payable	**287,687**	273,751	239,364
Post-employment liability	**515,954**	486,628	310,576
Cash collateral pledged by counterparties	**--**	7,280	24,170
Other liabilities	**224,774**	234,988	239,463
Total liabilities	**95,648,233**	90,737,862	83,778,354
Commitments and contingencies (Note 12)			
Shareholders' equity			
Perpetual preferred stock	**350,000**	350,000	350,000
Capital stock and participation certificates	**268,697**	266,420	265,473
Allocated surplus	**406,758**	371,004	339,360
Unallocated surplus	**18,824,372**	17,368,747	15,838,875
Accumulated other comprehensive loss	**(616,099)**	(549,705)	(314,550)
Noncontrolling interest	**51,041**	42,616	34,864
Total shareholders' equity	**19,284,769**	17,849,082	16,514,022
Total liabilities and shareholders' equity	**$114,933,002**	$108,586,944	$100,292,376

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

Combined Statements of Comprehensive Income

AgriBank, FCB and affiliated Associations

(Dollars in thousands)

For the year ended December 31,	2015	2014	2013
Interest income			
Loans	**$3,547,154**	$3,395,368	$3,205,350
Investment securities and other earning assets	**144,821**	124,680	134,817
Total interest income	**3,691,975**	3,520,048	3,340,167
Interest expense	**997,114**	889,255	827,880
Net interest income	**2,694,861**	2,630,793	2,512,287
Provision for (reversal of) credit losses	**71,894**	25,399	(28,537)
Net interest income after provision for (reversal of) credit losses	**2,622,967**	2,605,394	2,540,824
Non-interest income			
Financially related services	**168,392**	156,794	144,850
Mineral income	**56,535**	105,896	82,199
Loan prepayment and fee income	**87,078**	61,614	85,075
Miscellaneous income and other gains, net	**37,045**	72,361	31,905
Total non-interest income	**349,050**	396,665	344,029
Non-interest expense			
Salaries and employee benefits	**678,867**	653,221	626,539
Occupancy expense	**45,002**	43,212	40,473
Other operating expenses	**292,085**	281,755	261,814
Farm Credit System insurance expense	**103,709**	89,704	69,658
Loss on debt extinguishment	**--**	--	3,951
Net impairment losses recognized in earnings	**693**	150	1,883
Total non-interest expense	**1,120,356**	1,068,042	1,004,318
Income before income taxes	**1,851,661**	1,934,017	1,880,535
Provision for income taxes	**19,258**	45,627	50,145
Net income	**$1,832,403**	$1,888,390	$1,830,390
Other comprehensive (loss) income			
Investments available-for-sale:			
Not-other-than-temporarily-impaired investments	**$(35,689)**	$5,932	$(15,291)
Other-than-temporarily-impaired investments	**(4,630)**	4,939	(8,667)
Derivatives and hedging activity	**437**	(65,324)	97,754
Employee benefit plans activity	**(26,512)**	(180,702)	194,978
Total other comprehensive (loss) income	**(66,394)**	(235,155)	268,774
Comprehensive income	**$1,766,009**	$1,653,235	$2,099,164

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

Combined Statements of Changes in Shareholders' Equity

AgriBank, FCB and affiliated Associations

(Dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
Balance at December 31, 2012	$ --	$262,123	$302,789	$14,324,793	$(583,324)	$22,082	$14,328,463
Noncontrolling interest equity investment						12,782	12,782
Net income				1,830,390			1,830,390
Other comprehensive income					268,774		268,774
Patronage				(241,348)			(241,348)
Surplus allocated under nonqualified patronage program			61,598	(61,598)			--
Redemption of allocated surplus under nonqualified patronage program			(25,027)				(25,027)
Perpetual preferred stock issued	350,000			(7,556)			342,444
Perpetual preferred stock dividends				(5,806)			(5,806)
Capital stock/participation certificates issued		24,077					24,077
Capital stock/participation certificates retired		(20,727)					(20,727)
Balance at December 31, 2013	$350,000	$265,473	$339,360	$15,838,875	$(314,550)	$34,864	$16,514,022
Noncontrolling interest equity investment						7,752	7,752
Net income				1,888,390			1,888,390
Other comprehensive income					(235,155)		(235,155)
Patronage				(274,529)			(274,529)
Surplus allocated under nonqualified patronage program			60,003	(60,003)			--
Redemption of surplus allocated under nonqualified patronage program			(28,359)				(28,359)
Perpetual preferred stock issued				(48)			(48)
Perpetual preferred stock dividends				(23,938)			(23,938)
Capital stock/participation certificates issued		38,092					38,092
Capital stock/participation certificates retired		(37,145)					(37,145)
Balance at December 31, 2014	$350,000	$266,420	$371,004	$17,368,747	$(549,705)	$42,616	$17,849,082
Noncontrolling interest equity investment						**8,425**	**8,425**
Net income				**1,832,403**			**1,832,403**
Other comprehensive loss					**(66,394)**		**(66,394)**
Patronage				**(289,929)**			**(289,929)**
Surplus allocated under nonqualified patronage program			**62,911**	**(62,911)**			**--**
Redemption of surplus allocated under nonqualified patronage program			**(27,157)**				**(27,157)**
Perpetual preferred stock dividends				**(23,938)**			**(23,938)**
Capital stock/participation certificates issued		**20,776**					**20,776**
Capital stock/participation certificates retired		**(18,499)**					**(18,499)**
Balance at December 31, 2015	**$350,000**	**$268,697**	**$406,758**	**$18,824,372**	**$(616,099)**	**$51,041**	**$19,284,769**

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

Combined Statements of Cash Flows

AgriBank, FCB and affiliated Associations

(Dollars in thousands)

For the year ended December 31,	2015	2014	2013
Cash flows from operating activities			
Net income	**$1,832,403**	$1,888,390	$1,830,390
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**41,026**	38,905	36,911
Gain on sales of premises and equipment	**(2,335)**	(1,867)	(2,829)
Depreciation on assets held for lease	**103,164**	101,360	96,672
Loss (gain) on disposal of assets held for lease	**484**	(1,232)	(1,729)
Provision for (reversal of) credit losses	**71,894**	25,399	(28,537)
Loss (gain) on other property owned, net	**2,417**	(10,319)	9,670
Loss on debt extinguishment	**--**	--	3,951
(Gain) loss on derivative activities	**(213)**	(752)	400
Net impairment losses recognized in earnings	**693**	150	1,883
Gain on sale of investment securities, net	**(2,961)**	(19,968)	--
Amortization of premiums, discounts and deferred debt issuance costs, net	**39,553**	28,125	61,208
Amortization of premiums and discounts, net on loans and investments	**30,420**	34,414	45,934
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(85,761)**	(67,925)	(30,945)
Increase in other assets	**(90,930)**	(31,146)	(14,462)
Increase in accrued interest payable	**26,804**	7,214	2,783
(Decrease) increase in other liabilities	**(10,839)**	19,477	47,262
Net cash provided by operating activities	**1,955,819**	2,010,225	2,058,562
Cash flows from investing activities			
Increase in loans, net	**(6,490,050)**	(5,755,976)	(5,704,849)
Proceeds from sales of other property owned	**18,690**	30,379	47,021
Decrease in other earning assets, net	**--**	74,048	70,151
Increase in investment securities, net	**(98,771)**	(2,660,458)	(330,760)
Proceeds from the sale of investment securities	**104,330**	138,816	--
Purchases of assets held for lease, net	**(58,837)**	(50,552)	(198,786)
Purchases of premises and equipment, net	**(72,307)**	(79,378)	(82,308)
Net cash used in investing activities	**(6,596,945)**	(8,303,121)	(6,199,531)
Cash flows from financing activities			
Consolidated bonds and notes issued	**218,646,549**	238,882,874	247,272,611
Consolidated bonds and notes retired	**(213,814,646)**	(232,175,092)	(242,479,159)
(Decrease) increase in cash collateral pledged by counterparties	**(7,280)**	(16,890)	1,850
Increase in cash collateral pledged to counterparties	**(11,305)**	(17,764)	(4,254)
Patronage distribution paid	**(275,993)**	(244,023)	(210,700)
Redemption of surplus allocated under nonqualified patronage program	**(27,157)**	(28,359)	(25,027)
Capital stock/participation certificates issued, net	**2,277**	531	2,532
(Costs) proceeds from issuance of preferred stock, net	**--**	(48)	342,444
Preferred stock dividends paid	**(23,938)**	(22,316)	(3,131)
Increase in noncontrolling interest	**8,425**	7,752	12,782
Net cash provided by financing activities	**4,496,932**	6,386,665	4,909,948
Net (decrease) increase in cash and federal funds	**(144,194)**	93,769	768,979
Cash and federal funds at beginning of year	**2,168,049**	2,074,280	1,305,301
Cash and federal funds at end of year	**2,023,855**	2,168,049	$2,074,280
Supplemental schedule of non-cash activities			
Decrease (increase) in derivative assets	**$14,623**	$59,306	$(4,451)
Increase (decrease) in derivative liabilities	**7,448**	44,381	(18,164)
Decrease in bonds from derivative activity	**(22,721)**	(39,115)	(74,739)
Increase (decrease) in shareholders' equity from cash flow derivatives	**437**	(65,324)	97,754
(Decrease) increase in shareholders' equity from investment securities	**(40,319)**	10,871	(23,958)
(Decrease) increase in shareholders' equity from employee benefits	**(26,512)**	(180,702)	194,978
Loans transferred to other property owned	**13,620**	26,356	30,435
Preferred stock dividends accrued but not paid	**4,297**	4,297	2,675
Cash and stock patronage distributions payable to members	**283,390**	269,454	239,364
Financed sales of other property owned	**(1,746)**	(17,391)	(8,201)
Stock patronage issued	**--**	416	818
Supplemental Information			
Interest paid	**$970,310**	$882,041	$825,097
Taxes paid	**89,761**	57,686	33,201

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

Notes to Combined Financial Statements

AgriBank, FCB and affiliated Associations

NOTE 1

Organization and Operations

Farm Credit System and District Organization and Operations

AgriBank, FCB (AgriBank) and affiliated Associations (the District) comprise one of the four Districts of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

At January 1, 2016, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank and 74 Associations across the nation. System entities have specific lending authorities within their chartered territories. AgriBank and affiliated Associations are chartered to provide agricultural financing in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming.

At December 31, 2015, the District had 17 Agricultural Credit Association (ACA) parent Associations, each of which has wholly owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. These 17 affiliated Associations primarily own AgriBank. FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their FLCA and PCA subsidiaries. Affiliated Associations are also authorized to provide lease financing options for agricultural purposes and to purchase and hold certain types of investments. AgriBank is the primary funding source for all affiliated Associations. AgriBank raises funds principally through the sale of consolidated System-wide bonds and notes to the public through the Federal Farm Credit Banks Funding Corporation (the Funding Corporation).

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

Affiliated Associations offer various risk management services, including credit life, term life, credit disability, crop hail and multi-peril crop insurance to borrowers and those eligible to borrow as additional services. Certain affiliated Associations also offer farm records, fee appraisals, income tax planning and

preparation services, retirement and succession planning and producer education services to their members.

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

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

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

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

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

Service Organizations

System institutions jointly own several service organizations. These organizations were created to provide a variety of services for the System. AgriBank and/or affiliated Associations have ownership interests in the following service organizations:

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

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

NOTE 2

Summary of Significant Accounting Policies

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

AgriBank and affiliated Associations elected early adoption of ASU 2015-03 *"Interest–Imputation of Interest,"* which required retroactive implementation. As a result, certain amounts in prior years' Combined Financial Statements have been reclassified to conform to the current year's presentation. Deferred debt issuance costs of $33.6 million and $37.1 million were reclassified for the years ended December 31, 2014 and 2013, respectively.

Principles of Combination: The Combined Financial Statements include the accounts of AgriBank and affiliated Associations and reflect the investments in service organizations in which AgriBank and affiliated Associations have partial ownership interests. These investments are carried on a cost plus allocated equities basis. No quoted market value is available for the investments in service organizations. All significant transactions and balances between AgriBank and affiliated Associations have been eliminated in combination. The Combined Financial Statements of the District are presented because of the financial and operational interdependence of AgriBank and affiliated Associations.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative charge-offs and unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan origination fees and related costs are not material to the Financial Statements taken as a whole.

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, unpaid interest accrued in the current year is reversed 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, in which case it is charged-off against the allowance for loan losses. Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset except in those cases where the collection of the recorded investment is fully expected and the loan has no unrecovered prior charge-offs. 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 because the borrower has demonstrated payment performance and the loan is not classified doubtful or loss.

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

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Affiliated Association Loans Held for Sale: One affiliated Association has loans held for sale that include rural residential mortgages originated for sale. Loans held for sale are recorded at fair value under the fair value option election and are included in "Other assets" on the Combined Statements of Condition. Loans are valued on an individual basis and gains or losses are recorded in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income. Direct loan origination costs and fees for loans held for sale are recognized in income at origination. Interest income on loans held for sale is calculated based upon the note rate of the loan and recorded in "Interest income" on the Combined Statements of Comprehensive Income.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in the loan portfolios as of the financial statement date. The appropriate level of allowance for loan losses is 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 the portfolios that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. Impairment is generally measured based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

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

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. A two-dimensional loan risk rating model is used that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for (reversal of) loan losses" in the Combined Statements of Comprehensive Income, recoveries and charge-offs.

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

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

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

Investment Securities Held-to-Maturity: When affiliated Associations have the positive intent and ability to hold investments to maturity, they have been classified as held-to-maturity (HTM) and are carried at cost adjusted for the amortization of premiums and accretion of discounts. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities. Realized gains and losses are determined using the specific identification method and are recognized in current operations. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit-related and non-credit-related components. The credit-related component is expensed through earnings in the period of impairment. The non-credit-related component is recognized in other

comprehensive income and amortized over the remaining life of the security as an increase in the security's carrying amount.

Other Investments: The carrying amount of the investments for which AgriBank and certain affiliated Associations are limited partners and hold a non-controlling interest, is at cost and is included in "Other assets" in the Combined Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in "Miscellaneous income and other gains, net" in the Combined Statements of Income in the year of impairment. Income on the investments is limited to distributions received. In circumstances when distributions exceed AgriBank's and affiliated Associations' share of earnings after the date of the investment, these distributions are applied to reduce the carrying value of the investment and are not recognized as income.

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

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

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

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

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

Leases: Certain affiliated Associations have finance and operating leases. For finance leases, unearned finance lease income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. Net unearned finance income is amortized to earnings using the interest method. The carrying amount of finance leases is presented in “Loans” on the Combined Statements of Condition and represents lease rent receivables net of the unearned income plus the estimated residual value. For operating leases, revenue is recognized as earned ratably over the term of the lease and depreciation and other expenses are charged against such revenue as incurred. The amortized cost of operating leases is presented as “Assets held for lease, net” on the Combined Statements of Condition and represents the asset cost net of accumulated depreciation.

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

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

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

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

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

Income Taxes: AgriBank and the FLCAs are exempt from federal and other income taxes as provided in the Farm Credit Act. The ACAs and PCAs accrue federal and state income taxes where applicable. The ACAs and PCAs are exempt from certain state taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance.

Certain affiliated Associations have patronage programs. Provisions for income taxes are made only on the earnings not distributed as qualified patronage distributions.

Patronage Program: AgriBank and certain affiliated Associations accrue patronage distributions according to a prescribed formula approved by their Boards of Directors. Generally, affiliated Associations with patronage programs pay the accrued patronage during the first quarter after year end. AgriBank pays its refunds in accordance with the declarations of its Board of Directors, generally within 15 days after each quarter end for which the patronage was declared. Accrued patronage is included in "Patronage and dividends payable" on the Combined Statements of Condition.

Preferred Stock Dividends: AgriBank accrues non-cumulative perpetual preferred stock dividends quarterly as declared by the Board of Directors. Dividends on non-cumulative perpetual preferred stock are payable quarterly in arrears on the first day of January, April, July and October.

An affiliated Association, AgStar Financial Services, ACA (AgStar) distributes dividends on non-cumulative perpetual preferred stock and they are payable quarterly in arrears on the fifteenth day of February, May, August and November, if declared by the Board of Directors in its sole discretion.

Accrued dividends are included in "Patronage and dividends payable" on the Combined Statements of Condition.

Noncontrolling Interest: Noncontrolling interests are reported as a component of total equity. The noncontrolling interest represents the equity investments of Farm Credit entities outside the AgriBank District in the AgDirect program and Foundations.

Under the AgDirect program, AgriBank purchases 100 percent loan participation interests in retail equipment financing loans from AgDirect LLP (LLP), a limited liability partnership. An affiliated Association in the AgDirect program first purchases a participation interest in a retail installment sales contract originated by an equipment dealer at the point of sale. The affiliated Association sells a 100 percent participation interest to the LLP, which immediately sells a 100 percent participation interest to AgriBank. The LLP purchases an initial investment in AgriBank stock equal to 6 percent of the participation loan balance. The LLP does not hold any assets other than its investment in AgriBank which is eliminated in combination. The source of earnings for the LLP is from patronage paid by AgriBank, if any. Such patronage is paid at the sole discretion of the AgriBank Board of Directors.

Refer to Note 1 for further discussion of Foundations.

