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Supporting Farm Credit Associations that serve rural communities and agriculture.

AGRIBANK DISTRICT 2017 QUARTERLY REPORT
SEPTEMBER 30, 2017
AGRIBANK, FCB AND DISTRICT ASSOCIATIONS

AgriBank
FARM CREDIT BANK

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Management's Discussion and Analysis

AgriBank, FCB and District Associations

(Unaudited)

The following commentary is a review of the combined financial condition and results of operations of AgriBank, FCB (AgriBank) and District Associations which are part of the Farm Credit System (the System). This information should be read in conjunction with the accompanying Combined Financial Statements, the Notes to the Combined Financial Statements and the 2016 Annual Report.

AgriBank is a funding Bank that supports and is primarily owned by 14 Farm Credit Associations. The District has over $120 billion in assets. The District Associations are chartered to serve customers in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. In this position, with its prime location in America's agricultural heartland and 100 years of experience, AgriBank and District Associations are respected partners for rural America based on our collective expertise in providing financial products and services for rural communities and agriculture.

During 2017 the AgriBank board directed an initiative to evaluate the current AgriBank business structure and determine necessary changes to achieve an effective funding bank model in light of recent merger activity in the District, change in the model for delivery of business services and ongoing strategic planning. A one-time workforce reduction plan was implemented at the Bank as part of this initiative that will reach completion by the end of 2017. The plan was announced October 16, 2017, and resulted in the elimination of ten positions at the Bank including the Executive Vice President, Banking and Finance and the Senior Vice President, Human Resources. The responsibilities under these senior officer roles were reassigned or eliminated under the broader restructure.

During 2016, District Associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by AgriBank. A separate service entity allows AgriBank and District Associations to develop and maintain long-term, cost-effective technology and business services. The service entity would be owned by AgriBank and certain District Associations and named SunStream Business Services (SunStream). An application to form the service entity was submitted in May 2017 to the FCA for approval. The SunStream interim board named Steve Jensen as President, effective November 13, 2017. Mr. Jensen's experience as a leader in technology gained through a variety of roles throughout his career will serve SunStream well as it delivers unmatched business services to the Farm Credit System.

Effective July 1, 2017 two District Associations, AgCountry Farm Credit Services, ACA and United FCS, ACA, merged under the name AgCountry Farm Credit Services, ACA (AgCountry) and is headquartered in Fargo, N.D.

Effective July 1, 2017, three District Associations, 1st Farm Credit Services, ACA, AgStar Financial Services, ACA, and Badgerland Financial, ACA, merged under the name Compeer Financial (Compeer) and is headquartered in Sun Prairie, Wis.

Forward-Looking Information

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in the District's 2016 Annual Report. AgriBank and District Associations undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Overview

Net interest income from core lending activities increased across the District for the nine months ended September 30, 2017 resulting in net income of $1.4 billion, an increase of $33.3 million, or 2.5 percent from results achieved over the same period one year ago. Refer to the Results of Operations section for further discussion.

Loan portfolio credit quality remains sound despite a decline during the first three quarters of 2017 and robust capital levels ensure AgriBank and District Associations are well positioned to manage the cyclicality that is characteristic of the agricultural market. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment
U.S. economic activity is expected to continue advancing at a moderate pace as consumer spending remains resilient and investment spending rebounds from its negative growth rate in 2016. For 2017, the U.S. economy is forecasted to grow at 2.2 percent due to the continued growth in consumer spending as a result of labor market improvements. While remaining strong, the U.S. dollar has slightly weakened in the first three quarters of 2017, which has added to demand for U.S. exports.

The Federal Open Market Committee (FOMC) of the Federal Reserve has started the process of normalizing the level of interest rates and will begin winding down its balance sheet in October 2017. After the 25 basis point (bps) rate increase in June 2017, the target range for the federal funds rate stands at 1.00 to 1.25 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 25 bps in 2017 to a target range of 1.25 to 1.50 percent. The U.S. Treasury yield curve has flattened in 2017 due to the Federal Reserve's increases to short term rates and due to a decline in inflation expectations, which has pushed long term rates lower. Economists expect U.S. Treasury rates to move slightly higher by the end of 2017 with the 2-year and 10-year rates approaching 1.60 and 2.40 percent respectively.

AgriBank manages interest rate risk consistent with policies established by the Board of Directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section of the 2016 Annual Report). While many factors can impact our net interest income, management expects 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) projects net farm income for 2017 to increase $1.9 billion, or 3.1 percent, to $63.4 billion for 2017, from the final 2016 estimate of $61.5 billion. However, projected net farm income for 2017 is down as compared to the last 5 year average of 2012 through 2016 of $91.1 billion. The increase in net farm income in 2017, as compared to 2016, is primarily driven by an increase in cash receipts from livestock and livestock products. Most of this increase is expected to come from higher cash receipts across most sectors, but are expected to be partially offset by decreased value of inventories and increased operating costs.

Aggregate farm equity is forecasted to increase in 2017 due to an increase in aggregate farm asset values, while substantially smaller increases are projected for aggregate farm debt. The increase in farm asset values primarily relates to increased valuations on farm real estate and buildings. Increases are also forecasted for the value of livestock and livestock production, as well as increases in financial assets. These increases are partially offset by a decrease in the value of crop inventories. The increase in total farm debt is primarily related to increases in real estate debt.

An improving outlook for the U.S. economy is expected to support domestic demand for most agricultural commodities in 2017 and forward. The primary area of risk will remain the export side of the demand equation, with a strong dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the U.S. are projected to end 2017 with a high level of supply due to ending stocks building following a strong harvest. Wheat is likely in the weakest position from a supply-demand perspective, significantly impacted by supply abroad. In addition to cash crops, pork, broilers and dairy are most heavily dependent upon exports and the most susceptible to foreign trade related disruptions in 2017. Low feed costs should continue to support livestock and dairy margins. A full year of much lower feeder cattle prices should support margins in the cattle feedlot sector.

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

Updated Industry Conditions

The following are industry conditions for which we have updated our outlook since December 31, 2016. For further analysis of industry conditions which have not experienced a change in outlook since December 31, 2016, refer to the Agricultural Conditions section of Management's Discussion and Analysis of the 2016 Annual Report.

<u>Cattle feedlots</u>
Credit quality in the AgriBank District's beef feedlot portfolio experienced deterioration during the first half of 2017 with the receipt of 2016 financial information. Profitable margin opportunities in the first half of 2017 have since eroded with high priced replacements and a declining value of live cattle. As such, we have downgraded our outlook on the cattle feedlot industry from neutral to neutral-to-negative.

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

Land Values
The AgriBank District continues to monitor agricultural land values. AgriBank conducts an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The District's most recent real estate market value survey based on the twelve-month period ending June 30, 2017 indicated that the District real estate value changes ranged from a negative 5.8 percent to positive 7.9 percent. Land value increases continue to be most common in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, modest declines in values were concentrated primarily in areas of corn, soybean and wheat production.

The Federal Reserve Banks of Chicago and St. Louis, as of the end of the second quarter 2017, reported a small overall change in value from the second quarter of 2016. The Kansas City Federal Reserve reported the largest decrease with respondents reporting a negative 7 percent for irrigated cropland values and a negative 5 percent for cropland values, citing low commodity prices and weaker credit conditions.

The USDA 2017 land value survey, based primarily on agricultural producer opinions, indicated a 0.7 percent increase in farmland values and stable cropland values in the AgriBank District.

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

Loan Portfolio

Components of Loans

(in thousands)	**September 30, 2017**	December 31, 2016
Accrual loans:		
Real estate mortgage	**$56,492,584**	$55,776,558
Production and intermediate-term	**25,323,158**	25,418,995
Agribusiness	**10,930,977**	10,162,217
Rural residential real estate	**2,717,632**	2,760,906
Other	**4,440,790**	4,272,355
Nonaccrual loans	**786,756**	678,208
Total loans	**100,691,897**	$99,069,239

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

District loans totaled $100.7 billion at September 30, 2017, a $1.6 billion, or 1.6 percent, increase from December 31, 2016. Total loans increased primarily due to increases in multi-lender credits in the Agribusiness sector and real estate mortgage loans. Production and intermediate term loan volume increased during the second and third quarters of 2017 driven by seasonal draws to fund operations. However, overall production and intermediate term volume remains below year-end 2016 balances elevated by seasonal draws made prior to year-end for tax planning purposes and subsequent repayments made in the first quarter of 2017. Loan growth has begun to moderate consistent with expectations as a result of the current economic environment.

Credit quality across the District declined to 91.7 percent of the portfolio classified in the acceptable category, compared to 93.2 percent at December 31, 2016. The increase in special mention and adverse credit quality, delinquencies and related allowance for loan losses, compared to December 31, 2016, is primarily due to continued low net farm income across the District. Adversely classified loans were 4.4 percent at September 30, 2017, compared to 3.5 percent at December 31, 2016 and are expected to continue to increase as the District moves through this agriculture efficiency cycle. Substandard and doubtful loans, collectively called adverse loans, are loans AgriBank and District Associations have identified as showing some credit weakness outside typical credit standards.

