FARM CREDIT 100 ESTABLISHED 1916

Cultivating the next century of agriculture

AgriBank 2015 Annual Report

AgriBank FARM CREDIT BANK

about AgriBank

AgriBank is one of the largest banks within the national Farm Credit System, with nearly $100 billion in total assets. Under the Farm Credit System's cooperative structure, AgriBank is primarily owned by 17 affiliated Farm Credit Associations. The AgriBank District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. With about half of the nation's cropland located in the AgriBank District, and nearly 100 years of experience, the Bank and its Association owners have significant expertise in providing financial products and services for rural communities and agriculture. For more information, please visit www.AgriBank.com.

about Farm Credit

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. Farm Credit has been fulfilling its mission of helping these areas grow and thrive for a century by providing farmers with the capital they need to make their businesses successful and by financing vital infrastructure and communication services. Because a steady flow of capital means more jobs and economic growth, Farm Credit is able to invest in the vibrancy of communities throughout rural America. For more information about Farm Credit, please visit www.FarmCredit.com.

letter from L. William York and Douglas A. Felton

Cultivating the NEXT CENTURY of Agriculture

Honoring Our Past, Preparing for the Future

Dear Stakeholders:

We are pleased to report another year of strong financial results. Strong, but moderating in a tougher environment — like the farm economy overall.

We are navigating a more challenging business cycle than we've seen in years; at the same time, we are marking the Farm Credit centennial. How appropriate — after all, since our start in 1916, we've been there through market ups and downs to support rural communities and agriculture by providing reliable, consistent credit and financial services. We have a history of adapting to help farmers, ranchers and other customers overcome challenges so that future generations will have ample opportunities.

Today we're in the midst of an agriculture efficiency cycle, when producers need to reduce operating costs to better align with current commodity prices. Lower commodity prices have contributed to slower growth in farmland values and falling net farm incomes. Interest rates are expected to rise, at least modestly, for the first time in a decade. Producers generally have entered this cycle with strong financial positions and risk management tools, as well as debt-to-equity ratios that are moderating, but manageable. Farm Credit was built for these conditions. Whatever economic cycles we face, we're committed to keeping capital flowing through rural America — capital that farmers need to make their businesses successful...which means more jobs and economic growth, leading to more vibrant communities.

Challenges for borrowers will remain pressing for the foreseeable future with increasing risk, uncertainty and volatility. As we pass our 100-year milestone, we are firmly focusing on the future. This forward-looking mindset requires creativity and a willingness to change so that we can

continue to fulfill our time-honored mission. It requires reinforcing our strong financial foundation, collaborating more closely with the 17 affiliated Farm Credit Associations and the entire Farm Credit System, and achieving operational excellence so we can continue to support our customer-owners efficiently and effectively.

Since our start in 1916, we've been there through market ups and downs to support rural communities and agriculture by providing reliable, consistent credit and financial services.

Financial Strength

Key indicators continued to moderate in 2015 as they had begun to do so during the previous year, bringing the agriculture industry more in line with historical levels. Even as the farm economy continued to slow down, AgriBank and affiliated Associations that comprise the AgriBank District turned in another year of strong earnings and sound credit quality. We expect the more challenging operating environment to continue into 2016, with earnings and credit quality continuing to return closer to long-term averages. AgriBank and affiliated Associations, as well as most individual borrowers, are in a strong position to manage through these challenges.

Several key financial measures reflect our strong performance for 2015:

- AgriBank loan volume increased 6.8 percent from the previous year to $82.8 billion, reflecting growth in wholesale loans to affiliated Associations; and District loan volume increased 7.3 percent from the previous year to $95.0 billion, driven by affiliated Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- Shareholders' equity increased 5.2 percent to $5.2 billion for AgriBank and increased 8.4 percent to $19.4 billion for the District, positioning the Bank and affiliated Associations to navigate through the current market cycle
- District net income — the second-highest ever — decreased $56.7 million from the previous year to approximately $1.8 billion, while AgriBank net income decreased $89.7 million to $480.0 million. The changes reflect steady net interest income, which was more than offset by a decline in mineral income, as well as increased provision for loan losses.
- AgriBank returned nearly $284 million in earnings to affiliated Farm Credit Associations in the form of patronage refunds
- AgriBank net operating rate of 7.3 basis points increased from 7.2 basis points in 2014, reflecting strategic investments in processes, staffing and technology

AgriBank has consistently received high marks from third parties for financial strength, which is the foundation of our ability to fulfill our mission to meet the credit needs of rural communities and agriculture over the long term. In their latest reports, the top three credit rating agencies affirmed their strong ratings with stable outlooks for AgriBank (Fitch, AA-; Moody's, Aa3; Standard & Poor's, AA-).

AgriBank was named the safest bank in the United States in 2015 by Global Finance magazine, and earned a place on its "World's 50 Safest Banks" list for the third consecutive year. The ranking methodology includes total assets and an evaluation of long-term ratings from major rating agencies.

It's in the best interest of affiliated Associations that AgriBank remain strong and viable. The increasingly dynamic and volatile market environment requires sustained financial strength to ensure reliable access to capital, as earnings expectations, capital structure and regulatory capital requirements significantly influence AgriBank's return on assets (ROA).

Even as the farm economy continued to slow down, AgriBank and affiliated Associations that comprise the AgriBank District turned in another year of strong earnings and sound credit quality.

With support from affiliated Associations, AgriBank has adopted a new customer profitability model that will help ensure continued dependable, efficient and sustainable funding across the District. Under this new model, which took effect January 1, 2016, AgriBank has established a long-term target ROA of 50 basis points based on our current evaluation of the income the Bank needs in relation to our current risk profile. AgriBank earnings generally comprise a relatively small share of the combined earnings of the Bank and affiliated Associations. This model allows AgriBank to generate a targeted ROA relative to our risk profile with the majority of District income to be retained within affiliated Associations, which provide a stable source of capital to rural communities and agriculture.

AgriBank's capital position is another area where we have worked proactively with Associations to maintain financial strength, helping to keep the cost of borrowing as low as possible. The Bank's regulatory capital ratios all remain well within or above regulatory minimums and AgriBank-targeted levels. Our regulator, the Farm Credit Administration, has proposed new, higher capital requirements that are consistent with the Basel III capital regulations that were adopted for commercial banks in 2013. The final capital regulations are anticipated to be approved in 2016, with an anticipated effective date no earlier than January 1, 2017. When new capital regulations are finalized, we will reevaluate the capital plan and revise, as appropriate.

Farmers, ranchers and rural communities have placed their trust in Farm Credit for

nearly 100 years. They can rest assured that AgriBank and affiliated Associations are taking the necessary steps to bolster our collective financial strength and stability so we can continue providing them with the competitive financial solutions they need.

Strategic Collaboration

AgriBank's vision is: "To be the best source of financial solutions and services through collaborative relationships serving agriculture and rural America." Four strategic imperatives continue to provide a roadmap to achieving our vision.

These are multi-year areas of focus that will enable us to achieve our vision to be Smart, Safe, Innovative and Collaborative:

- **Smart:** Optimize the organization's effectiveness and impact in driving strategic vision
- **Safe:** Enhance risk management capabilities
- **Innovative:** Create and deliver value through enhanced products and services to meet District/System mission
- **Collaborative:** Facilitate and support District and System effectiveness

Several initiatives are under way to facilitate greater collaboration among AgriBank, affiliated Associations and other Farm Credit entities to help us all more effectively fulfill our shared mission to support rural communities and agriculture.

From the District strategic planning process to more frequent meetings among affiliated Association CEOs, collaboration across the AgriBank District continues to grow. We, of course, exist to support the work of our customer-owners, the affiliated Associations, and to create value for the District. In 2016, we will create strategic relationship plans with each Association so we can more effectively and proactively engage with them and determine new opportunities to support them.

We have many opportunities for further collaboration with the Associations. For example, as a result of the District strategic planning process, we are exploring opportunities to unify back-office technology systems throughout the District. The general ledger and loan accounting systems, which are core operations to AgriBank and the affiliated Associations, are the initial focus of dedicated workgroups. Another workgroup is looking into how we enhance the delivery of business services AgriBank provides to affiliated Associations today. We are also facilitating the development of District centers of excellence that affiliated Associations will drive and manage in areas such as rural residential and consumer lending. Initiatives such as these hold opportunity for further collaboration and efficiencies across the System.

Collaboration across the AgriBank District continues to grow.

Greater collaboration across the System includes building the strongest possible working relationships between AgriBank and other Farm Credit entities in order to fulfill our shared mission and advance the interests of our Association customer-owners, the Farm Credit System, agriculture and rural communities.

As part of Farm Credit, the success of AgriBank and affiliated Associations is inextricably linked with the System. This connection manifests itself formally through joint and several liability, and informally through our shared reputation. Accordingly, AgriBank maintains an active leadership role and speaks with a strong voice at the System and industry levels. We are on the front lines of advocating to preserve the lending authorities that enable us to generate the income and create the portfolio diversification we need to stay safe and sound so that we can continue to provide a stable source of funding. AgriBank directors actively serve on the boards of FCC Services, the Farm Credit Banks Funding Corporation, Farm Credit Council and other organizations, and AgriBank executives and managers provide leadership on Farm Credit committees dedicated to issues such as internal controls, reputation management and risk management.

Operational Excellence

While AgriBank is pursuing a host of strategic initiatives, our strong core business operations are what enable us to deliver value to affiliated Associations day in and day out. Our core — our people, processes, systems and collaborative relationships — is rooted in operational excellence with a continuous improvement mindset that ensures our products and services remain relevant and integral to the success of affiliated Associations. This approach requires that we make strategic investments, which we strive to balance with expense management.

One area where AgriBank will be fostering greater operational excellence is to enhance internal controls across the District with the recently updated framework for the System Disclosure Program. Under the framework — agreed to by the Farm Credit System Presidents Planning Committee, Federal Farm Credit Banks Funding Corporation and the System Audit Committee — Farm Credit entities are enhancing the effectiveness of key controls over financial reporting. This framework is designed to support the System-level attestation, similar to that required by Sarbanes-Oxley Section 404.

We are committed to supporting affiliated Associations through this enhanced internal controls framework.

Our strong core business operations are what enable us to deliver value to affiliated Associations day in and day out.

Stewardship

Being a mission-based organization sets Farm Credit apart from other financial services providers. Our very purpose is to protect and grow rural communities and agriculture, and position them to succeed for the benefit of future generations.

This sense of stewardship extends to our role as a corporate citizen. In 2015, we contributed nearly $3.4 million to support rural communities and agriculture, as well as the communities where we live and work. This includes partnering with affiliated Associations and the Farm Credit System to support worthy programs. We provide grants to sponsor traditional and nontraditional agriculture in all of the 15 states affiliated Associations serve; fund projects in western North Dakota communities impacted by oil and mineral exploration and production; support education, youth development and other charitable causes through the national Farm Credit Gives program; help St. Paul-Minneapolis charities with a focus on addressing basic needs such as hunger; and match employee contributions. We are committed to supporting these important causes in 2016 with an eye on using available resources as wisely as possible.

We understand rural communities and agriculture, and our sole mission is to support them.

Our commitment to stewardship applies to the Farm Credit System itself. A century ago, visionary leaders embarked on a bold idea: create a cooperative system of local lenders, owned and governed by its borrowers, to support rural communities and agriculture with reliable, consistent credit and financial services. From the Great Depression through the 1980s farm crisis to today, Farm Credit has stood by those customer-owners. Today, we are the premier funding source for farmers and ranchers throughout the country. This includes supporting young, beginning, small and minority farmers as well as established and growing operations. We understand rural communities and agriculture, and our mission is to support them.