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

Changes in the fair values of derivatives are recorded as gains or losses through earnings or as a component of other comprehensive (loss) income, on the Combined Statements of Comprehensive Income, depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For fair value hedge transactions in which AgriBank is hedging changes in the fair value of an asset or liability, changes in the fair value of the derivative instrument are offset in net income on the Combined Statements of Comprehensive Income by changes in the fair value of the hedged item. For cash flow hedge transactions hedging the variability of cash flows related to a variable-rate asset or

liability, changes in the fair value of the derivative instrument are reported in other comprehensive (loss) income on the Combined Statements of Comprehensive Income. To the extent the hedge is effective, the gains and losses on the derivative instruments are reported in other comprehensive (loss) income, until earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

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

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

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

AgriBank discontinues hedge accounting prospectively when it is determined that:

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

When AgriBank discontinues hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income or loss is amortized into earnings over the remaining life of the original hedged item. When AgriBank discontinues hedge accounting for fair value hedges, changes in the fair value of the derivative will be recorded in current period earnings, and the basis adjustment to the previously hedged item will be taken into earnings using the interest method over the remaining life of the hedged item. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the derivative is carried at its fair value on the Combined Statements of Condition, recognizing changes in fair value in current period earnings. Refer to further discussion in Note 15.

One affiliated Association is party to derivative financial instruments called to-be-announced securities (TBAs) to manage exposure to interest rate risk and changes in the fair value of investments available for sale, loans held for sale and the interest rate lock commitments that are determined prior to funding. TBAs are measured in terms of notional amounts. The notional amount is not exchanged and is used as a

basis on which interest payments are determined. The derivatives are recorded on the Combined Statements of Condition as assets or liabilities on a net basis measured at fair value.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" on the Combined Statements of Condition and a corresponding loss is recorded in "Provision for (reversal of) credit losses" on the Combined Statements of Comprehensive Income.

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

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

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

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

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

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

AgriBank and affiliated Associations may use various acceptable valuation techniques to determine fair value. The primary techniques used include:

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

AgriBank and affiliated Associations monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2 and Level 3 accordingly. Generally, transfers are reported as of the beginning of the quarter in which the transfer occurred.

Refer to Note 14 for further discussion on the fair value measurements.

Recently Issued or Adopted Accounting Pronouncements

Management has 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 the District Financial Statements:

Standard	Description	Effective date and financial statement impact
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. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019 and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. AgriBank and affiliated Associations are currently evaluating the impact of the guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.
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 of financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018 and interim periods with annual periods beginning after December 15, 2019. Early adoption is permitted for only a portion of the guidance, but that guidance does not apply to the Combined District Finanial Statements. AgriBank and affiliated Associations 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 2015, the FASB issued ASU 2015-07 "Disclosures of Investments in Certain Entities the Calculate Net Asset Value per Share (or Its Equivalent)."	The guidance removes the requirements to categorize assets valued using net asset value per share within the fair value hierarchy (Levels 1 - 3) as well as certain other disclosures.	The guidance is effective for public entities for interim and annual reporting periods beginning after December 15, 2015. The guidance is effective for nonpublic entities for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted and retrospective application is required upon adoption. AgriBank and affiliated Associations are currently evaluating the impact of the guidance on the financial statement disclosures.
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 and is required to be applied retrospectively. The guidance is effective for nonpublic entities for annual reporting after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. This guidance was adopted as of December 31, 2015 and did not have a material impact on the financial condition, cash flows or financial statement disclosures.
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. The guidance is effective for nonpublic entities for annual reporting after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017. Early adoption is allowed, including in any interim period. AgriBank and affiliated Associations are currently evaluating the impact on the financial condition, results of operations, cash flows and financial statement disclosures.
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 financial statement disclosures.
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. In this regard, a majority contracts within the District 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 beginning after December 15, 2017. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning December 18, 2018. AgriBank and affiliated Associations are in the process of reviewing contracts to determine the effect, if any, on the financial condition and results of operations.

NOTE 3

Loans and Allowance for Loan Losses

Management of certain affiliated Associations identified loans that required reclassification among the various loan type categories that were used to report disaggregated loan information in 2014 and 2013. The impact of these reclassifications on the loan footnote disclosures have been evaluated and it has been concluded that these errors did not, individually or in the aggregate, result in a material misstatement of previously issued consolidated financial statements. It has been concluded that a revision of loan type information for all years presented in the 2015 Annual Report was appropriate. As such, the revisions are reflected in the financial information of the applicable prior periods. The revisions had no impact on the financial position, results of operations, or regulatory capital ratios as of December 31, 2014 and 2013.

The following tables present the effect of these revisions of the disclosure of the summary of loans outstanding as of December 31, 2014 and 2013. Other disclosures included in the 2015 Annual Report have also been revised to consistently present the changes in classification.

	December 31, 2014			December 31, 2013		
(in thousands)	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Real estate mortgage	$ 50,054,095	$(360,829)	$ 49,693,266	$ 47,686,983	$(228,302)	$ 47,458,681
Production and intermediate term	24,216,975	158,811	24,375,786	22,118,298	100,448	22,218,746
Agribusiness	7,690,099	(161,060)	7,529,039	7,003,623	(148,920)	6,854,703
Rural residential real estate	2,736,614	(638)	2,735,976	2,626,429	(872)	2,625,557
Other	3,800,652	363,716	4,164,368	3,334,976	277,646	3,612,622
Total	$ 88,498,435	$ --	$ 88,498,435	$ 82,770,309	$ --	$ 82,770,309

Loans by Type

	December 31, 2015		December 31, 2014		December 31, 2013	
(in thousands)	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$53,163,216**	**56.0%**	$49,693,266	56.2%	$47,458,681	57.3%
Production and intermediate term	**25,626,860**	**27.0%**	24,375,786	27.5%	22,218,746	26.8%
Agribusiness	**8,799,656**	**9.3%**	7,529,039	8.5%	6,854,703	8.3%
Rural residential real estate	**2,839,004**	**3.0%**	2,735,976	3.1%	2,625,557	3.2%
Other	**4,515,643**	**4.7%**	4,164,368	4.7%	3,612,622	4.4%
Total loans	**$94,944,379**	**100.0%**	$88,498,435	100.0%	$82,770,309	100.0%

The other category is primarily comprised of communication and energy related loans, certain assets originated under the Mission Related Investment authority and loans to AgriBank's other financing institutions (OFIs), as well as finance leases.

Participations

AgriBank and affiliated Associations may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations or General Financing Agreement limitations.

Participations Purchased and Sold

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of December 31, 2015	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Real estate mortgage	**$1,092,943**	**$245,742**	**$2,571,879**	**$57,250**	**$3,664,822**	**$302,992**
Production and intermediate term	**1,452,221**	**544,141**	**4,020,889**	**55,102**	**5,473,110**	**599,243**
Agribusiness	**4,136,700**	**879,557**	**525,225**	**163,740**	**4,661,925**	**1,043,297**
Rural residential real estate	**91**	**--**	**21,215**	**373**	**21,306**	**373**
Other	**2,722,551**	**136,097**	**13,017**	**--**	**2,735,568**	**136,097**
Total loans	**$9,404,506**	**$1,805,537**	**$7,152,225**	**$276,465**	**$16,556,731**	**$2,082,002**

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of December 31, 2014	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$878,155	$203,685	$2,416,510	$45,764	$3,294,665	$249,449
Production and intermediate term	1,240,901	621,529	3,960,340	58,637	5,201,241	680,166
Agribusiness	3,417,830	809,845	574,661	110,601	3,992,491	920,446
Rural residential real estate	98	--	17,549	401	17,647	401
Other	2,403,364	129,518	12,624	--	2,415,988	129,518
Total loans	$7,940,348	$1,764,577	$6,981,684	$215,403	$14,922,032	$1,979,980

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of December 31, 2013	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$747,012	$198,237	$2,228,744	$33,421	$2,975,756	$231,658
Production and intermediate term	625,743	588,802	3,658,959	51,918	4,284,702	640,720
Agribusiness	2,974,654	768,123	738,649	196,717	3,713,303	964,840
Rural residential real estate	115	--	20,352	6,118	20,467	6,118
Other	1,998,380	128,549	10,640	--	2,009,020	128,549
Total loans	$6,345,904	$1,683,711	$6,657,344	$288,174	$13,003,248	$1,971,885

Information in the preceding chart excludes loans entered into under the Mission Related Investment and leasing authorities.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. The tables below illustrate commodity and geographic distribution of the District's portfolio as of December 31, 2015:

District Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**47%**	Iowa	**11%**
Cattle	**10%**	Illinois	**10%**
Dairy	**7%**	Minnesota	**9%**
Investor real estate	**7%**	Nebraska	**8%**
Other	**29%**	Indiana	**6%**
Total	**100%**	Michigan	**6%**
		Ohio	**6%**
		Wisconsin	**6%**
		South Dakota	**5%**
		Other	**33%**
		Total	**100%**

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

The District may have multiple entities with loans to individual customers. At December 31, 2015, the ten largest customers from a District perspective had total loans including accrued interest receivable of $2.5 billion, or 2.6 percent of total loans. All of these loans were in accrual status at December 31, 2015.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk; however, substantial portions of lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock. Long-term real estate loans are secured by the first liens on the underlying real property. FCA regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value at origination. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the lender in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum. The District has an internally maintained database which uses market data to estimate market values of collateral for a significant portion of the real estate mortgage portfolio. An estimate of credit risk exposure is considered in the allowance for loan losses.

Portfolio Performance

One credit quality indicator that is utilized by management is the FCA Uniform Loan Classification System, which categorizes loans into five categories. The categories are defined as follows:

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

Credit Quality of Loans

(in thousands) **As of December 31, 2015**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Real estate mortgage	**$51,703,832**	**96.2%**	**$1,019,026**	**1.9%**	**$1,016,500**	**1.9%**	**$53,739,358**	**100.0%**
Production and intermediate term	**24,430,268**	**94.2%**	**731,410**	**2.8%**	**772,619**	**3.0%**	**25,934,297**	**100.0%**
Agribusiness	**8,585,744**	**97.3%**	**136,666**	**1.5%**	**109,636**	**1.2%**	**8,832,046**	**100.0%**
Rural residential real estate	**2,728,644**	**95.5%**	**36,894**	**1.3%**	**90,535**	**3.2%**	**2,856,073**	**100.0%**
Other	**4,432,089**	**98.0%**	**64,687**	**1.4%**	**27,496**	**0.6%**	**4,524,272**	**100.0%**
Total loans	**$91,880,577**	**95.8%**	**$1,988,683**	**2.1%**	**$2,016,786**	**2.1%**	**$95,886,046**	**100.0%**

(in thousands) As of December 31, 2014	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	$48,826,327	97.2%	$646,050	1.3%	$745,732	1.5%	$50,218,109	100.0%
Production and intermediate term	23,781,887	96.4%	421,834	1.7%	457,662	1.9%	24,661,383	100.0%
Agribusiness	7,341,387	97.1%	54,188	0.7%	163,270	2.2%	7,558,845	100.0%
Rural residential real estate	2,640,048	96.0%	28,249	1.0%	83,113	3.0%	2,751,410	100.0%
Other	4,098,622	98.3%	47,046	1.1%	26,532	0.6%	4,172,200	100.0%
Total loans	$86,688,271	97.0%	$1,197,367	1.3%	$1,476,309	1.7%	$89,361,947	100.0%

(in thousands) As of December 31, 2013	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	$46,568,798	97.2%	$502,043	1.0%	$868,319	1.8%	$47,939,160	100.0%
Production and intermediate term	21,634,233	96.2%	417,355	1.9%	428,524	1.9%	22,480,112	100.0%
Agribusiness	6,451,487	93.8%	194,702	2.8%	235,988	3.4%	6,882,177	100.0%
Rural residential real estate	2,528,124	95.8%	24,352	0.9%	86,432	3.3%	2,638,908	100.0%
Other	3,548,037	98.0%	22,604	0.6%	49,418	1.4%	3,620,059	100.0%
Total loans	$80,730,679	96.6%	$1,161,056	1.4%	$1,668,681	2.0%	$83,560,416	100.0%

Note: Accruing loans include accrued interest receivable.

There were no loans categorized as Loss at December 31, 2015, 2014 or 2013.

AgriBank and affiliated Associations reduce credit risk in the loan portfolio through government guarantee programs. At December 31, 2015, $1.9 billion of loans contained various levels of guarantees under such programs, compared to $1.8 billion and $1.7 billion as of December 31, 2014 and 2013, respectively.

Certain affiliated Associations have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit

risk. If a loan covered by the agreement goes into default, subject to certain conditions, the affiliated Associations have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The net investment of loans subject to the purchase agreement was $683.6 million, $697.6 million and $651.7 million at December 31, 2015, 2014 and 2013, respectively. The affiliated Associations paid Farmer Mac commitment fees totaling $3.0 million, $3.4 million and $3.2 million in 2015, 2014 and 2013, respectively. These amounts are included in "Other operating expenses" on the Combined Statements of Comprehensive Income. During the year ending December 31, 2015, $13.5 million of loans were sold to Farmer Mac under this agreement. No loans were sold to Farmer Mac under this agreement during 2013 or 2014.

Aging Analysis of Loans

(in thousands) **As of December 31, 2015**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing loans 90 days or more past due**
Real estate mortgage	**$122,241**	**$61,015**	**$183,256**	**$53,556,102**	**$53,739,358**	**$1,998**
Production and intermediate term	**95,252**	**61,614**	**156,866**	**25,777,431**	**25,934,297**	**2,981**
Agribusiness	**5,808**	**18,668**	**24,476**	**8,807,570**	**8,832,046**	**--**
Rural residential real estate	**23,290**	**11,645**	**34,935**	**2,821,138**	**2,856,073**	**--**
Other	**11,379**	**6,259**	**17,638**	**4,506,634**	**4,524,272**	**6,117**
Total loans	**$257,970**	**$159,201**	**$417,171**	**$95,468,875**	**$95,886,046**	**$11,096**

(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
Real estate mortgage	$161,438	$59,718	$221,156	$49,996,953	$50,218,109	$873
Production and intermediate term	63,570	28,413	91,983	24,569,400	24,661,383	697
Agribusiness	8,764	3,413	12,177	7,546,668	7,558,845	--
Rural residential real estate	21,901	8,769	30,670	2,720,740	2,751,410	--
Other	9,350	7,235	16,585	4,155,615	4,172,200	6,512
Total loans	$265,023	$107,548	$372,571	$88,989,376	$89,361,947	$8,082

(in thousands) As of December 31, 2013	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
Real estate mortgage	$118,857	$90,214	$209,071	$47,730,089	$47,939,160	$1,347
Production and intermediate term	58,982	35,955	94,937	22,385,175	22,480,112	605
Agribusiness	435	3,498	3,933	6,878,244	6,882,177	1
Rural residential real estate	26,555	10,508	37,063	2,601,845	2,638,908	--
Other	11,195	10,908	22,103	3,597,956	3,620,059	269
Total loans	$216,024	$151,083	$367,107	$83,193,309	$83,560,416	$2,222

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. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)	**December 31, 2015**	December 31, 2014	December 31, 2013
Nonaccrual loans:			
Current as to principal and interest	**$317,596**	$325,218	$419,473
Past due	**199,413**	156,191	206,931
Total nonaccrual loans	**517,009**	481,409	626,404
Accruing restructured loans	**65,233**	75,398	53,250
Accruing loans 90 days or more past due	**11,096**	8,082	2,222
Total risk loans	**$593,338**	$564,889	$681,876
Volume with specific reserves	**$129,524**	$125,181	$158,783
Volume without specific reserves	**463,814**	439,708	523,093
Total risk loans	**$593,338**	$564,889	$681,876
Specific reserves	**$40,890**	$49,506	$48,661
For the year ended December 31,	**2015**	2014	2013
Income on accrual risk loans	**$4,172**	$3,624	$3,122
Income on nonaccrual loans	**30,952**	34,229	31,820
Total income on risk loans	**$35,124**	$37,853	$34,942
Average risk loans	**$615,379**	$652,461	$761,801

Note: Accruing loans include accrued interest receivable.

Risk Assets by Type

(in thousands) **As of December 31,**	**2015**	2014	2013
Nonaccrual loans:			
Real estate mortgage	**$278,463**	$270,884	$372,295
Production and intermediate term	**154,440**	135,364	158,716
Agribusiness	**27,100**	10,278	28,412
Rural residential real estate	**41,979**	39,915	43,308
Other	**15,027**	24,968	23,673
Total nonaccrual loans	**$517,009**	$481,409	$626,404
Accruing restructured loans:			
Real estate mortgage	**$49,501**	$62,281	$42,007
Production and intermediate term	**14,964**	11,697	6,576
Agribusiness	**214**	477	4,178
Rural residential real estate	**554**	943	489
Total accruing restructured loans	**$65,233**	$75,398	$53,250
Accruing loans 90 days or more past due:			
Real estate mortgage	**$1,998**	$873	$1,347
Production and intermediate term	**2,981**	697	605
Agribusiness	**--**	--	1
Other	**6,117**	6,512	269
Total accruing loans 90 days or more past due	**$11,096**	$8,082	$2,222
Total risk loans	**$593,338**	$564,889	$681,876
Other property owned	**$13,051**	$22,284	$33,379
Total risk assets	**$606,389**	$587,173	$715,255

Note: Accruing loans include accrued interest receivable.

Total risk assets have remained low over the last three years, demonstrating the District's continued strong credit quality. During 2015 nonaccrual loans concentrated in the real estate mortgage and production and intermediate term sectors increased slightly from historically low levels, primarily due to continued low commodity prices and current economic conditions.