Components of Risk Assets

(in thousands)	September 30, 2017	December 31, 2016
Nonaccrual loans	**$786,756**	$678,208
Accruing restructured loans	**96,636**	89,800
Accruing loans 90 days or more past due	**16,320**	12,123
Total risk loans	**899,712**	780,131
Other property owned	**8,982**	14,530
Total risk assets	**$908,694**	$794,661
Risk loans as a % of total loans	**0.89%**	0.79%
Nonaccrual loans as a % of total loans	**0.78%**	0.68%
Delinquencies as a % of total loans	**0.52%**	0.56%

Note: Accruing loans include accrued interest receivable.

Risk assets have increased from December 31, 2016, but remain at acceptable levels. At September 30, 2017, 61.4 percent of nonaccrual loans were current as to principal and interest compared to 59.9 percent at December 31, 2016. The increase in risk assets was driven primarily by declines in net farm income for certain borrowers within the District. Based on current forecasts for net farm income in certain agricultural production sectors, risk assets are expected to continue to rise.

AgriBank's and District 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 District Associations' analyses, loans 90 days or more past due were eligible to remain in accruing status at September 30, 2017.

Allowance Coverage Ratios

	September 30, 2017	December 31, 2016
Allowance as a % of:		
Loans	**0.44%**	0.39%
Nonaccrual loans	**55.76%**	57.03%
Total risk loans	**48.76%**	49.58%
Adverse assets as a % of risk funds*	**22.15%**	16.74%

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

The allowance for loan losses is an estimate of losses on loans in the portfolio as of the financial statement date. AgriBank and District 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. The allowance for loan losses increased from December 31, 2016, to $438.7 million as of September 30, 2017 as a result of increases in commodity related industry reserves due to low net farm income, as well as deterioration in credit quality throughout the District. The management of AgriBank and each District Association, respectively, believe the allowance for loan losses is reasonable in relation to the risk in the portfolios at September 30, 2017.

Funding, Liquidity and Shareholders' Equity

AgriBank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains the District'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 nine months ended September 30, 2017, investor demand for System-wide debt securities 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 disbursement needs in the normal course of business.

AgriBank manages intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and operational demands. Specifically, AgriBank 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 and asset-backed securities (ABS). At September 30, 2017, 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. In addition, the Contractual Interbank Performance Agreement (CIPA) between all System Banks requires AgriBank to maintain a minimum of 120 days of liquidity. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of September 30, 2017, AgriBank had sufficient liquidity to fund all debt maturing within 148 days.

AgriBank maintains a contingency funding plan (CFP) that helps inform operating and funding needs and addresses actions that would be considered 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.

Total shareholders' equity at September 30, 2017 was $22.0 billion, a $1.2 billion increase from December 31, 2016. Shareholders' equity increased primarily due to comprehensive income for the period, partially offset by earnings reserved for patronage distributions.

At September 30, 2017, AgriBank and each District Association exceeded the regulatory minimum capital ratios. Refer to Note 4 in the accompanying Combined Financial Statements for further discussion of capital ratios and the recently effective regulations.

Results of Operations

District net income for the nine months ended September 30, 2017 was $1.4 billion, a 2.5 percent increase, compared to the same period in 2016. The annualized return on average assets was 1.5 percent for the nine month periods ended September 30, 2017 and 2016.

Changes in Significant Components of Net Income

(in thousands) **For the nine months ended September 30,**	**2017**	2016	Increase (Decrease) in Net Income
Net interest income	**$2,228,058**	$2,135,675	$92,383
Provision for credit losses	**101,016**	120,705	19,689
Non-interest income	**166,630**	199,560	(32,930)
Non-interest expense	**902,939**	871,915	(31,024)
Provision for income taxes	**26,148**	11,286	(14,862)
Net income	**$1,364,585**	$1,331,329	$33,256

Net interest income (NII) for the nine months ended September 30, 2017 increased $92.4 million, or 4.3 percent, compared to the same period in 2016. Interest income was positively impacted primarily due to higher rates received on production and intermediate term loans and investments, while increases in loan volume compared to the prior year also contributed to a lesser extent. Interest expense increased as a result of higher interest rates paid on debt, and to a lesser extent, additional debt volume compared to prior year.

Changes in Net Interest Income

(in thousands) **For the nine months ended September 30,**	**2017 vs 2016**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$101,631**	**$137,564**	**$239,195**
Investments	**(3,936)**	**52,206**	**48,270**
Other earning assets	**175**	**84**	**259**
Total interest income	**97,870**	**189,854**	**287,724**
Interest expense:			
Systemwide debt securities and other	**(12,745)**	**(182,596)**	**(195,341)**
Net change in net interest income	**$85,125**	**$7,258**	**$92,383**

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

(in thousands) **For the nine months ended September 30,**	**2017**			2016		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Accrual loans	**$98,421,142**	**4.19%**	**$3,095,565**	$95,297,594	4.00%	$2,859,667
Nonaccrual loans	**738,832**	**5.56%**	**30,782**	597,303	6.14%	27,485
Investment securities and federal funds	**17,192,793**	**1.48%**	**191,084**	17,667,828	1.08%	142,814
Other earning assets	**36,606**	**4.62%**	**1,269**	31,427	4.29%	1,010
Total earning assets	**116,389,373**	**3.80%**	**3,318,700**	113,594,152	3.56%	3,030,976
Interest bearing liabilities	**95,647,128**	**1.52%**	**1,090,642**	94,343,334	1.26%	895,301
Interest rate spread	**$20,742,245**	**2.28%**		$19,250,818	2.30%	
Impact of equity financing		**0.27%**			0.21%	
Net interest margin		**2.55%**			2.51%	
Net interest income			**$2,228,058**			$2,135,675

Interest rate spread decreased two basis points over the same period last year. The decrease in spread has been substantially driven by asset mix and competitive pressures. Additionally, during the first nine months of 2017, the impact from equity financing contributed to the overall increase in net interest margin of four basis points, compared to the same period of the prior year.

The District's provision for credit losses for the nine months ended September 30, 2017 was $101.0 million, compared to $120.7 million for the same period in 2016. The provision for credit losses reflects the change in the estimated losses in the loan portfolios during these periods. Refer to the Loan Portfolio section for further discussion.

Non-interest income decreased compared to the prior year due to decreased fee income as well as gains realized in 2016 related to non-recurring investment sales.

The increase in non-interest expense was driven by increased salaries expense primarily due to merit increases throughout the District.

Certification

The undersigned have reviewed the September 30, 2017 Quarterly Report of AgriBank, FCB and District Associations, which has been prepared under the oversight of the AgriBank Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of the District's knowledge and belief.

Matthew D. Walther
Chair of the Board
AgriBank, FCB
November 9, 2017

William J. Thone
Chief Executive Officer
AgriBank, FCB
November 9, 2017

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
November 9, 2017

Combined Statements of Condition

AgriBank, FCB and District Associations

(unaudited) *(in thousands)*	**September 30, 2017**	December 31, 2016
Assets		
Loans	**$100,691,897**	$99,069,239
Allowance for loan losses	**438,680**	386,754
Net loans	**100,253,217**	98,682,485
Investment securities - AgriBank, FCB	**14,325,014**	14,897,252
Investment securities - District Associations	**2,112,252**	1,938,980
Cash	**257,336**	559,760
Federal funds	**724,300**	591,300
Accrued interest receivable	**1,346,728**	1,046,835
Premises and equipment, net	**515,182**	512,832
Deferred tax assets, net	**20,172**	17,920
Assets held for lease, net	**231,683**	290,863
Derivative assets	**6,389**	13,344
Other property owned	**8,982**	14,530
Cash collateral posted with counterparties	**36,437**	33,128
Other assets	**323,996**	408,059
Total assets	**$120,161,688**	119,007,288
Liabilities		
Bonds and notes	**$96,786,674**	$96,633,431
Accrued interest payable	**306,840**	223,023
Derivative liabilities	**35,462**	34,637
Deferred tax liabilities, net	**59,103**	106,986
Accounts payable	**197,366**	216,537
Patronage and dividends payable	**171,352**	325,605
Post-employment liability	**403,803**	432,517
Other liabilities	**202,562**	242,489
Total liabilities	**98,163,162**	98,215,225
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**350,000**	350,000
Capital stock and participation certificates	**293,039**	272,034
Additional paid-in capital	**2,084,988**	--
Allocated surplus	**569,949**	531,150
Unallocated surplus	**19,165,149**	20,145,063
Accumulated other comprehensive loss	**(528,019)**	(566,831)
Noncontrolling interest	**63,420**	60,647
Total shareholders' equity	**21,998,526**	20,792,063
Total liabilities and shareholders' equity	**$120,161,688**	119,007,288