Just as farmers plant new crops each season, we're committed to sowing new seeds and growing anew each year so rural communities and agriculture can continue to thrive, today and tomorrow. We are confident we will continue to fulfill our mission from our foundation of financial strength, provided we continue to work together, embrace high standards and stay true to our values.

AgriBank, affiliated Associations and Farm Credit — **Cultivating the Next Century of Agriculture**.

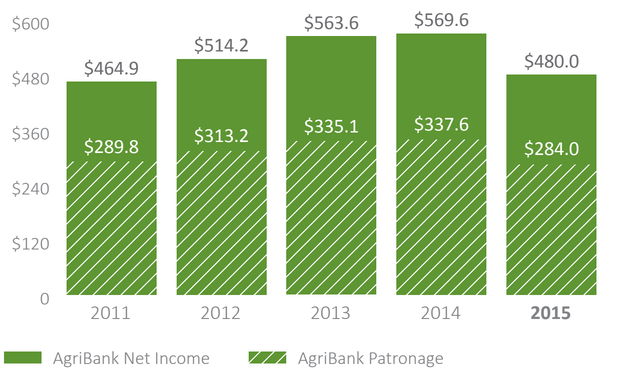
Douglas A. Felton
Chair, AgriBank

L. William York
CEO, AgriBank

performance highlights

AgriBank Net Income and Patronage

Millions of Dollars

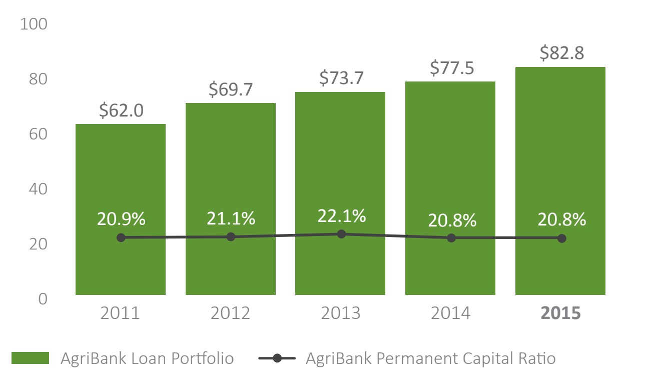


Steady net interest income generates earnings, patronage

- AgriBank returned nearly $284.0 million in earnings to owners in the form of patronage refunds
- AgriBank net income decreased 15.7 percent from the previous year to $480.0 million
- Earnings generated by steady net interest income, while mineral income declined due to lower oil prices

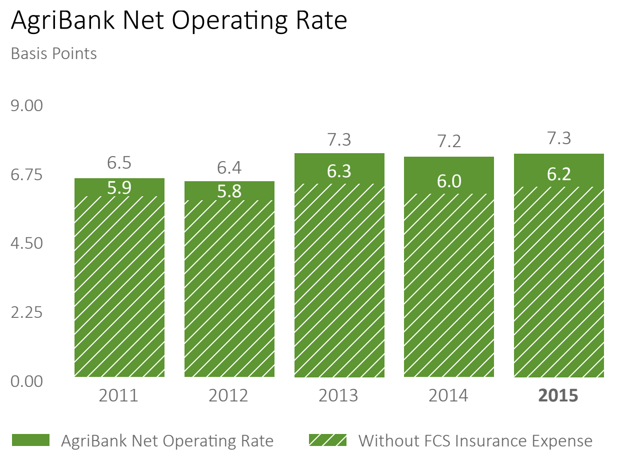
AgriBank Loan Portfolio and Permanent Capital Ratio

Billions of Dollars or %



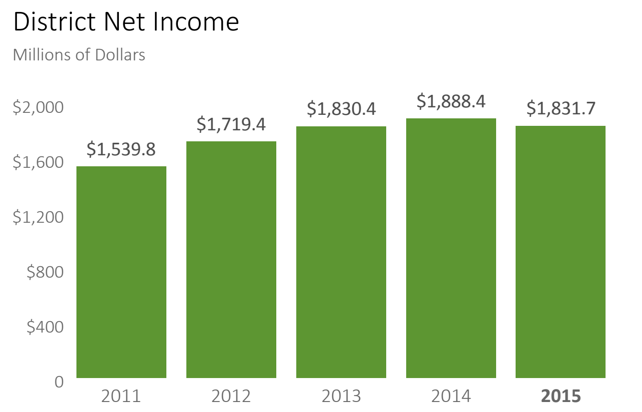
Affiliated Association loan growth boosts AgriBank loan portfolio

- AgriBank loan portfolio increased 6.8 percent from the previous year to $82.8 billion, reflecting growth in wholesale loans to affiliated Associations
- Influenced by affiliated Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- AgriBank shareholders' equity remained robust, increasing 5.2 percent from the previous year to $5.2 billion, contributing to a continued strong permanent capital ratio, as the loan portfolio continued to grow



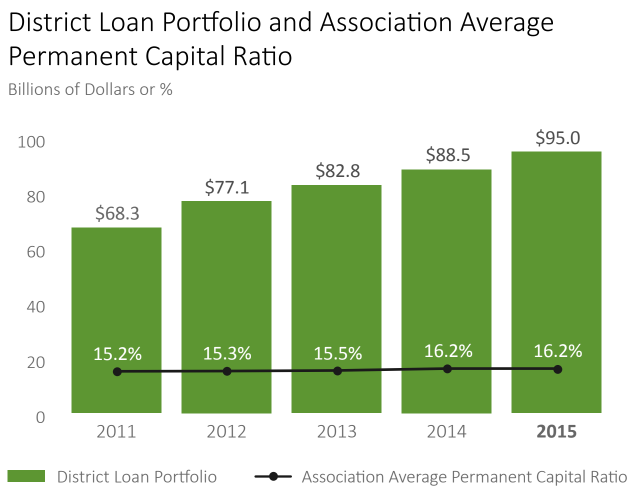
Strategic investments prepare us for the future

- AgriBank net operating rate of 7.3 basis points increased slightly from 7.2 basis points in 2014
- Reflects strategic investments in processes, staffing and technology while maintaining expense discipline
- Investments are expected to improve operating efficiency and facilitate collaboration across the AgriBank District and Farm Credit System over the long term



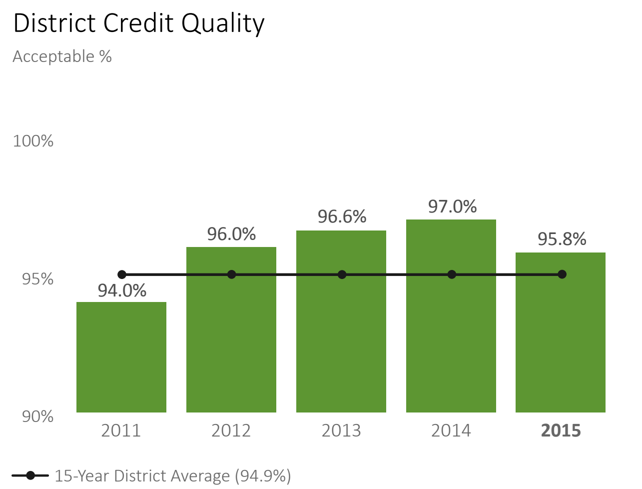
Continued District financial strength reflected in near-record earnings

- Second-highest-ever net income for the District at $1.8 billion
- Driven by strong and steady net interest income and disciplined lending practices
- Strategic investments across the AgriBank District in technology, centers of excellence and human capital are expected to position the District to remain at the forefront of agricultural finance



Customer-owners benefit from prudent leveraging of District capital

- District loan portfolio increased 7.3 percent from the previous year to $95.0 billion, driven by affiliated Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- Association average permanent capital ratio remained strong at 16.2 percent as the District loan portfolio continued to grow
- Affiliated Associations are well-positioned to navigate through the current agricultural cycle



District credit quality remains strong, reflecting borrowers' financial strength

- District portfolio had 95.8 percent acceptable loans, which represent the highest quality assets, compared to 97.0 percent in 2014 and above the 15-year average of 94.9 percent
- Strong positions are reverting to more normal levels as the farm income outlook faces challenge
- Favorable credit quality of District loan portfolio reflects disciplined underwriting combined with the strong liquidity and equity positions of many borrowers

board of directors

Seated from left to right: Leon Westbrock, Tom Klahn, Ernie Diggs, Bill Stutzman, Brian Peterson

Standing from left to right: John Schmitt, Ed Breuer, Dan Flanagan, Roy Tiarks, Doug Felton *(Chair)*, Matt Walther *(Vice Chair)*, Keri Votruba, Dick Davidson, John Schable, Natalie Laackman, Dan Shaw, Tony Wilkie, Nick Vande Weerd

executive leadership

From left to right: Jeff Swanhorst, *Executive Vice President, Credit, and Chief Credit Officer*; Pat Jones, *Senior Vice President, Human Resources and Communications*; Jim Jones, *Senior Vice President, Chief Risk Officer*; Ruth Anderson, *Vice President, Business Services*; Bill York, *Chief Executive Officer*; Brian O'Keane, *Executive Vice President, Banking and Finance, and Chief Financial Officer*; Barb Stille, *Senior Vice President and General Counsel*; Jeff Moore, *Senior Vice President, Finance*

associations

AgriBank serves agriculture and rural communities through the following 17 Farm Credit Associations in 15 states. Under our unique cooperative structure, the farmers, ranchers and agribusinesses we ultimately serve are the owners of these local Associations, which in turn are the primary owners of AgriBank.

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

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

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

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

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

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

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

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

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

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

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

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

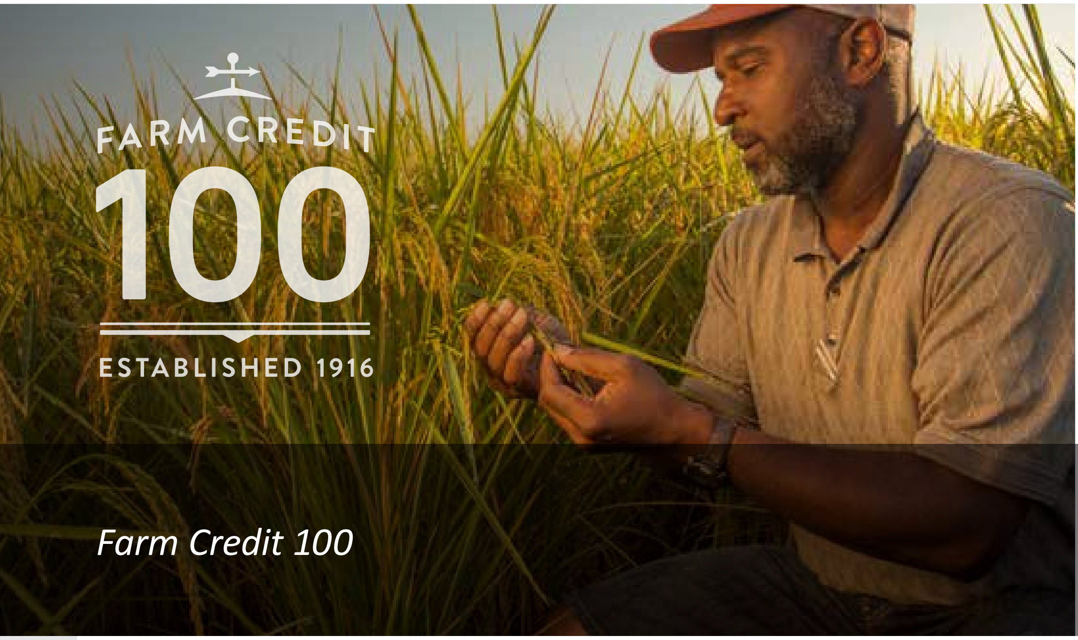
Farm Credit Services of North Dakota, ACA
3100 10th St. S.W.
Minot, ND 58702-0070
(701) 852-1265
www.farmcreditnd.com

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

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

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

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



Farm Credit 100

A Century of Support for Rural Communities and Agriculture

And We're Just Getting Started

In 2016, Farm Credit is marking 100 years of supporting rural communities and agriculture with reliable, consistent credit and financial services. We've been fulfilling our mission of helping these areas grow and thrive by providing farmers with the capital they need to make their businesses successful and by financing vital infrastructure and communication services. Because a steady flow of capital means more jobs and economic growth, Farm Credit is able to invest in the vibrancy of communities throughout rural America.