Nonaccrual loans represented 0.5 percent of total loans at December 31, 2015, of which 61.4 percent were current as to principal and interest.

AgriBank's and affiliated Associations' policies require loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2015 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2015 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$42,611	$52,354	$10,462	$43,920	$ --
Production and intermediate term	64,081	69,938	25,324	68,618	--
Agribusiness	17,062	18,455	3,339	17,737	--
Rural residential real estate	5,008	5,928	1,486	5,050	--
Other	762	762	279	739	--
Total	$129,524	$147,437	$40,890	$136,064	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$287,352	$377,470	$ --	$289,639	$21,767
Production and intermediate term	108,305	174,647	--	118,374	9,804
Agribusiness	10,252	17,204	--	10,244	1,182
Rural residential real estate	37,525	48,451	--	37,160	2,048
Other	20,380	23,380	--	23,898	323
Total	$463,814	$641,152	$ --	$479,315	$35,124
Total impaired loans:					
Real estate mortgage	$329,963	$429,824	$10,462	$333,559	$21,767
Production and intermediate term	172,386	244,585	25,324	186,992	9,804
Agribusiness	27,314	35,659	3,339	27,981	1,182
Rural residential real estate	42,533	54,379	1,486	42,210	2,048
Other	21,142	24,142	279	24,637	323
Total	$593,338	$788,589	$40,890	$615,379	$35,124

(in thousands)	As of December 31, 2014 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2014 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$50,695	$57,607	$15,975	$58,340	$ --
Production and intermediate term	56,979	62,698	25,919	56,378	--
Agribusiness	912	985	163	6,921	--
Rural residential real estate	6,547	8,026	1,924	7,057	--
Other	10,048	10,693	5,525	7,371	--
Total	$125,181	$140,009	$49,506	$136,067	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$283,343	$383,077	$ --	$321,491	$22,452
Production and intermediate term	90,779	150,002	--	121,281	11,563
Agribusiness	9,843	17,192	--	17,271	1,725
Rural residential real estate	34,311	45,753	--	34,964	1,836
Other	21,432	23,336	--	21,387	277
Total	$439,708	$619,360	$ --	$516,394	$37,853
Total impaired loans:					
Real estate mortgage	$334,038	$440,684	$15,975	$379,831	$22,452
Production and intermediate term	147,758	212,700	25,919	177,659	$11,563
Agribusiness	10,755	18,177	163	24,192	$1,725
Rural residential real estate	40,858	53,779	1,924	42,021	$1,836
Other	31,480	34,029	5,525	28,758	$277
Total	$564,889	$759,369	$49,506	$652,461	$37,853

(in thousands)	As of December 31, 2013 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the As of December 31, 2013 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$68,318	$80,667	$18,316	$76,951	$ --
Production and intermediate term	61,362	68,184	22,114	47,610	--
Agribusiness	1,729	1,733	530	4,172	--
Rural residential real estate	6,520	8,965	1,427	7,149	--
Other	20,854	21,344	6,274	19,959	--
Total	$158,783	$180,893	$48,661	$155,841	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$347,331	$448,053	$ --	$382,341	$19,523
Production and intermediate term	104,535	166,789	--	132,102	9,218
Agribusiness	30,862	42,252	--	33,220	3,596
Rural residential real estate	37,277	51,070	--	40,825	1,694
Other	3,088	3,111	--	17,472	911
Total	$523,093	$711,275	$ --	$605,960	$34,942
Total impaired loans:					
Real estate mortgage	$415,649	$528,720	$18,316	$459,292	$19,523
Production and intermediate term	165,897	234,973	22,114	179,712	9,218
Agribusiness	32,591	43,985	530	37,392	3,596
Rural residential real estate	43,797	60,035	1,427	47,974	1,694
Other	23,942	24,455	6,274	37,431	911
Total	$681,876	$892,168	$48,661	$761,801	$34,942

*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.

AgriBank and affiliated Associations did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2015.

Troubled Debt Restructurings

Included within 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 the allowance for loan losses.

Troubled Debt Restructuring Activity

(in thousands) **For the year ended December 31, 2015**	**Pre-modification Outstanding Recorded Investment***	**Post-modification Outstanding Recorded Investment***
Troubled debt restructurings:		
Real estate mortgage	**$6,444**	**$6,449**
Production and intermediate term	**12,245**	**11,258**
Agribusiness	**31,393**	**31,393**
Rural residential real estate	**842**	**740**
Total loans	**$50,924**	**$49,840**

(in thousands) For the year ended December 31, 2014	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$12,021	$11,895
Production and intermediate term	4,978	4,697
Rural residential real estate	727	681
Total loans	$17,726	$17,273

(in thousands) For the year ended December 31, 2013	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$25,125	$25,579
Production and intermediate term	42,006	42,422
Agribusiness	6,521	5,821
Rural residential real estate	1,839	1,647
Other	15,493	15,493
Total loans	$90,984	$90,962

*Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. 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.

One agribusiness credit was restructured and subsequently defaulted during 2015 due to challenges related to current agricultural economic conditions.

Troubled Debt Restructurings that Subsequently Defaulted within the Previous 12 Months

(in thousands)	Recorded Investment		
As of December 31,	**2015**	2014	2013
Troubled debt restructurings that subsequently defaulted:			
Real estate mortgage	**$163**	$1,103	$1,639
Production and intermediate term	**389**	43	362
Agribusiness	**15,733**	--	--
Rural residential real estate	**303**	267	--
Total	**$16,588**	$1,413	$2,001

TDRs Outstanding

(in thousands)

As of December 31,	2015	2014	2013
Accrual Status			
Real estate mortgage	**$49,501**	$62,281	$42,007
Production and intermediate term	**14,964**	11,697	6,576
Agribusiness	**214**	477	4,178
Rural residential real estate	**554**	943	489
Total TDRs in accrual status	**$65,233**	$75,398	$53,250
Nonaccrual Status			
Real estate mortgage	**$36,619**	$42,961	$70,956
Production and intermediate term	**21,825**	20,726	37,952
Agribusiness	**24,708**	9,776	10,370
Rural residential real estate	**3,138**	2,562	3,289
Other	**13,964**	14,623	15,476
Total TDRs in nonaccrual status	**$100,254**	$90,648	$138,043
Total TDRs	**$165,487**	$166,046	$191,293

There were no material commitments to lend additional money to borrowers whose loans have been modified in a TDR at December 31, 2015.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the year ended December 31,	2015	2014	2013
Balance at beginning of year	**$248,081**	$236,312	$262,930
Provision for (reversal of) loan losses	**66,839**	29,369	(27,146)
Charge-offs	**(42,030)**	(32,239)	(42,782)
Recoveries	**12,821**	14,639	43,310
Balance at end of period	**$285,711**	$248,081	$236,312

The allowance for loan losses increased to $285.7 million at December 31, 2015, reflecting $66.8 million of provision for loan losses (not including net provision for credit losses on unfunded commitments and unfunded letters of credit of $5.1 million) recorded for the year, substantially offset by net charge-offs of $29.2 million. The amounts reflect the change in the estimated losses in the loan portfolio during the year, which were substantially due to prolonged low commodity prices in certain areas of the District in 2015. Reserves for unfunded commitments and letters of credit are recorded in “Other liabilities” on the Combined Statements of Condition.

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

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance at December 31, 2014	**$88,542**	**$101,976**	**$30,790**	**$9,673**	**$17,100**	**$248,081**
Provision for (reversal of) loan losses	**28,438**	**36,930**	**638**	**953**	**(120)**	**66,839**
Charge-offs	**(9,453)**	**(27,393)**	**(441)**	**(2,466)**	**(2,277)**	**(42,030)**
Recoveries	**3,473**	**6,896**	**1,179**	**826**	**447**	**12,821**
Balance at December 31, 2015	**$111,000**	**$118,409**	**$32,166**	**$8,986**	**$15,150**	**$285,711**
At December 31, 2015:						
Ending balance: individually evaluated for impairment	**$10,462**	**$25,324**	**$3,339**	**$1,486**	**$279**	**$40,890**
Ending balance: collectively evaluated for impairment	**$100,538**	**$93,085**	**$28,827**	**$7,500**	**$14,871**	**$244,821**
Recorded investments in loans outstanding:						
Ending balance at December 31, 2015	**$53,739,358**	**$25,934,297**	**$8,832,046**	**$2,856,073**	**$4,524,272**	**$95,886,046**
Ending balance for loans individually evaluated for impairment	**$329,963**	**$172,386**	**$27,314**	**$42,533**	**$21,142**	**$593,338**
Ending balance for loans collectively evaluated for impairment	**$53,409,395**	**$25,761,911**	**$8,804,732**	**$2,813,540**	**$4,503,130**	**$95,292,708**

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance at December 31, 2013	$85,573	$87,261	$37,409	$8,864	$17,205	$236,312
Provision for (reversal of) loan losses	12,544	19,281	(7,352)	2,899	1,997	29,369
Charge-offs	(15,688)	(11,259)	(250)	(2,936)	(2,106)	(32,239)
Recoveries	6,113	6,693	983	846	4	14,639
Balance at December 31, 2014	$88,542	$101,976	$30,790	$9,673	$17,100	$248,081
At December 31, 2014:						
Ending balance: individually evaluated for impairment	$15,975	$25,919	$163	$1,924	$5,525	$49,506
Ending balance: collectively evaluated for impairment	$72,567	$76,057	$30,627	$7,749	$11,575	$198,575
Recorded investments in loans outstanding:						
Ending balance at December 31, 2014	$50,218,109	$24,661,383	$7,558,845	$2,751,410	$4,172,200	$89,361,947
Ending balance for loans individually evaluated for impairment	$334,038	$147,758	$10,755	$40,858	$31,480	$564,889
Ending balance for loans collectively evaluated for impairment	$49,884,071	$24,513,625	$7,548,090	$2,710,552	$4,140,720	$88,797,058

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance at December 31, 2012	$94,385	$91,565	$48,434	$11,683	$16,863	$262,930
Provision for (reversal of) loan losses	3,131	(22,806)	(12,491)	2,955	2,065	(27,146)
Charge-offs	(21,246)	(12,620)	(900)	(6,293)	(1,723)	(42,782)
Recoveries	9,303	31,122	2,366	519	--	43,310
Balance at December 31, 2013	$85,573	$87,261	$37,409	$8,864	$17,205	$236,312
At December 31, 2013:						
Ending balance: individually evaluated for impairment	$18,316	$22,114	$530	$1,427	$6,274	$48,661
Ending balance: collectively evaluated for impairment	$67,257	$65,147	$36,879	$7,437	$10,931	$187,651
Recorded investments in loans outstanding:						
Ending balance at December 31, 2013	$47,939,160	$22,480,112	$6,882,177	$2,638,908	$3,620,059	$83,560,416
Ending balance for loans individually evaluated for impairment	$415,649	$165,897	$32,591	$43,797	$23,942	$681,876
Ending balance for loans collectively evaluated for impairment	$47,523,511	$22,314,215	$6,849,586	$2,595,111	$3,596,117	$82,878,540

Note: Accruing loans include accrued interest receivable.

NOTE 4

Investment Securities

AgriBank Investment Securities

All AgriBank investment securities are classified as AFS.

AgriBank AFS Investment Securities

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

(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%

(in thousands) As of December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$4,289,567	$30,242	$25,500	$4,294,309	1.1%
Commercial paper and other	3,826,745	533	183	3,827,095	0.2%
U.S. Treasury securities	2,621,937	2,196	519	2,623,614	1.4%
Asset-backed securities	707,868	8,107	11,862	704,113	0.4%
U.S. Agencies	100,150	5,991	--	106,141	4.4%
Total	$11,546,267	$47,069	$38,064	$11,555,272	0.9%

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

Contractual Maturities of AgriBank AFS Investment Securities

(in thousands) As of December 31, 2015	Year of Maturity One Year or Less	One to Five Years	Five to Ten Years	More Than Ten Years	Total
Mortgage-backed securities	$ --	$30,229	$98,887	$5,627,895	$5,757,011
Commercial paper and other	4,914,385	--	--	--	4,914,385
U.S. Treasury securities	1,077,058	1,738,199	--	--	2,815,257
Asset-backed securities	10,881	757,391	--	7,958	776,230
Total	$6,002,324	$2,525,819	$98,887	$5,635,853	$14,262,883
Weighted average yield	0.7%	0.9%	1.3%	1.1%	0.9%

Expected maturities differ from contractual maturities because borrowers may have the right to prepay these obligations. The remaining expected average life is 0.7 years for asset-backed securities (ABS) and 3.4 years for mortgage-backed securities (MBS) at December 31, 2015.

Additional AgriBank AFS Investment Security Information

(in thousands) For the year ended December 31,	2015	2014	2013
Proceeds from sales	$50,660	$138,816	$ --
Realized gross gains on sales	4,864	21,643	--
Realized gross losses on sales	2,258	1,675	--
Impairment losses	693	150	1,883

The proceeds from sales in 2015 and 2014 were related to the sale of home-equity ABS and non-agency MBS. AgriBank utilizes specific identification to determine the basis of the cost of securities sold.

As of December 31, 2015, 2014 and 2013, AgriBank had not pledged any investment securities or federal funds as collateral.

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

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

(in thousands)	Less than 12 months		More than 12 months	
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

(in thousands)	Less than 12 months		More than 12 months	
As of December 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$2,058,316	$21,762	$160,398	$3,738
Commercial paper and other	1,378,199	183	--	--
U.S. Treasury securities	414,506	519	--	--
Asset-backed securities	417,516	285	120,075	11,577
Total	$4,268,537	$22,749	$280,473	$15,315

AgriBank evaluates its investment securities for OTTI on a quarterly basis. The credit-related components of the other-than-temporary impairment losses were determined by projecting cash flows using cash-flow models that require certain assumptions. The significant inputs into the models include assumptions with regard to interest rates, default rates, prepayment speeds and loss severities. The assumptions are applied at the individual security and associated collateral pool level. Default rate assumptions are generally estimated using the trailing 12 month historical roll rates to default to estimate future defaults. Prior to the fourth quarter of 2014, a constant default rate assumption was used. Prepayment speed assumptions are based on historical prepayment rates. Loss severity assumptions are estimated based on underlying collateral type using data available from market research sources including broker/dealers and rating agencies as well as recent historical information.

Refer to Note 2 for additional information regarding fair value measurements and the accounting policy for assessing OTTI.

AgriBank Assumptions Used by Range

As of December 31, 2015	Mortgage-backed securities	Asset-backed securities
Roll rate to default	**1.6% - 4.1%**	**3.3% - 4.2%**
Prepayment rate	**3.4% - 14.0%**	**5.0% - 7.0%**
Loss severity	**26.0% - 51.0%**	**48.0% - 59.0%**

As of December 31, 2014	Mortgage-backed securities	Asset-backed securities
Roll rate to default	0.4% - 23.1%	2.2% - 20.5%
Prepayment rate	4.0% - 10.0%	2.0% - 15.0%
Loss severity	20.0% - 80.0%	60.0% - 100.0%

As of December 31, 2013	Mortgage-backed securities	Asset-backed securities
Constant default rate	0.0% - 18.5%	0.0% - 10.6%
Prepayment rate	1.0% - 23.9%	2.0% - 31.1%
Loss severity	38.2% - 92.3%	65.0% - 100.0%

AgriBank OTTI AFS Investment Securities

(in thousands)

As of December 31,	**2015**	2014	2013
Fair Value of OTTI Investment securities	**$41,848**	$68,166	$181,620
For the year ended December 31,	**2015**	2014	2013
Gross impairment charges on OTTI Investment securities	**$748**	$391	$4,659
Non-credit component recognized in other comprehensive income	**(55)**	(241)	(2,776)
Net impairment charges on OTTI investment securities	**$693**	$150	$1,883

The impairments primarily reflect recent performance of underlying collateral for these securities. Management has determined no other securities were in an OTTI loss position at December 31, 2015.

AgriBank OTTI AFS Investment Securities Sold

(in thousands)

For the year ended December 31,	**2015**	2014
OTTI AFS investment securities sold	**$17,552**	**$101,490**
Gains on sales of OTTI AFS investment securities	**4,864**	**21,643**
Total impairment previously recognized on OTTI AFS investment securities sold	**12,633**	**84,431**

There were no sales of AFS investment securities during the year ended December 31, 2013.

The following represents the activity related to the credit-loss component for AgriBank AFS investment securities that have been written down for OTTI that has been recognized in earnings:

(in thousands) **For the year ended December 31,**	**2015**	2014	2013
Credit-loss component, beginning of year	**$42,062**	$127,947	$129,162
Additions:			
Initial credit impairment	**73**	--	357
Subsequent credit impairments	**620**	150	1,526
Reductions:			
Gains on securities sold	**(4,864)**	(21,643)	--
Incremental impairment previously recognized on securities sold	**(7,769)**	(62,788)	--
Increases in expected cash flows	**(4,962)**	(1,604)	(3,098)
Credit-loss component, end of year	**$25,160**	$42,062	$127,947

Affiliated Associations Investment Securities

One affiliated Association manages a portfolio of loans held for sale. The portfolio balance builds and is then sold to a third party after which investment securities collateralized by these loans may be purchased, actively marketed and sold by the affiliated Association. As the affiliated Association may not hold the investments to maturity, all or a portion of these securities are classified as AFS and have contractual maturities greater than ten years. There were no affiliated Association investment securities available-for-sale as of December 31, 2013 or 2015. The fair value of affiliated Association AFS investment securities was $21.0 million as of December 31, 2014.