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

Combined Statements of Comprehensive Income

AgriBank, FCB and District Associations

(unaudited) *(in thousands)*	Three months		Nine months	
For the period ended September 30,	**2017**	2016	**2017**	2016
Interest income				
Loans	**$1,091,089**	$981,750	**$3,127,327**	$2,887,152
Investment securities and other earning assets	**70,016**	50,558	**191,373**	143,824
Total interest income	**1,161,105**	1,032,308	**3,318,700**	3,030,976
Interest expense	**393,157**	303,204	**1,090,642**	895,301
Net interest income	**767,948**	729,104	**2,228,058**	2,135,675
Provision for credit losses	**32,521**	25,809	**101,016**	120,705
Net interest income after provision for credit losses	**735,427**	703,295	**2,127,042**	2,014,970
Non-interest income				
Financially related services	**47,954**	52,884	**96,325**	92,780
Mineral income	**10,776**	10,182	**33,237**	27,397
Loan prepayment and fee income	**10,133**	11,814	**28,268**	46,280
Miscellaneous income and other gains, net	**1,612**	6,991	**8,800**	33,103
Total non-interest income	**70,475**	81,871	**166,630**	199,560
Non-interest expense				
Salaries and employee benefits	**191,150**	174,274	**546,145**	513,884
Other operating expenses	**67,060**	75,130	**223,100**	217,220
Occupancy expense	**12,559**	11,798	**36,245**	34,864
Farm Credit System insurance expense	**32,840**	38,680	**97,449**	105,947
Total non-interest expense	**303,609**	299,882	**902,939**	871,915
Income before income taxes	**502,293**	485,284	**1,390,733**	1,342,615
Provision for (benefit from) income taxes	**10,874**	(1,425)	**26,148**	11,286
Net income	**$491,419**	$486,709	**$1,364,585**	$1,331,329
Other comprehensive income (loss)				
Investments available-for-sale:				
Not-other-than-temporarily-impaired investments	**$(1,399)**	$(22,112)	**$20,291**	$38,113
Other-than-temporarily-impaired investments	**--**	(4,245)	**--**	(10,561)
Derivatives and hedging activity	**3,240**	17,513	**(10,323)**	(97,748)
Employee benefit plans activity	**11,292**	9,521	**28,844**	28,563
Total other comprehensive income (loss)	**13,133**	677	**38,812**	(41,633)
Comprehensive income	**$504,552**	$487,386	**$1,403,397**	$1,289,696

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

Combined Statements of Changes in Shareholders' Equity

AgriBank, FCB and District Associations

(unaudited) (Dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
Balance at December 31, 2015	$350,000	$268,697	$ --	$406,758	$18,824,372	$(616,099)	$51,041	$19,284,769
Noncontrolling interest equity investment							8,392	8,392
Net income					1,331,329			1,331,329
Other comprehensive loss						(41,633)		(41,633)
Patronage					(117,424)			(117,424)
Surplus allocated under nonqualified patronage program				136,469	(136,469)			--
Redemption of surplus allocated under nonqualified patronage program				(32,618)				(32,618)
Perpetual preferred stock dividends					(19,641)			(19,641)
Capital stock/participation certificates issued		15,158						15,158
Capital stock/participation certificates retired		(14,990)						(14,990)
Balance at September 30, 2016	$350,000	$268,865	$ --	$510,609	$19,882,167	$(657,732)	$59,433	$20,413,342
Balance at December 31, 2016	**$350,000**	**$272,034**	**$ --**	**$531,150**	**$20,145,063**	**$(566,831)**	**$60,647**	**$20,792,063**
Noncontrolling interest equity investment							**2,773**	**2,773**
Net income					**1,364,585**			**1,364,585**
Other comprehensive income						**38,812**		**38,812**
Patronage					**(159,579)**			**(159,579)**
Surplus allocated under nonqualified patronage program				**65,117**	**(65,117)**			**--**
Redemption of surplus allocated under nonqualified patronage program				**(26,318)**	**78**			**(26,240)**
Perpetual preferred stock dividends					**(19,641)**			**(19,641)**
Capital stock/participation certificates issued		**59,881**						**59,881**
Capital stock/participation certificates retired		**(38,876)**						**(38,876)**
Net fair value adjustments related to mergers					**(15,252)**			**(15,252)**
Equity issued or recharacterized upon Association mergers		**23,592**	**2,084,988**					**2,108,580**
Equity retired or recharacterized upon Association mergers		**(23,592)**			**(2,084,988)**			**(2,108,580)**
Balance at September 30, 2017	**$350,000**	**$293,039**	**$2,084,988**	**$569,949**	**$19,165,149**	**$(528,019)**	**$63,420**	**$21,998,526**

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

Combined Statements of Cash Flows

AgriBank, FCB and District Associations

(unaudited)
(in thousands)

For the nine months ended September 30,	2017	2016
Cash flows from operating activities		
Net income	**$1,364,585**	$1,331,329
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**31,651**	32,886
Gain on sales of premises and equipment	**(1,558)**	(3,478)
Depreciation on assets held for lease	**41,322**	71,356
(Gain) loss on disposal of assets held for lease	**(773)**	86
Provision for credit losses	**101,016**	120,705
Loss on other property owned, net	**2,457**	578
(Gain) loss on derivative activities	**(1,996)**	293
Loss (gain) on sale of investment securities, net	**343**	(10,584)
Amortization of discounts on debt and deferred debt issuance costs, net	**66,473**	71,967
Amortization of (discounts) premiums on loans and investments, net	**(10,052)**	5,439
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(299,893)**	(275,718)
Decrease in other assets	**85,409**	21,405
Increase in accrued interest payable	**83,817**	20,901
Decrease in other liabilities	**(92,390)**	(24,297)
Net cash provided by operating activities	**1,370,411**	1,362,868
Cash flows from investing activities		
Increase in loans, net	**(1,705,410)**	(2,830,896)
Proceeds from sales of other property owned	**10,474**	8,388
Decrease (increase) in investment securities, net	**371,954**	(1,325,890)
Proceeds from the sale of investment securities	**51,296**	119,479
Proceeds from sale of assets held for lease, net	**18,631**	27,684
Purchases of premises and equipment, net	**(33,965)**	(47,246)
Net cash used in investing activities	**(1,287,020)**	(4,048,481)
Cash flows from financing activities		
Bonds and notes issued	**137,374,968**	150,858,323
Bonds and notes retired	**(137,282,267)**	(148,261,488)
Subordinated notes retired	**--**	(500,000)
Decrease (increase) in cash collateral posted with counterparties, net	**3,370**	(100,028)
Variation margin settled on cleared derivatives, net	**(12,951)**	--
Patronage distributions paid	**(341,366)**	(288,690)
Redemption of surplus allocated under nonqualified patronage program	**(393)**	(450)
Capital stock/participation certificates issued, net	**21,005**	168
Preferred stock dividends paid	**(17,954)**	(17,954)
Increase in noncontrolling interest	**2,773**	8,392
Net cash (provided by) used in financing activities	**(252,815)**	1,698,273
Net decrease in cash and federal funds	**(169,424)**	(987,340)
Cash and federal funds at beginning of period	**1,151,060**	2,023,855
Cash and federal funds at end of period	**$981,636**	$1,036,515
Supplemental schedule of non-cash activities		
Decrease (increase) in derivative assets	**$6,955**	$(1,030)
Increase in derivative liabilities	**7,303**	104,297
Decrease in bonds from derivative activity	**(5,931)**	(5,226)
Decrease in shareholders' equity from cash flow derivatives	**(10,323)**	(97,748)
Increase in shareholders' equity from investment securities	**20,291**	27,552
Increase in shareholders' equity from employee benefits	**28,844**	28,563
Loans transferred to other property owned	**7,916**	10,164
Preferred stock dividends accrued but not paid	**5,984**	5,984
Cash distributions payable to members	**139,521**	112,124
Financed sales of other property owned	**(533)**	(1,594)
Patronage payable under nonqualified patronage program	**25,847**	32,168
Transfer of retained earnings to additional paid-in capital related to association mergers	**2,084,988**	--
Supplemental information		
Interest paid	**$940,352**	$874,400
Taxes paid (refunded), net	**65,926**	(27,057)

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

Notes to Combined Financial Statements

AgriBank, FCB and District Associations

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) and District 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. AgriBank and its District Associations are collectively referred to as the District. At September 30, 2017, the District had 14 Agricultural Credit Associations (ACA). Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of the organization and operation of the District, significant accounting policies followed, combined financial condition and results of operations as of and for the year ended December 31, 2016 are contained in the 2016 Annual Report. These unaudited third quarter 2017 Combined Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ended December 31, 2017.

