FOCUS ON FUNDAMENTALS

Strength and Stability for Farm Credit Associations

AGRIBANK DISTRICT 2018 QUARTERLY REPORT
SEPTEMBER 30, 2018
AGRIBANK, FCB AND DISTRICT ASSOCIATIONS

AgriBank
FARM CREDIT BANK

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

Management's Discussion and Analysis

AgriBank, FCB 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 2017 Annual Report.

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

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 2017 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 income increased $215.6 million, or 15.8 percent to $1.6 billion for the nine months ended September 30, 2018, compared to the same period one year ago. This increase was mainly attributable to increased non-interest income primarily due to a non-recurring distribution received from the Farm Credit System Insurance Corporation (FCSIC), increased net interest income due mainly to increased loan volume across the District and decreased provision expense. Refer to the Results of Operations section for further discussion.

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

The Federal Open Market Committee (FOMC) of the Federal Reserve continues to move forward with the process of normalizing the level of interest rates and continues winding down its balance sheet. After the 25 basis point (bp) rate increase in September 2018, the target range for the federal funds rate stands at 2.00 to 2.25 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 25 bps before the end of 2018 to a target range of 2.25 to 2.50 percent. The U.S. Treasury yield curve has flattened due to the Federal Reserve's increases to short term rates and due to a decline in inflation expectations, which has constrained long term rates from moving significantly higher. Economists expect U.S. Treasury rates to move higher by the end of 2018 with the 2-year and 10-year rates approaching 2.89 and 3.17 percent respectively.

AgriBank manages interest rate risk consistent with policies established by the AgriBank Board of Directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section of the 2017 Annual Report).

Agricultural Conditions
The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) has forecasted 2018 U.S. net farm income to decrease $9.8 billion, or 13 percent to $65.7 billion from the latest 2017 estimate of $75.5 billion. The decline in the forecasted 2018 net farm income is largely driven by increased expenses, primarily due to increases in production, labor costs and interest expense. The latest 2018 forecast does not include the USDA Market Facilitation Program (MFP) payments which will likely improve the forecast by $2 billion to $4 billion.

U.S. farm sector working capital has declined in recent years and is expected to continue to decline in 2018, perpetuated by diminished levels of cash and other short-term assets, sustained low commodity prices and growing short-term debt.

While 2018 net farm income and working capital are expected to decline, a healthy U.S. economy is expected to support domestic demand for most agricultural commodities in the foreseeable future. The primary area of risk will remain the export component of the demand for U.S. agricultural commodities, with a stronger dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the United States are projected to remain at elevated supply levels resulting from a combination of factors, including overall excellent crop conditions, tariffs and strong harvests in recent years. In addition to cash crops, pork and dairy are heavily dependent upon exports and most susceptible to foreign trade-related disruptions in 2018. The risk in the export component of the demand for U.S. agricultural commodities may be partially mitigated by MFP assistance to producers impacted by retaliatory tariffs.

Continued low feed costs along with higher expected market prices in most major animal protein categories entering 2018 have driven increased production, giving rise to increased supply. This increased supply coupled with the expected impact of tariffs from China and other major importing countries are creating price challenges for producers, especially pork, as roughly one-fifth of domestically produced pork is exported.

Producers who are able to realize cost-of-production efficiencies and market their farm products effectively are most likely to adapt to the current price environment. Optimal input usage, adoption of cost-saving technologies, negotiating adjustments to various business arrangements such as rental cost of agricultural real estate, and effective use of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Updated Industry Conditions

The following are industry conditions for which we have updated our outlook since December 31, 2017. For further analysis of industry conditions which have not experienced a change in outlook since December 31, 2017, refer to the Agricultural Conditions section of Management's Discussion and Analysis of the 2017 Annual Report.

Soybeans

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

Dairy

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

Land Values

The AgriBank District continues to monitor agricultural land values. 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, 2018 indicated that the District real estate value changes ranged from a negative 6.5 percent to positive 12.5 percent. Land value increases continue to be most common in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, modest declines in values were concentrated primarily in areas of corn, soybean and wheat production.

The Federal Reserve Banks of Chicago, Kansas City, Minneapolis and St. Louis reported on the change in farmland values from the end of the second quarter 2017 to the end of the second quarter 2018 in their respective districts. These Federal Reserve district reports indicated overall farmland values ranging from a decrease of 4.0 percent to an increase of 3.0 percent.

The USDA 2018 land value survey, based primarily on agricultural producer opinions, indicated farmland values and cropland values in the AgriBank District increased 1.4 percent and 0.2 percent, respectively, compared to 2017 survey results. Land values in the District are expected to remain stable or soften over the next year, primarily due to anticipated continued low levels of net farm income in 2018 and beyond and, to a lesser extent, expected interest rate increases.

Loan Portfolio

Components of Loans

(in thousands)	**September 30, 2018**	December 31, 2017
Accrual loans:		
Real estate mortgage	**$58,591,718**	$57,159,353
Production and intermediate-term	**26,034,928**	26,101,406
Agribusiness	**12,724,173**	11,313,418
Rural residential real estate	**2,672,941**	2,713,168
Other	**5,054,785**	4,439,645
Nonaccrual loans	**837,521**	745,684
Total loans	**$105,916,066**	$102,472,674

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

District loans totaled $105.9 billion at September 30, 2018, a $3.4 billion, or 3.4 percent, increase from December 31, 2017. Total loans increased primarily due to an increase in agribusiness and real estate mortgage volume. Agribusiness volume increased due primarily to growth in capital markets lending. Real estate mortgage volume increased from December 31, 2017 primarily due to higher loan origination volume and slowing repayments at certain District Associations. Production and intermediate-term loan volume increased during the second and third quarters of 2018 driven by seasonal draws to fund operations. Production and intermediate term loan volume typically increases at year-end due to seasonal draws made late in the year for tax planning purposes followed by repayments made in the first quarter of the subsequent year.

Credit quality across the District declined slightly to 91.3 percent of the portfolio classified in the acceptable category, compared to 92.1 percent at December 31, 2017. The increase in adverse credit quality, delinquencies and related allowance for loan losses, compared to December 31, 2017, was primarily due to certain borrowers that continue to be impacted by low net farm income. 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. Adversely classified loans were 4.8 percent at September 30, 2018, compared to 4.3 percent at December 31, 2017 and are expected to continue to increase as the District moves through this agriculture efficiency cycle.

Components of Risk Assets

(in thousands)	**September 30, 2018**	December 31, 2017
Nonaccrual loans	**$837,521**	$745,684
Accruing restructured loans	**83,139**	91,876
Accruing loans 90 days or more past due	**33,603**	10,003
Total risk loans	**954,263**	847,563
Other property owned	**51,697**	12,295
Total risk assets	**$1,005,960**	$859,858
Risk loans as a % of total loans	**0.90%**	0.83%
Nonaccrual loans as a % of total loans	**0.79%**	0.73%
Delinquencies as a % of total loans	**0.67%**	0.55%

Note: Accruing loans include accrued interest receivable.

Risk assets have increased from December 31, 2017, but remain at acceptable levels. At September 30, 2018, 58.2 percent of nonaccrual loans were current as to principal and interest compared to 59.8 percent at December 31, 2017. The increase in risk loans was driven primarily by declines in net farm income for certain borrowers within the District. Other property owned increased primarily due to the addition of property from two grain operations. 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, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance Coverage Ratios

	September 30, 2018	December 31, 2017
Allowance as a percentage of:		
Loans	**0.46%**	0.43%
Nonaccrual loans	**58.64%**	58.48%
Total risk loans	**51.46%**	51.45%
Adverse assets to capital and allowance for loan losses	**23.89%**	22.04%

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, 2017, to $491.1 million as of September 30, 2018. This increase is primarily due to deterioration in credit quality throughout the District which has resulted in increased risk loans, adverse credit quality and industry related reserves. The management of AgriBank and each District Association, respectively, believe the allowances for loan losses are reasonable in relation to the risk in their respective portfolios at September 30, 2018.