During 2015, the affiliated Association sold AFS investment securities with sales proceeds of $53.7 million, resulting in gains of $355 thousand. No affiliated Association sold AFS investment securities during the years ended December 31, 2014 or 2013.

All other investments held by affiliated Associations are classified as HTM.

HTM Investment Securities

(in thousands) **As of December 31, 2015**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Government guaranteed instruments	**$1,420,940**	**$12,351**	**$43,507**	**$1,389,784**	**2.3%**
Farmer Mac mortgage-backed securities	**275,990**	**1,338**	**2,115**	**275,213**	**4.3%**
ARC bonds	**7,230**	**--**	**4**	**7,226**	**1.8%**
Total	**$1,704,160**	**$13,689**	**$45,626**	**$1,672,223**	**2.6%**

(in thousands) As of December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,425,175	$15,407	$25,255	$1,415,327	2.3%
Farmer Mac mortgage-backed securities	287,842	2,400	1,186	289,056	4.4%
ARC bonds	7,219	--	--	7,219	1.7%
Total	$1,720,236	$17,807	$26,441	$1,711,602	2.6%

(in thousands) As of December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,688,870	$20,060	$28,875	$1,680,055	2.6%
Farmer Mac mortgage-backed securities	272,384	1,764	5,099	269,049	4.5%
ARC bonds	2,756	24	--	2,780	3.9%
Total	$1,964,010	$21,848	$33,974	$1,951,884	2.9%

The investment portfolios were evaluated for OTTI. No securities were other-than-temporarily impaired in any of the periods presented.

Other Investments

One affiliated Association holds non-controlling investments in venture capital equity funds of $7.9 million, $6.7 million and $4.3 million at December 31, 2015, 2014 and 2013, respectively. These investments represent the stake in venture capital equity funds focused on the needs of rural start-up companies. The remaining commitment to the funds at December 31, 2015 was $1.8 million over eight years.

These other investments were evaluated for impairment. During the year ended December 31, 2013, $385 thousand of impairment was recognized on these investments. No impairments were recognized on these investments during 2015 or 2014. The affiliated Association received a distribution of $237 thousand during the year ended December 31, 2015. No distributions were received from the funds during the years ended December 31, 2014 or 2013.

AgriBank and certain affiliated Associations are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC will facilitate equity and debt investments in agriculture-related businesses that will create growth and job opportunities in rural America. The total multi-year commitment in the District is $90.0 million. The total investment by District entities was $19.0 million and $3.4 million as of December 31, 2015 and 2014, respectively and is included in “Other Assets” on the Combined Statements of Condition.

The RBIC investments were evaluated for impairment. No impairments were recognized on these investments during 2015 or 2014. No distributions from the funds were received during the years ended December 31, 2015 or 2014.

Other Earning Assets

Other earning assets were comprised of successor-in-interest contracts from involvement with the federal government's tobacco buy-out program held by one affiliated Association. The final payments on these contracts were received in January 2014 and affiliated Associations hold no further interests in these assets. The volume (principal and interest income receivable) was $74.0 million at December 31, 2013.

NOTE 5

Premises and Equipment and Assets Held For Lease

Premises and Equipment

(in thousands)

As of December 31,	2015	2014	2013
Land, buildings and improvements	**$520,772**	$484,081	$437,603
Furniture, equipment and software	**278,237**	264,875	250,209
Accumulated depreciation	**(314,363)**	(297,926)	(279,122)
Net premises and equipment	**$484,646**	$451,030	$408,690

Certain affiliated Associations hold property for the purpose of agricultural leasing, primarily consisting of livestock facilities and farm equipment. Net operating lease income was $17.0 million, $17.6 million and $18.7 million in 2015, 2014 and 2013, respectively. Assets held for lease, net totaled $514.5 million, $559.3 million and $608.8 million at December 31, 2015, 2014 and 2013, respectively.

NOTE 6

Bonds and Notes

The System obtains funds for its lending operations primarily from the sale of System-wide debt securities issued by the System Banks through the Funding Corporation. System-wide bonds and discount notes are joint and several obligations of the System Banks (refer to Note 12 for further discussion).

AgriBank's Participation in System-wide Bonds and Notes

(in thousands)

As of December 31,	2015	2014	2013
System-wide obligations:			
Bonds	**$83,156,562**	$81,167,190	$77,791,435
Discount notes	**9,192,397**	6,283,953	3,157,860
Member investment bonds	**1,055,292**	1,101,568	905,954
Total	**$93,404,251**	$88,552,711	$81,855,249

AgriBank and affiliated Associations elected early adoption of ASU 2015-03 *"Interest–Imputation of Interest,"* which required retroactive reclassification of debt issuance costs, formerly classified on the balance sheet in "Debt issuance costs," to contra-liabilities on the balance sheet, consistent with the current year presentation.

Maturities and Weighted Average Interest Rate of AgriBank's Bonds and Notes

(in thousands)	System-wide Obligations				Member			
As of December 31, 2015	**Bonds**		**Discount notes**		**investment bonds**		**Total**	
Year of maturity	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
2016	**$20,875,976**	**0.5%**	**$9,192,397**	**0.2%**	**$1,055,292**	**0.2%**	**$31,123,665**	**0.4%**
2017	**23,411,331**	**0.5%**	**--**	**--**	**--**	**--**	**23,411,331**	**0.5%**
2018	**13,996,257**	**0.7%**	**--**	**--**	**--**	**--**	**13,996,257**	**0.7%**
2019	**4,814,005**	**1.6%**	**--**	**--**	**--**	**--**	**4,814,005**	**1.6%**
2020	**3,766,000**	**1.8%**	**--**	**--**	**--**	**--**	**3,766,000**	**1.8%**
2021 and thereafter	**16,292,993**	**2.7%**	**--**	**--**	**--**	**--**	**16,292,993**	**2.7%**
Total	**$83,156,562**	**1.1%**	**$9,192,397**	**0.2%**	**$1,055,292**	**0.2%**	**$93,404,251**	**1.0%**

Discount notes are issued with maturities ranging from one to 365 days. The average maturity of discount notes at December 31, 2015 was 87 days.

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

AgriBank's Bonds and Notes with Call Options

(in millions)	Maturing	Callable
As of December 31, 2015	**Amount**	**Amount**
Year of maturity / next call:		
2016	**$455.0**	**$30,054.0**
2017	**3,695.0**	**465.0**
2018	**4,258.0**	**615.0**
2019	**4,140.0**	**--**
2020	**3,425.0**	**--**
2021	**2,650.0**	**--**
2022	**2,620.0**	**225.0**
Thereafter	**10,116.0**	**--**
Total	**$31,359.0**	**$31,359.0**

Participation in System-wide Debt Securities

Certain conditions must be met before System Banks can participate in the issuance of System-wide debt securities. As one condition of participation, System Banks are required by the Farm Credit Act and FCA regulation to maintain specified eligible assets at least equal in value to the total amount of debt securities outstanding for which they are primarily liable. This requirement does not provide holders of System-wide debt securities or bank bonds with a security interest in any assets of the System Banks. However, System Banks and the Funding Corporation have entered into a Market Access Agreement (MAA), which established criteria and procedures for the System Banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual System Bank's participation in System-wide debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liability. At December 31, 2015 AgriBank was, and as of the date of this report remains, in compliance with the conditions of participation in the issuance of System-wide debt securities. As

discussed in Note 12, only System Banks are statutorily liable for the payment of principal and interest on System-wide bonds and notes. Refer to Note 17 for AgriBank-only financial data.

Member Investment Bonds

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

Insurance Fund

The Farm Credit Insurance Fund (Insurance Fund) is available to insure the timely payment of principal and interest on consolidated bonds and notes of System Banks to the extent net assets are available in the Insurance Fund. At December 31, 2015, the assets of the Insurance Fund were $4.0 billion; however, due to the other authorized uses of the Insurance Fund, there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal, or interest on, insured debt securities in the event of default by any System Bank having primary liability for repayment of the debt. Refer to Note 1 for further information about the Insurance Fund.

Debt Transfers

During 2013, AgriBank transferred $20.0 million of debt at fair value to other System Banks to restructure liabilities. There were no such transfers in 2015 or 2014. These transfers resulted in $4.0 million of losses on debt extinguishment, and are reflected in "Non-interest expense" on the Combined Statements of Comprehensive Income.

Short-term Borrowings

AgriBank uses short-term borrowings as a source of funds. The following reflects short-term borrowings by category:

	2015		2014		2013	
(in thousands)	**Amount**	**Weighted average interest rate**	Amount	Weighted average interest rate	Amount	Weighted average interest rate
System-wide discount notes:						
Outstanding as of December 31	**$9,192,397**	**0.2%**	$6,283,953	0.1%	$3,157,860	0.03%
Average during year	**5,587,113**	**0.2%**	4,070,914	0.1%	2,674,364	0.03%
Maximum month-end balance during the year	**9,192,397**		6,283,953		3,167,761	
System-wide bonds: (*)						
Outstanding as of December 31	**1,022,594**	**0.3%**	1,118,129	0.2%	2,392,848	0.3%
Average during year	**889,644**	**0.1%**	1,758,707	0.3%	3,639,264	0.2%
Maximum month-end balance during the year	**1,142,594**		2,390,619		4,513,497	

* Represents bonds issued with an original maturity of one year or less.

NOTE 7

Subordinated Notes

In July 2009, AgriBank issued $500 million of 9.125 percent unsecured subordinated notes due in 2019. Interest is payable semi-annually on January 15 and July 15 beginning on January 15, 2010. Interest is deferred if, as of the fifth business day prior to an interest payment date of the notes, any applicable minimum regulatory capital ratios are not satisfied. A deferral period may not last for more than five consecutive years or beyond the maturity date of the subordinated notes. During such a period, AgriBank may not declare or pay any dividends or patronage refunds, among certain other restrictions, until interest payments are resumed and all deferred interest has been paid. AgriBank has not deferred any interest since issuing the subordinated notes.

In March 2010, AgStar, issued $100 million of 9.0 percent unsecured subordinated notes due in 2025. Interest is payable semi-annually. AgStar may redeem all or some of the notes at any time on or after a date 10 years from the closing date.

The subordinated notes are allowed to be counted as capital in certain risk-adjusted ratios and are excluded from liabilities in the net collateral ratio, subject to certain limitations, which has the effect of increasing certain regulatory capital ratios pursuant to FCA regulations. The limitations on the treatment of subordinated notes in the regulatory capital ratios are discussed further in Note 8. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, but senior to all classes of shareholders.

The subordinated notes are not System-wide debt securities and are not obligations of any of the other System Banks. Payments on the subordinated notes are not insured by the Insurance Fund.

AgriBank and affiliated Associations elected early adoption of ASU 2015-03 *"Interest–Imputation of Interest,"* which required retroactive reclassification of debt issuance costs, formerly classified on the balance sheet in "Debt issuance costs," to contra-liabilities on the balance sheet, consistent with the current year presentation.

NOTE 8

Shareholders' Equity

Description of Equities

All shares and participation certificates are $5 par value, except the Series A and Series A-1 Perpetual Preferred Stock, which have a par value of $100 and $1,000, respectively:

(in whole numbers)	Number of Shares		
As of December 31,	**2015**	2014	2013
Series A Perpetual Preferred Stock	**2,500,000**	2,500,000	2,500,000
Series A-1 Perpetual Preferred Stock	**100,000**	100,000	100,000
Protected Common Stock	**7,870**	10,002	11,166
At-risk Voting Common Stock	**44,160,416**	43,694,117	43,405,701
At-risk Nonvoting Common Stock	**233,044**	222,484	221,968
Protected Participation Certificates	**48,462**	48,462	48,661
At-risk Participation Certificates	**9,289,656**	9,309,025	9,407,293

AgriBank and affiliated Associations may be authorized to issue additional forms of stock. Refer to the AgriBank and affiliated Associations' 2015 annual reports for additional information about stock.

AgriBank has an authorized class of preferred stock which may be issued to investors in accordance with applicable rules of offering. This stock would be non-voting and may bear dividends. There are eight million shares authorized at $100 per share. During 2013, AgriBank's Board of Directors approved the issuance of up to $400 million of preferred stock, for which it also received approval from the affiliated Associations, OFIs and the FCA. On October 29, 2013, AgriBank issued $250 million of Series A Non-Cumulative Perpetual Preferred Stock (Series A Preferred Stock).

AgStar is authorized to issue preferred stock up to $250 million in aggregate par value, in one or more series. Such preferred stock may be issued to qualified investors in accordance with AgStar's bylaws. This stock would be non-voting and may bear dividends, at the discretion of the AgStar Board of Directors. On May 30, 2013, AgStar issued $100 million of Series A-1 Non-Cumulative Perpetual Preferred Stock (Series A-1 Preferred Stock).

At-risk stock and participation certificates, which include all equities issued on or after October 6, 1988, may be retired only at the discretion of the Boards of Directors. Such equities are retired at the lower of book value or par value. The bylaws of the affiliated Associations generally permit stock and participation certificates to be retired at the discretion of the Boards of Directors in accordance with the affiliated Associations' capitalization plan provided prescribed capital standards have been met. At December 31, 2015, all affiliated Associations exceeded these prescribed standards. Management at the affiliated Associations does not anticipate any significant changes in capital that would impact the normal retirement of stock.

Protected stock and participation certificates of $282 thousand, $292 thousand and $299 thousand, are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of December 31, 2015, 2014 and 2013, respectively.

Stock preference upon liquidation or impairment follows the respective entities' bylaws; however, protected stock will be retired at par value regardless of impairment.

Each holder of voting common stock is entitled to a single vote in matters affecting their respective Association. Holders of nonvoting common stock and participation certificates have no voting rights. Stock is generally transferable to other members eligible to own such stock as long as allowed for in the bylaws of the respective entities, provided that the regulatory minimum capital requirements are met.

Perpetual Preferred Stock

On May 30, 2013, AgStar issued $100 million of Series A-1 Preferred Stock, representing 100 thousand shares at $1,000 thousand per share par value, resulting in net proceeds of $96.3 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 not less than $250 thousand and an investor must hold at least 250 shares. The net proceeds from the issuance were used to increase regulatory capital, pursuant to current FCA regulations, for continued business development and general corporate purposes. For regulatory capital purposes, the Series A-1 Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations.

Dividends on the Series A-1 Preferred Stock, if declared by AgStar's Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears on the fifteenth day of February, May, August and November, beginning on August 15, 2013. Dividends accrue at a fixed annual rate of 6.75 percent from the date of issuance through August 14, 2023, and beginning on August 15, 2023 accrue at an annual rate equal to the three-month United States Dollar LIBOR rate, reset quarterly, plus 4.58 percent.

The Series A-1 Preferred Stock is not mandatorily redeemable at any time. However, Series A-1 Preferred Stock will be redeemable at par value, in whole or in part, at AgStar's option, quarterly beginning on August 15, 2023. In addition, the Series A-1 Preferred Stock will be redeemable in whole, at AgStar's option, at any time upon the occurrence of certain defined regulatory events. The Series A-1 Preferred Stockholders do not have any voting rights, but may appoint two Board observers after six unpaid dividend payments.

AgStar's Series A-1 Preferred Stock is junior to any subordinated debt, existing and future debt obligations and any series of preferred stock issued in the future with priority rights. The Series A-1 Preferred Stock is senior to AgStar's outstanding common stock, participation certificates, preferred stock and patronage equities.

On October 29, 2013, AgriBank 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. The net proceeds from the issuance were used for general corporate purposes. For regulatory capital purposes, AgriBank's Series A Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations.

Dividends on the Series A Preferred Stock, if declared by AgriBank's Board of Directors 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 the 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 AgriBank's option, quarterly beginning January 1, 2024. In addition, the Series A Preferred Stock will be redeemable in whole, at AgriBank's 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 AgriBank may issue in the future with priority rights. The Series A Preferred Stock is senior to AgriBank's outstanding capital stock.

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in capital stock (in the case of agricultural loans) or participation certificates (in the case of rural residence, farm related business or leases) of the respective affiliated Association as a condition of borrowing. The initial investment requirement varies by affiliated Association and ranges from the statutory minimum of 2 percent of the loan amount or one thousand dollars per borrower, whichever is less, to 5 percent of the loan amount. In addition, the affiliated Associations generally require the purchase of one participation certificate by each lease customer and non-stockholder customers who purchase financial services. Each affiliated Association's Board of Directors may increase, within the range outlined in their bylaws, the amount of initial investment, if necessary, to meet the affiliated Associations' capital needs.

The borrower of an affiliated Association acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. A first lien is held on the stock or participation certificates owned by the borrowers.

OFIs, as a condition of obtaining a loan from AgriBank, are required to hold Series A Participation Certificates in an amount determined by AgriBank's capital plan, currently equal to 2.25 percent of their quarter end loan commitment plus an additional 1 percent on increases in their commitments that exceed a targeted rate. AgriBank's bylaws permit increasing the investment up to 4 percent with Board of Directors approval. OFIs make cash purchases of Series A Participation Certificates as a condition of borrowing.

AgriBank leveraged its preferred stock for the benefit of the District during 2014 when its Board of Directors approved an amendment to its capital plan which reduced the base required stock investment for OFIs from 2.5 percent to 2.25 percent effective March 31, 2014.