The Combined Statements of Income, Changes in Shareholders' Equity, and Cash Flows reflect the results of the 17 District Associations and certain related entities that existed from January 1, 2017 through June 30, 2017, and the results of the 14 District Associations and certain related entities that existed post-mergers after July 1, 2017. All significant transactions and balances between AgriBank and District Associations have been eliminated in combination. The accompanying Combined Financial Statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

District Association Mergers

Effective July 1, 2017 two District Associations, AgCountry Farm Credit Services, ACA and United FCS, ACA (United), merged under the name AgCountry Farm Credit Services, ACA (AgCountry) and is headquartered in Fargo, N.D. The primary reason for the merger was to strategically position the associations to best serve member needs.

Effective July 1, 2017, three District Associations, 1st Farm Credit Services, ACA (1st FCS), AgStar Financial Services, ACA, and Badgerland Financial, ACA (Badgerland), merged under the name Compeer Financial (Compeer) and is headquartered in Sun Prairie, Wis. The primary reason for the merger was to increase portfolio diversification, expand and sustain the essential infrastructure of human capital necessary to the delivery of excellent customer service and value, gain operating efficiencies of a larger association, and increase the association's capital base to meet the lending needs of it's clients.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their borrowers and other customers and not for the benefit of equity investors. As such, their capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In the mergers, the shares of United were converted into shares of AgCountry stock and the shares of 1st FCS and Badgerland stock were converted into shares of Compeer stock with identical rights and attributes. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio.

Association management believes that because the stock in each association is fixed in value (although subject to impairment), the Compeer and AgCountry stock issued pursuant to the mergers provided no basis for estimating the fair value of the consideration transferred pursuant to the mergers.

In the absence of a purchase price determination, Compeer and AgCountry undertook a process to identify and estimate the acquisition-date fair value of the equity interests of the acquired institutions, instead of the acquisition-date fair value of equity interests transferred as consideration by Compeer and AgCountry. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. Use of different estimate and judgments could yield materially different results.

The mergers were accounted for under the acquisition method of accounting. Pursuant to these rules, Compeer and AgCountry acquired the assets and assumed the liabilities of 1st FCS and Badgerland, and United, respectively, at their acquisition-date fair value. The fair value of the net identifiable assets acquired was substantially equal to the fair value of the equity interest exchanged in the mergers. In addition, no material amounts of intangible assets were acquired. As a result, no goodwill was recorded. Net fair value adjustments totaling $15.3 million were recognized pursuant to the mergers, resulting in a net decrease to shareholders' equity on the Combined Statement of Condition. The member interests transferred as a result of the mergers were recognized as additional paid-in capital, with a corresponding reduction of unallocated surplus on the Combined Statement of Condition.

The following presents the fair value of net assets acquired in the two aforementioned mergers.

Condensed Statement Net Assets Acquired

(in thousands)	July 1, 2017
Assets	
Net loans	$10,778,919
Other assets	882,684
Total assets	$11,661,603
Liabilities	
Notes payable	$9,233,503
Other liabilities	123,090
Total liabilities	$9,356,593
Fair value of net assets acquired	$2,305,010

The mergers did not have a material impact on the District's financial condition or result of operations as the assets, liabilities, capital and incomes of the acquired institutions were previously reflected in the Combined Statements of Condition and Comprehensive Income.

As a result of the mergers, certain loans were considered to be purchased credit-impaired. The recorded investment and contractual cash flows of purchased credit-impaired loans are not significant to the Combined Financial Statements. Management of Compeer and AgCountry expect to collect the substantial majority of the contractual amounts of the loans acquired through merger not considered to be purchased credit impaired, which totaled $11.0 billion at July 1, 2017.

Recently Issued or Adopted Accounting Pronouncements

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

Standard	Description	Effective date and financial statement impact
In August 2017, the FASB issued Accounting Standards Update (ASU) 2017-12 "Targeted Improvements to Accounting for Hedging Activities."	The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing.	This guidance is effective for interim and annual periods beginning after December 15, 2018. AgriBank and District Associations are currently evaluating the impact of the remaining guidance on the combined financial condition, results of operations, cash flows, and financial statement disclosures.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost."	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	This guidance is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. For other entities, the amendments in this Update are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted with certain restrictions. AgriBank and District Associations are currently evaluating the impact of the guidance on the combined results of operations and financial statement disclosures. This guidance will have no impact on the combined financial condition or cash flows.

Standard	Description	Effective date and financial statement impact
In August 2016, the FASB issued ASU 2016-15 “Classification of Certain Cash Receipts and Cash Payments.”	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	This guidance is effective for public entities for interim and annual periods beginning after December 15, 2017. This guidance is effective for nonpublic entities for annual periods beginning after December 15, 2018. Early adoption is permitted. The adoption of this guidance does not impact the financial condition or results of operations. After review of the classifications of the payments related to discount notes, no changes in the classification in the combined statements of cash flows are required as a result of this guidance.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses."	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020 including interim periods within that year. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within that year. AgriBank and District Associations are currently evaluating the impact of the guidance on the combined financial condition, results of operations, cash flows, and financial statement disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases."	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018 including interim periods within that year. 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 has determined after preliminary review, this guidance will not have a material impact on combined financial condition, results of operations, and financial statement disclosures, and will have no impact on combined cash flows. District Associations have determined after preliminary review, this guidance will impact the combined financial condition, results of operations, and financial statement disclosures, and will have no impact on combined cash flows. District Associations have initiated development and modification of certain procedures to adopt this guidance.

Standard	Description	Effective date and financial statement impact
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.”	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. 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 Financial Statements. Financial statement disclosures related to the methods and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the combined statement of condition are no longer required and will be excluded upon adoption this guidance in the 2018 Quarterly Reports and 2018 Annual Report.
In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers."	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of contracts within the District would be excluded from the scope of this new guidance.	The guidance is effective for public entities for the first interim reporting period within the annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASUs 2016-08 and 2016-10 which provided further clarifying guidance on the previously issued standard. Based on AgriBank and District Associations review of affected contracts, we have determined this guidance will not have a material impact on the combined financial condition, results of operations or cash flows.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

	September 30, 2017		December 31, 2016	
(in thousands)	**Amount**	**%**	Amount	%
Real estate mortgage	**$56,931,347**	**56.6%**	$56,142,318	56.7%
Production and intermediate-term	**25,611,793**	**25.4%**	25,677,124	25.9%
Agribusiness	**10,950,831**	**10.9%**	10,176,335	10.3%
Rural residential real estate	**2,751,919**	**2.7%**	2,796,940	2.8%
Other	**4,446,007**	**4.4%**	4,276,522	4.3%
Total loans	**$100,691,897**	**100.0%**	$99,069,239	100.0%

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

Participations

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

Participations Purchased and Sold

	Other Farm Credit Institutions		**Non-Farm Credit Institutions**		**Total**	
(in thousands)	**Participations**	**Participations**	**Participations**	**Participations**	**Participations**	**Participations**
As of September 30, 2017	**Purchased**	**Sold**	**Purchased**	**Sold**	**Purchased**	**Sold**
Real estate mortgage	**$1,319,583**	**$348,361**	**$3,072,003**	**$50,618**	**$4,391,586**	**$398,979**
Production and intermediate term	**1,895,171**	**533,410**	**4,075,330**	**15,138**	**5,970,501**	**548,548**
Agribusiness	**4,700,661**	**1,195,210**	**834,578**	**92,505**	**5,535,239**	**1,287,715**
Rural residential real estate	**73**	**--**	**9,415**	**--**	**9,488**	**--**
Other	**2,827,564**	**166,933**	**9,716**	**--**	**2,837,280**	**166,933**
Total loans	**$10,743,052**	**$2,243,914**	**$8,001,042**	**$158,261**	**$18,744,094**	**$2,402,175**

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(in thousands)	Participations	Participations	Participations	Participations	Participations	Participations
As of December 31, 2016	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$1,358,833	$294,947	$2,897,972	$64,503	$4,256,805	$359,450
Production and intermediate term	1,813,161	498,247	3,810,822	35,208	5,623,983	533,455
Agribusiness	4,730,254	1,185,808	688,395	116,840	5,418,649	1,302,648
Rural residential real estate	79	--	11,117	--	11,196	--
Other	2,682,523	128,476	14,155	--	2,696,678	128,476
Total loans	$10,584,850	$2,107,478	$7,422,461	$216,551	$18,007,311	$2,324,029