Farm Credit is the premier funding source for farmers and ranchers throughout the country, because you — our members and owners — dared to plant seeds for the future. Year after year, our national network of borrower-owned lending institutions ensures that customers always stand front and center.

We've seen rural America through good times and tough challenges. Building on our century of experience, we're committed to helping you grow, today and tomorrow. Honoring our past, preparing for the future.

To learn more about the Farm Credit centennial, visit www.FarmCredit100.com.

The Farm Credit 100 website is not part of the AgriBank 2015 Annual Report.

Five-Year Summary of Selected Financial Data

AgriBank, FCB

(in thousands)	2015	2014	2013	2012	2011
Statement of Condition Data					
Loans	**$82,819,652**	$77,546,155	$73,677,222	$69,698,631	$62,043,002
Allowance for loan losses	**18,076**	12,520	10,100	13,275	9,208
Net loans	**82,801,576**	77,533,635	73,667,122	69,685,356	62,033,794
Investment securities	**14,262,883**	14,294,777	11,555,272	10,987,313	9,688,571
Other property owned	**565**	1,822	1,613	1,972	1,606
Other assets	**2,441,810**	2,562,217	2,465,656	1,570,357	1,332,144
Total assets	**$99,506,834**	94,392,451	87,689,663	82,244,998	73,056,115
Obligations with maturities of one year or less	**$31,555,565**	$28,137,696	$24,416,622	$24,826,267	$21,801,735
Subordinated notes with maturities greater than one year	**498,283**	497,899	497,547	497,226	496,932
Other obligations with maturities greater than one year	**62,278,870**	60,840,811	57,854,176	52,665,725	46,951,261
Total liabilities	**94,332,718**	89,476,406	82,768,345	77,989,218	69,249,928
Perpetual preferred stock	**250,000**	250,000	250,000	--	--
Capital stock and participation certificates	**2,063,343**	1,944,292	2,109,843	1,990,047	1,825,177
Unallocated surplus	**2,945,638**	2,766,818	2,552,005	2,330,060	2,129,035
Accumulated other comprehensive (loss) income	**(84,865)**	(45,065)	9,470	(64,326)	(148,025)
Total shareholders' equity	**5,174,116**	4,916,045	4,921,318	4,255,781	3,806,187
Total liabilities and shareholders' equity	**$99,506,834**	94,392,451	87,689,663	82,244,999	73,056,115
Statement of Income Data					
Net interest income	**$520,002**	$525,033	$523,841	$483,907	$457,670
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)	7,400	8,551
Other expense (income), net	**32,529**	(48,115)	(35,745)	(37,700)	(15,799)
Net income	**$479,973**	$569,648	$563,586	$514,207	$464,918
Key Financial Ratios					
Return on average assets	**0.51%**	0.64%	0.68%	0.68%	0.65%
Return on average total shareholders' equity	**9.52%**	11.74%	12.46%	12.80%	12.37%
Net interest income as a percentage of average earning assets	**0.56%**	0.60%	0.64%	0.64%	0.65%
Total shareholders' equity as a percentage of total assets	**5.20%**	5.21%	5.61%	5.17%	5.21%
Net charge-offs (recoveries) as a percentage of average loans	**0.00%**	0.00%	(0.00%)	0.01%	0.02%
Allowance for loan losses as a percentage of loans	**0.02%**	0.02%	0.01%	0.02%	0.01%
Debt to shareholders' equity (:1)	**18.1**	18.1	16.8	18.3	18.2
Permanent capital ratio	**20.8%**	20.8%	22.1%	21.1%	20.9%
Total surplus ratio	**17.9%**	18.1%	18.5%	17.4%	17.3%
Core surplus ratio	**12.1%**	11.8%	11.4%	10.4%	10.1%
Net collateral ratio	**105.8%**	105.9%	106.4%	106.0%	106.2%
Net Income Distributed					
Patronage distributions:					
Cash	**$283,965**	$337,599	$227,661	$222,599	$208,311
Capital stock	**--**	--	107,451	90,583	81,466
Total patronage distributions	**$283,965**	$337,599	$335,112	$313,182	$289,777
Preferred stock dividends	**$17,188**	$17,188	$2,675	$ --	$ --
Patronage distributions as a percentage of average capital stock	**14.5%**	17.5%	16.6%	16.7%	16.3%

Management's Discussion and Analysis

AgriBank, FCB

The following commentary reviews the financial condition and results of operations of AgriBank, FCB (AgriBank) and provides additional specific information. The accompanying Financial Statements and Notes to the Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System

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

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

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

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

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

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

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

AgriBank

AgriBank is a wholesale funding Bank that supports and is primarily owned by 17 affiliated Farm Credit Associations. AgriBank and affiliated Associations are collectively referred to as the District.

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

Our primary objective is to effectively meet the needs of affiliated Association owners. Prudent lending standards and unwavering attention to risk management have resulted in a high-quality balance sheet. This strong balance sheet allows us to provide ongoing access to the financial markets, offering funding in the form of loan products with a wide variety of maturities, repricing and repayment options to affiliated Associations. Affiliated Associations share in the positive benefits of a strong funding Bank through consistent access to capital, a broad array of financial products they use to serve their customers and an appropriate return on their investment through patronage.

Risk Management

Risk is inherent in our business, and sound risk management practices are a fundamental component of our operations. Some of the major types of risk inherent in our business are:

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

Our Board of Directors (the Board), oversees risk management by adopting policies to guide the organization's risk tolerance and by monitoring performance against established risk limits. Within our Board's risk framework and limits, management establishes controls to guide the day-to-day risk management activities of the organization. Our Board, through the Risk Management Committee, monitors the risk framework of the Bank, promotes effective risk management of all risks and fosters the establishment and maintenance of an effective risk culture throughout the Bank. Our Board, through its

Audit Committee, also monitors risk management and policy compliance through the Internal Audit function. The vice president of Audit Services reports to the Board through the Audit Committee.

Our prudent and disciplined approach to risk management includes a formal enterprise risk management structure established to identify emerging risks and evaluate risk implications of the decisions and actions of AgriBank and others. The goals of our enterprise risk management practices are to:

- Effectively assess, prioritize, monitor and report key organizational risks, enhancing our ability to achieve our business objectives
- Embed a risk-aware culture throughout AgriBank
- Identify and implement strategies to mitigate risk where appropriate
- Ensure we are adequately compensated for the risks that we take

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

Forward-Looking Information

This Annual Report includes, and our representations may from time to time make, projections regarding financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services and assumptions underlying these projections and statements. These projections and statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, business strategy, competitive strengths, goals, market and industry developments and the growth of our businesses and operations. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “outlook” and similar expressions, as they relate to AgriBank or its management, are intended to identify forward-looking statements. Such statements reflect the current views of AgriBank with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

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

- Political, legal, regulatory, financial markets and economic conditions and developments in the United States and abroad
- Economic fluctuations in the agricultural, international and farm-related business sectors
- Weather-related, disease and other adverse climatic or biological conditions that periodically occur and which impact agricultural productivity and income

- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate and liquidity risk inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other than temporary impairment and fair value measurements
- Industry outlooks for agricultural conditions
- Outlook for the gas and oil industry

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

Financial Overview

AgriBank's financial strength is evidenced by our sound financial performance in 2015. This strength translates into lasting value for our borrower-owners and reflects our commitment to the Farm Credit mission to serve rural communities and agriculture.

Net income levels remained strong at $480.0 million for the year ended December 31, 2015.

Net interest income decreased slightly to $520.0 million primarily due to increased debt volume and rates, along with our changing product mix, including increases in wholesale loans with significantly lower spreads than our retail products, and competitive pressures on our retail portfolios. These declines in net interest income were significantly offset by increases in loan volume.

Non-interest income decreased to $91.9 million primarily from a decline in mineral income due to continuing low oil prices that began in the fourth quarter of 2014 and a decline in non-recurring net gains on sales of available-for-sale investment securities.

Refer to the Results of Operations section for further discussion.

Total loans were $82.8 billion at December 31, 2015, a 6.8 percent increase from December 31, 2014, primarily attributable to an increase in wholesale loans. Throughout 2015, affiliated Associations experienced loan growth in the real estate mortgage and agribusiness sectors. Additionally, operating lines on production and intermediate loans spiked in December, primarily due to seasonal increases attributable to borrower tax planning. In addition, our retail loan portfolio grew primarily due to funding of increased loan participation interests in retail equipment financing originating from the AgDirect program, significantly offset by normal borrower repayments on real estate mortgage loans purchased through the Asset Pool program.

Our loan portfolio credit quality remained strong at 99.7 percent acceptable under the FCA's Uniform Classification System at December 31, 2015, consistent with December 31, 2014. This strong credit quality reflects the overall strength of affiliated Associations and their underlying portfolio of retail loans, which they pledge as collateral on their wholesale lines of credit with AgriBank. The credit quality of our retail loan portfolio declined slightly to 97.3 percent acceptable at year-end, compared to 97.6 percent acceptable as of December 31, 2014.

Refer to the Loan Portfolio section for further discussion.

Total capital remains very strong at $5.2 billion as of December 31, 2015, an increase of $258.1 million compared to the level at December 31, 2014. This increase was primarily from net income for the year, partially offset by earnings reserved for patronage distributions and preferred stock dividends.

Refer to the Shareholders' Equity section for further discussion.

Economic Conditions

Interest Rate Environment

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

After seven years of record low policy rates, in December the Federal Open Market Committee of the Federal Reserve (FOMC) raised the target range for the federal funds rate by 25 basis points (bps), in an effort to kick-start the process toward normalization in the level of interest rates. The path for policy rates is expected to remain data-dependent and, according to Federal Reserve communication, anticipated economic conditions will warrant only gradual increases in policy rates. Despite the anticipated tightening in monetary policy, most economists expect the yield curve to flatten in 2016, with long-term interest rates increasing by a lesser amount compared to short-term rates.

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

Agricultural Conditions

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

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

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

Land Values

The AgriBank District continues to closely monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of affiliated Associations throughout the District. The District's most recent real estate market value survey indicated that District real estate value changes ranged from a decrease of 10.5 percent to an increase of 10.6 percent over the 12-month period ending June 30, 2015. Land value increases were generally concentrated in regions with comparatively lower land values, whereas land value decreases were generally concentrated in regions where we have seen the strongest appreciation in recent years.

Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago, Kansas City, and St. Louis as of the end of the third quarter 2015 indicated steady to slightly-declining farmland values. The Federal Reserve Banks surveys cited a year-over-year change in the average value of non-irrigated farmland ranging from a decrease of 2.6 percent to an increase of 0.4 percent.

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

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

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels (LTVs) on the collateral that secures loans. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, our underwriting standards generally limit lending to no more than 65 percent at origination. Due to very strong land values in much of our District in recent years, many affiliated Associations implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65 percent level. In addition, many District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk.