In accordance with the Farm Credit Act, eligible borrowers are required to purchase common stock in AgriBank as a condition of borrowing. The member stock is typically purchased using the wholesale loan to the member. Advances to borrowers fund stock purchases. AgriBank stock purchased by affiliated Associations is eliminated in the Combined Financial Statements presented in this Annual Report.

Protection Mechanisms

Protection of certain borrower capital is provided under the Farm Credit Act, which requires AgriBank and affiliated Associations to retire protected capital at par or stated value regardless of its book value at the time of retirement. Protected borrower capital includes capital stock, participation certificates and allocated equities that were outstanding at January 6, 1988 or were issued or allocated before October 6, 1988. Borrower stock issued after October 5, 1988 is not subject to these protection provisions. If AgriBank and affiliated Associations are unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements and Restrictions

FCA regulations require each institution to maintain certain minimum capital ratios. AgriBank and affiliated Associations are prohibited from reducing capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. No such prohibitions were in effect as of December 31, 2015, and AgriBank and affiliated Associations do not foresee any events that would result in this prohibition during 2016.

Regulatory Capital Requirements and Ratios

As of December 31,	Regulatory Minimums	2015	2014	2013
Permanent capital ratio	7.0%			
AgriBank		**20.8%**	20.8%	22.1%
Affiliated Associations		**14.8% - 21.0%**	15.0% - 23.3%	13.3% - 23.5%
District Association weighted average		**16.2%**	16.2%	15.5%
Total surplus ratio	7.0%			
AgriBank		**17.9%**	18.1%	18.5%
Affiliated Associations		**14.6% - 19.6%**	14.8% - 20.0%	12.9% - 20.6%
District Association weighted average		**16.0%**	15.9%	15.2%
Core surplus ratio	3.5%			
AgriBank		**12.1%**	11.8%	11.4%
Affiliated Associations		**12.3% - 19.6%**	12.9% - 19.9%	12.5% - 20.6%
District Association weighted average		**15.8%**	15.7%	15.0%
AgriBank net collateral ratio*	104.0%	**105.8%**	105.9%	106.4%

* FCA regulations require AgriBank to maintain a net collateral ratio of at least 103.0%. However, AgriBank is required by FCA to maintain a higher minimum of 104.0% during the period in which AgriBank subordinated notes outstanding.

These ratios are calculated in accordance with FCA regulations and are discussed below:

- Permanent capital ratio is the quarterly average permanent capital (generally shareholders' equity and subordinated notes subject to certain limitations, excluding accumulated other comprehensive (loss) income and other deductions) as a percentage of quarterly average risk-adjusted assets.
- Total surplus ratio is the quarterly average total unallocated surplus (permanent capital less purchased stock) as a percentage of quarterly average risk-adjusted assets.
- Core surplus ratio, is the quarterly average core surplus (generally unallocated surplus and perpetual preferred stock subject to certain limitations) as a percentage of quarterly average risk-adjusted assets.
- Net collateral ratio is the net collateral (generally net loans and investments) less an amount equal to that portion of the allocated investments of affiliated Associations that is not counted as

permanent capital by AgriBank, divided by total liabilities as adjusted to exclude subordinated notes (subject to certain limitations) and the fair value adjustment impact of certain derivatives.

Risk-adjusted assets have been defined by regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages depending on the level of risk inherent in the various types of assets.

The inclusion of Series A Preferred Stock and Series A-1 Preferred Stock in regulatory capital ratios is subject to certain limitations. For 2015 and all subsequent periods, unless replaced by a new, higher limit, the limit to be counted as core surplus is equal to the greater of the then-existing limit or one-third of the average of the four quarters of core surplus outstanding for the previous year. For 2015, the Series A Preferred Stock and Series A-1 Preferred Stock was not subject to any limitations.

The inclusion of subordinated notes in regulatory capital ratios is subject to certain limitations. The amount of subordinated notes eligible to be counted as permanent capital and total surplus may not exceed 50 percent of core surplus, and the original amount is reduced by 20 percent each of the last five years the subordinated notes are outstanding. This reduction began in 2014 for AgriBank and will begin in 2020 for AgStar.

The amount of third-party capital instruments, including preferred stock and subordinated debt, that may be counted in total surplus must not exceed the lower of 40 percent of permanent capital outstanding or 100 percent of core surplus outstanding, whichever is less. Third-party capital instruments that are not included in permanent capital and total surplus due to these limitations are required to be included as liabilities for the purpose of calculating the net collateral ratio.

FCA regulations require Associations and System Banks to agree upon a plan for allocating the Associations' investments in System Banks for calculation of regulatory capital ratios. For the calculation of regulatory capital ratios at December 31, 2015, AgriBank's agreement with affiliated Associations is, generally, each affiliated Association would count in its ratios any excess allocated investment over that required by AgriBank unless there is a specific agreement to count the investment differently.

Patronage Distributions and Dividends

Payment of discretionary patronage and/or dividends is allowed under AgriBank and affiliated Associations bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA regulations.

The affiliated Associations designated $282.9 million, $268.7 million and $238.5 million of earnings for patronage during 2015, 2014 and 2013, respectively. AgriBank also pays patronage, substantially all of which was paid to affiliated Associations and was eliminated in combination. Patronage designated by AgriBank that was not eliminated in combination was $7.0 million, $5.8 million and $2.8 million at December 31, 2015, 2014 and 2013, respectively.

Additionally, one affiliated Association has a nonqualified patronage program that allocated surplus of $62.9 million, $60.0 million and $61.6 million in 2015, 2014 and 2013, respectively. Nonqualified patronage of $27.2 million, $28.4 million and $25.0 million was redeemed during 2015, 2014 and 2013, respectively.

Certain affiliated Associations attribute to shareholders all income in excess of the qualified patronage program. It is communicated to shareholders that this amount will not be redeemed and as such, is not considered allocated surplus.

AgriBank declared non-cumulative preferred stock dividends of $17.2 million, $17.2 million and $2.7 million during 2015, 2014 and 2013, respectively.

AgStar declared non-cumulative preferred stock dividends of $6.7 million, $6.7 million and $3.1 million during 2015, 2014 and 2013, respectively.

In the event preferred stock dividends for the current dividend period have not been declared or interest payments on the subordinated notes have been deferred, the issuing entity may not declare or pay any dividends, patronage refunds or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of capital stock (including borrower stock, participation certificates and preferred stock), other than exercising their statutory lien under the Farm Credit Act, which allows them to apply member stock and/or participation certificates to reduce the aggregate principal amount of outstanding loans. Neither AgriBank nor AgStar have deferred any interest since issuing subordinated notes and dividends have been declared as scheduled since issuing preferred stock.

Noncontrolling Interest

The noncontrolling interest represents the equity investment in AgDirect LLP and Foundations for institutions outside the AgriBank District, as described in Note 2.

NOTE 9

Income Taxes

Provision for Income Taxes
(in thousands)

For the year ended December 31,	**2015**	2014	2013
Current:			
Federal	**29,986**	$45,643	$34,149
State	**2,650**	5,654	5,693
Total current	**32,636**	51,297	39,842
Deferred:			
Federal	**(11,228)**	(6,894)	15,353
State	**(1,677)**	(581)	1,185
(Decrease) increase in valuation allowances	**(473)**	1,805	(6,235)
Total deferred	**(13,378)**	(5,670)	10,303
Total provision for income taxes	**$19,258**	$45,627	$50,145

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands)

For the year ended December 31,	2015	2014	2013
Federal tax at statutory rate	**$648,082**	$676,907	$658,189
State tax, net	**3,233**	5,032	4,690
Effect of non-taxable entities	**(558,660)**	(569,883)	(538,396)
Patronage distributions	**(65,752)**	(67,486)	(66,434)
(Decrease) increase in valuation allowances	**(473)**	1,806	(6,235)
Other, net	**(7,172)**	(749)	(1,669)
Total provision for income taxes	**$19,258**	$45,627	$50,145

Deferred Income Taxes

Tax laws require certain items to be included in each entity's tax returns at different times than the items are reflected on the Combined Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. The tax effect of temporary differences are recorded as deferred tax assets and liabilities netted on the Combined Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31,	2015	2014	2013
Allowance for loan losses	**$41,155**	$36,897	$35,466
Post-employment benefits accrual	**6,224**	6,130	5,928
Accrued pension asset	**(8,023)**	(8,464)	(7,851)
Leasing related, net	**(155,851)**	(167,653)	(179,114)
Accrued patronage income not received	**(2,753)**	(4,365)	(5,689)
AgriBank 2002 allocated stock	**(10,122)**	(10,192)	(10,249)
Depreciation	**(1,310)**	(1,525)	(1,904)
Valuation allowance	**(12,903)**	(13,376)	(11,570)
Net operating loss carryforwards	**194**	7,409	13,086
Other assets	**20,292**	18,889	19,831
Other liabilities	**(2,419)**	(2,643)	(2,497)
Net deferred tax liabilities	**$(125,516)**	$(138,893)	$(144,563)
Gross deferred:			
Tax assets	**$67,865**	$62,741	$62,741
Tax liabilities	**(193,381)**	(201,634)	(207,304)

Deferred tax assets and liabilities are presented on the Combined Statements of Condition as $16.5 million of net deferred tax assets, representing the amount of deferred tax assets for affiliated Associations in a deferred tax asset position and $142.1 million of net deferred tax liabilities, representing the amount of deferred tax liabilities for affiliated Associations in a net deferred tax liability position at December 31, 2015.

Under the current standards of accounting for income taxes, any deferred tax asset must be evaluated as to its realizable value. At December 31, 2015, 2014 and 2013, three affiliated Associations have determined that, primarily due to the effect of patronage programs, there is insufficient certainty of having future taxable income and tax liabilities with which to realize tax savings from the reversal of these deferred tax assets. As a result, these affiliated Associations have booked valuation allowances against those deferred tax assets which reflect the current year's adjustments related to those allowances.

Deferred income taxes have not been provided by the PCAs and ACAs on approximately $525.3 million of patronage distributions allocated from AgriBank before January 1, 1993. Such allocations, distributed in the form of stock, are subject to income tax only upon conversion to cash. Affiliated Associations' management intent is to permanently maintain these investments in AgriBank. Additionally, deferred income taxes have not been provided by certain affiliated Associations on approximately $6.6 million of 2002 patronage allocations received from AgriBank. Those affiliated Associations' Boards of Directors passed resolutions that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under the Associations' patronage programs. Deferred income taxes have also not been provided on accumulated affiliated Associations FLCA subsidiary earnings of $13.8 billion as it is the intention of the ACAs' management to permanently maintain their investments in the FLCA subsidiaries or to distribute the earnings to members in a manner that results in no additional tax liability to the affiliated Associations.

Other than distributions made under AgriBank's patronage programs, AgriBank has no plans to make distributions of unallocated retained earnings to affiliated Associations. Therefore, deferred taxes have not been provided by any affiliated Association on AgriBank's retained earnings.

Income tax returns are subject to review by various U.S. taxing authorities. Affiliated Associations record accruals for items they believe may be challenged by these taxing authorizes. However, there were no uncertain income tax positions at December 31, 2015. In addition, affiliated Associations believe they are no longer subject to income tax examinations for years prior to 2012.

At various times, affiliated Associations receive assessment letters from the IRS as a result of audits of prior year tax returns. There were no material assessments outstanding at December 31, 2015.

NOTE 10

Employee Benefit Plans

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Boards of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

All District employers, with the exception of one affiliated Association, participate in the defined benefit retirement plan. Certain District employers also participate in the nonqualified retirement plan. Additionally, District employers provide certain health insurance benefits to eligible retired employees in the District. Expenses related to these plans are included in "Salaries and employee benefits" on the Combined Statements of Comprehensive Income. The current measurement date is December 31 for the defined benefit and other post-employment benefit plans. The funded status of the post-employment benefit plans is recorded at the District level only.

Pension and Other Post-Employment Benefit Plans

Pension Plan

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

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. Each employer recognizes their proportional share of expense and contributes a proportional share of funding. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the Combined Financial Statements.

Nonqualified Retirement Plan

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

The Pension Restoration Plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

No Pension Restoration Plan benefits were paid to senior officers in the District during 2015.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Cash contributions were equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to senior officers who were actively employed during the year.

Retiree Medical Plans

District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status.

Obligations and Funded Status

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2015**	2014	2013	**2015**	2014	2013
Change in benefit obligation						
Benefit obligation at beginning of year	**$1,262,655**	$1,039,912	$1,106,122	**$35,051**	$30,126	$33,443
Service cost	**30,085**	26,452	29,328	**559**	490	593
Interest cost	**50,594**	50,226	44,949	**1,392**	1,434	1,337
Plan amendments	**430**	--	--	**--**	--	--
Actuarial loss (gain)	**1,396**	190,157	(89,174)	**(5,120)**	4,476	(3,743)
Benefits paid	**(58,251)**	(44,092)	(51,313)	**(1,403)**	(1,474)	(1,504)
Benefit obligation at end of year	**$1,286,909**	$1,262,655	$1,039,912	**$30,479**	$35,052	$30,126
Change in plan assets						
Fair value of plan assets at beginning of year	**$811,079**	$759,462	$640,062	**$ --**	$ --	$ --
Actual return on plan assets	**(16,193)**	42,196	110,186	**--**	--	--
Employer contributions	**64,799**	53,513	60,527	**1,403**	1,474	1,504
Benefits, premiums and expenses paid	**(58,251)**	(44,092)	(51,313)	**(1,403)**	(1,474)	(1,504)
Fair value of plan assets at end of year	**$801,434**	$811,079	$759,462	**$ --**	$ --	$ --
Unfunded liability	**$(485,475)**	$(451,576)	$(280,450)	**$(30,479)**	$(35,052)	$(30,126)
Accumulated benefit obligation	**$1,090,457**	$1,074,760	$884,001	**n/a**	n/a	n/a

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2015**	2014	2013	**2015**	2014	2013
Amounts recognized in the Combined Statements of Condition consist of:						
Pension asset	**$ --**	$ --	$ --	**$ --**	$ --	$ --
Pension liabilities	**485,475**	451,576	280,450	**30,479**	35,052	30,126
Net amount recognized	**$(485,475)**	$(451,576)	$(280,450)	**$(30,479)**	$(35,052)	$(30,126)
Amounts recognized in accumulated other comprehensive income consist of:						
Net loss (gain)	**$541,704**	$512,276	$338,382	**$(6,744)**	$(1,673)	$(6,495)
Prior service credit	**(2,898)**	(4,592)	(5,859)	**(828)**	(1,289)	(2,009)
Total recognized in other comprehensive loss (income)	**$538,806**	$507,684	$332,523	**$(7,572)**	$(2,962)	$(8,504)
Weighted-average assumptions used to determine benefit obligations						
Discount rate	**4.51%**	4.10%	4.95%	**4.51%**	4.10%	4.95%
Rate of compensation increase	**5.25%**	4.50%	4.50%	**n/a**	n/a	n/a

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

Components of Net Periodic Benefit Cost

(in thousands)	Pension Benefits			Other Benefits		
For the year ended December 31,	**2015**	2014	2013	**2015**	2014	2013
Net periodic benefit cost						
Service cost	**$30,085**	$26,452	$29,328	**$559**	$490	$593
Interest cost	**50,594**	50,226	44,949	**1,392**	1,434	1,337
Expected return on plan assets	**(55,632)**	(55,381)	(49,512)	**--**	--	--
Amortization of prior service credit	**(1,264)**	(1,267)	(1,200)	**(461)**	(720)	(695)
Recognized net actuarial loss (gain)	**43,780**	29,449	43,282	**(21)**	(352)	--
Net periodic benefit cost	**$67,563**	$49,479	$66,847	**$1,469**	$852	$1,235
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net loss (gain)	**$73,208**	$203,342	$(149,848)	**$(5,092)**	$4,470	$(3,743)
Prior service cost	**430**	--	--	**--**	--	--
Amortization of prior service credit	**1,264**	1,267	1,200	**461**	720	695
Amortization of net (loss) gain	**(43,780)**	(29,449)	(43,282)	**21**	352	--
Total recognized in other comprehensive income	**$31,122**	$175,160	($191,930)	**$(4,610)**	$5,542	$(3,048)
Total recognized in net periodic benefit cost and other comprehensive income	**$98,685**	$224,639	$(125,083)	**$(3,141)**	$6,394	$(1,813)
Weighted-average assumptions used to determine net costs						
Discount rate	**4.10%**	4.95%	4.15%	**4.10%**	4.95%	4.15%
Expected return on plan assets	**7.25%**	8.00%	8.00%	**n/a**	n/a	n/a
Rate of compensation increase	**4.50%**	4.50%	4.50%	**n/a**	n/a	n/a

The estimated net loss and prior service credit for the Pension Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is an expense of $39.3 million. The estimated net gain and prior service credit for the Other Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is income of $886 thousand.

Assumptions

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

The discount rates are calculated using a full yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time. As of December 31, 2015, the Plan Sponsor Committee elected to update the method used to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits consistent with the full yield curve method. Previously, a single weighted-average discount rate was used to estimate the service and interest components of net periodic benefit cost. Generally, a lower discount rate correlates to an increase in the benefit obligation.

The change in discount rate resulted in a decrease to the projected benefit obligations of $64.0 million as of December 31, 2015.