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

Portfolio Performance

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

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

Credit Quality of Loans

(in thousands) As of September 30, 2017	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	**$53,276,017**	**92.3%**	**$2,101,423**	**3.6%**	**$2,396,892**	**4.1%**	**$57,774,332**	**100.0%**
Production and intermediate term	**22,618,668**	**87.0%**	**1,647,196**	**6.3%**	**1,734,235**	**6.7%**	**26,000,099**	**100.0%**
Agribusiness	**10,749,887**	**97.8%**	**88,990**	**0.8%**	**158,608**	**1.4%**	**10,997,485**	**100.0%**
Rural residential real estate	**2,598,104**	**93.8%**	**62,049**	**2.2%**	**110,619**	**4.0%**	**2,770,772**	**100.0%**
Other	**4,365,414**	**97.9%**	**40,490**	**0.9%**	**54,213**	**1.2%**	**4,460,117**	**100.0%**
Total loans	**$93,608,090**	**91.7%**	**$3,940,148**	**3.9%**	**$4,454,567**	**4.4%**	**$102,002,805**	**100.0%**

(in thousands) As of December 31, 2016	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	$53,209,717	93.7%	$1,699,557	3.0%	$1,852,227	3.3%	$56,761,501	100.0%
Production and intermediate term	23,238,381	89.4%	1,353,933	5.2%	1,408,405	5.4%	26,000,719	100.0%
Agribusiness	9,970,333	97.6%	95,704	0.9%	148,617	1.5%	10,214,654	100.0%
Rural residential real estate	2,653,559	94.4%	54,470	1.9%	105,401	3.7%	2,813,430	100.0%
Other	4,169,916	97.3%	100,095	2.3%	16,812	0.4%	4,286,823	100.0%
Total loans	$93,241,906	93.2%	$3,303,759	3.3%	$3,531,462	3.5%	$100,077,127	100.0%

Note: Accruing loans include accrued interest receivable.

AgriBank and District Associations had no loans categorized as loss at September 30, 2017 or December 31, 2016.

Aging Analysis of Loans

(in thousands) As of September 30, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Real estate mortgage	**$117,091**	**$104,370**	**$221,461**	**$57,552,871**	**$57,774,332**	**$3,113**
Production and intermediate term	**103,233**	**141,468**	**244,701**	**25,755,398**	**26,000,099**	**10,162**
Agribusiness	**4,396**	**6,310**	**10,706**	**10,986,779**	**10,997,485**	**155**
Rural residential real estate	**18,849**	**9,013**	**27,862**	**2,742,910**	**2,770,772**	**39**
Other	**12,239**	**6,125**	**18,364**	**4,441,753**	**4,460,117**	**2,851**
Total loans	**$255,808**	**$267,286**	**$523,094**	**$101,479,711**	**$102,002,805**	**$16,320**

(in thousands) As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Real estate mortgage	$152,444	$77,863	$230,307	$56,531,194	$56,761,501	$3,949
Production and intermediate term	145,970	111,201	257,171	25,743,548	26,000,719	4,893
Agribusiness	7,168	4,279	11,447	10,203,207	10,214,654	--
Rural residential real estate	22,377	10,296	32,673	2,780,757	2,813,430	64
Other	18,510	4,704	23,214	4,263,609	4,286,823	3,217
Total loans	$346,469	$208,343	$554,812	$99,522,315	$100,077,127	$12,123

Note: Accruing loans include accrued interest receivable.

Risk Assets

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

Risk Loan Information

(in thousands)	**September 30, 2017**	December 31, 2016
Nonaccrual loans:		
Current as to principal and interest	**$482,949**	$406,559
Past due	**303,807**	271,649
Total nonaccrual loans	**786,756**	678,208
Accruing restructured loans	**96,636**	89,800
Accruing loans 90 days or more past due	**16,320**	12,123
Total risk loans	**$899,712**	$780,131
Volume with specific reserves	**$199,665**	$135,187
Volume without specific reserves	**700,047**	644,944
Total risk loans	**$899,712**	$780,131
Specific reserves	**$59,261**	$40,452

Note: Accruing loans include accrued interest receivable.

Income on Risk Loans
(in thousands)

For the nine months ended September 30,	**2017**	2016
Income on accrual risk loans	**$5,015**	$3,506
Income on nonaccrual loans	**30,782**	27,485
Total income on risk loans	**$35,797**	$30,991
Average risk loans	**$878,708**	$696,757

Risk Assets by Type

(in thousands)	**September 30, 2017**	December 31, 2016
Nonaccrual loans:		
Real estate mortgage	**$438,761**	$365,760
Production and intermediate term	**288,635**	258,129
Agribusiness	**19,854**	14,117
Rural residential real estate	**34,287**	36,034
Other	**5,219**	4,168
Total nonaccrual loans	**$786,756**	$678,208
Accruing restructured loans:		
Real estate mortgage	**$65,515**	$54,786
Production and intermediate term	**26,294**	19,320
Agribusiness	**3,184**	14
Rural residential real estate	**1,643**	1,640
Other	**--**	14,040
Total accruing restructured loans	**$96,636**	$89,800
Accruing loans 90 days or more past due:		
Real estate mortgage	**$3,113**	$3,949
Production and intermediate term	**10,162**	4,893
Agribusiness	**155**	--
Rural residential real estate	**39**	64
Other	**2,851**	3,217
Total accruing loans 90 days or more past due	**$16,320**	$12,123
Total risk loans	**$899,712**	$780,131
Other property owned	**$8,982**	$14,530
Total risk assets	**$908,694**	$794,661

Note: Accruing loans include accrued interest receivable.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

	As of September 30, 2017			For the nine months ended September 30, 2017	
(in thousands)	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$61,875	$71,999	$14,381	$58,462	$ --
Production and intermediate term	121,132	134,922	37,263	114,988	--
Agribusiness	12,150	14,064	5,672	6,797	--
Rural residential real estate	3,051	3,681	1,207	3,328	--
Other	1,457	1,457	738	1,615	--
Total	$199,665	$226,123	$59,261	$185,190	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$445,514	$522,647	$ --	$442,230	$16,952
Production and intermediate term	203,959	271,534	--	198,520	14,623
Agribusiness	11,043	16,614	--	10,900	3,143
Rural residential real estate	32,918	42,482	--	34,626	879
Other	6,613	6,554	--	7,242	200
Total	$700,047	$859,831	$ --	$693,518	$35,797
Total impaired loans:					
Real estate mortgage	$507,389	$594,646	$14,381	$500,692	$16,952
Production and intermediate term	325,091	406,456	37,263	313,508	14,623
Agribusiness	23,193	30,678	5,672	17,697	3,143
Rural residential real estate	35,969	46,163	1,207	37,954	879
Other	8,070	8,011	738	8,857	200
Total	$899,712	$1,085,954	$59,261	$878,708	$35,797

	As of December 31, 2016			For the nine months ended September 30, 2016	
(in thousands)	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$44,954	$52,612	$7,442	$36,642	$ --
Production and intermediate term	83,498	96,770	30,513	72,872	--
Agribusiness	490	495	327	2,556	--
Rural residential real estate	3,663	4,348	1,173	4,458	--
Other	2,582	2,582	997	801	--
Total	$135,187	$156,807	$40,452	$117,329	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$379,541	$467,790	$ --	$343,431	$16,291
Production and intermediate term	198,844	268,023	--	176,693	11,579
Agribusiness	13,641	19,025	--	10,518	984
Rural residential real estate	34,075	43,919	--	38,030	1,990
Other	18,843	21,333	--	10,756	147
Total	$644,944	$820,090	$ --	$579,428	$30,991
Total impaired loans:					
Real estate mortgage	$424,495	$520,402	$7,442	$380,073	$16,291
Production and intermediate term	282,342	364,793	30,513	249,565	11,579
Agribusiness	14,131	19,520	327	13,074	984
Rural residential real estate	37,738	48,267	1,173	42,488	1,990
Other	21,425	23,915	997	11,557	147
Total	$780,131	$976,897	$40,452	$696,757	$30,991

*The recorded investment in the loan is the unpaid principal amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and unamortized adjustments to fair value on loans acquired through merger and may also reflect a previous direct charge-off of the investment.

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

AgriBank and District Associations had no material commitments to lend additional money to borrowers whose loans were classified as risk loans as of September 30, 2017.

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 District allowance for loan losses.