Industry Conditions

We assess the outlook for commodities with the largest concentrations in our District-wide portfolio. These outlooks are for the industry in general, and individual producers may perform better or worse than the industry as a whole. The categories for the outlook are defined as follows:

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

AgriBank Outlook for Commodities in the Next 12 Months

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

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

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

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

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

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

Dairy
The February 2016 WASDE report estimates a very significant decline of $6.54/cwt in average milk price to $15.80/cwt for 2015, down from record prices in 2014. The decline in milk prices has been primarily due to increased domestic and international dairy production. While benefiting from lower

feed costs and increased dairy product consumption, the declines in milk price caused many dairy producers significant challenge in remaining profitable in 2015. The new Dairy Margin Protection Program offers a safety net for dairy farmers when facing low margins over feed costs. However, even with the declines in milk prices in 2015, payouts under this new program were minimal. Based on projected milk prices for 2016, only dairy producers who have purchased the highest level of coverage should expect any payouts.

Pork

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

Timber

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

Poultry

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

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

Loan Portfolio

Components of Loans

(in millions)

As of December 31,	**2015**	2014	2013	2012	2011
Accrual loans:					
Wholesale loans	**$74,697.2**	$69,523.5	$65,594.4	$61,649.3	$54,327.9
Real estate mortgage	**3,832.9**	3,955.9	4,476.0	4,794.0	5,187.7
Production and intermediate term	**3,425.4**	3,186.4	2,816.5	2,456.9	1,787.5
Agribusiness	**96.7**	126.6	119.5	174.5	165.2
Loans to Other financing institutions (OFI)	**685.1**	665.6	577.9	515.8	474.5
Other	**39.0**	50.4	53.2	56.7	38.2
Nonaccrual loans	**43.4**	37.8	39.7	51.4	62.0
Total loans	**$82,819.7**	$77,546.2	$73,677.2	$69,698.6	$62,043.0

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

Our wholesale lending to affiliated Associations accounts for 90.1 percent of our loan portfolio at December 31, 2015. Wholesale loans directly reflect the retail marketplace activities at affiliated Associations, which are funded through their wholesale lines of credit with AgriBank. Loan growth at affiliated Associations was primarily in the real estate mortgage, agribusiness and production and intermediate term sectors. In addition, consistent with the prior years, wholesale loans increased temporarily in December, followed by corresponding repayments in January, as affiliated Associations' borrowers increased their operating lines to purchase 2016 production inputs, primarily for tax-planning strategies.

Wholesale loans also exhibit some seasonality, reflecting the patterns of operating loans made by affiliated Associations to crop producers. Operating loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. The degree of seasonality exhibited by the wholesale loan portfolio is diminished as affiliated Associations' retail portfolios experience growth in real estate mortgage, agribusiness and agri-consumer loans.

Our retail portfolio includes loan participations primarily purchased from affiliated Associations in support of their portfolio management, generally related to affiliated Associations' borrower concentration limits. Overall, our retail portfolio volume as of December 31, 2015 increased compared to 2014. This increase was largely driven by retail equipment financing loan participations purchased through the AgDirect program (included within the production and intermediate term category) during 2015, significantly offset by normal borrower repayments on real estate mortgage loans purchased through the Asset Pool program.

We participate with certain affiliated Associations in an Asset Pool program, which was designed to effectively leverage existing District capital. We purchase 90 percent participation interests in certain high-quality, long-term real estate mortgage loans from participating affiliated Associations under the program. Historically, the participating affiliated Associations have the opportunity to sell additional participation interests in the Asset Pool program. During 2015, we purchased $350.9 million in Asset Pool loans from affiliated Associations, compared to $61.2 million and $255.0 million for 2014 and 2013, respectively. These Asset Pool purchases were more than offset by normal borrower loan repayments. We had $3.3 billion, $3.5 billion and $4.0 billion of these participation interests outstanding at December 31, 2015, 2014 and 2013, respectively.

We also participate in the AgDirect program. Under this program, we purchase 100 percent loan participation interests in retail equipment financing loans from AgDirect LLP (LLP), a limited liability partnership. At December 31, 2015, the LLP was owned by nine of our District affiliated Associations and eight Associations from outside our District. Under the AgDirect program an affiliated Association purchases a participation interest in a retail installment sales contract originated by an equipment dealer at the point of sale. The Association sells a 100 percent participation interest to the LLP, which immediately sells a 100 percent participation interest to us. We had $3.2 billion, $3.0 billion and $2.5 billion of these participation interests outstanding at December 31, 2015, 2014 and 2013, respectively.

Refer to the Shareholders' Equity – AgriBank Patronage Programs and Dividend Distributions section for discussion related to stock investment requirements and patronage for the Asset Pool and AgDirect programs.

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

Portfolio Diversification

The wholesale loans are used by affiliated Associations to fund their retail loan portfolios, and, therefore, our distribution of credit risk in various commodities and geographic concentrations approximates that of the District as a whole. The table below illustrates commodity and geographic distribution of the District's retail portfolio as of December 31, 2015:

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

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

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

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

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

The table below illustrates commodity and geographic diversification of our $8.1 billion retail portfolio as of December 31, 2015:

AgriBank Retail Portfolio

Commodity Distribution		Geographic Distribution	
Crops	52%	Minnesota	13%
Cattle	11%	Iowa	12%
Dairy	8%	Illinois	11%
OFIs	8%	Wisconsin	10%
Other	21%	Nebraska	9%
Total	100%	Michigan	7%
		South Dakota	6%
		Indiana	5%
		Other	27%
		Total	100%

Other financing institutions (OFIs) make production and intermediate term loans, and therefore, may have similar commodity exposure as seen in our retail portfolio. Other commodities consist primarily of loans in the investor real estate, pork and timber sectors, none of which represented more than 5 percent of AgriBank's retail loan portfolio. Other states consist primarily of loans in Missouri, Arkansas, North Dakota and Ohio, none of which represented more than 5 percent of AgriBank's retail loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

Portfolio Maturities

All wholesale loan agreements mature in 14 months or less and are renewed annually. However, wholesale loan pricing is match funded to affiliated Associations' retail portfolios, a significant portion of which have both maturities and repricing terms of longer than a year.

Contractual Maturities of Loans

(in millions) **As of December 31, 2015**	One Year or Less	Over One Through Five Years	Over Five Years	Total
Wholesale loans	$74,697.1	$ --	$ --	$74,697.1
Real estate mortgage	720.4	1,622.1	1,517.4	3,859.9
Production and intermediate term	999.5	2,302.3	139.7	3,441.5
Agribusiness	62.1	29.9	4.7	96.7
Loans to OFIs	221.0	429.4	34.7	685.1
Other	27.0	3.5	8.9	39.4
Total loans	$76,727.1	$4,387.2	$1,705.4	$82,819.7
Total of loans due after one year with:				
Fixed interest rates				$3,544.5
Variable and adjustable interest rates				$2,548.1

Credit Risk Management

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

We actively manage our credit risk through various policies and standards, including our Loan Committee reviewing significant loan transactions. Our underwriting standards include analysis of five credit factors: repayment capacity, capital position, collateral, management ability and loan terms. These standards vary by agricultural industry and are updated to reflect current market conditions. One credit quality indicator we utilize is the FCA Uniform Classification System, which categorizes loans into five categories. The categories are defined as follows:

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

Credit Quality of Loans

(in millions) As of December 31, 2015	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	**$74,991.0**	**100.0%**	**$ --**	**--**	**$ --**	**--**	**$74,991.0**	**100.0%**
Real estate mortgage	**3,766.2**	**96.5%**	**57.0**	**1.5%**	**79.0**	**2.0%**	**3,902.2**	**100.0%**
Production and intermediate term	**3,385.4**	**97.8%**	**24.8**	**0.7%**	**53.1**	**1.5%**	**3,463.3**	**100.0%**
Agribusiness	**89.6**	**92.3%**	**--**	**--**	**7.5**	**7.7%**	**97.1**	**100.0%**
Loans to OFIs	**686.8**	**100.0%**	**--**	**--**	**--**	**--**	**686.8**	**100.0%**
Other	**37.9**	**96.0%**	**0.4**	**1.0%**	**1.1**	**3.0%**	**39.4**	**100.0%**
Total loans	**$82,956.9**	**99.7%**	**$82.2**	**0.1%**	**$140.7**	**0.2%**	**$83,179.8**	**100.0%**

(in millions) As of December 31, 2014	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$69,789.6	100.0%	$ --	--	$ --	--	$69,789.6	100.0%
Real estate mortgage	3,897.4	96.8%	53.7	1.3%	77.0	1.9%	4,028.1	100.0%
Production and intermediate term	3,174.6	98.7%	17.5	0.5%	25.9	0.8%	3,218.0	100.0%
Agribusiness	112.3	88.4%	--	--	14.7	11.6%	127.0	100.0%
Loans to OFIs	666.7	100.0%	--	--	--	--	666.7	100.0%
Other	49.2	96.7%	0.4	0.8%	1.2	2.5%	50.8	100.0%
Total loans	$77,689.8	99.7%	$71.6	0.1%	$118.8	0.2%	$77,880.2	100.0%

(in millions) As of December 31, 2013	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$65,843.4	100.0%	$ --	--	$ --	--	$65,843.4	100.0%
Real estate mortgage	4,416.9	96.9%	42.2	0.9%	101.9	2.2%	4,561.0	100.0%
Production and intermediate term	2,818.3	99.0%	13.0	0.5%	13.2	0.5%	2,844.5	100.0%
Agribusiness	94.6	78.8%	8.8	7.3%	16.7	13.9%	120.1	100.0%
Loans to OFIs	578.9	100.0%	--	--	--	--	578.9	100.0%
Other	52.2	98.0%	0.5	1.0%	0.5	1.0%	53.2	100.0%
Total loans	$73,804.3	99.7%	$64.5	0.1%	$132.3	0.2%	$74,001.1	100.0%

Note: Accruing loans include accrued interest receivable.

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

The credit quality of our loan portfolio has been consistently strong over the past three-year period, with 99.7 percent of our portfolio in the acceptable category at December 31, 2015, 2014 and 2013. This strong credit quality was primarily due to sound underwriting practices and the solid liquidity and equity positions of borrowers. As a majority of our loans are wholesale loans, we expect our credit quality will remain very strong even when affiliated Associations experience declines in their retail credit quality. While these are individually large credits, numerous individual credits comprise affiliated Associations' underlying portfolios. Affiliated Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans. Substandard and doubtful loans, collectively called adverse loans, are loans we have identified as showing some credit weakness outside our credit standards. Refer to the Wholesale Credit Risk Management section for further discussion.

While the acceptable percentage has remained unchanged, there has been a slight increase in special mention and substandard/doubtful loans, as continued low commodity prices have begun to create stress for certain borrowers. We would anticipate both our and the affiliated Associations' special mention and substandard/doubtful loan volumes would revert to more normal levels as we move through this agriculture efficiency cycle.

Percentage of Adverse Loans by Commodity

As of December 31,	2015	2014	2013
District retail portfolio:			
Crops	**2.8%**	1.4%	0.9%
Cattle	**2.1%**	1.7%	2.0%
Dairy	**1.5%**	2.1%	5.4%
Other	**1.4%**	2.0%	2.7%
Total	**2.1%**	1.7%	2.0%
AgriBank retail portfolio:			
Crops	**1.8%**	1.0%	0.6%
Cattle	**1.8%**	1.9%	1.5%
Dairy	**1.7%**	1.8%	1.4%
Other	**1.5%**	2.1%	3.5%
Total	**1.7%**	1.5%	1.6%

Overall, we expect District credit quality to remain at acceptable levels. Agriculture has experienced mostly positive economic conditions over the past decade. However, agriculture is a cyclical industry, and due to continued low commodity prices throughout 2015, we have begun to experience a downturn in credit quality within some sectors of our portfolio. Given the current outlook for commodity prices and the mix within our portfolio, we anticipate adverse credit quality and related allowance for loan losses and provision for loan losses will be more reflective of historical levels.