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, 2018, investor demand for Systemwide 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, 2018, AgriBank held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

AgriBank’s liquidity policy and Farm Credit Administration (FCA) regulations require maintaining minimum liquidity on a continuous basis of 120 days and 90 days, respectively. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of September 30, 2018, AgriBank had sufficient liquidity to fund all debt maturing within 144 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 estimated operating and funding needs for a minimum of 30 days with a targeted $500 million buffer.

Total shareholders’ equity at September 30, 2018 was $23.4 billion, a $1.4 billion increase from December 31, 2017. Shareholders’ equity increased primarily due to comprehensive income for the period, partially offset by earnings reserved for patronage distributions.

At September 30, 2018, 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.

Results of Operations

District net income for the nine months ended September 30, 2018 was $1.6 billion, a 15.8 percent increase, compared to the same period in 2017. The annualized return on average assets was 1.8 percent and 1.5 percent for the nine months ended September 30, 2018 and 2017, respectively.

Changes in Significant Components of Net Income

(in thousands)			Increase (decrease)
For the nine months ended September 30,	**2018**	2017	in Net Income
Net interest income	**$2,300,018**	$2,228,058	$71,960
Provision for credit losses	**72,293**	101,016	28,723
Non-interest income	**267,982**	166,630	101,352
Non-interest expense	**899,635**	902,939	3,304
Provision for income taxes	**15,848**	26,148	10,300
Net income	**$1,580,224**	$1,364,585	$215,639

Low crop prices and current economic conditions have resulted in continued low net farm income for certain borrowers across the District, which has driven additional provisions during the nine months ended September 30, 2018. Refer to the Loan Portfolio section for further discussion.

The increase in non-interest income was primarily due to the $65.9 million Allocated Insurance Reserve Accounts (AIRAs) distribution received from the Farm Credit System Insurance Corporation (FCSIC) during the first quarter of 2018. The AIRAs were established by the FCSIC when premiums collected increased the level of the insurance fund beyond the required secured base amount of 2 percent of insured debt. Refer to the 2017 Annual Report for additional information about the FCSIC. Mineral income also contributed to the increase in non-interest income primarily due to higher oil and gas prices and increased production compared to the prior year.

Changes in Net Interest Income

(in thousands)			
For the nine months ended September 30,		**2018 vs 2017**	
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$118,096**	**$262,273**	**$380,369**
Investments	**7,751**	**87,532**	**95,283**
Other earning assets	**(156)**	**102**	**(54)**
Total interest income	**125,691**	**349,907**	**475,598**
Interest expense:			
Systemwide debt securities and other	**(34,060)**	**(369,578)**	**(403,638)**
Net change in net interest income	**$91,631**	**$(19,671)**	**$71,960**

Net interest income (NII) for the nine months ended September 30, 2018 increased $72.0 million, or 3.2 percent, compared to the same period in 2017. Net interest income increased primarily due to increases in loan volume compared to the prior year. The structure of AgriBank's funding has had less of an impact on NII. As anticipated, the positive contribution from funding actions has declined due to the current interest rate environment.

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,	2018			2017		
	ADB	Rate	NII	ADB	Rate	NII
Interest earning assets:						
Accrual loans	$102,006,577	4.55%	$3,473,019	$98,421,142	4.19%	$3,095,565
Nonaccrual loans	797,647	5.63%	33,696	738,832	5.56%	30,782
Investment securities and federal funds	17,866,010	2.14%	286,367	17,192,793	1.48%	191,084
Other earning assets	32,319	5.03%	1,215	36,606	4.62%	1,269
Total earning assets	$120,702,553	4.21%	$3,794,297	$116,389,373	3.80%	$3,318,700
Interest bearing liabilities	98,553,234	2.03%	1,494,280	95,647,128	1.52%	1,090,642
Interest rate spread	$22,149,319	2.18%		$20,742,245	2.28%	
Impact of equity financing		0.37%			0.27%	
Net interest margin		2.55%			2.55%	
Net interest income			$2,300,017			$2,228,058

Equity financing represents the benefit of non-interest bearing funding, primarily shareholders' equity, and was up significantly compared to the prior year due to higher equity volume and a higher level of interest rates. Interest rate spread decreased ten basis points from the same period last year. The decrease in spread has been substantially driven by spread compression in the production and intermediate term sector due to competitive pressures across the district. District Associations' interest rates rise faster than their competition as actions by the Federal Reserve impact the Farm Credit System immediately as compared to the delay the competition experiences as they are generally funded by deposits. Conversely, District Associations are more competitive in falling interest rate environments as Farm Credit System cost of funds declines more rapidly than that of competitors.

Additional Regulatory Information

Investment Securities Eligibility

In May 2018, the FCA Board approved a final rule to revise the requirements governing the eligibility of investment securities for System Banks and Associations. The new regulation is intended to strengthen the eligibility criteria for investments that System Banks purchase and hold. Further, it removes references to and requirements for credit ratings and substitutes other appropriate standards of credit worthiness in compliance with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The regulation is effective January 1, 2019. AgriBank and District Associations are currently working to update policies, procedures and other documentation to ensure compliance by the effective date. AgriBank and District Associations do not expect the regulation to have a material impact on the AgriBank and District Associations combined financial statements.

Certification

The undersigned have reviewed the September 30, 2018 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	Jeffrey R. Swanhorst	Jeffrey L. Moore
Chair of the Board	Chief Executive Officer	Chief Financial Officer
AgriBank, FCB	AgriBank, FCB	AgriBank, FCB
November 9, 2018	November 9, 2018	November 9, 2018

Combined Statements of Condition

AgriBank, FCB and District Associations

(unaudited) *(in thousands)*	**September 30, 2018**	December 31, 2017
Assets		
Loans	**$105,916,066**	$102,472,674
Allowance for loan losses	**491,093**	436,059
Net loans	**105,424,973**	102,036,615
Investment securities - AgriBank, FCB	**14,530,983**	14,386,455
Investment securities - District Associations	**2,464,927**	2,146,458
Cash	**252,160**	571,445
Federal funds	**858,000**	676,300
Accrued interest receivable	**1,501,957**	1,160,514
Premises and equipment, net	**564,176**	516,331
Deferred tax assets, net	**12,949**	10,076
Assets held for lease, net	**190,315**	221,373
Derivative assets	**36,785**	9,036
Other property owned	**51,697**	12,295
Cash collateral posted with counterparties	**22,108**	31,734
Other assets	**352,465**	363,058
Total assets	**$126,263,495**	$122,141,690
Liabilities		
Bonds and notes	**$101,345,572**	$98,313,944
Accrued interest payable	**406,266**	288,978
Derivative liabilities	**6,208**	34,752
Deferred tax liabilities, net	**29,920**	38,649
Accounts payable	**210,254**	196,485
Patronage and dividends payable	**255,810**	549,617
Post-employment liability	**352,023**	410,749
Cash collateral posted by counterparties	**9,750**	--
Other liabilities	**209,754**	228,152
Total liabilities	**102,825,557**	100,061,326
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**350,000**	350,000
Capital stock and participation certificates	**296,259**	294,949
Additional paid-in capital	**2,084,988**	2,084,988
Allocated surplus	**479,615**	523,252
Unallocated surplus	**20,664,256**	19,356,250
Accumulated other comprehensive loss	**(504,963)**	(593,556)
Noncontrolling interest	**67,783**	64,481
Total shareholders' equity	**23,437,938**	22,080,364
Total liabilities and shareholders' equity	**$126,263,495**	$122,141,690