TDR Activity

(in thousands) **For the nine months ended September 30, 2017**	**Pre-modification Outstanding Recorded Investment***	**Post-modification Outstanding Recorded Investment***
TDRs:		
Real estate mortgage	**$7,389**	**$7,339**
Production and intermediate term	**23,223**	**23,289**
Agribusiness	**1,727**	**1,329**
Rural residential real estate	**191**	**190**
Total loans	**$32,530**	**$32,147**

(in thousands) For the nine months ended September 30, 2016	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
TDRs:		
Real estate mortgage	$5,017	$4,950
Production and intermediate term	23,702	23,833
Agribusiness	69	69
Rural residential real estate	277	269
Total loans	$29,065	$29,121

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

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)	Recorded Investment	
For the nine months ended September 30,	**2017**	2016
TDRs that subsequently defaulted:		
Real estate mortgage	**$114**	$253
Production and intermediate term	**373**	951
Agribusiness	**2,803**	--
Total	**$3,290**	$1,204

TDRs Outstanding

(in thousands)	September 30, 2017	December 31, 2016
Accrual Status		
Real estate mortgage	**$65,515**	$54,786
Production and intermediate term	**26,294**	19,320
Agribusiness	**3,184**	14
Rural residential real estate	**1,643**	1,640
Other	**--**	14,040
Total TDRs in accrual status	**$96,636**	$89,800
Nonaccrual Status		
Real estate mortgage	**$22,189**	$28,489
Production and intermediate term	**9,583**	25,369
Agribusiness	**3,278**	5,949
Rural residential real estate	**1,803**	1,774
Total TDRs in nonaccrual status	**$36,853**	$61,581
Total TDRs	**$133,489**	$151,381

AgriBank and District Associations had no material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2017.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the nine months ended September 30,	**2017**	2016
Balance at beginning of year	**$386,754**	$285,711
Provision for loan losses	**99,484**	113,636
Charge-offs	**(27,992)**	(25,805)
Recoveries	**14,749**	8,558
Fair value adjustment due to mergers	**(34,315)**	--
Balance at end of period	**$438,680**	$382,100

The allowance for loan losses increased to $438.7 million at September 30, 2017, reflecting $99.5 million of provision for loan losses (not including provision for credit losses of $1.5 million for unfunded commitments), offset by net charge-offs of $13.2 million. The increase in allowance directly relates to increases in risk loans, adverse credit quality and industry related reserves, which are primarily due to declines in net farm income across the District. The fair value adjustment due to mergers related to two District Association mergers, effective July 1, 2017, resulting in a $34.3 million decrease in the allowance for loan losses.

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 as of December 31, 2016	**$158,779**	**$154,488**	**$47,067**	**$10,220**	**$16,200**	**$386,754**
Provision for (reversal of) loan losses	**37,019**	**50,979**	**8,821**	**(175)**	**2,840**	**99,484**
Charge-offs	**(7,355)**	**(18,261)**	**(1,369)**	**(1,007)**	**--**	**(27,992)**
Recoveries	**1,406**	**9,163**	**3,797**	**383**	**--**	**14,749**
Fair value adjustment due to merger	**(9,657)**	**(19,395)**	**(3,931)**	**(52)**	**(1,280)**	**(34,315)**
Balance as of September 30, 2017	**$180,192**	**$176,974**	**$54,385**	**$9,369**	**$17,760**	**$438,680**
As of September 30, 2017:						
Ending balance: individually evaluated for impairment	**$14,381**	**$37,263**	**$5,672**	**$1,207**	**$738**	**$59,261**
Ending balance: collectively evaluated for impairment	**$165,810**	**$139,711**	**$48,713**	**$8,162**	**$17,023**	**$379,419**
Recorded investments in loans outstanding:						
Ending balance as of September 30, 2017:	**$57,774,332**	**$26,000,099**	**$10,997,485**	**$2,770,772**	**$4,460,117**	**$102,002,805**
Ending balance for loans individually evaluated for impairment	**$507,389**	**$325,091**	**$23,193**	**$35,969**	**$8,070**	**$899,712**
Ending balance for loans collectively evaluated for impairment	**$57,266,943**	**$25,675,008**	**$10,974,292**	**$2,734,803**	**$4,452,047**	**$101,103,093**

(in thousands)	Real estate mortgage	Production and intermediate term	Agribusiness	Rural residential real estate	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2015	$111,000	$118,409	$32,166	$8,986	$15,150	$285,711
Provision for loan losses	36,975	61,655	10,754	3,012	1,240	113,636
Charge-offs	(4,315)	(16,765)	(3,045)	(1,680)	--	(25,805)
Recoveries	2,816	4,319	850	571	2	8,558
Balance as of September 30, 2016	$146,476	$167,618	$40,725	$10,889	$16,392	$382,100
As of December 31, 2016:						
Ending balance: individually evaluated for impairment	$7,442	$30,513	$327	$1,173	$997	$40,452
Ending balance: collectively evaluated for impairment	$151,337	$123,975	$46,740	$9,047	$15,203	$346,302
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2016:	$56,761,501	$26,000,719	$10,214,654	$2,813,430	$4,286,823	$100,077,127
Ending balance for loans individually evaluated for impairment	$424,495	$282,342	$14,131	$37,738	$21,425	$780,131
Ending balance for loans collectively evaluated for impairment	$56,337,006	$25,718,377	$10,200,523	$2,775,692	$4,265,398	$99,296,996

NOTE 3

Investment Securities

AgriBank Investment Securities

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

AgriBank AFS Investment Securities

(in thousands) **As of September 30, 2017**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,925,640**	**$8,975**	**$40,684**	**$5,893,931**	**1.6%**
Commercial paper and other	**4,957,097**	**436**	**72**	**4,957,461**	**1.4%**
U.S. Treasury securities	**3,105,197**	**7**	**10,966**	**3,094,238**	**1.2%**
Asset-backed securities	**379,663**	**4**	**283**	**379,384**	**1.2%**
Total	**$14,367,597**	**$9,422**	**$52,005**	**$14,325,014**	**1.4%**

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

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

Contractual Maturities of AgriBank AFS Investment Securities

	Year of Maturity				
(in thousands) **As of September 30, 2017**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$58**	**$31,920**	**$311,797**	**$5,550,156**	**$5,893,931**
Commercial paper and other	**4,957,461**	**--**	**--**	**--**	**4,957,461**
U.S. Treasury securities	**1,757,021**	**1,337,217**	**--**	**--**	**3,094,238**
Asset-backed securities	**11,422**	**367,962**	**--**	**--**	**379,384**
Total	**$6,725,962**	**$1,737,099**	**$311,797**	**$5,550,156**	**$14,325,014**
Weighted average yield	**1.3%**	**1.3%**	**1.7%**	**1.6%**	**1.4%**

The expected average life is 0.4 years for asset-backed securities (ABS) and 3.6 years for mortgage-backed securities (MBS) at September 30, 2017. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

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 September 30, 2017	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	**$1,876,806**	**$12,298**	**$2,341,068**	**$28,386**
Commercial paper and other	**1,780,478**	**72**	**--**	**--**
U.S. Treasury securities	**2,415,968**	**7,413**	**628,154**	**3,553**
Asset-backed securities	**340,174**	**275**	**13,283**	**8**
Total	**$6,413,426**	**$20,058**	**$2,982,505**	**$31,947**

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

There were no AgriBank AFS investment securities sold during the nine months ended September 30, 2017.

AgriBank sold $70.5 million of AFS investment securities resulting in net gains of $10.2 million during the nine months ended September 30, 2016. Included in these sales were all remaining other-than-temporarily impaired (OTTI) AFS investment securities.

AgriBank evaluates its investment securities for OTTI on a quarterly basis. AgriBank has determined no securities were in an OTTI loss position at September 30, 2017 or December 31, 2016.

There was no OTTI activity during the nine months ended September 30, 2017. The following represents the activity related to the credit-loss component for AgriBank investment securities that had been written down for OTTI that had been recognized in earnings in 2016:

(in thousands) For the nine months ended September 30,	2016
Credit-loss component, beginning of period	$25,160
Reductions:	
Gains on securities sold	(10,559)
Incremental impairment previously recognized on securities sold	(14,137)
Increases in expected cash flows	(464)
Credit-loss component, end of period	$ --

District Associations Investment Securities

Periodically, one District Association sells loans held for sale to a third party and purchases back securities collateralized by the loans sold. As the District Association may not hold the investments to maturity, all or a portion of these securities are classified as AFS. The contractual maturities for AFS securities held by the District Association are generally greater than ten years. The District Association held AFS securities with fair value of $24.0 million at September 30, 2017. The District Association held no AFS securities at December 31, 2016. The investments were evaluated for OTTI and no securities were determined to be in an OTTI loss position at September 30, 2017.

The District Association sold AFS securities with total sales proceeds of $51.3 million and $49.0 million during the nine months ended September 30, 2017 and 2016, resulting in losses of $343 thousand and gains of $406 thousand, respectively.

All other investments held by District Associations are classified as held-to-maturity (HTM).

HTM Investment Securities

(in thousands) **As of September 30, 2017**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Government guaranteed instruments	**$1,425,717**	**$1,902**	**$55,107**	**$1,372,512**	**2.9%**
Farmer Mac mortgage-backed securities	**655,321**	**1,030**	**3,811**	**652,540**	**3.9%**
Agricultural and Rural Community bonds	**7,222**	**--**	**--**	**7,222**	**2.4%**
Total	**$2,088,260**	**$2,932**	**$58,918**	**$2,032,274**	**3.2%**

(in thousands) As of December 31, 2016	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,466,460	$9,202	$56,125	$1,419,537	2.4%
Farmer Mac mortgage-backed securities	465,294	787	12,986	453,095	4.0%
Agricultural and Rural Community bonds	7,226	--	2	7,224	2.0%
Total	$1,938,980	$9,989	$69,113	$1,879,856	2.8%

The investments were evaluated for OTTI. No securities were other-than-temporarily impaired as of September 30, 2017 or December 31, 2016.