A substantial portion of the loan portfolio is collateralized, which reduces our exposure to credit losses. Additionally, credit policies reduce credit risk, with emphasis placed on repayment capacity rather than exclusively on the underlying collateral. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, our underwriting standards generally limit lending to no more than 65 percent at origination. Due to strong land values in much of our District, many affiliated Associations have also implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65 percent level. In addition, many District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk. In addition to sound underwriting standards, the District also has hold restrictions to limit the District's credit exposure of any one borrower.

Wholesale Credit Risk Management

Wholesale loans to affiliated Associations represent the majority of our loan portfolio. The financial strength of affiliated Associations directly impacts the credit quality of our portfolio.

Select Information on AgriBank District Affiliated Associations

(in millions) As of December 31, 2015 Association	Wholesale Loan Amount	Total Assets	Total Allowance and Capital	Permanent Capital Ratio	Core Surplus Ratio	Risk Loans* as a % of Total Loans	Pretax ROA
Farm Credit Services of America	$20,077.0	$24,774.2	$4,389.8	15.4%	15.2%	0.4%	2.2%
Farm Credit Mid-America	17,939.3	22,104.9	3,967.2	17.0%	16.6%	1.1%	1.4%
AgStar Financial Services	6,949.8	8,359.8	1,254.2	14.8%	12.3%	0.9%	1.6%
GreenStone Farm Credit Services	6,060.3	7,526.6	1,403.4	16.0%	15.8%	0.6%	2.0%
1st Farm Credit Services	4,535.8	5,575.4	1,005.7	16.4%	16.2%	0.7%	1.8%
AgCountry Farm Credit Services	4,015.7	5,193.3	1,097.6	16.6%	16.5%	0.5%	2.0%
Farm Credit Illinois	3,190.1	3,990.6	783.1	16.6%	16.4%	0.1%	1.8%
Badgerland Financial	3,090.8	3,941.1	820.1	16.6%	16.4%	0.5%	2.0%
FCS Financial	2,846.3	3,592.2	720.8	17.5%	17.2%	0.3%	1.8%
United FCS	1,379.0	1,686.0	291.8	15.4%	15.1%	0.6%	1.6%
Farm Credit Services of North Dakota	942.7	1,174.6	227.8	15.9%	15.7%	0.2%	2.0%
Farm Credit Services of Western Arkansas	871.2	1,132.3	244.9	19.2%	18.8%	0.9%	1.8%
Farm Credit Services of Mandan	850.7	1,055.9	197.5	15.0%	14.8%	0.2%	2.0%
AgHeritage Farm Credit Services	780.8	1,029.3	239.7	19.9%	19.6%	0.3%	2.2%
Farm Credit Midsouth	656.8	855.8	189.0	18.2%	18.0%	0.6%	1.6%
Progressive Farm Credit Services	469.8	609.5	128.1	19.5%	19.2%	0.3%	2.1%
Delta Agricultural Credit Association	41.1	52.3	9.2	21.0%	16.3%	0.5%	1.5%
Grand Total	$74,697.2	$92,653.8	$16,969.9				
District Association weighted average ratios				16.2%	15.8%	0.6%	1.8%

* Risk loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

The previous chart illustrates that wholesale credit risk is concentrated in a number of individually large loans to affiliated Associations. Deterioration in a single wholesale loan could have a material adverse effect on our financial condition. This concentrated credit risk is substantially offset by the composition of the underlying collateral, which is made up of many diversified retail loans and other assets. Credit risk on wholesale loans is also reduced by the strong financial condition of affiliated Associations. Our risk of loss on wholesale loans is significantly mitigated, because the earnings, capital and allowance for loan losses of affiliated Associations would first absorb losses on their retail assets.

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

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

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

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

- A pledge of substantially all affiliated Association assets as collateral for the loan.
- A risk score calculated based on affiliated Association's profitability, credit quality, risk coverage, capital adequacy and quality of credit administration. A risk premium of up to 35 basis points is added to base pricing if affiliated Association's risk score falls below established levels. Additionally, there are default interest rate provisions should the loan go into default.
- A requirement that retail loans originated by affiliated Association over an established dollar amount, as well as all loans to Association and AgriBank Board members and employees, are approved by AgriBank's Credit Department in order to be eligible for inclusion in affiliated Association's borrowing base.
- A requirement that affiliated Association adopt and operate in accordance with policies, procedures and underwriting standards reasonably deemed necessary for satisfactory credit and credit administration. The criteria to be considered in determining whether credit and credit administration are satisfactory are set out from time to time in AgriBank's Underwriting Guide.

As of December 31, 2015, no affiliated Association was declared in default of any GFA covenants. No affiliated Association will pay a risk premium in 2016, and no affiliated Association paid a risk premium in 2015, 2014 or 2013.

Retail Credit Risk Management

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

Our concentrations in the 10 largest retail customers at December 31, 2015 (excluding OFIs) totaled $307.0 million, or 3.8 percent of our retail portfolio and 0.4 percent of our total portfolio. All of these 10 largest customers' loans were in accrual status and all were classified as acceptable. Within these 10 largest customers, there are significant concentrations in four industries:

- dairy at 39.3 percent
- timber at 21.5 percent
- poultry at 19.9 percent
- pork at 19.2 percent

Risk Assets

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

Components of Risk Assets

(in millions)

As of December 31,	2015	2014	2013	2012	2011
Nonaccrual loans	**$43.4**	$37.8	$39.7	$51.4	$62.0
Accruing restructured loans	**4.4**	17.2	18.4	16.2	2.0
Accruing loans 90 days or more past due	**1.2**	0.3	--	0.2	1.4
Total risk loans	**49.0**	55.3	58.1	67.8	65.4
Other property owned	**0.6**	1.8	1.6	2.0	1.6
Total risk assets	**$49.6**	$57.1	$59.7	$69.8	$67.0
Risk loans as a % of total loans	**0.06%**	0.07%	0.08%	0.10%	0.11%
Nonaccrual loans as a % of total loans	**0.05%**	0.05%	0.05%	0.07%	0.10%
Delinquencies as a % of total loans	**0.08%**	0.03%	0.06%	0.10%	0.05%

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Risk assets over the past five years have primarily been concentrated in the real estate mortgage sector.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. At December 31, 2015, 63.9 percent of nonaccrual loans were current as to principal and interest.

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

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

(in thousands)

For the year ended December 31,	2015
Interest income that would have been recognized under original contract terms	**$2,069**
Less: interest income recognized	**2,611**
Additional interest income recognized	**$(542)**

Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected, and the loan has no unrecovered prior charge-offs. During 2015, additional income was recognized from cash payments received on nonaccrual loans above the amount which would have been recognized under contractual terms, as previous cash payments received had been applied only to directly reduce the recorded investment in the loan.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. We believe the allowance for loan losses is reasonable in relation to the risk in the portfolio at December 31, 2015.

Allowance for Loan Losses by Loan Category

(in thousands)	2015		2014		2013		2012		2011	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$1,928**	**10.7%**	$2,003	16.0%	$2,041	20.2%	$4,427	33.3%	$4,167	45.3%
Production and intermediate term	**15,381**	**85.0%**	9,710	77.5%	7,181	71.1%	5,940	44.8%	4,372	47.5%
Agribusiness	**269**	**1.5%**	457	3.7%	590	5.8%	2,201	16.6%	208	2.2%
Loans to OFIs	**278**	**1.5%**	235	1.9%	220	2.2%	376	2.8%	307	3.3%
Other	**220**	**1.3%**	115	0.9%	68	0.7%	331	2.5%	154	1.7%
Total allowance for loan losses	**$18,076**	**100.0%**	$12,520	100.0%	$10,100	100.0%	$13,275	100.0%	$9,208	100.0%

Allowance Coverage Ratios

As of December 31,	**2015**	2014	2013
Allowance as a percentage of:			
Loans	**0.02%**	0.02%	0.01%
Nonaccrual loans	**41.66%**	33.12%	25.47%
Total risk loans	**36.84%**	22.65%	17.38%
Adverse assets to risk funds*	**2.72%**	2.45%	2.72%

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

With the majority of our loan portfolio comprised of wholesale loans, the inherent risk in the portfolio is significantly reduced by adequate allowances, strong earnings and capital positions at affiliated Associations. We have not recorded a provision for loan loss, charge-off or recovery on a wholesale loan for any periods presented.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually, and all other loans by grouping them into loan segments sharing similar risk characteristics. These segments include Asset Pool program loans, AgDirect program loans and all other retail loans. Each segment of loans that were not individually evaluated for impairment is collectively evaluated using the combination of estimated probability of default and estimated loss given default assumptions. These estimated losses may be adjusted for relevant current environmental factors. These factors may vary by the different segments, reflecting the risk characteristics of each segment. As these factors change, earnings are impacted. For all loans analyzed individually, we record a specific allowance, if appropriate, to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral.

Allowance for Loan Losses Activity

(in thousands)

For the year ended December 31,	2015	2014	2013	2012	2011
Balance at beginning of year	**$12,520**	$10,100	$13,275	$9,208	$12,956
Charge-offs:					
Real estate mortgage	**(155)**	(331)	(1,851)	(1,354)	(3,750)
Production and intermediate term	**(3,846)**	(1,860)	(1,276)	(3,132)	(247)
Agribusiness	**--**	--	--	--	(9,198)
Other	**(1)**	(9)	(65)	(125)	(180)
Total charge-offs	**(4,002)**	**(2,200)**	**(3,192)**	**(4,611)**	**(13,375)**
Recoveries:					
Real estate mortgage	**131**	510	459	846	389
Production and intermediate term	**1,919**	596	3,531	430	661
Other	**8**	14	27	2	26
Total recoveries	**2,058**	1,120	4,017	1,278	1,076
Net (charge-offs) recoveries	**(1,944)**	(1,080)	825	(3,333)	(12,299)
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)	7,400	8,551
Balance at end of year	**$18,076**	$12,520	$10,100	$13,275	$9,208
Net charge-offs (recoveries) as a % of average loans	**0.00%**	0.00%	(0.00%)	0.01%	0.02%

AgriBank's retail loan portfolio is primarily made up of participated credits from affiliated Associations and other Associations within the System. Generally, we review and follow the lead lender's credit analysis and recommendations regarding specific reserves and charge-offs on risk loans, unless our individual analysis and knowledge of the exposure supports an alternative conclusion. The higher levels of charge-offs in 2011 primarily related to large participated dairy credits. Charge-offs have been below average in recent years; however, we expect charge-offs to revert to more normal levels along with the credit quality of our loan portfolio. Refer to the Results of Operations – Provision for (Reversal of) Loan Losses section for further discussion of provision for loan loss changes.