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 periods ended September 30,	**2018**	2017	**2018**	2017
Interest income				
Loans	**$1,223,656**	$1,091,089	**$3,506,695**	$3,127,327
Investment securities and other earning assets	**106,567**	70,016	**287,603**	191,373
Total interest income	**1,330,223**	1,161,105	**3,794,298**	3,318,700
Interest expense	**544,810**	393,157	**1,494,280**	1,090,642
Net interest income	**785,413**	767,948	**2,300,018**	2,228,058
Provision for credit losses	**37,258**	32,521	**72,293**	101,016
Net interest income after provision for credit losses	**748,155**	735,427	**2,227,725**	2,127,042
Non-interest income				
Financially related services	**41,521**	47,954	**89,409**	96,325
Mineral income	**17,790**	10,776	**49,227**	33,237
Loan prepayment and fee income	**21,654**	10,133	**47,374**	28,268
Allocated insurance reserve accounts income	**--**	--	**65,941**	--
Miscellaneous income and other (losses) gains, net	**(2,870)**	1,612	**16,031**	8,800
Total non-interest income	**78,095**	70,475	**267,982**	166,630
Non-interest expense				
Salaries and employee benefits	**183,308**	183,389	**539,369**	527,928
Other operating expenses	**92,150**	74,821	**262,886**	241,317
Occupancy expense	**12,491**	12,559	**37,041**	36,245
Farm Credit System insurance expense	**20,356**	32,840	**60,339**	97,449
Total non-interest expense	**308,305**	303,609	**899,635**	902,939
Income before income taxes	**517,945**	502,293	**1,596,072**	1,390,733
Provision for income taxes	**115**	10,874	**15,848**	26,148
Net income	**$517,830**	$491,419	**$1,580,224**	$1,364,585
Other comprehensive (loss) income				
Available-for-sale investments activity	**$(15,890)**	$(1,399)	**$(50,302)**	$20,291
Derivatives and hedging activity	**23,543**	3,240	**105,540**	(10,323)
Employee benefit plans activity	**11,368**	11,292	**33,355**	28,844
Total other comprehensive income	**19,021**	13,133	**88,593**	38,812
Comprehensive income	**$536,851**	$504,552	**$1,668,817**	$1,403,397

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) *(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, 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 and recharacterized upon association mergers		23,592	2,084,988					2,108,580
Equity retired and 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
Balance at December 31, 2017	$350,000	$294,949	$2,084,988	$523,252	$19,356,250	$(593,556)	$64,481	$22,080,364
Noncontrolling interest equity investment							**3,302**	**3,302**
Net income					**1,580,224**			**1,580,224**
Other comprehensive income						**88,593**		**88,593**
Patronage					**(252,447)**			**(252,447)**
Surplus allocated under nonqualified patronage program				**171**	**(171)**			--
Redemption of surplus allocated under nonqualified patronage program				**(43,808)**	**41**			**(43,767)**
Perpetual preferred stock dividends					**(19,641)**			**(19,641)**
Capital stock/participation certificates issued		**26,970**						**26,970**
Capital stock/participation certificates retired		**(25,660)**						**(25,660)**
Balance at September 30, 2018	**$350,000**	**$296,259**	**$2,084,988**	**$479,615**	**$20,664,256**	**$(504,963)**	**$67,783**	**$23,437,938**

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,	**2018**	2017
Cash flows from operating activities		
Net income	**$1,580,224**	$1,364,585
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises, equipment and assets held for lease	**66,389**	72,973
Loss (gain) on sales of premises, equipment and assets held for lease	**8,277**	(2,331)
Provision for credit losses	**72,293**	101,016
Loss on other property owned, net	**1,847**	2,457
Loss (gain) on derivative activities	**6,825**	(1,996)
Loss on sale of investment securities, net	**455**	343
Amortization of discounts on debt and deferred debt issuance costs, net	**50,525**	66,473
Amortization of discounts on loans and investments, net	**(53,407)**	(10,052)
Insurance refund related to FCS Financial Assistance Corporation stock	**(3,376)**	--
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(341,443)**	(299,893)
Decrease in other assets	**7,686**	85,409
Increase in accrued interest payable	**110,868**	83,817
Decrease in other liabilities	**(40,226)**	(92,390)
Net cash provided by operating activities	**1,466,937**	1,370,411
Cash flows from investing activities		
Increase in loans, net	**(3,504,383)**	(1,705,410)
Proceeds from sales of other property owned	**6,879**	10,474
Purchases of investment securities	**(3,442,030)**	(2,464,185)
Proceeds from maturing investment securities	**2,921,245**	2,836,139
Proceeds from the sale of investment securities	**57,600**	51,296
(Purchases of) proceeds from sale of assets held for lease, net	**(9,497)**	18,631
Purchases of premises and equipment, net	**(81,956)**	(33,965)
Proceeds from Insurance refund related to FCS Financial Assistance Corporation stock	**3,376**	--
Net cash used in investing activities	**(4,048,766)**	(1,287,020)
Cash flows from financing activities		
Bonds and notes issued	**158,388,274**	130,125,369
Bonds and notes retired	**(155,395,476)**	(130,032,668)
Decrease in cash collateral posted with counterparties, net	**9,626**	3,370
Increase in cash collateral posted by counterparties	**9,750**	--
Variation margin settled on cleared derivatives, net	**37,120**	(12,951)
Patronage distributions paid	**(472,941)**	(341,366)
Nonqualified patronage distributions paid	**(118,767)**	(393)
Capital stock/participation certificates issued, net	**1,310**	21,005
Preferred stock dividends paid	**(17,954)**	(17,954)
Increase in noncontrolling interest	**3,302**	2,773
Net cash provided by (used in) financing activities	**2,444,244**	(252,815)
Net decrease in cash and federal funds	**(137,585)**	(169,424)
Cash and federal funds at beginning of period	**1,247,745**	1,151,060
Cash and federal funds at end of period	**$1,110,160**	$981,636
Supplemental schedule of non-cash investing and financing activities		
(Decrease) increase in shareholders' equity from investment securities	**$(50,302)**	$20,291
Increase in shareholders' equity from employee benefits	**33,355**	28,844
Loans transferred to other property owned	**48,652**	7,916
Patronage and preferred stock dividends accrued	**255,810**	145,505
Patronage payable under nonqualified patronage program	**--**	25,847
Transfer of retained earnings to additional paid-in capital related to association mergers	**--**	2,084,988
Supplemental non-cash fair value changes related to hedging activities		
(Increase) decrease in derivative assets	**$(62,627)**	$6,955
(Decrease) increase in derivative liabilities	**(42,960)**	7,303
Decrease in bonds from derivative activity	**(11,695)**	(5,931)
Increase (decrease) in shareholders' equity from cash flow derivatives	**105,540**	(10,323)
Supplemental information		
Interest paid	**$1,326,467**	$940,352
Taxes paid, net	**30,491**	65,296

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) are part of the customer-owned nationwide Farm Credit System (the System or FCS), established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At September 30, 2018, the District had 14 Agricultural Credit Associations (ACA). Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of 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, 2017 are contained in the 2017 Annual Report. There have been no significant changes in District accounting policies since December 31, 2017. These unaudited third quarter 2018 Combined Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2018 do not necessarily indicate the results to be expected for the year ended December 31, 2018.

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

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

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) and have determined the following standards to be applicable to the Combined Financial Statements. While not all District Associations are public entities, for the purposes of combination, District Associations generally adopt on the public entity required date. For the recently issued and adopted accounting pronouncements disclosed, no District Association plans to adopt on a non-public entity date.