Other Investments

AgriBank and certain District Associations are among the forming limited partners for certain Rural Business Investment Companies (RBICs). As of September 30, 2017 and December 31, 2016, $49.9 million and $33.5 million, respectively, were invested by AgriBank and certain District Associations.

These other investments were evaluated for impairment. No impairments were recognized on these investments during the nine months ended September 30, 2017 or 2016. Other investments are included in “Other assets” on the Combined Statements of Condition.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements	As of September 30, 2017					
	AgriBank	District Associations	District Associations weighted average	Regulatory Minimums	Capital Conservation Buffer *	Total
Risk adjusted:						
Common equity tier 1 capital ratio	**18.3%**	**14.1% - 20.4%**	**16.6%**	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.2%**	**14.7% - 20.4%**	**16.7%**	6.0%	2.5%	8.5%
Total capital ratio	**19.2%**	**15.0% - 20.6%**	**17.1%**	8.0%	2.5%	10.5%
Permanent capital ratio	**19.2%**	**15.7% - 22.3%**	**17.0%**	7.0%	0.0%	7.0%
Non-risk adjusted:						
Tier 1 leverage ratio	**5.7%**	**12.8% - 20.1%**	**17.3%**	4.0%	1.0%	5.0%
UREE leverage ratio	**3.2%**	**12.3% - 21.2%**	**17.4%**	1.5%	0.0%	1.5%

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

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

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

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

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

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

Protected participation certificates of $208 thousand and $210 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of September 30, 2017 and December 31, 2016, respectively.

NOTE 5

Employee Benefit Plans

AgriBank and District Associations participate in District-wide employee benefit plans.

Components of Net Periodic Benefit Cost

(in thousands)	Pension Benefits		Other Benefits	
For the nine months ended September 30,	**2017**	2016	**2017**	2016
Service cost	**$21,364**	$22,955	**$326**	$339
Interest cost	**35,195**	34,751	**769**	812
Expected return on plan assets	**(46,458)**	(44,501)	**--**	--
Amortization of prior service credit	**(2,434)**	(839)	**(288)**	(333)
Amortization of net loss (gain)	**29,434**	30,067	**(402)**	(332)
Settlements and termination benefits	**2,534**	2,330	**--**	--
Net periodic benefit cost	**$39,635**	$44,763	**$405**	$486

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan covering most of the District. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to Note 9 in the 2016 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2017, District employers have contributed $38.9 million to fund Pension Benefits. District employers anticipate contributing an additional $54.1 million to fund Pension Benefits in 2017. District employers typically fund 40 percent of their annual contributions to the AgriBank District Retirement Plan in June and the remaining 60 percent in December. The Nonqualified Pension plan is typically funded as benefits are paid.

For the nine months ended September 30, 2017, District employers have contributed $1.1 million for Other Benefits. District employers anticipate contributing an additional $543 thousand for Other Benefits in 2017.

NOTE 6

Commitments and Contingencies

In the normal course of business, AgriBank and District 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 District Associations do not anticipate any material losses because of the contingencies or commitments.

At September 30, 2017, AgriBank and District Associations had commitments to extend credit of $24.7 billion, $25.7 million of which was included in “Other liabilities” on the Consolidated Statements of Condition at September 30, 2017.

In November 2016 an alleged class action lawsuit was filed in New York state court against AgriBank by a purported beneficial owner of some of our Subordinated Notes. The plaintiff asserted a breach of contract claim and a breach of an implied covenant of good faith and fair dealing alleging that we impermissibly redeemed the Subordinated Notes. AgriBank removed the lawsuit to federal court in the Southern District of New York. Plaintiff requests damages in an amount to be determined at trial, reasonable attorneys’ fees, and other relief. In October 2017, AgriBank filed an answer to the lawsuit. The lawsuit is in the early pleadings and discovery stage, and we intend to vigorously defend against these allegations. As of the date of these financial statements, the likelihood of any outcome of this proceeding cannot be determined.

As of September 30, 2017 one District Association had a contingent liability of $2.3 million related to an ongoing litigation in which they are involved.

Additionally, from time to time AgriBank and District Associations may be named as defendants in certain lawsuits or legal actions in the normal course of business. At the date of these Combined Financial Statements, AgriBank’s and District Associations’ respective management teams were not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

While primarily liable for 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 September 30, 2017 was $257.9 billion.

NOTE 7

Fair Value Measurements

AgriBank and District Associations use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities measured at fair value on a recurring and non-recurring basis consist of federal funds, investments available-for-sale, derivative assets and liabilities, collateral assets and liabilities, impaired loans and other property owned. The fair value is also calculated and disclosed for other financial instruments that are not measured at fair value on the Combined Statements of Condition. These assets and liabilities consist of cash, investments held-to-maturity, loans, bonds and notes, unfunded commitments and commitments to extend credit and letters of credit. Refer to Note 13 in the District's 2016 Annual Report for descriptions of the valuation methodologies used for asset and liabilities recorded at fair value on a recurring or non-recurring basis and for estimating fair value for financial instruments not recorded at fair value.

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

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of September 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	$ --	$724,300	$ --	$724,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,893,931	--	5,893,931
Commercial paper and other	--	4,957,461	--	4,957,461
U.S. Treasury securities	--	3,094,238	--	3,094,238
Asset-backed securities	--	379,384	--	379,384
Affiliated Association investments available-for-sale:				
Mortgage-backed securities	--	--	23,992	23,992
Total investments available-for-sale	--	14,325,014	23,992	14,349,006
Cash collateral posted with counterparties	36,437	--	--	36,437
Derivative assets	233	6,133	23	6,389
Total assets	$36,670	$15,055,447	$24,015	$15,116,132
Liabilities:				
Derivative liabilities	$36	$35,426	$ --	$35,462
Total liabilities	$36	$35,426	$ --	$35,462

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2016	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$591,300	$ --	$591,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,555,759	--	5,555,759
Commercial paper and other	--	4,786,782	--	4,786,782
U.S. Treasury securities	--	3,811,798	--	3,811,798
Asset-backed securities	--	742,913	--	742,913
Total investments available-for-sale	--	14,897,252	--	14,897,252
Cash collateral posted with counterparties	33,128	--	--	33,128
Derivative assets	219	13,125	--	13,344
Total assets	$33,347	$15,501,677	$ --	$15,535,024
Liabilities:				
Derivative liabilities	$ --	$34,637	$ --	$34,637
Total liabilities	$ --	$34,637	$ --	$34,637

Fair Value Measurement Activity of Level 3 Instruments

	Investments Available-for-Sale		
(in thousands)	**Mortgage-backed Securities**	**Asset-backed Securities**	**Total**
Balance at December 31, 2016	$ --	$ --	$ --
Total gains (losses) realized/unrealized:			
Included in earnings	**(343)**	**--**	**(343)**
Purchases	**75,631**	**--**	**75,631**
Sales	**(51,296)**	**--**	**(51,296)**
Balance at September 30, 2017	**$23,992**	**$ --**	**$23,992**
Balance at December 31, 2015	$70,438	$7,958	$78,396
Total gains (losses) realized/unrealized:			
Included in earnings	4,608	5,570	10,178
Included in other comprehensive income	(3,610)	(5,957)	(9,567)
Sales	(63,156)	(7,322)	(70,478)
Settlements	(8,280)	(249)	(8,529)
Balance at September 30, 2016	$ --	$ --	$ --

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

	As of September 30, 2017				For the nine months ended September 30, 2017
	Fair Value Measurement Using			Total Fair	Total
(in thousands)	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$48,724	$109,292	$158,016	$(54,041)
Other property owned	--	--	9,341	9,341	(2,457)

	As of December 31, 2016				For the nine months ended September 30, 2016
	Fair Value Measurement Using			Total Fair	Total
(in thousands)	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$30,387	$69,087	$99,474	$(33,907)
Other property owned	--	--	15,111	15,111	(578)

Other Financial Instrument Measurements

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

(in thousands)	Total Carrying	Fair Value Measurement Using			Total Fair
As of September 30, 2017	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:					
Cash	$257,336	$257,336	$ --	$ --	$257,336
Investments held-to-maturity	2,088,260	--	288,314	1,743,960	2,032,274
Net loans	100,112,813	--	--	100,248,938	100,248,938
Total assets	$102,458,409	$257,336	$288,314	$101,992,898	$102,538,548
Liabilities:					
Bonds and notes	$96,786,674	$ --	$ --	$96,630,194	$96,630,194
Unfunded loan commitments	25,698	--	--	25,698	25,698
Total liabilities	$96,812,372	$ --	$ --	$96,655,892	$96,655,892
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(30,100)	$(30,100)