In 2015, the Society of Actuaries issued updated mortality improvement assumptions (MP 2015). The revised mortality improvement assumptions reflect lower life expectancy improvements based on data released by the Social Security Administration and other various studies, compared to the study published in 2014 (MP 2014). The adoption of these new tables resulted in a decrease to the projected benefit obligations of $14.4 million as of December 31, 2015.

Periodically, independent actuaries perform an assumption study based on actual plan participants' results over the past three years. Assumptions in this study include, but are not limited to: rates of termination, retirement age, and benefit form elected. The results of the study and subsequent adoption of the revised assumptions has resulted in an increase to projected benefit obligations of $90.3 million as of December 31, 2015.

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

For measurement purposes, an 8.0 percent rate of increase in the per capita cost of covered health care benefits is assumed for 2016. The rate is assumed to decrease gradually to 5.0 percent by the year 2023 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects for the District:

(in thousands) **As of December 31, 2015**	**1% Increase**	**1% Decrease**
Effect on total of service and interest cost components	**$17**	**$(16)**
Effect on accumulated postretirement benefit obligation	**381**	**(346)**

Estimated Future Contributions and Benefit Payments

The amount of total District employer contributions expected to be paid into the plans during 2016 is $65.0 million for Pension Benefits and $1.6 million for Other Benefits.

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

(in thousands) As of December 31, 2015	Pension Benefits	Other Benefits
Year:		
2016	**$66,640**	**$1,619**
2017	**69,160**	**1,734**
2018	**74,530**	**1,840**
2019	**78,650**	**1,927**
2020	**83,170**	**2,000**
2021 to 2025	**471,520**	**10,485**

Plan Assets

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

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

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

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

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

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan's funded ratio

improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is composed of short-term assets intended to pay periodic plan benefits and expenses.

Portfolios are measured and monitored daily to ensure compliance with the investment policy. Tactical tilts will be employed based on medium term views and capital market assumptions, but will remain within stated policy ranges. For 2016, the asset allocation policy of the pension plan provides a target of 75 percent of assets in return seeking investments and 25 percent of assets in liability hedging investments. Specifically, return seeking investments include: global equity securities, global real estate investment trust securities, hedge funds, and high yield bonds; and liability hedging investments include high quality credit debt securities.

Fair Value of Pension Plan Assets

	Fair Value Measurements as of December 31, 2015			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$25,347	$ --	$ --	$25,347
Mutual funds:				
International funds	--	221,260	--	221,260
Bond funds	--	176,130	--	176,130
Real estate equity funds	--	62,213	--	62,213
Hedged equity funds	--	--	94,046	94,046
Investment insurance contracts	--	--	6,303	6,303
Trust funds:				
Domestic funds	--	127,944	--	127,944
Bond funds	--	88,191	--	88,191
Total	$25,347	$675,738	$100,349	$801,434

	Fair Value Measurements using Level 3		
	Hedged Equity Funds	Investment Insurance Contracts	Total
Beginning balance	$91,913	$6,736	$98,649
Actual return on plan assets:			
Still held at the reporting date	2,601	106	2,707
Sold during the period	(21)	--	(21)
Sales	(447)	(539)	(986)
Ending balance	$94,046	$6,303	$100,349

	Fair Value Measurements as of December 31, 2014			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$15,210	$ --	$ --	$15,210
Mutual funds:				
International funds	--	168,946	--	168,946
Bond funds	--	182,369	--	182,369
Real estate equity funds	--	60,675	--	60,675
Hedged equity funds	--	--	91,913	91,913
Investment insurance contracts	--	--	6,736	6,736
Trust funds:				
Domestic funds	--	196,641	--	196,641
Bond funds	--	88,589	--	88,589
Total	$15,210	$697,220	$98,649	$811,079

	Fair Value Measurements using Level 3			
	Hedged Equity Funds	Investment Insurance Contracts	Limited Partnerships	Total
Beginning balance	$16,014	$7,236	$48,353	$71,603
Actual return on plan assets:				
Still held at the reporting date	7,096	115	--	7,211
Sold during the period	(535)	--	382	(153)
Purchases	84,800	--	--	84,800
Sales	(15,462)	(615)	(48,735)	(64,812)
Ending balance	$91,913	$6,736	$ --	$98,649

	Fair Value Measurements as of December 31, 2013			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$37,470	$ --	$ --	$37,470
Mutual funds:				
International funds	127,534	--	--	127,534
Bond funds	--	104,624	--	104,624
Real estate equity funds	--	33,201	--	33,201
Hedged equity funds	--	--	16,014	16,014
Investment insurance contracts	--	--	7,236	7,236
Trust funds:				
Domestic funds	--	329,531	--	329,531
Bond funds	--	55,499	--	55,499
Limited partnerships	--	--	48,353	48,353
Total	$165,004	$522,855	$71,603	$759,462

	Fair Value Measurements using Level 3			
	Hedged Equity Funds	Investment Insurance Contracts	Limited Partnerships	Total
Beginning balance	$14,087	$7,814	$40,791	$62,692
Actual return on plan assets:				
Still held at the reporting date	1,927	122	7,562	9,611
Sales	--	(700)	--	(700)
Ending balance	$16,014	$7,236	$48,353	$71,603

There were no assets transferred out of Level 2 or Level 3 in 2015, 2014 or 2013.

Valuation Techniques

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and that can be redeemed at NAV per share at the measurement date are classified as Level 2. Unobservable inputs (e.g., a company's own assumptions and data) and assets measured at NAV per share that cannot be redeemed at NAV per share at the measurement date would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 14 for a complete description of fair value measurements.

Defined Contribution Plans

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

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

Employer contribution expenses for the defined contribution plan were $36.8 million, $32.4 million, and $29.5 million in 2015, 2014, and 2013, respectively. These expenses were equal to the cash contributions for each year.

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

NOTE 11

Related Party Transactions

In the ordinary course of business, affiliated Associations may enter into loan transactions with their Senior Officers, Directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons.

Related Party Loans and Leases Information

(in thousands) **As of December 31,**	**2015**	2014	2013
Total related party loans and leases	**$ 387,766**	$ 343,720	$ 306,865
For the year ended December 31:			
Advances to related parties	**$ 297,820**	$ 259,724	$ 252,424
Repayments by related parties	**329,136**	280,271	285,132

In the opinion of management at the District entities, none of these loans outstanding at December 31, 2015, involved more than the normal risk of collectability.

Elected members of AgriBank's Board of Directors are affiliated Association borrowers. AgriBank has no direct lending relationships with any of its Board of Directors or Senior Officers. In the ordinary course of business, AgriBank's Directors, Senior Officers and affiliated Association Directors are eligible to hold member investment bonds under the same terms and conditions as all other affiliated Association borrowers and AgriBank employees. The amount held by AgriBank's Directors, Senior Officers and affiliated Association Directors was negligible to the Combined Statements of Condition. Refer to Note 6 for additional information regarding member investment bonds.

Additional transactions in the ordinary course of business involving Directors, Senior Officers and affiliated Association Directors, if material, are disclosed in the AgriBank and affiliated Associations 2015 respective annual reports.

NOTE 12

Commitments and Contingencies

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

AgriBank and affiliated Associations may, from time to time, be named as defendants in certain lawsuits or legal actions in the normal course of business. As of December 31, 2015 one affiliated Association had a contingent liability of $1.6 million related to an ongoing litigation in which they are involved. At the date of

these Combined Financial Statements, management teams were not aware of any other material actions. However, AgriBank and the affiliated Association management cannot ensure that such actions or other contingencies will not arise in the future.

While primarily liable for its portion of System-wide bonds and notes, AgriBank is 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 December 31, 2015 were $243.3 billion.

AgriBank, together with all System Banks and the Funding Corporation, have entered into the Contractual Interbank Performance Agreement (CIPA). This agreement establishes agreed-upon standards of District financial condition and performance to achieve and maintain. AgriBank, and each of the other System Banks, exceeded the minimum performance measures at December 31, 2015.

AgriBank, together with all System Banks and the Funding Corporation, have entered into the MAA. This agreement establishes criteria and procedures for the System Banks to provide information and, under specific circumstances, restricting or prohibiting participation in issuances of System-wide debt securities. The agreement is intended to identify and resolve individual System Bank financial problems in a timely manner. AgriBank, and each of the other System Banks, is in compliance with all aspects of the agreement at December 31, 2015.

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

NOTE 13

Financial Instruments with Off-Balance Sheet Risk

AgriBank and affiliated Associations participate in financial instruments with off-balance sheet risk to satisfy the financing needs of borrowers. These financial instruments are in the form of commitments to extend credit and letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the Combined Financial Statements. Commitments to extend credit are agreements to lend to a borrower as long as they are in compliance with conditions established in the contract. At December 31, 2015, AgriBank and affiliated Associations had commitments to extend credit of $32.7 billion, $16.4 million of which was included in “Other liabilities” on the Combined Statements of Condition at December 31, 2015. Standby letters of credit are agreements to pay a beneficiary if there is default on a contractual arrangement. At December 31, 2015, AgriBank and affiliated Associations had issued standby letters of credit of $375.6 million and unexercised commitments related to standby letters of credit of $830.7 million, none of which was included in “Other liabilities” on the Combined Statements of Condition at December 31, 2015. Refer to Note 14 for further discussion regarding standby letters of credit included on the Combined Statements of Condition. Commercial letters of credit are agreements to pay a beneficiary under specific conditions.

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

NOTE 14

Fair Value Measurements

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

Recurring Measurements
The following represents a summary of the methods, valuation techniques and inputs used to measure fair value on a recurring basis:

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

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

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

similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

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

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

Standby Letters of Credit: Estimating the fair value of letters of credit is determined by the inherent credit loss in such instruments.

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	**$ --**	**$1,427,125**	**$ --**	**$1,427,125**
AgriBank investments available-for-sale:				
Mortgage-backed securities	**--**	**5,686,573**	**70,438**	**5,757,011**
Commercial paper and other	**--**	**4,914,385**	**--**	**4,914,385**
U.S. Treasury securities	**--**	**2,815,257**	**--**	**2,815,257**
Asset-backed securities	**--**	**768,272**	**7,958**	**776,230**
Total investments available-for-sale	**--**	**14,184,487**	**78,396**	**14,262,883**
Cash collateral pledged to counterparties	**33,323**	**--**	**--**	**33,323**
Derivative assets	**--**	**777**	**--**	**777**
Total assets	**$33,323**	**$15,612,389**	**$78,396**	**$15,724,108**
Liabilities:				
Derivative liabilities	**$32**	**$52,002**	**$ --**	**$52,034**
Total liabilities	**$32**	**$52,002**	**$ --**	**$52,034**

(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. Agency securities	--	102,254	--	102,254
Affiliated Association investments available-for-sale:				
Mortgage-backed securities	--	20,997	--	20,997
Total investments available-for-sale	--	14,157,168	158,606	14,315,774
Cash collateral pledged to counterparties	22,018	--	--	22,018
Derivative assets	--	15,400	--	15,400
Total assets	$22,018	$15,509,348	$158,606	$15,689,972
Liabilities:				
Cash collateral pledged by counterparties	$7,280	$ --	$ --	$7,280
Derivative liabilities	--	44,562	--	44,562
Total liabilities	$7,280	$44,562	$ --	$51,842

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2013	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$911,644	$ --	$911,644
Investments available-for-sale:				
Mortgage-backed securities	--	4,085,508	208,801	4,294,309
Commercial paper and other	--	3,827,095	--	3,827,095
U.S. Treasury securities	--	2,623,614	--	2,623,614
Asset-backed securities	--	596,159	107,954	704,113
U.S. Agency securities	--	106,141	--	106,141
Total investments available-for-sale	--	11,238,517	316,755	11,555,272
Cash collateral pledged to counterparties	4,254	--	--	4,254
Derivative assets	--	74,706	--	74,706
Total assets	$4,254	$12,224,867	$316,755	$12,545,876
Liabilities:				
Cash collateral pledged by counterparties	$24,170	$ --	$ --	$24,170
Derivative liabilities	--	181	--	181
Standby letters of credit	--	--	2,951	2,951
Total liabilities	$24,170	$181	$2,951	$27,302

Fair Value Measurement Activity of Level 3 Instruments

(in thousands)	Investments Available-For-Sale			Standby letters of credit
	Mortgage-backed securities	Asset-backed securities	Total	
Balance at December 31, 2012	$240,500	$125,439	$365,939	$(3,750)
Total (losses) gains realized/unrealized:				
Included in earnings	(1,318)	(565)	(1,883)	799
Included in other comprehensive income	11,088	14,613	25,701	--
Settlements	(41,469)	(31,533)	(73,002)	--
Balance at December 31, 2013	$208,801	$107,954	$316,755	$(2,951)
Total gains realized/unrealized:				
Included in earnings	11,853	7,965	19,818	2,951
Included in other comprehensive income	(900)	10,325	9,425	--
Sales	(63,476)	(75,340)	(138,816)	--
Settlements	(31,388)	(17,188)	(48,576)	--
Balance at December 31, 2014	$124,890	$33,716	$158,606	$ --
Total gains (losses) realized/unrealized:				
Included in earnings	**2,141**	**(228)**	**1,913**	**--**
Included in other comprehensive income	**(2,265)**	**(729)**	**(2,994)**	**--**
Sales	**(34,547)**	**(16,113)**	**(50,660)**	**--**
Settlements	**(19,781)**	**(8,688)**	**(28,469)**	**--**
Balance at December 31, 2015	**$70,438**	**$7,958**	**$78,396**	**$ --**

There were no assets or liabilities transferred between levels during 2015, 2014 or 2013.

Non-Recurring Measurements

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

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

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value (market approach), which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. Level 2 inputs are based on independent appraisals and other market-based information. Level 3 inputs are significantly impacted based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Value**	**Losses**
Impaired Loans	**$ --**	**$34,441**	**$58,624**	**93,065**	**$(33,414)**
Other property owned	**--**	**--**	**13,573**	**13,573**	**(2,417)**

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2014	Level 1	Level 2	Level 3	Value	(Losses) Gains
Impaired Loans	$ --	$33,501	$52,925	$86,426	$(33,084)
Other property owned	--	--	23,175	23,175	11,766

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2013	Level 1	Level 2	Level 3	Value	Losses
Impaired Loans	$ --	$38,430	$96,165	$134,595	$(31,208)
Other property owned	--	--	34,714	34,714	(9,670)

Other Financial Instrument Measurements

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

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

Investments Held-to-Maturity: Investment securities held-to-maturity are valued using a discounted cash flow model either internally developed or provided by a third party.

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

Other Earning Assets: Other earning assets are valued using a discounted cash flow model based on the Farm Credit interest rate yield curve, prepayment rates, contractual investment information and credit classification. The final payments on these contracts were received in January 2014 and the affiliated Association holds no further interests in these assets.

Bonds and Notes: System-wide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System-wide debt securities and Treasury securities. The estimate includes an appropriate yield-spread taking into consideration selling group member (banks and

securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated Notes: The fair value of obligations held by AgriBank is based on an estimated fair value using credit spreads, market trends, interest rate risks and comparisons to similar institutions which AgriBank receives from an independent investment dealer. The fair value of obligations held by the affiliated Association is based on a discounted cash flow model based on the Farm Credit interest rate yield curve.

Reserve for Unfunded Loan Commitments: Estimating the fair value of the reserve for unfunded loan commitments is determined by the inherent credit loss in such instruments.

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

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

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

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

(in thousands) **As of December 31, 2015**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$596,730**	**$596,730**	**$ --**	**$ --**	**$596,730**
Investments held-to-maturity	**1,712,097**	**--**	**390,435**	**1,289,725**	**1,680,160**
Net non-impaired loans	**94,570,034**	**--**	**--**	**94,607,252**	**94,607,252**
Total assets	**$96,878,861**	**$596,730**	**$390,435**	**$95,896,977**	**$96,884,142**
Liabilities:					
Bonds and notes	**$93,404,251**	**$ --**	**$ --**	**$93,319,254**	**$93,319,254**
Subordinated notes	**597,775**	**--**	**--**	**713,785**	**713,785**
Reserve for unfunded loan commitments	**16,445**	**--**	**--**	**16,445**	**16,445**
Total liabilities	**$94,018,471**	**$ --**	**$ --**	**$94,049,484**	**$94,049,484**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**$(27,863)**	**$(27,863)**

(in thousands) As of December 31, 2014	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$831,269	$831,269	$ --	$ --	$831,269
Investments held-to-maturity	1,726,960	--	508,098	1,230,841	1,738,939
Net non-impaired loans	88,174,679	--	--	88,631,042	88,631,042
Total assets	$90,732,908	$831,269	$508,098	$89,861,883	$91,201,250
Liabilities:					
Bonds and notes	$88,552,711	$ --	$ --	$88,459,535	$88,459,535
Subordinated notes	597,268	--	--	736,073	736,073
Reserve for unfunded loan commitments	11,390	--	--	11,390	11,390
Total liabilities	$89,161,369	$ --	$ --	$89,206,998	$89,206,998
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(23,789)	$(23,789)

(in thousands) As of December 31, 2013	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$1,162,636	$1,162,636	$ --	$ --	$1,162,636
Investments held-to-maturity	1,968,260	--	617,845	1,334,039	1,951,884
Net non-impaired loans	82,423,875	--	--	81,947,665	81,947,665
Other earning assets	74,048	--	--	74,185	74,185
Total assets	$85,628,819	$1,162,636	$617,845	$83,355,889	$85,136,370
Liabilities:					
Bonds and notes	$81,855,249	$ --	$ --	$81,024,774	$81,024,774
Subordinated notes	596,794	--	--	743,648	743,648
Reserve for unfunded loan commitments	12,408	--	--	12,408	12,408
Total liabilities	$82,464,451	$ --	$ --	$81,780,830	$81,780,830
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(25,910)	$(25,910)

NOTE 15

Derivative and Hedging Activity

Use of Derivatives

AgriBank maintains 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. AgriBank's goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect net interest margin. As a result of interest rate fluctuations, hedged fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. AgriBank considers 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.