Investment Portfolio and Liquidity

Liquidity Risk Management

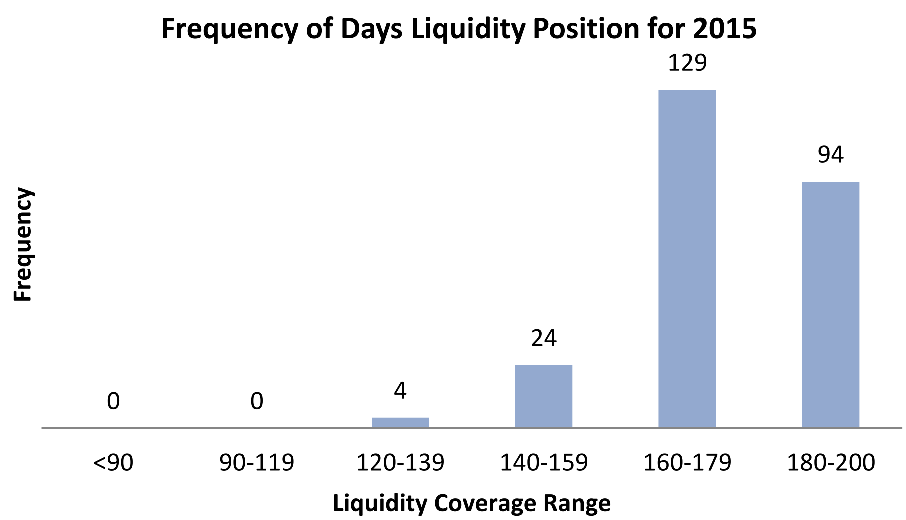
We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit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

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

The composition of the liquidity investment portfolio is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity, asset-backed securities (ABS) and non-agency MBS. At December 31, 2015 we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and FCA regulations require maintaining a minimum of 90 days of liquidity on a continuous basis. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. During 2015, we had a liquidity operating target between 120 and 165 days. We spent most of the year between 140 and 200 days as noted in the chart below. As of December 31, 2015, we had sufficient liquidity to fund all debt maturing within 136 days, compared to 147 days as of December 31, 2014. The decline in number of days liquidity was intentional as maturing investments were used for seasonal loan advances in the fourth quarter, followed by significant paydowns leading to an increase in days coverage in the first quarter of the year.

We maintain a contingency funding plan (CFP) that helps inform our operating and funding needs and addresses actions we would consider in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. We size our investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted $500 million buffer.



Cumulative Debt Maturities

(in millions) **As of December 31, 2015**	**Bonds and Notes Amount**
Cumulative debt maturing in:	
15 days	**$3,251.4**
45 days	**8,541.0**
90 days	**12,317.7**
120 days	**14,210.6**
One year	**31,123.7**
One to five years	**77,611.3**
Five to ten years	**88,597.7**
More than ten years	**93,902.5**

Cumulative debt maturities include subordinated debt included in the one to five year category in the chart above, which is not included in regulatory liquidity coverage ratios.

Investment Securities

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

Composition of Investment Securities

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

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

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

Fair Value of Eligible Investment Securities by Credit Rating

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

Fair Value of Ineligible Investment Securities by Credit Rating

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

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

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

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

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

We evaluate all investment securities in an unrealized loss position for other-than-temporary impairment (OTTI) on a quarterly basis. We continually evaluate our assumptions used in estimating fair value and impairment and adjust those assumptions as appropriate. As a result of our evaluations, we recognized $693 thousand in impairment losses during 2015.

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

AFS Investment Securities Sold

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

There were no sales of AFS investment securities during 2013. Refer to the Results of Operations section for further discussion on sales of AFS investment securities.

Other Investments

AgriBank and certain affiliated Associations are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our multi-year commitment is $20.0 million, and we have invested $4.2 million and $757 thousand as of December 31, 2015 and 2014, respectively, which is included in “Other assets” on the Statements of Condition.

As of December 31, 2015, AgriBank and certain affiliated Associations have committed to another RBIC limited partnership, which will have aggregate capital commitments of up to $45.0 million. Our share of this commitment is $5.0 million. The commitment to this RBIC has been approved by the boards of the various partners and awaits USDA approval. The fund’s closing is contingent on raising at least 15 percent of total commitments from investors outside the System.

Shareholders’ Equity

We believe a sound capital position is critical to long-term financial stability. We maintain adequate capital to protect against unanticipated losses as well as to meet our growth needs. Total shareholders’ equity was $5.2 billion, $4.9 billion and $4.9 billion at December 31, 2015, 2014 and 2013, respectively. Total shareholders’ equity increased $258.1 million in 2015, primarily attributable to net income for the year, partially offset by earnings reserved for patronage distributions and preferred stock dividends. Total shareholders’ equity was consistent in 2014 compared to 2013, primarily due to the return of capital to our owners related to the reduction in the base required stock investments for the affiliated Associations and other financing institutions (OFIs), mostly offset by net income, less patronage distributions to our owners.

Select Capital Ratios

As of December 31,	Regulatory minimums	2015	2014	2013
Shareholders' equity to assets		**5.20%**	5.21%	5.61%
Surplus and allowance to risk loans (:1)		**60.4**	50.3	44.1
Permanent capital ratio	7.0%	**20.8%**	20.8%	22.1%
Total surplus ratio	7.0%	**17.9%**	18.1%	18.5%
Core surplus ratio	3.5%	**12.1%**	11.8%	11.4%
Net collateral ratio*	104.0%	**105.8%**	105.9%	106.4%

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

At December 31, 2015, we exceeded regulatory minimum capital ratios, which are further discussed in Note 7 to the accompanying Financial Statements. Strong earnings, issuance of non-cumulative perpetual preferred stock and subordinated notes and stock purchases under the Asset Pool and AgDirect programs allowed us to maintain strong regulatory capital ratios while efficiently leveraging existing District capital. The Asset Pool and AgDirect programs leverage our strong risk-adjusted capital position while strengthening our net collateral ratio.

In 2013, we issued $250 million of Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock). Dividends on the Series A Preferred Stock, if declared by our Board in its sole discretion, are non-cumulative and are payable quarterly in arrears. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations as defined by FCA. Refer to Note 7 in the accompanying Financial Statements for further discussion.

Effective March 31, 2014, our Board approved an amendment to our capital plan, which reduced the base required stock investments for affiliated Associations and OFIs from 2.5 percent of quarterly average wholesale loan balances (affiliated Associations) and loan commitments (OFIs) with AgriBank, to 2.25 percent.

In July 2009, we issued $500 million of 9.125 percent unsecured subordinated notes due in 2019. The subordinated notes are allowed to be counted as capital in certain risk-adjusted ratios and are excluded from liabilities in the net collateral ratio, subject to certain limitations as defined by FCA, which has the effect of increasing certain regulatory capital ratios pursuant to FCA regulations. The limitations on the treatment of subordinated notes in the regulatory capital ratios are discussed further in Note 7 to the accompanying Financial Statements. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, but senior to all classes of shareholders.

As a condition of borrowing, affiliated Associations and OFIs are required to maintain an investment in AgriBank. Our bylaws authorize us to require an investment of up to 4 percent of the borrower’s line of credit with us. Our requirement as of December 31, 2015 was 2.25 percent of the quarterly average wholesale loan balance (for affiliated Associations) or of the quarter-end loan commitment (for OFIs) plus an additional 1 percent on growth that exceeded a targeted rate. Any allocated investments held by Associations in excess of the requirement are not counted as permanent capital in our regulatory capital ratios. The specific investment requirement is dictated by our capital plan, which is generally revised annually, but can be changed at any time by the Board of Directors. The most recent update to the Capital Plan was approved by the Board of Directors in December 2015. We may also require investments in AgriBank as part of other contractual agreements. Under the Asset Pool program, affiliated Associations purchase stock equal to 8 percent of the loan balance of participations purchased by AgriBank. Under the AgDirect program, the LLP is required to purchase stock equal to 6 percent of the loan balance of participations purchased by AgriBank.

Capital Plan and Regulatory Requirements

We maintain a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and growth. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions.

2016 Business Plan - Capital Ratio Targets

	Targeted Range
Permanent capital ratio	**13.5% - 20.0%**
Total surplus ratio	**12.5% - 16.5%**
Core surplus ratio	**7.0% - 10.0%**
Net collateral ratio	**105.0% - 106.0%**

As part of our business plan, we model economic capital requirements and perform stress testing for AgriBank. In addition, we model economic capital requirements for affiliated Associations. Economic capital measures total enterprise risk looking at credit, interest rate and operational risk.

AgriBank Patronage Programs and Dividend Distributions

All patronage, dividend and equalization payments are at the sole discretion of the Board. Wholesale patronage is distributed quarterly to our members. In 2015, the patronage rate was targeted to equal 50 percent of 2015 net income after Asset Pool and AgDirect program patronage and equalization payments; the targeted payout ratio of 50 percent was subject to adjustment based upon the capital needs of AgriBank, considering growth and future capital needs. Starting in 2014, our wholesale patronage was paid entirely in cash. During 2013, our wholesale patronage was paid 50 percent in allocated stock and 50 percent in cash.

Wholesale Patronage

(in millions)

For the year ended December 31,	2015	2014	2013
Wholesale patronage	**$183.7**	$221.4	$214.9
Wholesale patronage in basis points	**26.0**	33.5	34.5
Additional wholesale asset pool patronage	**$8.1**	$11.8	$13.5

Additional wholesale Asset Pool patronage is paid in cash and represents the amount of patronage that would have been paid on wholesale loans if we had not purchased the Asset Pools.

Separate patronage pools are maintained for each affiliated Association participating in the Asset Pool program with the intention of making quarterly patronage distributions. On an annual basis, we generally intend to pay the net earnings of each pool to the respective affiliated Association as patronage. Asset Pool earnings patronage of $70.1 million, $81.9 million and $94.0 million was declared by our Board related to this program in 2015, 2014 and 2013, respectively.

Separate patronage pools, based upon the year of loan origination, are maintained for the AgDirect program with the intention of making quarterly patronage distributions. We intend to pay patronage to the AgDirect LLP in an amount approximately equal to the net earnings of the program less a specified return on our capital. Patronage of $22.1 million, $22.5 million and $12.7 million was declared by our Board related to this program in 2015, 2014 and 2013, respectively.

We make quarterly equalization payments (a form of patronage) to affiliated Associations and OFIs based on the quarterly average balance of certain stock. The equalization rate is targeted to equal the average marginal cost of debt (MCD) for all affiliated Associations as a group. Our Board declared equalization payments of $55 thousand, $70 thousand and $48 thousand in 2015, 2014 and 2013, respectively.

In addition to patronage to our members, our Board declared perpetual preferred stock dividends of $17.2 million, $17.2 million and $2.7 million during 2015, 2014 and 2013, respectively.

Accumulated Other Comprehensive (Loss) Income

Our investment portfolio is held primarily for liquidity purposes; accordingly, it is considered available-for-sale and is carried at fair value. Unrealized gains and losses on investment securities that are not other-than-temporarily impaired are reported as a separate component of shareholders' equity. Unrealized gains and losses related to the non-credit component of other-than-temporarily impaired investment securities are also reported as a separate component of shareholders' equity. During 2015 the change in net unrealized losses on all investment securities totaled $40.2 million of other comprehensive loss, primarily reflecting unrealized losses from increases in interest rates.

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

Results of Operations

While net interest income from our core lending activities remained relatively stable, income levels decreased to $480.0 million for year ended December 31, 2015, driven primarily by a decrease in non-interest income from the prior year.