Standard and effective date	Description	Adoption status and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 “Revenue from Contracts with Customers." This guidance was effective for public business entities on January 1, 2018.	This guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of contracts within the District are excluded from the scope of this new guidance.	AgriBank and District Associations adopted this guidance on January 1, 2018, using the modified retrospective approach, as the majority of revenues at each institution are not subject to the new guidance. The adoption of the guidance did not have a material impact on the combined financial condition, combined results of operations or cash flows.
In March 2017, the FASB issued ASU 2017-07 “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.” This guidance was effective for public business entities on January 1, 2018.	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	AgriBank and District Associations adopted this guidance on January 1, 2018. The adoption of the guidance did not impact the statements of financial condition or cash flows. 2017 non-service cost components of net benefit cost were reclassified from salaries and employee benefits to other operating expenses on the Combined Statements of Comprehensive Income. This retroactive adjustment was not considered to be material. There were no changes to the financial statement disclosures.
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.” This guidance was effective for public business entities on January 1, 2018.	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	AgriBank and District Associations adopted this guidance on January 1, 2018. The adoption of this guidance did not impact the combined financial condition, combined results of operations or cash flows. Financial statement disclosures related to the methods and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the combined statement of condition are no longer required and will be excluded from the 2018 Annual Report.

Standard and effective date	Description	Adoption status and financial statement impact
In August 2016, the FASB issued ASU 2016-15 “Classification of Certain Cash Receipts and Cash Payments.” This guidance was effective for public business entities on January 1, 2018.	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	AgriBank and District Associations adopted this guidance on January 1, 2018. The adoption of this guidance did not impact the combined financial condition or combined results of operations. Debt extinguishment costs were previously disclosed as operating cash flows and will be reported as financing cash flows as a result of this guidance. However, no debt extinguishment costs were incurred during the last three-year period. Therefore, no changes in the classification of cash flows were required as a result of this guidance.
In February 2016, the FASB issued ASU 2016-02 "Leases." In July 2018, the FASB issued ASU 2018-11 “Leases (Topic 842): Targeted Improvements.” The guidance is effective for public business entities in the first quarter of 2019 and early adoption is permitted.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. When this guidance is adopted, a liability for lease obligations and a corresponding right-of-use asset will be recognized on the Combined Statements of Condition for all lease arrangements spanning more than 12 months. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	AgriBank and District Associations have no plans to early adopt this guidance. AgriBank and District Associations are at various stages including: in the process of system selection, drafting accounting policies and disclosures, and designing processes and controls to implement this standard. An estimate of the impact on the combined financial statements cannot be determined at this time.
In August 2017, the FASB issued ASU 2017-12 “Targeted Improvements to Accounting for Hedging Activities.” This guidance is effective for public business entities in the first quarter of 2019 and early adoption is permitted.	The guidance better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing.	AgriBank has no plans to early adopt this guidance. The guidance does not apply to any District Associations. The implementation at AgriBank is expected to have an immaterial impact to the combined results of operations as all derivative gains and losses, for which hedge accounting is applied, will be recognized in interest expense on the Combined Statements of Comprehensive Income. We expect modification to certain derivative-related financial statement disclosures. There is no impact expected to the combined financial condition or cash flows.

Standard and effective date	Description	Adoption status and financial statement impact
In August 2018, the FASB issued ASU 2018-13 “Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This guidance is effective for public business entities for the first quarter of 2020 and early adoption is permitted.	The guidance removes, adds and modifies certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.	AgriBank and District Associations are in the process of reviewing the accounting standard. Based on preliminary review and analysis, certain modifications to fair value related disclosures are expected. Prior to the effective date, AgriBank and District Associations may adopt a portion of this guidance and remove certain fair value disclosures, as permitted by the guidance.
In August 2018, the FASB issued ASU 2018-15 “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” This guidance is effective for public business entities for the first quarter of 2020 and early adoption is permitted.	The guidance clarifies that implementation costs incurred in a hosting arrangement that is a service contract should be accounted for in the same manner as implementation costs incurred to develop or obtain internal-use software.	AgriBank and District Associations are in the process of reviewing the accounting standard. Based on preliminary review and analysis, this new guidance will not have a material impact on the combined financial statements and financial statement disclosures.
In August 2018, the FASB issued ASU 2018-14 “Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” This guidance is effective for public business entities for the first quarter of 2021 and early adoption is permitted.	The guidance removes and adds certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	AgriBank and District Associations are in the process of reviewing the accounting standard. Based on preliminary review and analysis, modifications to certain employee benefit plan related disclosures are expected. Prior to the effective date, AgriBank and District Associations may early adopt this disclosure guidance.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance is effective for public business entities for non-U.S. Securities Exchange Commission filers for the first quarter of 2021 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	AgriBank and District Associations have no plans to early adopt this guidance. AgriBank and District Associations have reviewed the accounting standard and are in the process of system selection and drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. AgriBank and District Associations are currently unable to estimate the impact on the financial statements.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	September 30, 2018 Amount	%	December 31, 2017 Amount	%
Real estate mortgage	**$59,056,113**	**55.7%**	$57,593,060	56.2%
Production and intermediate-term	**26,296,653**	**24.8%**	26,358,352	25.7%
Agribusiness	**12,776,109**	**12.1%**	11,331,799	11.1%
Rural residential real estate	**2,701,992**	**2.6%**	2,745,807	2.7%
Other	**5,085,199**	**4.8%**	4,443,656	4.3%
Total loans	**$105,916,066**	**100.0%**	$102,472,674	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 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

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of September 30, 2018	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Real estate mortgage	**$1,492,559**	**$392,099**	**$3,287,871**	**$63,407**	**$4,780,430**	**$455,506**
Production and intermediate-term	**2,246,495**	**607,179**	**4,300,845**	**14,395**	**6,547,340**	**621,574**
Agribusiness	**4,632,284**	**1,341,552**	**1,293,738**	**106,261**	**5,926,022**	**1,447,813**
Rural residential real estate	**59**	**--**	**7,382**	**--**	**7,441**	**--**
Other	**3,432,069**	**199,135**	**--**	**--**	**3,432,069**	**199,135**
Total loans	**$11,803,466**	**$2,539,965**	**$8,889,836**	**$184,063**	**$20,693,302**	**$2,724,028**

(in thousands)	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
As of December 31, 2017	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$1,402,341	$370,466	$3,084,588	$52,606	$4,486,929	$423,072
Production and intermediate-term	2,004,600	579,720	3,820,867	13,812	5,825,467	593,532
Agribusiness	4,433,266	1,288,714	898,954	90,890	5,332,220	1,379,604
Rural residential real estate	65	--	8,860	--	8,925	--
Other	2,820,377	174,920	9,436	--	2,829,813	174,920
Total loans	$10,660,649	$2,413,820	$7,822,705	$157,308	$18,483,354	$2,571,128

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

Portfolio Performance

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

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

Credit Quality of Loans

(in thousands) **As of September 30, 2018**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Real estate mortgage	**$54,740,136**	**91.2%**	**$2,378,275**	**4.0%**	**$2,861,281**	**4.8%**	**$59,979,692**	**100.0%**
Production and intermediate-term	**23,314,887**	**87.2%**	**1,565,392**	**5.9%**	**1,855,413**	**6.9%**	**26,735,692**	**100.0%**
Agribusiness	**12,420,280**	**96.8%**	**131,051**	**1.0%**	**284,971**	**2.2%**	**12,836,302**	**100.0%**
Rural residential real estate	**2,546,360**	**93.6%**	**64,706**	**2.4%**	**109,157**	**4.0%**	**2,720,223**	**100.0%**
Other	**4,974,016**	**97.5%**	**87,274**	**1.7%**	**40,580**	**0.8%**	**5,101,870**	**100.0%**
Total loans	**$97,995,679**	**91.3%**	**$4,226,698**	**3.9%**	**$5,151,402**	**4.8%**	**$107,373,779**	**100.0%**

(in thousands) As of December 31, 2017	Acceptable		Special mention		Substandard/Doubtful		Total	
Real estate mortgage	$53,682,853	92.1%	$2,106,760	3.6%	$2,492,958	4.3%	$58,282,571	100.0%
Production and intermediate-term	23,604,600	88.4%	1,476,509	5.5%	1,631,501	6.1%	26,712,610	100.0%
Agribusiness	11,121,333	97.7%	94,449	0.9%	163,037	1.4%	11,378,819	100.0%
Rural residential real estate	2,596,528	94.0%	59,770	2.2%	105,527	3.8%	2,761,825	100.0%
Other	4,390,403	98.5%	14,867	0.3%	52,178	1.2%	4,457,448	100.0%
Total loans	$95,395,717	92.1%	$3,752,355	3.6%	$4,445,201	4.3%	$103,593,273	100.0%

Note: Accruing loans include accrued interest receivable.