AgriBank primarily enters 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. AgriBank uses various derivative instruments as follows:

- Interest rate swaps allow AgriBank to change the characteristics of fixed or floating debt issued by swapping to a synthetic fixed or floating rate lower than those available if borrowings were made directly. Under interest rate swap arrangements, AgriBank agrees 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 AgriBank to manage the impact of changing interest rates on certain assets and liabilities.
- AgriBank also offers interest rate swaps to qualified borrowers of 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. AgriBank manages the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

AgriBank 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, 2012	$3,500.0	$1,076.0	$1,750.0	$100.0	$6,426.0
Additions	--	325.0	--	--	325.0
Maturities/amortization	(1,350.0)	(185.0)	(400.0)	(100.0)	(2,035.0)
Balance at December 31, 2013	$2,150.0	$1,216.0	$1,350.0	$ --	$4,716.0
Additions	550.0	60.0	--	40.0	650.0
Maturities/amortization	(1,150.0)	(41.0)	(200.0)	--	(1,391.0)
Balance at December 31, 2014	$1,550.0	$1,235.0	$1,150.0	$40.0	$3,975.0
Additions	**700.0**	**468.0**	**1,700.0**	**15.0**	**2,883.0**
Maturities/amortization	**(700.0)**	**(200.0)**	**(350.0)**	**--**	**(1,250.0)**
Forward starting becoming effective	**--**	**20.0**	**--**	**(20.0)**	**--**
Balance at December 31, 2015	**$1,550.0**	**$1,523.0**	**$2,500.0**	**$35.0**	**$5,608.0**

Other derivatives consisted of retail customer interest rate swaps, forward starting swaps, interest rate caps and swaptions.

Credit Risk Management

By using derivative products, AgriBank exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, AgriBank's credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes AgriBank, thus creating credit risk. When the fair value of the derivative contract is negative, AgriBank owes the counterparty and, therefore, AgriBank does not assume credit risk to that counterparty.

To minimize the risk of credit losses, for non-customer bilateral derivatives, AgriBank deals only with counterparties that have an investment-grade or better credit rating from a rating agency and AgriBank monitors the credit standing and levels of exposure to individual counterparties. At December 31, 2015 AgriBank does not anticipate nonperformance by any of these counterparties. AgriBank typically enters into master agreements that contain netting provisions. These provisions allow AgriBank 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 derivative contracts are supported by bilateral collateral agreements with counterparties requiring AgriBank or the counterparty to post collateral in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating.

AgriBank may also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP. Initial margin pledged to counterparties was $17.8 million, $8.0 million and $5.9 million as of December 31, 2015, 2014 and 2013, respectively. Variation margin pledged to counterparties was $14.3 million, $14.0 million and $1.6 million as of December 31, 2015, 2014 and 2013, respectively.

During 2015, 2014 and 2013, AgriBank cleared cash flow swaps with a notional value of $418 million, $80 million and $225 million, respectively, through a clearinghouse which are included in receive-fixed swaps and pay-fixed swaps in the table below.

Certain derivative instruments contain provisions that require AgriBank to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by existing derivative contracts, are downgrades in the credit rating of AgriBank or if AgriBank is no longer considered a Federally Chartered Instrumentality of the United States. The fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at December 31, 2015 was $51.1 million. In the event that AgriBank is downgraded, a tiered collateral posting would be activated which may require AgriBank to post collateral of up to $51.1 million.

AgriBank's derivative activities are monitored by its Asset-Liability Committee (ALCO) as part of the Committee's oversight of AgriBank's asset/liability and treasury functions. The hedging strategies that are developed within limits established by AgriBank's Board of Directors through analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into overall interest rate risk-management strategies.

One affiliated Association is party to derivative financial instruments called TBAs to manage exposure to interest rate risk and changes in the fair value of forward loans held for sale and the interest rate lock commitments that are determined prior to funding. TBAs are measured in terms of notional amounts. The notional amount is not exchanged and is used as a basis on which interest payments are determined. Margin pledged to counterparties was $1.3 million and $650 thousand as of December 31, 2015 and 2014. No margin was pledged to or from counterparties as of December 31, 2013.

Accounting for Derivatives

Fair-Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. AgriBank includes the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Gains and losses on derivatives representing hedge components excluded from the assessment of effectiveness are

recorded in current period earnings in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income.

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

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

Financial Statement Impact of Derivatives

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

	2015		2014		2013	
(in thousands)	**Fair Value**	**Fair Value**	Fair Value	Fair Value	Fair Value	Fair Value
As of December 31,	**Assets**	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments:						
Receive-fixed swaps	**$13,480**	**$649**	$35,460	$77	$74,360	$ --
Pay-fixed and amortizing pay-fixed swaps	**3,380**	**64,587**	4,102	63,787	42,091	34,744
Floating-for-floating and amortizing floating-for-floating swaps	**151**	**3,368**	--	5,114	--	7,049
Total derivatives designated as hedging instruments	**17,011**	**68,604**	39,562	68,978	116,451	41,793
Derivatives not designated as hedging instruments:						
Receive-fixed swaps	**--**	**--**	--	93	--	24
Pay-fixed and amortizing pay-fixed swaps	**40**	**305**	--	--	--	--
Other derivative products	**562**	**32**	265	--	18	--
Total derivatives not designated as hedging instruments	**602**	**337**	265	93	18	24
Credit valuation adjustments	**71**	**--**	82	--	(127)	--
Total gross amounts of derivatives	**$17,684**	**$68,941**	$39,909	$69,071	$116,342	$41,817
Gross amounts offset in Combined Statements of Condition	**(16,907)**	**(16,907)**	(24,509)	(24,509)	(41,636)	(41,636)
Net amounts in Combined Statements of Condition	**$777**	**$52,034**	$15,400	$44,562	$74,706	$181

(in thousands)			
As of December 31,	**2015**	2014	2013
Derivative assets, net	**$777**	$15,400	$74,706
Derivative liabilities, net	**(52,034)**	(44,562)	(181)
Accrued interest on derivatives, net	**2,426**	285	4,911
Gross amounts not offset in Combined Statements of Condition:			
Cash collateral pledged by counterparties	**--**	(7,280)	(24,170)
Cash collateral pledged to counterparties	**33,323**	22,018	4,254
Securities posted as collateral from counterparties	**--**	--	(12,356)
Net exposure amounts	**$(15,508)**	$(14,139)	$47,164

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which AgriBank has exposure, net of any collateral posted by the counterparty, and an adjustment for AgriBank's credit worthiness where the counterparty has exposure to

AgriBank. The favorable CVA in 2015 and 2014 is due to counterparties' exposure to AgriBank. The change in the CVA for the period is included in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income.

Fair-Value Hedges: AgriBank recorded gains of $169 thousand, $139 thousand, and $15 thousand in 2015, 2014 and 2013, respectively, related to swaps which are designated as fair value hedging instruments on the Combined Statements of Comprehensive Income. The gains and losses on the derivative instruments are recognized in "Interest expense" on the Combined Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of other comprehensive income (OCI) recognized on derivatives, the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges and amounts excluded from effectiveness testing. During the next 12 months, no net losses in AOCI on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

(in thousands) **For the year ended December 31, 2015** **Cash Flow Hedging Relationships**	**Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Gain 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	**$(1,512)**	**$(27)**	**$2**
Floating-for-floating and amortizing floating-for-floating swaps	**1,991**	**--**	**(20)**
Other derivative products	**(105)**	**(36)**	**167**
Total	**$374**	**$(63)**	**$149**

(in thousands) For the year ended December 31, 2014 Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss (Gain) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$(66,946)	$515	$6
Floating-for-floating and amortizing floating-for-floating swaps	1,841	--	--
Other derivative products	--	(296)	--
Total	$(65,105)	$219	$6

(in thousands) For the period ended December 31, 2013 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss (Gain) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$93,526	$489	$20
Floating-for-floating and amortizing floating-for-floating swaps	4,421	--	--
Other derivative products	--	(296)	--
Total	$97,947	$193	$20

Derivatives not Designated as Hedges: During 2015, AgriBank and one affiliated Association recorded $880 thousand of net losses related to swaps and other derivative products, which are not designated as hedging instruments on the Combined Statements of Comprehensive Income. This was compared to $628 thousand of net losses for 2014 and $102 thousand of net gains for 2013. The gains and losses on the derivatives instruments are recognized in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income.

NOTE 16

Accumulated Other Comprehensive Income

Changes in Components of Accumulated Other Comprehensive Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2012	$14,046	$18,919	$(97,291)	$(518,998)	$(583,324)
Other comprehensive (loss) income before reclassifications	(15,648)	(10,193)	97,947	153,591	225,697
Amounts reclassified from accumulated other comprehensive income	357	1,526	(193)	41,387	43,077
Net other comprehensive (loss) income	(15,291)	(8,667)	97,754	194,978	268,774
Balance at December 31, 2013	$(1,245)	$10,252	$463	$(324,020)	$(314,550)
Other comprehensive income (loss) before reclassifications	4,257	26,432	(65,105)	(207,811)	(242,227)
Amounts reclassified from accumulated other comprehensive income	1,675	(21,493)	(219)	27,109	7,072
Net other comprehensive income (loss)	5,932	4,939	(65,324)	(180,702)	(235,155)
Balance at December 31, 2014	$4,687	$15,191	$(64,861)	$(504,722)	$(549,705)
Other comprehensive (loss) income before reclassifications	**(37,665)**	**(386)**	**374**	**(68,546)**	**(106,223)**
Amounts reclassified from accumulated other comprehensive income	**1,976**	**(4,244)**	**63**	**42,034**	**39,829**
Net other comprehensive (loss) income	**(35,689)**	**(4,630)**	**437**	**(26,512)**	**(66,394)**
Balance at December 31, 2015	**$(31,002)**	**$10,561**	**$(64,424)**	**$(531,234)**	**$(616,099)**

Reclassifications Out of Accumulated Other Comprehensive Income

(in thousands) Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income			Affected Line Item in the Combined Statements of Comprehensive Income
For the year ended December 31,	**2015**	2014	2013	
Not-other-than-temporarily-impaired investments:				
Impairment losses	**$73**	$ --	$357	Net impairment losses recognized in earnings
Realized loss on sale of investment securities	**1,903**	1,675	--	Miscellaneous income and other gains, net
	1,976	1,675	357	
Other-than-temporarily-impaired investments:				
Impairment losses	**620**	150	1,526	Net impairment losses recognized in earnings
Realized gain on sale of investment securities	**(4,864)**	(21,643)	--	Miscellaneous income and other gains, net
	(4,244)	(21,493)	1,526	
Derivatives and hedging activity:				
Interest rate contracts	**63**	(219)	(193)	Interest expense
Employee benefit plans activity:				
Prior service cost	**(1,725)**	(1,987)	(1,895)	Salaries and employee benefits
Actuarial loss	**43,759**	29,096	43,282	Salaries and employee benefits
	42,034	27,109	41,387	
Total reclassifications	**$39,829**	$7,072	$43,077	

NOTE 17

AgriBank Only Financial Data

(in thousands) As of December 31,	2015	2014	2013
Loans	**$82,819,652**	$77,546,155	$73,677,222
Allowance for loan losses	**18,076**	12,520	10,100
Net loans	**82,801,576**	77,533,635	73,667,122
Cash, federal funds and investment securities	**16,223,719**	16,412,505	13,541,108
Accrued interest receivable	**381,104**	350,211	344,135
Other assets	**100,435**	96,100	137,298
Total assets	**$99,506,834**	$94,392,451	$87,689,663
Bonds and notes	**$93,404,251**	88,552,711	$81,855,249
Subordinated notes	**498,283**	497,899	497,547
Other liabilities	**430,184**	425,796	415,549
Total liabilities	**94,332,718**	89,476,406	82,768,345
Capital stock and participation certificates	**2,313,343**	2,194,292	2,359,843
Surplus	**2,945,638**	2,766,819	2,552,006
Accumulated other comprehensive loss	**(84,865)**	(45,066)	9,469
Total shareholders' equity	**5,174,116**	4,916,045	4,921,318
Total liabilities and shareholders' equity	**$99,506,834**	$94,392,451	$87,689,663

For the year ended December 31,	2015	2014	2013
Interest income	**$1,508,138**	$1,405,289	$1,342,748
Interest expense	**988,136**	880,256	818,907
Net interest income	**520,002**	525,033	523,841
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)
Net interest income after provision (reversal of) for loan losses	**512,502**	521,533	527,841
Net other expense (income)	**32,529**	(48,115)	(35,745)
Net income	**$479,973**	$569,648	$563,586

The decrease in shareholders' equity in 2014 was primarily due to the first quarter amendment to AgriBank's capital plan, which reduced the base required stock investment for all affiliated Associations and other financing institutions from 2.50 percent to 2.25 percent, as well as patronage during the year. These reductions were partially offset by net income in 2014.

Payment of patronage and/or dividends is allowed under AgriBank bylaws if the distribution is in accordance with applicable laws and regulations, including FCA regulations. AgriBank's patronage distributions totaled $284.0 million, $337.6 million and $335.1 million for 2015, 2014 and 2013, respectively. Substantially all patronage is paid to the affiliated Associations and is eliminated in combination. Preferred stock dividend distributions totaled $17.2 million, $17.2 million and $2.7 million in 2015, 2014 and 2013, respectively.

NOTE 18

Condensed Average Daily Statements of Condition (Unaudited)

Condensed Statement of Condition on an Average Daily Balance Basis

(in thousands)

As of December 31,	2015	2014	2013
Net loans	**$89,108,705**	$83,369,254	$77,754,757
Cash, federal funds, investment securities and other earning assets	**17,746,220**	16,437,872	15,102,091
Accrued interest receivable	**961,948**	899,141	853,891
Other assets	**1,235,862**	1,213,631	1,237,557
Total assets	**$109,052,735**	$101,919,898	$94,948,296
Bonds and notes	**$88,385,974**	$82,809,484	$77,750,413
Subordinated notes	**597,476**	596,981	596,522
Other liabilities	**1,500,653**	1,164,269	1,262,941
Total liabilities	**90,484,103**	84,570,734	79,609,876
Shareholders' equity	**18,568,632**	17,349,164	15,338,420
Total liabilities and shareholders' equity	**$109,052,735**	$101,919,898	$94,948,296

NOTE 19

Quarterly Financial Information (Unaudited)

Select Quarterly Financial Information

(in thousands)

2015	First	Second	Third	Fourth	Total
Interest income	**$896,689**	**$907,210**	**$939,077**	**$948,999**	**$3,691,975**
Interest expense	**236,940**	**243,639**	**253,134**	**263,401**	**997,114**
Net interest income	**659,749**	**663,571**	**685,943**	**685,598**	**2,694,861**
Provision for credit losses	**10,204**	**16,756**	**30,665**	**14,269**	**71,894**
Net other expenses	**219,901**	**221,483**	**190,518**	**158,662**	**790,564**
Net income	**$429,644**	**$425,332**	**$464,760**	**$512,667**	**$1,832,403**

2014	First	Second	Third	Fourth	Total
Interest income	$855,288	$868,565	$887,827	$908,368	$3,520,048
Interest expense	216,957	218,071	224,314	229,913	889,255
Net interest income	638,331	650,494	663,513	678,455	2,630,793
(Reversal of) provision for credit losses	(5,969)	17,500	4,384	9,484	25,399
Net other expenses	208,474	195,010	149,241	164,279	717,004
Net income	$435,826	$437,984	$509,888	$504,692	$1,888,390

2013	First	Second	Third	Fourth	Total
Interest income	$814,301	$818,052	$845,824	$861,990	$3,340,167
Interest expense	207,499	200,324	206,209	213,848	827,880
Net interest income	606,802	617,728	639,615	648,142	2,512,287
Provision for (reversal of) credit losses	1,822	(4,922)	(9,614)	(15,823)	(28,537)
Net other expenses	177,034	200,242	149,383	183,775	710,434
Net income	$427,946	$422,408	$499,846	$480,190	$1,830,390

NOTE 20

Subsequent Events

Subsequent events have been evaluated through March 14, 2016, which is the date the Combined Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in the 2015 Combined Financial Statements or disclosure in the Notes to those Combined Financial Statements.

Additional Regulatory Information

AgriBank, FCB and affiliated Associations
(Unaudited)

Various disclosures required by regulations 620.03, 620.05 and 620.06 are included in the individual Institution reports. Refer to the individual affiliated Associations and AgriBank 2015 annual reports for information required by these regulations. Each Institution's quarterly and annual reports are available free of charge and upon request to the respective addresses, phone numbers or websites listed at the back of this report.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report and there is agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid in the District during 2015 were $1.5 million. Additionally, $50 thousand was paid related to agreed upon procedures at an affiliated Association related to the AgDirect program and was approved by the affiliated Association's Audit Committee. Lastly, $4 thousand for accounting research software and $1 thousand was paid related for employee training sponsored by the external auditor, which occurred in the normal course of business. There were no other audit, tax or non-audit related services paid in 2015.