Profitability Information

(in millions)

For the year ended December 31,	2015	2014	2013
Net income	**$480.0**	$569.6	$563.6
Return on average assets	**0.51%**	0.64%	0.68%
Return on average members' equity	**9.52%**	11.74%	12.46%

Changes in Significant Components of Net Income

(in millions)

For the year ended December 31,	2015	2014	2013	Current Year Decrease in Net Income	Prior Year Increase (Decrease) in Net Income
Net interest income	**$520.0**	$525.0	$523.8	$(5.0)	$1.2
Provision for (reversal of) loan losses	**7.5**	3.5	(4.0)	(4.0)	(7.5)
Non-interest income	**91.9**	159.9	146.3	(68.0)	13.6
Non-interest expense	**124.4**	111.8	110.5	(12.6)	(1.3)
Net income	**$480.0**	$569.6	$563.6	$(89.6)	$6.0

Net Interest Income

Changes in Net Interest Income

(in millions)

For the year ended December 31,	2015 vs 2014			2014 vs 2013		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Interest income:						
Loans	**$60.6**	**$17.1**	**$77.7**	$58.1	$4.6	$62.7
Investments	**8.5**	**16.6**	**25.1**	9.1	(9.3)	(0.2)
Total interest income	**69.1**	**33.7**	**102.8**	67.2	(4.7)	62.5
Interest expense:						
System-wide debt securities and other	**(63.2)**	**(44.6)**	**(107.8)**	(53.3)	(8.0)	(61.3)
Net change in net interest income	**$5.9**	**$(10.9)**	**$(5.0)**	$13.9	$(12.7)	$1.2

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

(in millions)

For the year ended December 31, 2015

	ADB	**Rate**	**NII**
Interest earning assets:			
Wholesale loans	**$69,954.8**	**1.60%**	**$1,120.4**
Retail accrual loans	**7,829.3**	**3.62%**	**283.2**
Retail nonaccrual loans	**42.0**	**5.73%**	**2.4**
Investment securities and federal funds	**15,734.3**	**0.65%**	**102.1**
Total earning assets	**93,560.4**	**1.61%**	**1,508.1**
Interest bearing liabilities	**88,919.5**	**1.11%**	**988.1**
Interest rate spread	**$4,640.9**	**0.50%**	
Impact of equity financing		**0.06%**	
Net interest margin		**0.56%**	
Net interest income			**$520.0**

(in millions)

For the year ended December 31, 2014

	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$65,452.4	1.57%	$1,030.0
Retail accrual loans	8,022.9	3.68%	295.0
Retail nonaccrual loans	38.1	9.05%	3.5
Investment securities and federal funds	14,247.1	0.54%	76.9
Total earning assets	87,760.5	1.63%	1,405.4
Interest bearing liabilities	83,337.7	1.06%	880.4
Interest rate spread	$4,422.8	0.54%	
Impact of equity financing		0.06%	
Net interest margin		0.60%	
Net interest income			$525.0

(in millions)

For the year ended December 31, 2013

	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$61,762.9	1.55%	$959.9
Retail accrual loans	7,893.8	3.82%	301.6
Retail nonaccrual loans	45.9	8.85%	4.1
Investment securities and federal funds	12,665.9	0.61%	77.1
Total earning assets	82,368.5	1.87%	1,342.7
Interest bearing liabilities	78,293.9	1.05%	818.9
Interest rate spread	$4,074.6	0.58%	
Impact of equity financing		0.06%	
Net interest margin		0.64%	
Net interest income			$523.8

A reduction in our ability to enhance net interest income through callable debt replacement activity relative to loan repricing activity, coupled with a relative increase in low spread wholesale loans and investment securities and lower interest rates earned on retail accrual loans due to competitive pressures, resulted in an overall lower interest rate spread in 2015. Earning assets increased during 2015, driven primarily by wholesale loans and investment securities, which earn significantly lower spreads than our retail products. Furthermore, increased competitive pressures have resulted in compressed spreads on the AgDirect and retail participation portfolios.

Net interest income decreased slightly in 2015, primarily due to a reduction in the positive contribution from our funding actions and reduced volumes and spreads on retail assets. These were partially offset by increased volume on lower spread wholesale loans and investment securities. Funding actions, which included the ability to replace callable debt more quickly than assets repriced, the placement of equity as we funded assets and the generation of Association customers' long-term fixed rate loans, have all been positive contributors to net interest income for the past three years. In the current interest rate environment, the positive contribution from funding actions is expected to continue to decline. We estimate funding actions contributed 21 basis points to the interest rate spread in 2015, compared to 23 and 25 basis points in 2014 and 2013, respectively.

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

Provision for (Reversal of) Loan Losses

The year-over-year volatility in provision for loan losses can be impacted by a single loan or borrower. While our provision for loan losses has been lower than average in recent years, we began to see provision for loan losses, in conjunction with our loan credit quality, reverting toward more normal levels. Our retail loan portfolio continues to grow, primarily due to our participation in AgDirect, significantly offset by normal borrower repayments on real estate mortgage loans purchased through the Asset Pool program. The provision for loan losses in 2015 and 2014 primarily reflects the credit quality of the growing AgDirect portfolio. The reversal of provision for loan losses in 2013 was the result of recoveries of loan balances charged-off in prior years, related to a large participated dairy credit.

Refer to the discussion of the allowance for loan losses in the Allowance for Loan Losses section of this report.

Non-interest Income

Components of Non-interest Income

(in millions)

For the year ended December 31,	2015	2014	2013
Mineral income	**$56.5**	$105.9	$82.2
Loan prepayment and fee income	**14.9**	16.5	48.0
Business services income	**19.4**	15.8	16.1
Miscellaneous income and other gains, net	**1.1**	21.7	--
Total	**$91.9**	$159.9	$146.3

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

Loan prepayment and fee income reflects prepayment and conversion fees recognized as a result of refinancing activity, primarily related to funding our wholesale lending. The majority of our loan prepayment and fee income is recorded when affiliated Association retail loans financed through our wholesale loan volume prepay or convert and the affiliated Association is assessed a wholesale fee. Increases in interest rates resulted in slowed prepayment and conversion activity in affiliated Associations' retail portfolios in 2014 and 2015. Interest rates may continue to rise, which could lead to a decline in loan prepayment and fee income in 2016.

Business services income includes revenue from affiliated Associations of $19.2 million, $15.5 million and $15.8 million in 2015, 2014 and 2013, respectively. Business services income includes variable costs for services performed on behalf of System entities, primarily affiliated Associations, and absorbs a portion of corporate overhead that contributes to the cost-effective operations of both the wholesale Bank and affiliated Associations. We continue to collaborate with affiliated Associations to identify centers of excellence and provide cost-effective business services for the District.

During 2015 and 2014, we had miscellaneous income and other gains, net of $1.1 million and $21.7 million, respectively. This was driven primarily by $2.6 million and $20.0 million, respectively, of non-recurring net gains related to the sales of AFS home-equity ABS and non-agency MBS during 2015 and 2014, which no longer met earnings or capital usage targets. Refer to Note 4 of the accompanying Financial Statements for further discussion.

Non-interest Expense

Components of Non-interest Expense

(in millions)

For the year ended December 31,	2015	2014	2013
Salaries and employee benefits	**$38.4**	$35.3	$37.4
Other operating expenses:			
Purchased services	**9.1**	7.3	5.7
Occupancy and equipment	**12.0**	10.9	10.6
Examination expense	**4.6**	4.4	4.4
Other	**13.1**	10.7	10.0
Loan servicing and other fees paid to affiliated Associations	**35.8**	32.9	28.3
Farm Credit System insurance expense	**10.7**	10.1	8.2
Loss on debt extinguishment	**--**	--	4.0
Net impairment recognized in earnings	**0.7**	0.2	1.9
Total	**$124.4**	$111.8	$110.5

The increase in salaries and employee benefit expense in 2015 was primarily due to an increase in pension benefits expense of $2.0 million due to a decrease in the discount rate and revised actuarial assumptions used during 2015, and to a lesser extent, annual merit increases in employee salaries. The decrease in salaries and employee benefit expense in 2014 was primarily due to lower pension benefits expense of $2.0 million, partially offset by a slight increase in head count and annual merit increases. Our employee benefits expenses are primarily related to the District qualified and nonqualified pension plans and are significantly impacted by assumptions related to economic conditions as well as the investment strategies of the plans. As of December 31, 2015, we have elected to update the method we use to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits. The new method will utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We expect benefits expense to decrease approximately $1.0 million in 2016, primarily as a result of the adoption of this new method. Refer to Note 8 of the accompanying Financial Statements for further information regarding benefit plans.

The increase in purchased services during 2015 was primarily due to system replacement projects, which include general ledger, loan accounting and treasury workstation projects, as well as additional project management office costs.

The increase in other operating expenses during 2015 was primarily related to an increase in our share of System allocated expenses, as well as increases in sponsorships.

The increase in loan servicing fees was primarily due to the continued growth of the AgDirect program. This was partially offset by lower servicing fees related to the Asset Pool program as a result of the decreasing loan balances in the portfolios. We expect our retail participations to continue to grow in 2016, which could result in further increases in loan servicing fees in the coming year.

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

During 2013, we transferred $20.0 million of debt at fair value to other System Banks to restructure liabilities. We had no such transfers during 2015 or 2014. These transfers resulted in $4.0 million of losses on debt extinguishment.

Interest Rate Risk Management

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

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

Our primary analytical techniques used to analyze interest rate risk are:

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

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

Interest Rate Gap Analysis

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

Interest Rate Gap Position

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

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

NII Sensitivity Analysis

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

EVE Sensitivity Analysis

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

Derivative Financial Instruments

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

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

Derivative activities are guided by Board policy and monitored by our ALCO. ALCO is responsible for approving strategies that are developed through analysis of data derived from financial simulation models and other internal and industry sources. The resulting strategies are incorporated into our overall interest rate risk management strategies.

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

In 2014, we began facilitating interest rate swaps to qualified borrowers of affiliated Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions. We receive an appropriate risk-adjusted spread on our swap with the retail swap customer.

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

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

Centrally Cleared Interest Rate Swaps

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

For OTC derivative transactions entered into before mandatory clearing, and for derivative transactions that qualify for the Cooperative Exemption, we may enter into derivative transactions directly with counterparties under bilateral master agreements. With the exception of our interest rate swaps with retail borrowers, we execute our bilateral derivative transactions only with non-customer counterparties that have an investment-grade or better credit rating from a rating agency. We manage credit risk by monitoring the credit standing and managing levels of exposure to individual counterparties. As counterparty credit ratings are downgraded, we lower the credit exposure level at which collateral must be pledged, thereby reducing our exposure to counterparty risk. We currently anticipate performance by all of our counterparties. We enter into master agreements that contain netting provisions, which allow us to offset amounts we owe the counterparty on one derivative contract to amounts owed to us by the same counterparty on another derivative contract. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All of our derivative transactions are supported by collateral arrangements with counterparties. We had no cash collateral pledged by counterparties as of December 31, 2015. At December 31, 2014 and 2013, we had cash collateral pledged by counterparties of $7.3 million and $24.2 million, respectively. We had no securities posted as collateral from counterparties at December 31, 2015 and 2014. At December 31, 2013, we had $12.4 million of securities posted as collateral from counterparties.

Derivative Credit Loss Exposure by Credit Rating

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

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

Derivative instruments are discussed further in Notes 2, 12 and 13 to the accompanying Financial Statements.

Expected Maturities of Derivative Products and Other Financial Instruments

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

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

Other Risks

Operational Risk
Operational risk represents the risk of loss resulting from our operations. Operational risk includes risks related to fraud, processing errors, breaches of internal controls, cybersecurity and natural disasters. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of our objectives. We manage operational risk through established internal control processes and disaster recovery plans. We maintain systems of controls with the objectives of providing proper transaction authorization and execution, proper system operations, safeguarding of assets and reliability of financial and other data. We maintain a strong control environment, including an independent audit committee, a code of ethics for senior officers and key financial personnel and an anonymous whistleblower program. We maintain comprehensive business continuity and disaster recovery plans routinely test plans with the goal of ensuring ongoing operations under a variety of adverse scenarios. We maintain sound security infrastructure, which we periodically test. We also provide privacy and cybersecurity awareness training to staff.

We document, test and evaluate controls supporting financial reporting to support the Farm Credit System-level attestation for internal controls and our own internal assessment over financial reporting consistent with that required by Sarbanes-Oxley Section 404. All significant processes supporting the internal controls over financial reporting are covered by this effort. This effort supports a strong control environment through increased awareness, documentation and testing of key controls. Included within the Annual Report is a report of management’s assessment of our internal controls over financial reporting. We also receive Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization, reports covering the internal controls for various service providers. We analyze these reports to ensure appropriate controls are operating at the service provider, as well as ensuring user controls and compensating controls, if needed, are operating at the Bank to support our internal control structure. Lastly, the loan and general ledger systems maintained at the Bank are used centrally for a large majority of the District. These systems are examined by an independent auditor annually, and we provide a Statement of Standards Attestation Engagement No. 16, Reporting on Controls at a Service Organization, to all users of these technology systems.