AgriBank and District Associations had no loans categorized as loss at September 30, 2018 or December 31, 2017.

Aging Analysis of Loans

(in thousands) **As of September 30, 2018**	**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	**$160,033**	**$147,071**	**$307,104**	**$59,672,588**	**$59,979,692**	**$6,199**
Production and intermediate-term	**166,405**	**147,863**	**314,268**	**26,421,424**	**26,735,692**	**20,414**
Agribusiness	**25,531**	**6,141**	**31,672**	**12,804,630**	**12,836,302**	**--**
Rural residential real estate	**20,171**	**7,234**	**27,405**	**2,692,818**	**2,720,223**	**--**
Other	**18,059**	**9,325**	**27,384**	**5,074,486**	**5,101,870**	**6,990**
Total loans	**$390,199**	**$317,634**	**$707,833**	**$106,665,946**	**$107,373,779**	**$33,603**

(in thousands) As of December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Real estate mortgage	$151,533	$96,941	$248,474	$58,034,097	$58,282,571	$1,119
Production and intermediate-term	145,404	117,615	263,019	26,449,591	26,712,610	6,953
Agribusiness	1,029	7,183	8,212	11,370,607	11,378,819	--
Rural residential real estate	19,956	9,173	29,129	2,732,696	2,761,825	563
Other	7,587	3,686	11,273	4,446,175	4,457,448	1,368
Total loans	$325,509	$234,598	$560,107	$103,033,166	$103,593,273	$10,003

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands)	**September 30, 2018**	December 31, 2017
Nonaccrual loans:		
Current as to principal and interest	**$487,391**	$446,173
Past due	**350,130**	299,511
Total nonaccrual loans	**837,521**	745,684
Accruing restructured loans	**83,139**	91,876
Accruing loans 90 days or more past due	**33,603**	10,003
Total risk loans	**$954,263**	$847,563
Volume with specific reserves	**$205,897**	$158,808
Volume without specific reserves	**748,366**	688,755
Total risk loans	**$954,263**	$847,563
Specific reserves	**$71,387**	$47,075

Note: Accruing loans include accrued interest receivable.

(in thousands) **For the nine months ended September 30,**	**2018**	2017
Income on accrual risk loans	**$4,899**	$5,015
Income on nonaccrual loans	**33,696**	30,782
Total income on risk loans	**$38,595**	$35,797
Average risk loans	**$921,915**	$878,708

Risk Loans by Type

(in thousands)	**September 30, 2018**	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	**$464,393**	$433,708
Production and intermediate-term	**261,726**	256,946
Agribusiness	**51,936**	18,381
Rural residential real estate	**29,051**	32,639
Other	**30,415**	4,010
Total nonaccrual loans	**$837,521**	$745,684
Accruing restructured loans:		
Real estate mortgage	**$59,291**	$62,231
Production and intermediate-term	**18,594**	24,483
Agribusiness	**3,040**	3,173
Rural residential real estate	**2,214**	1,989
Total accruing restructured loans	**$83,139**	$91,876
Accruing loans 90 days or more past due:		
Real estate mortgage	**$6,199**	$1,119
Production and intermediate-term	**20,414**	6,953
Rural residential real estate	**--**	563
Other	**6,990**	1,368
Total accruing loans 90 days or more past due	**$33,603**	$10,003
Total risk loans	**$954,263**	$847,563

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, 2018			For the nine months ended September 30, 2018	
(in thousands)	**Recorded Investment[1]**	**Unpaid Principal Balance[2]**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$38,117**	**$47,204**	**$14,705**	**$35,740**	**$ --**
Production and intermediate-term	**97,897**	**109,390**	**29,257**	**103,246**	**--**
Agribusiness	**40,116**	**40,957**	**19,575**	**32,694**	**--**
Rural residential real estate	**2,016**	**2,677**	**594**	**2,339**	**--**
Other	**27,751**	**28,583**	**7,256**	**22,448**	**--**
Total	**$205,897**	**$228,811**	**$71,387**	**$196,467**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$491,766**	**$557,750**	**$ --**	**$486,541**	**$18,327**
Production and intermediate-term	**202,837**	**272,070**	**--**	**187,229**	**15,499**
Agribusiness	**14,860**	**19,787**	**--**	**14,230**	**3,259**
Rural residential real estate	**29,249**	**36,902**	**--**	**31,196**	**1,335**
Other	**9,654**	**8,977**	**--**	**6,252**	**175**
Total	**$748,366**	**$895,486**	**$ --**	**$725,448**	**$38,595**
Total impaired loans:					
Real estate mortgage	**$529,883**	**$604,954**	**$14,705**	**$522,281**	**$18,327**
Production and intermediate-term	**300,734**	**381,460**	**29,257**	**290,475**	**15,499**
Agribusiness	**54,976**	**60,744**	**19,575**	**46,924**	**3,259**
Rural residential real estate	**31,265**	**39,579**	**594**	**33,535**	**1,335**
Other	**37,405**	**37,560**	**7,256**	**28,700**	**175**
Total	**$954,263**	**$1,124,297**	**$71,387**	**$921,915**	**$38,595**

	As of December 31, 2017			For the nine months ended September 30, 2017	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$45,373	$56,603	$13,638	$58,462	$ --
Production and intermediate-term	99,230	114,006	27,116	114,988	--
Agribusiness	9,399	11,334	4,352	6,797	--
Rural residential real estate	3,134	3,781	1,156	3,328	--
Other	1,672	1,672	813	1,615	--
Total	$158,808	$187,396	$47,075	$185,190	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$451,685	$526,404	$ --	$442,230	$16,952
Production and intermediate-term	189,152	258,321	--	198,520	14,623
Agribusiness	12,155	19,028	--	10,900	3,143
Rural residential real estate	32,057	41,311	--	34,626	879
Other	3,706	3,670	--	7,242	200
Total	$688,755	$848,734	$ --	$693,518	$35,797
Total impaired loans:					
Real estate mortgage	$497,058	$583,007	$13,638	$500,692	$16,952
Production and intermediate-term	288,382	372,327	27,116	313,508	14,623
Agribusiness	21,554	30,362	4,352	17,697	3,143
Rural residential real estate	35,191	45,092	1,156	37,954	879
Other	5,378	5,342	813	8,857	200
Total	$847,563	$1,036,130	$47,075	$878,708	$35,797

[1]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.

[2]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, 2018.

Troubled Debt Restructurings

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

TDR Activity

(in thousands) **For the nine months ended September 30, 2018**	**Pre-modification Outstanding Recorded Investment[(1)]**	**Post-modification Outstanding Recorded Investment[(1)]**
TDRs:		
Real estate mortgage	**$5,287**	**$4,743**
Production and intermediate-term	**6,688**	**6,663**
Agribusiness	**40,816**	**41,133**
Rural residential real estate	**358**	**355**
Total loans	**$53,149**	**$52,894**

(in thousands) For the nine months ended September 30, 2017	Pre-modification Outstanding Recorded Investment[(1)]	Post-modification Outstanding Recorded Investment[(1)]
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

[(1)]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 interest rate reduction below market, deferral of principal or extension of maturity.