Analysis of fees paid to the independent auditor revealed inadvertent omissions of certain fees. The following disclosures are intended to revise information disclosed in previously issued Annual Reports as requested by the Farm Credit Administration. The total financial statement audit fees paid in the District during 2014 were $1.6 million. Also in 2014, $4 thousand for accounting research software and $1 thousand was paid related to employee training sponsored by the external auditor, which occurred in the normal course of business. There were no other audit, tax or non-audit related services paid in 2014.

The total financial statement audit fees paid in the District during 2013 were $1.5 million. There were $3 thousand related to the approval of AgriBank's issuance of preferred stock, which were pre-approved by AgriBank's Audit Committee. In addition, $240 thousand and $142 thousand of fees were paid, respectively, related to the issuance of comfort letters for the AgriBank and an affiliated Association preferred stock offerings. Also in 2013, $4 thousand for accounting research software which occurred in the normal course of business. There were no other audit, tax or non-audit related services paid in 2013.

Young, Beginning and Small Farmers and Ranchers

(Unaudited)

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

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

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

Young and Beginning Farmers and Ranchers Served by AgriBank District

(outstanding volume in thousands) **As of December 31, 2015**	**Actual Number of Loans**	**Volume**
Total District loans and commitments	**679,474**	**$112,994,787**
Loans and commitments to young farmers and ranchers	**129,189**	**$15,879,407**
% of loans and commitments to young farmers and ranchers	**19.0%**	**14.1%**
Loans and commitments to beginning farmers and ranchers	**170,814**	**$20,717,962**
% of loans and commitments to beginning farmers and ranchers	**25.1%**	**18.3%**

New Loans Made to Young and Beginning Farmers and Ranchers Served by AgriBank District

(volume in thousands) **For the year ended December 31, 2015**	**Actual Number of New Loans**	**Volume**
Total District new loans and commitments	**257,415**	**$39,827,792**
New loans and commitments to young farmers and ranchers	**44,026**	**$5,596,756**
% of new loans and commitments to young farmers and ranchers	**17.10%**	**14.05%**
New loans and commitments to beginning farmers and ranchers	**52,664**	**$6,443,131**
% of new loans and commitments to beginning farmers and ranchers	**20.5%**	**16.2%**

Small Farmers and Ranchers Served by AgriBank District

(outstanding volume in thousands) **As of December 31, 2015**	**Loan Size** **$50 thousand or less**	**$50 to $100 thousand**	**$100 to 250 thousand**	**Over $250 thousand**	**Total**
Total District number of loans and commitments	**367,124**	**106,645**	**120,002**	**85,703**	**679,474**
Number of loans and commitments to small farmers and ranchers	**189,365**	**55,700**	**54,627**	**18,272**	**317,964**
% of loans and commitments to small farmers and ranchers	**51.6%**	**52.2%**	**45.5%**	**21.3%**	**46.8%**
Total District loans and commitments	**$6,463,066**	**$7,848,452**	**$19,202,173**	**$79,481,096**	**$112,994,787**
Loans and commitments to small farmers and ranchers	**$3,287,561**	**$4,068,692**	**$8,455,083**	**$8,149,321**	**$23,960,657**
% of loan and commitment volume to small farmers and ranchers	**50.9%**	**51.8%**	**44.0%**	**10.3%**	**21.2%**

New Loans Made to Small Farmers and Ranchers Served by AgriBank District

(volume in thousands) **For the year ended December 31, 2015**	**Loan Size** **$50 thousand or less**	**$50 to $100 thousand**	**$100 to 250 thousand**	**Over $250 thousand**	**Total**
Total District number of new loans and commitments	**157,509**	**31,558**	**34,780**	**33,568**	**257,415**
Number of new loans and commitments to small farmers and ranchers	**72,618**	**14,295**	**11,314**	**4,215**	**102,442**
% of new loans and commitments to small farmers and ranchers	**46.1%**	**45.3%**	**32.5%**	**12.6%**	**39.8%**
Total District new loans and commitments	**$2,477,311**	**$2,372,508**	**$5,750,762**	**$29,227,211**	**$39,827,792**
Total new loans and commitments to small farmers and ranchers	**$1,119,356**	**$1,056,948**	**$1,780,912**	**$1,988,903**	**$5,946,119**
% of loans and commitments to small farmers and ranchers	**45.2%**	**44.5%**	**31.0%**	**6.8%**	**14.9%**

Risk Factors

AgriBank, FCB and affiliated Associations

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

AgriBank, FCB (AgriBank) and the other Banks in the Farm Credit System (the System) are liable for the debt of the System.

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

The Insurance Fund is available from the FCSIC to ensure the timely payment by each Bank of its primary obligations on the System-wide Debt Securities, and can also be used by the FCSIC for its operating expenses and for other mandatory and permissive purposes. Under the Farm Credit Act, before joint and several liability can be invoked, available amounts in the Insurance Fund would be utilized to make the payment on such obligations. There is no assurance, however, that the Insurance Fund will have sufficient resources to fund a Bank's defaulted payment of principal and interest on its portion of the System-wide Debt Securities. If the Insurance Fund is insufficient, then the non-defaulting Banks must pay the default amount in proportion to their respective available collateral positions. "Available collateral" is collateral in excess of the aggregate of each Bank's "collateralized" obligations and is approximately equal to AgriBank's capital. The FCSIC does not insure any payments on the Series A Preferred Stock or any class of our common stock, preferred stock or subordinated debt.

To the extent AgriBank must fund its allocated portion of another Bank's portion of the System-wide Debt Securities as a result of its default on those securities, its earnings and capital would be reduced, possibly materially.

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

These rules and regulations for the AgriBank and affiliated Associations currently include requirements to maintain regulatory capital at or above minimum levels for permanent capital ratio, total surplus ratio and core surplus ratio. AgriBank is also required to maintain a net collateral ratio at or above minimum levels. Although AgriBank and affiliated Associations currently meets these standards, if AgriBank and affiliated Associations were to fall below the prescribed standards, they would be precluded under the Farm Credit Act and FCA Regulations from paying patronage refunds or distributions or dividends on its preferred stock, including shares of Series A perpetual Preferred Stock. The FCA has broad discretionary authority to bring enforcement actions whenever AgriBank and affiliated Associations fall below these prescribed standards or when the FCA otherwise determines that the District's capital is insufficient, including, without limitation, the power to issue a capital directive or a cease and desist order.

AgriBank and affiliated Associations are subject to the supervision of, and regulation by, the FCA, including with respect to complying with certain capital requirements. The FCA periodically updates and revises these requirements, including to take into account new capital requirements adopted by the U.S. banking regulators. In this regard, the U.S. banking regulators have adopted new capital requirements imposed under the Basel Accord (Basel III) for U.S. banks. The FCA has initiated proposed rulemaking to revise its capital requirements so that they are consistent with Basel III, to the extent appropriate for the cooperative structure of the System. Compliance with these new capital requirements, if adopted, may limit the System's operations that require the intensive use of capital and could adversely affect its ability to expand or maintain present business levels.

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

Factors which could have an adverse effect on the System's ability to issue System-wide Debt Securities at favorable rates and terms.
The System's government-sponsored enterprise (GSE) status has been an important factor in its ability to continually access the debt capital markets. In addition, the System's funding costs historically have been below that of similar non-GSEs. However, as a direct result of the financial difficulties experienced by the housing related GSEs, with both Federal National Mortgage Association (Fannie Mae) and Federal Home

Loan Mortgage Company (Freddie Mac) having been placed into conservatorship by the U.S. government, housing related GSE status reform has been and will continue to be a topic of debate by Congress and the U.S. Administration. While the status and reform debate has not to date specifically related to the System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decision made as Congress addresses these and other GSEs. Any change in the System's status as a GSE or the general perception by investors of GSE status could have a significant adverse impact on the System's ability to issue debt at favorable rates and terms.

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

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

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

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

Factors that can influence AgriBank's and affiliated Associations' credit risk exposure include, but are not limited to:

- A general slowdown in the global economy and the relationship of demand for, and supply of, U.S. agricultural commodities in a global marketplace
- Political or regulatory changes that disrupt or modify an established market
- Major international events, including a downturn in the world economy, military or other armed conflicts, political disruptions, civil unrest or trade agreements, which can affect, among other things, the price of commodities or products used or sold by the District's borrowers or their access to markets

- Changes in financial and credit markets, which could affect our ability to buy and sell loan exposures or issue debt
- Fluctuations in prices of agricultural commodities
- Weakness in the U.S. financial, housing and mortgage markets that may impact the carrying value of certain of our mortgage-related investment securities and the ability of the District's derivative counterparties to perform under the terms of their contracts
- Changes in the general U.S. economy that may impact the availability of off-farm sources of income and prices of real estate
- Changes in farmland values
- Extreme adverse seasonal or weather conditions (such as drought) or market-related risks that significantly affect agricultural production and commodity prices
- The deteriorating credit quality or bankruptcy of market participants
- Changes in technology, regulations or shifts in demographics
- Changes in production expenses (such as feed, fuel and fertilizer)
- An outbreak of a widespread disease in human or livestock/poultry populations
- Federal subsidies for agriculture that may be reduced or eliminated, including the federal crop insurance program
- Development of alternative uses and market for agricultural commodities, or the cessation thereof, including ethanol and other biofuel production
- Environmental conditions or laws impacting the District's lending activities

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

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

The District funds real estate mortgage loans and purchases mortgage-backed and asset-backed securities that are impacted by interest rates. Changes in interest rates can significantly impact the

prepayment patterns of these assets and thus affect its earnings. AgriBank strives to manage or reduce this risk by "match-funding" debt securities issued to the maturities of its loans and investments and entering into interest-rate derivative transactions, and through the rebalancing of cash-flow mismatches of assets and liabilities. AgriBank's inability to "match-fund" debt securities to longer-term assets may increase the prepayment risks.

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

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

AgriBank and affiliated Associations are exposed to risks associated with the agricultural industry and commodity prices.
AgriBank and affiliated Associations are chartered to make loans as provided in the Farm Credit Act. Due to these statutory provisions, there is a significant concentration of lending to agricultural concerns in the District. Earnings, loan growth and the credit quality the District's lending portfolio can be impacted significantly by the general state of the agricultural economy. In general, the overall U.S. farm economy has experienced a sustained period of favorable conditions that has benefitted from generally strong demand for U.S. agricultural products. The District's financial results have been favorably impacted during this period of time. However, production agriculture remains a cyclical business that is heavily influenced by the demand for U.S. agricultural products and by commodity prices. Regional agricultural economies within the District's territory can be impacted by weather, domestic and international demand for food and other agricultural products and other factors. Extreme seasonal conditions can substantially impact grain harvests and commodity prices and, ultimately, impact the credit quality of

agricultural borrowers. In addition, declining land values are a potential lending risk following periods of sustained, rapid land value increases.

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

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

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

The District may lend only to qualified borrowers in the agricultural and rural sectors and certain related entities and are subject to geographic lending restrictions.

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

AgriBank is exposed to risks associated with its investments.

AgriBank maintains a liquidity plan covering certain contingencies in the event AgriBank's access to normal funding mechanisms is not available. AgriBank purchases only high credit quality investments to

best position its investment portfolio to be readily marketable and available to serve as a source of funding in the event of disruption of AgriBank's normal funding mechanisms. AgriBank's liquidity investment portfolio can also be used as collateral to borrow funds to meet obligations.

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

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

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

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

AgriBank and affiliated Associations face intense competition from competitors, many of whom are substantially larger and have more capital and other resources than AgriBank and affiliated Associations.
AgriBank and affiliated Associations face intense competition, primarily from mortgage banking companies, commercial banks, thrift institutions, insurance companies and finance companies. Many of these competitors in the financial services business are substantially larger and have more capital and other resources than AgriBank or the affiliated Associations. AgriBank's and affiliated Associations' future results may become increasingly sensitive to fluctuations in the volume and cost of their retail lending activities resulting from competition from other lenders and purchasers of loans. There can be

no assurance that AgriBank and affiliated Associations will be able to continue to compete successfully in the markets served.

AgriBank's and affiliated Associations' ability to attract and retain qualified employees is critical to successfully fulfilling the District's mission.
The District's continued success will largely depend on the ability to attract and retain a high caliber of talent and on the efforts and abilities of executive officers and certain other key employees. This is especially crucial as a potential agricultural credit or broader economic decline approaches. The District's business performance and ability to fulfill our mission could be adversely affected if, for any reason, such officers or key employees did not remain with AgriBank or affiliated Associations.

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

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

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

AgriBank and Affiliated Associations as of January 1, 2015

1st Farm Credit Services, ACA
2000 Jacobssen Drive
Normal, IL 61761
(309) 268-0100
www.1stfarmcredit.com

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

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

AgStar Financial Services, ACA
1921 Premier Drive
Mankato, MN 56001
(507) 387-4174
www.agstar.com

Badgerland Financial, ACA
1430 North Ridge Drive
Prairie du Sac, WI 53578
(800) 356-2197
www.badgerlandfinancial.com

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

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

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

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

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

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

Farm Credit Services of North Dakota, ACA
3100 10th St. S.W.
Minot, ND 58702-0070
(701) 852-1265
www.farmcreditnd.com

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

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101-3881
(573)-635-7956
www.myfcsfinancial.com

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

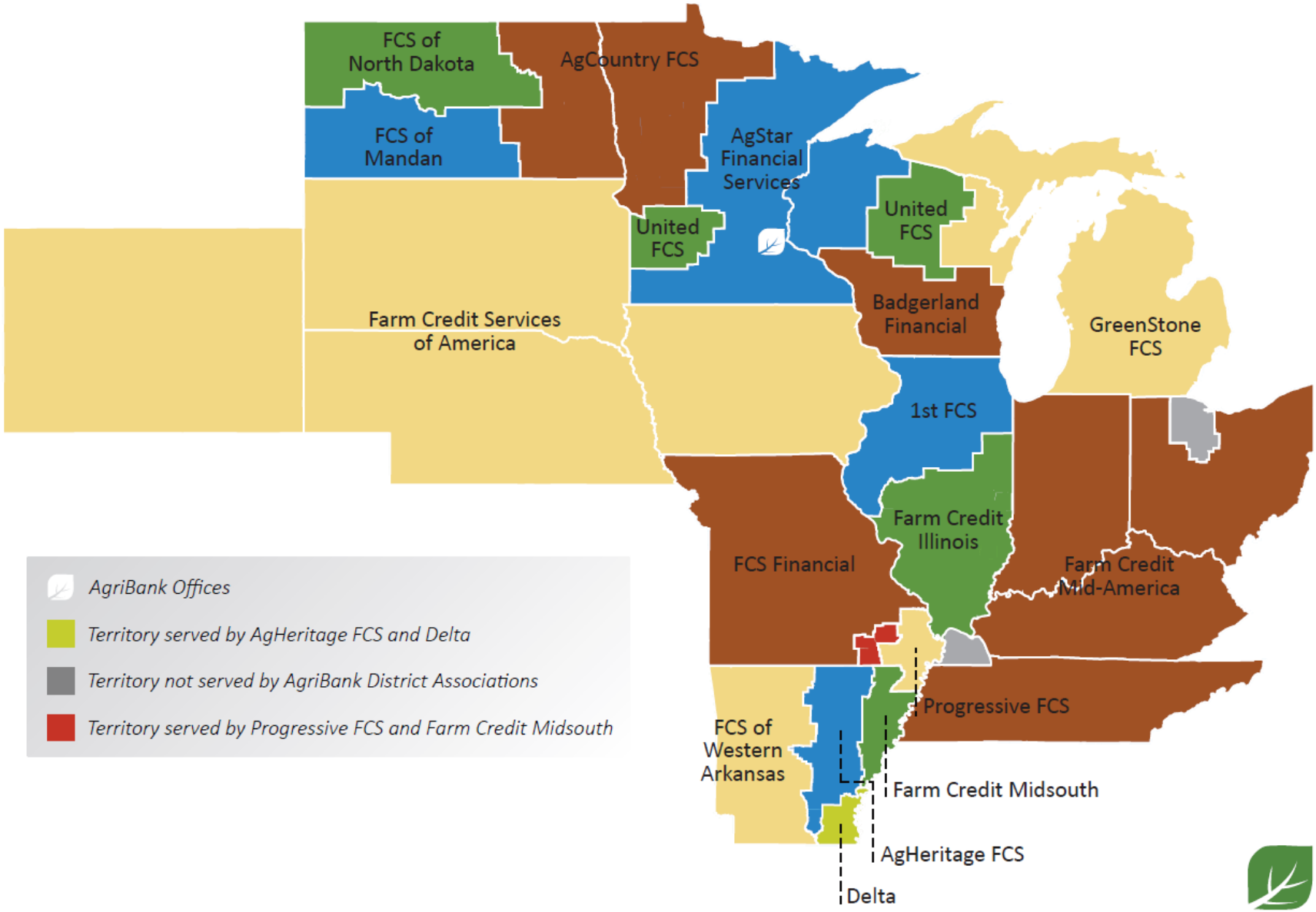
Progressive Farm Credit Services, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.progressivefcs.com

United FCS, ACA
4401 Highway 71 S.
Willmar, MN 56201-1330
(320) 235-1912
www.unitedfcs.com

AgriBank, FCB
30 East 7th Street
St. Paul, MN 55101-4914
(651) 282-8800
www.agribank.com

AgriBank

Map of Associations in the AgriBank District



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FARM CREDIT BANK

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