(in thousands) As of December 31, 2016	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$559,760	$559,760	$ --	$ --	$559,760
Investments held-to-maturity	1,938,980	--	305,085	1,574,772	1,879,857
Net loans	98,587,750	--	--	97,900,467	97,900,467
Total assets	$101,086,490	$559,760	$305,085	$99,475,239	$100,340,084
Liabilities:					
Bonds and notes	$96,633,431	$ --	$ --	$96,111,397	$96,111,397
Unfunded loan commitments	24,166	--	--	24,166	24,166
Total liabilities	$96,657,597	$ --	$ --	$96,135,563	$96,135,563
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(29,431)	$(29,431)

NOTE 8

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 goal is 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. 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 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 facilitates interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. 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
As of December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	**500**	**80**	**--**	**--**	**580**
Maturities/amortization	**(400)**	**(2)**	**(400)**	**(2)**	**(804)**
As of September 30, 2017	**$2,666**	**$2,166**	**$2,700**	**$88**	**$7,620**
As of December 31, 2015	$1,550	$1,523	$2,500	$35	$5,608
Additions	766	566	1,400	56	2,788
Maturities/amortization	(200)	--	(800)	--	(1,000)
As of September 30, 2016	$2,116	$2,089	$3,100	$91	$7,396

Other derivatives consisted of customer derivative products.

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. 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 monitors the credit standing and levels of exposure to individual counterparties. At September 30, 2017 AgriBank does not anticipate nonperformance by any of these counterparties. AgriBank typically enters into master agreements that contain netting provisions. All derivative contracts are supported by bilateral collateral agreements with counterparties. Certain derivatives were in a negative fair value position, requiring AgriBank to post cash collateral with counterparties of $14.3 million as of September 30, 2017, and $10.0 million as of December 31, 2016.

AgriBank may also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the credit worthiness of counterparties to all swaps that are sent to the CCP, set limits for each counterparty, collect initial margin as well as variation margin settlements from each counterparty for changes in the value of cleared derivatives. At September 30, 2017, initial margin posted with counterparties was $20.1 million compared to $27.9 million as of December 31, 2016. In 2017, contracts with certain CCPs changed which resulted in treating daily variation margin payments as settlements rather than collateral posted. As of September 30, 2017, variation margin of $6.3 million was settled with counterparties, compared to variation margin posted as collateral from counterparties of $6.7 million as of December 31, 2016.

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 are developed within limits established by the AgriBank 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. Refer to Note 14 of the 2016 Annual Report for additional information regarding counterparty risk and AgriBank's risk mitigation practices.

One District Association is party to derivative financial instruments called to-be-announced (TBAs) securities 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. The margin posted with the counterparty was $2.0 million as of September 30, 2017 and December 31, 2016.

Financial Statement Impact of Derivatives

Refer to Notes 2 and 14 of the 2016 Annual Report for additional information regarding the accounting for derivatives.

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

	September 30, 2017		December 31, 2016	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$ --**	**$8,692**	$2,099	$6,746
Pay-fixed and amortizing pay-fixed swaps	**25,142**	**48,221**	33,102	50,378
Floating-for-floating and amortizing floating-for-floating swaps	**--**	**4,400**	1,744	1,625
Total derivatives designated as hedging instruments	**25,142**	**61,313**	36,945	58,749
Derivatives not designated as hedging instruments:				
Pay-fixed and amortizing pay-fixed swaps	**3,187**	**123**	3,568	130
Other derivative products	**475**	**2,690**	476	3,205
Total derivatives not designated as hedging instruments	**3,662**	**2,813**	4,044	3,335
Credit valuation adjustments	**(23)**	**--**	(198)	--
Total gross amounts of derivatives	**$28,781**	**$64,126**	$40,791	$62,084
Gross amounts offset in Combined Statements of Condition	**(22,392)**	**(22,392)**	(27,447)	(27,447)
Variation margin settled	**--**	**(6,272)**	--	--
Net amounts in Combined Statements of Condition	**$6,389**	**$35,462**	$13,344	$34,637

(in thousands)	**September 30, 2017**	December 31, 2016
Derivative assets, net	**$6,389**	$13,344
Derivative liabilities, net	**(35,462)**	(34,637)
Accrued interest payable on derivatives, net	**(6,250)**	(568)
Gross amounts not offset in Combined Statements of Condition:		
Cash collateral posted with counterparties	**36,437**	33,128
Net exposure amounts	**$1,114**	$11,267

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 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 $1.9 million of gains related to swaps for the nine months ended September 30, 2017, compared to $950 thousand of losses for the same period in 2016. 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 and the amount excluded from effectiveness testing.

(in thousands) **For the nine months ended September 30, 2017** **Cash Flow Hedging Relationships**	**Amount of Loss Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Gain (Loss) Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)**
Pay-fixed and amortizing pay-fixed swaps	**$(5,804)**	**$ --**
Floating-for-floating and amortizing floating-for-floating swaps	**(4,519)**	**--**
Total	**$(10,323)**	**$ --**

(in thousands) For the nine months ended September 30, 2016 Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
Pay-fixed and amortizing pay-fixed swaps	$(94,773)	$ --
Floating-for-floating and amortizing floating-for-floating swaps	(2,975)	(47)
Total	$(97,748)	$(47)

There were no amounts reclassified from accumulated other comprehensive income into income for either nine month period ended September 30, 2017 or 2016.

Derivatives not Designated as Hedges: For the nine months ended September 30, 2017, AgriBank and one District Association recorded $890 thousand of net losses related to swaps and TBAs, compared to $2.2 million of net losses for the same period in 2016. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other gains, net" on the Combined Statements of Comprehensive Income.

NOTE 9

Accumulated Other Comprehensive Income

Changes in Components of Accumulated Other Comprehensive Income (Loss)

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2015	$(31,002)	$10,561	$(64,424)	$(531,234)	$(616,099)
Other comprehensive income (loss) before reclassifications	38,138	(2)	(97,748)	--	(59,612)
Amounts reclassified from accumulated other comprehensive income	(25)	(10,559)	--	28,563	17,979
Net other comprehensive income (loss)	38,113	(10,561)	(97,748)	28,563	(41,633)
Balance at September 30, 2016	$7,111	$ --	$(162,172)	$(502,671)	$(657,732)
Balance at December 31, 2016	$(62,874)	$ --	$(17,156)	$(486,801)	$(566,831)
Other comprehensive income before reclassifications	**19,948**	**--**	**(10,323)**	**--**	**9,625**
Amounts reclassified from accumulated other comprehensive income	**343**	**--**	**--**	**28,844**	**29,187**
Net other comprehensive income (loss)	**20,291**	**--**	**(10,323)**	**28,844**	**38,812**
Balance at September 30, 2017	**$(42,583)**	**$ --**	**$(27,479)**	**$(457,957)**	**$(528,019)**

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

(in thousands)

Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Combined Statements of Comprehensive Income
For the nine months ended September 30,	**2017**	2016	
Not-other-than-temporarily-impaired investments:			
Realized loss (gain) on sale of investment securities, net	**$343**	$(25)	Miscellaneous income and other gains, net
Other-than-temporarily-impaired investments:			
Realized gain on sale of investment securities	**--**	(10,559)	Miscellaneous income and other gains, net
Employee benefit plans activity:			
Prior service cost	**(2,722)**	(1,172)	Salaries and employee benefits
Actuarial loss	**31,566**	29,735	Salaries and employee benefits
	28,844	28,563	
Total reclassifications	**$29,187**	$17,979	

NOTE 10

AgriBank Only Financial Data

Statements of Condition

(in thousands)	**September 30, 2017**	December 31, 2016
Net loans	**$87,140,256**	$86,057,120
Other assets	**15,906,740**	16,506,176
Total assets	**$103,046,996**	$102,563,296
Total liabilities	**97,328,216**	97,077,193
Total shareholders' equity	**5,718,780**	5,486,103
Total liabilities and shareholders' equity	**$103,046,996**	$102,563,296

Statements of Income

(in thousands)

For the nine months ended September 30,	**2017**	2016
Interest income	**$1,534,119**	$1,314,158
Interest expense	**1,090,655**	888,453
Net interest income	**443,464**	425,705
Provision for loan losses	**6,500**	5,500
Other expense, net	**(37,183)**	(14,727)
Net income	**$399,781**	$405,478
Patronage	**$314,059**	$221,419
Preferred stock dividends	**12,891**	12,891

Substantially all patronage is paid to District Associations and is eliminated in combination.

NOTE 11

Subsequent Events

Subsequent events have been evaluated through November 9, 2017, 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 Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.