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)	Recorded Investment	
For the nine months ended September 30,	**2018**	2017
TDRs that subsequently defaulted:		
Real estate mortgage	**$266**	$114
Production and intermediate-term	**90**	373
Agribusiness	**4,242**	2,803
Total	**$4,598**	$3,290

TDRs Outstanding

(in thousands)	September 30, 2018	December 31, 2017
Accrual Status		
Real estate mortgage	**$59,291**	$62,231
Production and intermediate-term	**18,594**	24,483
Agribusiness	**3,040**	3,173
Rural residential real estate	**2,214**	1,989
Total TDRs in accrual status	**$83,139**	$91,876
Nonaccrual Status		
Real estate mortgage	**$21,152**	$22,841
Production and intermediate-term	**10,400**	9,307
Agribusiness	**42,670**	2,351
Rural residential real estate	**1,308**	1,396
Total TDRs in nonaccrual status	**$75,530**	$35,895
Total TDRs	**$158,669**	$127,771

AgriBank and District Associations had no material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the nine months ended September 30,	2018	2017
Balance at beginning of period	**$436,059**	$386,754
Provision for loan losses	**70,799**	99,484
Charge-offs	**(23,528)**	(27,992)
Recoveries	**7,763**	14,749
Fair value adjustment due to mergers	**--**	(34,315)
Balance at end of period	**$491,093**	$438,680

The allowance for loan losses increased to $491.1 million at September 30, 2018, reflecting $70.8 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 $15.8 million.

Changes in Allowance for Loan Losses and Period 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, 2017	**$196,749**	**$156,184**	**$54,817**	**$8,965**	**$19,344**	**$436,059**
Provision for loan losses	**27,327**	**25,669**	**17,548**	**(413)**	**668**	**70,799**
Charge-offs	**(4,278)**	**(17,467)**	**(121)**	**(1,189)**	**(473)**	**(23,528)**
Recoveries	**1,887**	**5,331**	**104**	**441**	**--**	**7,763**
Balance as of September 30, 2018	**$221,685**	**$169,717**	**$72,348**	**$7,804**	**$19,539**	**$491,093**
As of September 30, 2018:						
Ending balance: individually evaluated for impairment	**$14,705**	**$29,257**	**$19,575**	**$594**	**$7,256**	**$71,387**
Ending balance: collectively evaluated for impairment	**$206,980**	**$140,460**	**$52,773**	**$7,210**	**$12,283**	**$419,706**
Recorded investments in loans outstanding:						
Ending balance as of September 30, 2018:	**$59,979,692**	**$26,735,692**	**$12,836,302**	**$2,720,223**	**$5,101,870**	**$107,373,779**
Ending balance for loans individually evaluated for impairment	**$529,883**	**$300,734**	**$54,976**	**$31,265**	**$37,405**	**$954,263**
Ending balance for loans collectively evaluated for impairment	**$59,449,809**	**$26,434,958**	**$12,781,326**	**$2,688,958**	**$5,064,465**	**$106,419,516**

(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 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 December 31, 2017:						
Ending balance: individually evaluated for impairment	$13,638	$27,116	$4,352	$1,156	$813	$47,075
Ending balance: collectively evaluated for impairment	$183,111	$129,068	$50,465	$7,809	$18,531	$388,984
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2017:	$58,282,571	$26,712,610	$11,378,819	$2,761,825	$4,457,448	$103,593,273
Ending balance for loans individually evaluated for impairment	$497,058	$288,382	$21,554	$35,191	$5,378	$847,563
Ending balance for loans collectively evaluated for impairment	$57,785,513	$26,424,228	$11,357,265	$2,726,634	$4,452,070	$102,745,710

Note: Accruing loans include accrued interest receivable.

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, 2018**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,933,386**	**$7,623**	**$109,233**	**$5,831,776**	**2.1%**
Commercial paper and other	**5,358,395**	**250**	**217**	**5,358,428**	**2.3%**
U.S. Treasury securities	**3,266,759**	**--**	**23,724**	**3,243,035**	**1.5%**
Asset-backed securities	**97,935**	**--**	**191**	**97,744**	**2.5%**
Total	**$14,656,475**	**$7,873**	**$133,365**	**$14,530,983**	**2.0%**

(in thousands) As of December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$6,077,973	$8,670	$65,508	$6,021,135	1.6%
Commercial paper and other	5,221,146	169	637	5,220,678	1.6%
U.S. Treasury securities	2,934,886	3	17,489	2,917,400	1.2%
Asset-backed securities	227,636	--	394	227,242	1.3%
Total	$14,461,641	$8,842	$84,028	$14,386,455	1.5%

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

The expected average life is 1.1 years for asset-backed securities (ABS) and 4.1 years for mortgage-backed securities (MBS) at September 30, 2018. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

A summary of the 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:

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

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of December 31, 2017	Value	Losses	Value	Losses
Mortgage-backed securities	$1,654,394	$13,301	$2,615,875	$52,207
Commercial paper and other	3,589,901	637	--	--
U.S. Treasury securities	725,349	3,524	2,167,019	13,965
Asset-backed securities	166,823	313	60,418	81
Total	$6,136,467	$17,775	$4,843,312	$66,253

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

AgriBank evaluates its investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. AgriBank has determined no securities were in an OTTI loss position at September 30, 2018 or December 31, 2017.

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

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 no AFS securities at September 30, 2018 or December 31, 2017.

The District Association sold AFS securities with total sales proceeds of $57.6 million and $51.3 million resulting in losses of $455 thousand and $343 thousand during the nine months ended September 30, 2018 and 2017, respectively.

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

HTM Investment Securities

(in thousands) **As of September 30, 2018**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Government guaranteed instruments	**$1,627,492**	**$4,217**	**$83,500**	**$1,548,209**	**3.4%**
Farmer Mac mortgage-backed securities	**837,275**	**1,518**	**20,464**	**818,329**	**4.1%**
Agricultural and Rural Community bonds	**160**	**--**	**--**	**160**	**3.2%**
Total	**$2,464,927**	**$5,735**	**$103,964**	**$2,366,698**	**3.6%**

(in thousands) As of December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Government guaranteed instruments	$1,432,697	$5,035	$58,640	$1,379,092	2.9%
Farmer Mac mortgage-backed securities	706,540	687	6,924	700,303	4.0%
Agricultural and Rural Community bonds	7,221	--	2	7,219	2.5%
Total	$2,146,458	$5,722	$65,566	$2,086,614	3.3%

The investments were evaluated for OTTI. No securities were other-than-temporarily impaired as of September 30, 2018 or December 31, 2017.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

As of September 30, 2018	**AgriBank**	**District Associations**	**District Associations weighted average**	**Regulatory Minimums**	**Capital Conservation Buffer [(1)]**	**Total**
Risk adjusted:						
Common equity tier 1 capital ratio	**18.1%**	**14.8% - 20.8%**	**17.3%**	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.0%**	**15.3% - 20.8%**	**17.4%**	6.0%	2.5%	8.5%
Total capital ratio	**19.0%**	**15.7% - 21.3%**	**17.9%**	8.0%	2.5%	10.5%
Permanent capital ratio	**19.0%**	**15.7% - 21.2%**	**17.6%**	7.0%	0.0%	7.0%
Non-risk adjusted:						
Tier 1 leverage ratio	**5.5%**	**13.8% - 20.6%**	**18.0%**	4.0%	1.0%	5.0%
UREE[(2)] leverage ratio	**3.1%**	**13.6% - 21.9%**	**18.1%**	1.5%	0.0%	1.5%

As of December 31, 2017	AgriBank	District Associations	District Associations weighted average	Regulatory Minimums	Capital Conservation Buffer [1]	Total
Risk adjusted:						
Common equity tier 1 capital ratio	18.2%	14.2% - 20.6%	16.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	19.0%	14.7% - 20.6%	16.9%	6.0%	2.5%	8.5%
Total capital ratio	19.1%	15.1% - 20.8%	17.4%	8.0%	2.5%	10.5%
Permanent capital ratio	19.0%	15.7% - 24.3%	17.2%	7.0%	0.0%	7.0%
Non-risk adjusted:						
Tier 1 leverage ratio	5.6%	14.6% - 21.0%	17.6%	4.0%	1.0%	5.0%
UREE[2] leverage ratio	3.2%	13.8% - 21.4%	17.7%	1.5%	0.0%	1.5%

[1] The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in through 2020 under the FCA capital requirements

[2] Unallocated retained earnings and equivalents

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

Protected participation certificates of $198 thousand and $208 thousand are included in Capital Stock and Participation Certificates on the Combined Statements of Changes in Shareholders' Equity as of September 30, 2018 and December 31, 2017, respectively.

NOTE 5

Employee Benefit Plans

AgriBank and District Associations participate in District-wide employee benefit plans. The components of net periodic benefit cost, other than the service cost component, are included in the line item "Other operating expenses" on the Combined Statements of Comprehensive Income. Service costs are included in the line item "Salaries and employee benefits" on the Combined Statements of Comprehensive Income.

Components of Net Periodic Benefit Cost

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

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan covering most of the District. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to Note 9 in the 2017 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2018, District employers have contributed $66.6 million to fund pension benefits. District employers anticipate contributing an additional $27.0 million to fund pension benefits in 2018. During the second quarter of 2018, the Plan Sponsor Committee of the AgriBank District Retirement Plan changed the funding frequency of the plan for 2018 to 40 percent of the annual contribution in June, 30 percent in September and 30 percent in December. In previous years, 40 percent of the annual contribution was made in June and the remaining 60 percent was made in December. The Nonqualified Pension plan is funded as benefits are paid.

NOTE 6

Commitments and Contingencies

In the normal course of business, 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, 2018, AgriBank and District Associations had various commitments, primarily to extend credit and unexercised commitments related to standby letters of credit, totaling $25.4 billion, $22.6 million of which was included in “Other liabilities” on the Combined Statements of Condition at September 30, 2018.

In November 2016, an alleged class action lawsuit was filed in New York state court against AgriBank by purported beneficial owners of some of AgriBank’s 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 AgriBank impermissibly redeemed the Subordinated Notes. AgriBank removed the lawsuit to federal court in the Southern District of New York. Plaintiff requested damages in an amount to be determined at trial, reasonable attorneys’ fees, and other relief. In October 2017, AgriBank filed an answer to the lawsuit. On July 31, 2018, the plaintiff filed an amended complaint adding a second named plaintiff. On August 30, 2018, AgriBank filed an answer to the amended complaint. The lawsuit is in the discovery stage, and AgriBank intends to vigorously defend against these allegations. As of the date of these financial statements, the likelihood of any outcome of this proceeding cannot be determined.

Additionally, from time to time, AgriBank and District Associations may be named as defendants in certain lawsuits or legal actions in the normal course of business. Refer to AgriBank’s and District Associations’ respective reports for litigations and contingencies material to the individual institution, but not material to the District as a whole. 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, 2018 was $268.5 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, and impaired loans. 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 2017 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 on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Refer to Note 2 within the 2017 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of September 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	$ --	$858,000	$ --	$858,000
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,831,776	--	5,831,776
Commercial paper and other	--	5,358,428	--	5,358,428
U.S. Treasury securities	--	3,243,035	--	3,243,035
Asset-backed securities	--	97,744	--	97,744
Total investments available-for-sale	--	14,530,983	--	14,530,983
Cash collateral posted with counterparties	22,108	--	--	22,108
Derivative assets	125	36,614	46	36,785
Total assets	$22,233	$15,425,597	$46	$15,447,876
Liabilities:				
Cash collateral posted by counterparties	$9,750	$ --	$ --	$9,750
Derivative liabilities	20	6,188	--	6,208
Total liabilities	$9,770	$6,188	$ --	$15,958

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2017	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$676,300	$ --	$676,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	6,021,135	--	6,021,135
Commercial paper and other	--	5,220,678	--	5,220,678
U.S. Treasury securities	--	2,917,400	--	2,917,400
Asset-backed securities	--	227,242	--	227,242
Total investments available-for-sale	--	14,386,455	--	14,386,455
Cash collateral posted with counterparties	31,734	--	--	31,734
Derivative assets	--	8,956	80	9,036
Total assets	$31,734	$15,071,711	$80	$15,103,525
Liabilities:				
Derivative liabilities	$190	$34,562	$ --	$34,752
Total liabilities	$190	$34,562	$ --	$34,752

Fair Value Measurement Activity of Level 3 Instruments

	Investments Available-for-Sale
(in thousands)	**Mortgage-backed Securities**
Balance at December 31, 2016	$ --
Total gains (losses) realized/unrealized:	
Included in earnings	(343)
Purchases	75,631
Sales	(51,296)
Balance at September 30, 2017	$23,992
Balance at December 31, 2017	$ --
Total losses realized/unrealized:	
Included in earnings	**(455)**
Purchases	**58,055**
Sales	**(57,600)**
Balance at September 30, 2018	**$ --**

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

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

	As of September 30, 2018			
	Fair Value Measurement Using			**Total Fair**
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Value**
Impaired loans	**$ --**	**$ --**	**$143,086**	**$143,086**

	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$126,869	$126,869

Other Financial Instrument Measurements

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

(in thousands) **As of September 30, 2018**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$252,160**	**$252,160**	**$ --**	**$ --**	**$252,160**
Investments held-to-maturity	**2,464,927**	**--**	**200,680**	**2,166,018**	**2,366,698**
Net loans	**105,290,463**	**--**	**--**	**103,875,739**	**103,875,739**
Total assets	**$108,007,550**	**$252,160**	**$200,680**	**$106,041,757**	**$106,494,597**
Liabilities:					
Bonds and notes	**$101,345,572**	**$ --**	**$ --**	**$99,826,845**	**$99,826,845**
Reserve for unfunded loan commitments	**22,612**	**--**	**--**	**22,612**	**22,612**
Total liabilities	**$101,368,184**	**$ --**	**$ --**	**$99,849,457**	**$99,849,457**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit	**$ --**	**$ --**	**$ --**	**$(31,349)**	**$(31,349)**

(in thousands) As of December 31, 2017	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$571,445	$571,445	$ --	$ --	$571,445
Investments held-to-maturity	2,146,458	--	257,757	1,828,857	2,086,614
Net loans	101,924,882	--	--	101,417,756	101,417,756
Total assets	$104,642,785	$571,445	$257,757	$103,246,613	$104,075,815
Liabilities:					
Bonds and notes	$98,313,944	$ --	$ --	$97,834,887	$97,834,887
Reserve for unfunded loan commitments	21,086	--	--	21,086	21,086
Total liabilities	$98,335,030	$ --	$ --	$97,855,973	$97,855,973
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit	$ --	$ --	$ --	$(29,994)	$(29,994)

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 goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet liabilities so that movements in interest rates do not adversely affect net interest margin. As a result of interest rate fluctuations, fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains or losses on the derivative instruments that are linked to fixed-rate liabilities. Another result of interest rate fluctuations is that the interest expense of floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these floating-rate liabilities. AgriBank considers the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

AgriBank primarily enters into derivative transactions, particularly interest rate swaps, to reduce funding costs, improve liquidity and manage interest rate sensitivity. AgriBank uses various derivative instruments as follows:

- Interest rate swaps allow AgriBank to change the characteristics of fixed or floating debt AgriBank issues 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.
- 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's derivative activities are monitored by AgriBank's Asset/Liability Committee (ALCO) as part of the Committee's oversight of AgriBank's asset/liability and treasury functions. AgriBank's hedging strategies are developed within limits established by the board through AgriBank's analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into AgriBank's overall interest rate risk-management strategies. Refer to Note 14 of the 2017 Annual Report for additional information regarding counterparty risk and risk mitigation practices.

AgriBank Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	500	80	--	--	580
Maturities/amortization	(400)	(2)	(400)	(2)	(804)
As of September 30, 2017	$2,666	$2,166	$2,700	$88	$7,620
As of December 31, 2017	$2,617	$2,316	$2,700	$88	$7,721
Additions	**200**	**79**	**--**	**8**	**287**
Maturities/amortization	**(625)**	**(52)**	**(200)**	**(2)**	**(879)**
As of September 30, 2018	**$2,192**	**$2,343**	**$2,500**	**$94**	**$7,129**

Other derivatives consisted of customer derivative products.

Credit Risk Management

By using derivative instruments, AgriBank is subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, AgriBank's credit risk equals the net amount due to AgriBank. Generally, when the fair value of a derivative contract is positive, AgriBank has credit exposure to the counterparty, creating credit risk for AgriBank. When the fair value of the derivative contract is negative, AgriBank does not have credit exposure; however, there is a risk of AgriBank's nonperformance under the terms of the derivative transaction.

To minimize the risk of credit losses, for non-customer bilateral derivatives AgriBank deals only with counterparties that have an investment-grade or better credit rating from a rating agency, and AgriBank monitors the credit standing and levels of exposure to individual counterparties. At September 30, 2018, AgriBank does not anticipate nonperformance by any of these counterparties. AgriBank typically enters into master agreements that contain netting provisions. These provisions allow AgriBank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring collateral to be posted in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating.

AgriBank Bilateral Interest Rate Swaps

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

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

AgriBank Centrally Cleared Interest Rate Swaps

(in thousands)	**September 30, 2018**	December 31, 2017
Notional Amount	**$3,459,298**	$3,408,360
Initial margin posted with counterparties	**$18,542**	$18,580

All margin posted by or with counterparties was in cash. AgriBank had no securities posted by counterparties or to counterparties for any year presented.

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, 2018 and December 31, 2017.

Financial Statement Impact of Derivatives

Refer to Notes 2 and 14 of the 2017 Annual Report for additional information regarding the accounting for derivatives.

The following tables present the gross fair value, offsetting and net exposure amounts of derivative assets and derivative liabilities. The fair value of 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.

(in thousands)	**September 30, 2018** Fair Value Assets	Fair Value Liabilities	December 31, 2017 Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$ --**	**$30,452**	$ --	$18,276
Pay-fixed swaps	**101,310**	**2,945**	34,447	39,615
Floating-for-floating swaps	**--**	**2,941**	--	4,950
Total derivatives designated as hedging instruments	**101,310**	**36,338**	34,447	62,841
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**5,764**	**--**	3,670	--
Other derivative products	**334**	**5,248**	94	3,278
Total derivatives not designated as hedging instruments	**6,098**	**5,248**	3,764	3,278
Credit valuation adjustments	**(367)**	**--**	(49)	--
Total gross amounts of derivatives	**$107,041**	**$41,586**	$38,162	$66,119
Gross amounts offset in Combined Statements of Condition	**(35,378)**	**(35,378)**	(29,126)	(29,126)
Variation margin settled	**(34,878)**	**--**	--	(2,241)
Net amounts in Combined Statements of Condition	**$36,785**	**$6,208**	$9,036	$34,752

(in thousands)	**September 30, 2018**	December 31, 2017
Derivative assets, net	**$36,785**	$9,036
Derivative liabilities, net	**(6,208)**	(34,752)
Accrued interest payable on derivatives, net	**(6,442)**	(3,457)
Gross amounts not offset in Combined Statements of Condition:		
Cash collateral posted by counterparties	**(9,750)**	--
Cash collateral posted with counterparties	**22,108**	31,734
Net exposure amounts	**$36,493**	$2,561

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 (losses) gains, net" on the Combined Statements of Comprehensive Income.

Fair-Value Hedges: Due to hedge ineffectiveness, AgriBank recorded losses of $480 thousand and gains of $1.9 million in the nine month period ended September 30, 2018 and 2017, respectively. These 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. During the next 12 months, $7.7 million in gains from derivatives that qualified as cash flow hedges are expected to be reclassified from accumulated other comprehensive loss into earnings.

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

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

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

Derivatives not Designated as Hedges: For the nine months ended September 30, 2018, AgriBank and one District Association recorded $1.0 million of net gains related to swaps and TBAs, compared to $890 thousand of net losses for the same period in 2017. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other (losses) gains, net" on the Combined Statements of Comprehensive Income.

NOTE 9

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive (Loss) Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2016	$(62,873)	$(17,157)	$(486,801)	$(566,831)
Other comprehensive income (loss) before reclassifications	19,948	(10,323)	--	9,625
Amounts reclassified from accumulated other comprehensive loss	343	--	28,844	29,187
Net other comprehensive income (loss)	20,291	(10,323)	28,844	38,812
Balance at September 30, 2017	$(42,582)	$(27,480)	$(457,957)	$(528,019)
Balance at December 31, 2017	$(75,184)	$(10,121)	$(508,251)	$(593,556)
Other comprehensive (loss) income before reclassifications	**(50,757)**	**98,910**	**--**	**48,153**
Amounts reclassified from accumulated other comprehensive loss	**455**	**6,630**	**33,355**	**40,440**
Net other comprehensive (loss) income	**(50,302)**	**105,540**	**33,355**	**88,593**
Balance at September 30, 2018	**$(125,486)**	**$95,419**	**$(474,896)**	**$(504,963)**

Note: All amounts in the table above are not subject to income tax.

Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands) Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Combined Statements of Comprehensive Income
For the nine months ended September 30,	**2018**	2017	
Not-other-than-temporarily-impaired investments:			
Realized loss on sale of investment securities, net	**$455**	$343	Miscellaneous income and other gains, net
	455	343	
Derivatives and hedging activity:			
Interest rate contracts	**6,630**	--	Interest expense
Employee benefit plans activity:			
Prior service cost	**$(2,712)**	$(2,722)	Other operating expenses
Actuarial loss	**36,067**	31,566	Other operating expenses
	33,355	28,844	
Total reclassifications	**$40,440**	$29,187	

NOTE 10

AgriBank Only Financial Data

Statements of Condition

(in thousands)	**September 30, 2018**	December 31, 2017
Net loans	**$91,467,495**	$88,348,876
Other assets	**16,376,625**	16,195,849
Total assets	**$107,844,120**	$104,544,725
Total liabilities	**$101,989,198**	$98,902,843
Total shareholders' equity	**5,854,922**	5,641,882
Total liabilities and shareholders' equity	**$107,844,120**	$104,544,725

Statements of Income

(in thousands) **For the nine months ended September 30,**	**2018**	2017
Interest income	**$1,938,418**	$1,534,119
Interest expense	**1,494,768**	1,090,655
Net interest income	**443,650**	443,464
Provision for loan losses	**2,500**	6,500
Other income (expense), net	**(6,852)**	(37,183)
Net income	**$434,298**	$399,781
Patronage	**$294,348**	$314,059
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, 2018, 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.