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

Credit Risk Related to Joint and Several Liability
We have credit risk because we are jointly and severally liable for all System-wide debt issued. Under joint and several liability, if another System Bank is unable to pay its obligations as they come due, the other Banks in the System would ultimately be called upon to fulfill those obligations. Total System-wide debt at December 31, 2015 was $243.3 billion. The existence of the Farm Credit Insurance Fund

(Insurance Fund), the Contractual Interbank Performance Agreement (CIPA) and the Market Access Agreement (MAA) help to mitigate this risk.

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

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

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

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

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

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

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

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

Additional Regulatory Information

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

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

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

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

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

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

The public comment period ended on October 23, 2014.

Critical Accounting Policies

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

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

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

Report of Management

AgriBank, FCB

We prepare the Financial Statements of AgriBank, FCB (AgriBank) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Statements, in our opinion, fairly present the financial condition of AgriBank. Other financial information included in the Annual Report is consistent with that in the Financial Statements.

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

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consult regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is comprised solely of directors who are not officers or employees of AgriBank.

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

Douglas A. Felton
Chair of the Board
AgriBank, FCB

L. William York
Chief Executive Officer
AgriBank, FCB

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

March 7, 2016

Report on Internal Control Over Financial Reporting

AgriBank, FCB

AgriBank, FCB's (AgriBank) principal executives and principal financial officers or persons performing similar functions are responsible for establishing and maintaining adequate internal control over financial reporting for AgriBank's Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of AgriBank's principal executives and principal financial officers or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of AgriBank, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of AgriBank and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AgriBank's assets that could have a material effect on its Financial Statements.

AgriBank's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2015. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, AgriBank concluded that as of December 31, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, AgriBank determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2015.

L. William York
Chief Executive Officer
AgriBank, FCB

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

March 7, 2016

Report of Audit Committee

AgriBank, FCB

The Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is comprised of a subset of the Board of Directors of AgriBank, FCB (AgriBank). The Audit Committee oversees the scope of AgriBank's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of AgriBank's system of internal controls and procedures and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Financial Statements in accordance with generally accepted auditing standards in the United States of America and to issue a report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Financial Statements for the year ended December 31, 2015, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Financial Statements in the Annual Report for the year ended December 31, 2015.

Natalie Laackman	William Stutzman
Audit Committee Chair	Roy Tiarks
AgriBank, FCB	Thomas Wilkie, III

March 7, 2016

Independent Auditor's Report

To the Board of Directors of AgriBank, FCB,

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

PricewaterhouseCoopers LLP

March 7, 2016

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

Statements of Condition

AgriBank, FCB

(in thousands)

As of December 31,	2015	2014	2013
Assets			
Loans	**$82,819,652**	$77,546,155	$73,677,222
Allowance for loan losses	**18,076**	12,520	10,100
Net loans	**82,801,576**	77,533,635	73,667,122
Investment securities	**14,262,883**	14,294,777	11,555,272
Cash	**533,711**	780,948	1,074,192
Federal funds	**1,427,125**	1,336,780	911,644
Accrued interest receivable	**381,104**	350,211	344,135
Derivative assets	**698**	15,383	74,688
Other property owned	**565**	1,822	1,613
Allocated prepaid pension costs	**30,002**	30,123	29,412
Cash collateral pledged to counterparties	**32,023**	22,018	4,254
Other assets	**37,147**	26,754	27,331
Total assets	**$99,506,834**	$94,392,451	$87,689,663
Liabilities			
Bonds and notes	**$93,404,251**	$88,552,711	$81,855,249
Subordinated notes	**498,283**	497,899	497,547
Accrued interest payable	**231,464**	204,659	197,470
Derivative liabilities	**52,002**	44,562	181
Cash collateral pledged by counterparties	**--**	7,280	24,170
Accounts and other payables	**130,060**	151,190	173,510
Other liabilities	**16,658**	18,105	20,218
Total liabilities	**94,332,718**	89,476,406	82,768,345
Commitments and contingencies (Note 10)			
Shareholders' equity			
Perpetual preferred stock	**250,000**	250,000	250,000
Capital stock and participation certificates	**2,063,343**	1,944,292	2,109,843
Unallocated surplus	**2,945,638**	2,766,818	2,552,005
Accumulated other comprehensive (loss) income	**(84,865)**	(45,065)	9,470
Total shareholders' equity	**5,174,116**	4,916,045	4,921,318
Total liabilities and shareholders' equity	**$99,506,834**	$94,392,451	$87,689,663

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

Statements of Comprehensive Income

AgriBank, FCB

(in thousands)

For the year ended December 31,	2015	2014	2013
Interest income			
Loans	**$1,406,075**	$1,328,408	$1,265,639
Investment securities	**102,063**	76,881	77,109
Total interest income	**1,508,138**	1,405,289	1,342,748
Interest expense	**988,136**	880,256	818,907
Net interest income	**520,002**	525,033	523,841
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)
Net interest income after provision for (reversal of) loan losses	**512,502**	521,533	527,841
Non-interest income			
Mineral income	**56,535**	105,896	82,199
Business services income	**19,410**	15,799	16,111
Loan prepayment and fee income	**14,854**	16,447	47,959
Miscellaneous income and other gains, net	**1,117**	21,717	32
Total non-interest income	**91,916**	159,859	146,301
Non-interest expense			
Salaries and employee benefits	**38,370**	35,262	37,404
Other operating expenses	**38,856**	33,329	30,841
Loan servicing and other fees paid to affiliated Associations	**35,777**	32,901	28,288
Farm Credit System insurance expense	**10,749**	10,102	8,189
Loss on debt extinguishment	**--**	--	3,951
Net impairment losses recognized in earnings	**693**	150	1,883
Total non-interest expense	**124,445**	111,744	110,556
Net income	**$479,973**	$569,648	$563,586
Other comprehensive (loss) income			
Investments available-for-sale:			
Not-other-than-temporarily-impaired investments	**$(35,607)**	$5,850	$(15,291)
Other-than-temporarily-impaired investments	**(4,630)**	4,939	(8,667)
Derivatives and hedging activity	**437**	(65,324)	97,754
Total other comprehensive (loss) income	**(39,800)**	(54,535)	73,796
Comprehensive income	**$440,173**	$515,113	$637,382

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2012	$ --	$1,990,047	$2,330,060	$(64,326)	$4,255,781
Net income			563,586		563,586
Other comprehensive income				73,796	73,796
Patronage			(335,112)		(335,112)
Perpetual preferred stock issued	250,000		(3,854)		246,146
Perpetual preferred stock dividends			(2,675)		(2,675)
Capital stock/participation certificates issued		237,666			237,666
Capital stock/participation certificates retired		(117,870)			(117,870)
Balance at December 31, 2013	$250,000	$2,109,843	$2,552,005	$9,470	$4,921,318
Net income			569,648		569,648
Other comprehensive loss				(54,535)	(54,535)
Patronage			(337,599)		(337,599)
Perpetual preferred stock dividends			(17,188)		(17,188)
Perpetual preferred stock issuance costs			(48)		(48)
Capital stock/participation certificates issued		160,203			160,203
Capital stock/participation certificates retired		(325,754)			(325,754)
Balance at December 31, 2014	$250,000	$1,944,292	$2,766,818	$(45,065)	$4,916,045
Net income			**479,973**		**479,973**
Other comprehensive loss				**(39,800)**	**(39,800)**
Patronage			**(283,965)**		**(283,965)**
Perpetual preferred stock dividends			**(17,188)**		**(17,188)**
Capital stock/participation certificates issued		**182,195**			**182,195**
Capital stock/participation certificates retired		**(63,144)**			**(63,144)**
Balance at December 31, 2015	**$250,000**	**$2,063,343**	**$2,945,638**	**$(84,865)**	**$5,174,116**

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

Statements of Cash Flows

AgriBank, FCB

(in thousands)

For the year ended December 31,	2015	2014	2013
Cash flows from operating activities			
Net income	**$479,973**	$569,648	$563,586
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**3,358**	3,366	3,739
Gain on sales of premises and equipment	**--**	(1)	--
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)
(Gain) loss on sales of other property owned	**(37)**	(362)	261
Net impairment losses recognized in earnings	**693**	150	1,883
Gain on sale of investment securities, net	**(2,606)**	(19,968)	--
Amortization of premiums and discounts on investments, net	**8,010**	16,695	22,896
Amortization of premiums, discounts and deferred debt issuance costs, net	**39,430**	28,003	61,086
(Gain) loss on derivative activities	**(159)**	(753)	418
Loss on debt extinguishment	**--**	--	3,951
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(1,118,057)**	(1,014,107)	(949,555)
(Increase) decrease in other assets	**(10,270)**	(617)	301
Increase in accrued interest payable	**26,805**	7,189	2,758
Decrease in other liabilities	**(6,237)**	(18,674)	(6,269)
Net cash used in operating activities	**(571,597)**	(425,931)	(298,945)
Cash flows from investing activities			
Increase in loans, net	**(4,188,902)**	(2,864,137)	(3,015,743)
Proceeds from sales of other property owned	**1,911**	2,308	1,736
Increase in investment securities, net	**(65,100)**	(2,864,409)	(616,696)
Proceeds from the sale of investment securities	**50,660**	138,816	--
Purchases of premises and equipment, net	**(3,352)**	(2,882)	(3,040)
Net cash used in investing activities	**(4,204,783)**	(5,590,304)	(3,633,743)
Cash flows from financing activities			
Consolidated bonds and notes issued	**218,646,549**	238,882,874	247,272,611
Consolidated bonds and notes retired	**(213,814,646)**	(232,175,092)	(242,479,159)
(Decrease) increase in cash collateral pledged by counterparties	**(7,280)**	(16,890)	1,850
Increase in cash collateral pledged to counterparties	**(10,005)**	(17,764)	(4,254)
Patronage distributions paid	**(296,993)**	(296,313)	(224,204)
(Costs) proceeds from issuance of preferred stock, net	**--**	(48)	246,146
Preferred stock dividends paid	**(17,188)**	(15,566)	--
Capital stock/participation certificates issued (retired), net	**119,051**	(213,074)	21,416
Net cash provided by financing activities	**4,619,488**	6,148,127	4,834,406
Net (decrease) increase in cash and federal funds	**(156,892)**	131,892	901,718
Cash and federal funds at beginning of year	**2,117,728**	1,985,836	1,084,118
Cash and federal funds at end of year	**$1,960,836**	$2,117,728	$1,985,836
Supplemental schedule of non-cash activities			
Decrease (increase) in derivative assets	**$14,685**	$59,305	$(4,433)
Increase (decrease) in derivative liabilities	**7,440**	44,381	(18,164)
Decrease in bonds from derivative activity	**(22,721)**	(39,115)	(74,739)
Increase (decrease) in shareholders' equity from cash flow derivatives	**437**	(65,324)	97,754
(Decrease) increase in shareholders' equity from investment securities	**(40,237)**	10,789	(23,958)
Loans transferred to other property owned	**617**	2,155	1,638
Interest capitalized to loan principal	**1,087,164**	1,008,031	963,661
Preferred stock dividends accrued	**4,297**	4,297	2,675
Patronage refunds payable to owners	**104,593**	138,109	144,345
Stock patronage issued	**--**	47,523	98,380
Supplemental information			
Interest paid	**$961,331**	$873,061	$816,149

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

Notes to Financial Statements

AgriBank, FCB

NOTE 1

Organization and Operations

Farm Credit System and District Organization

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

At January 1, 2016, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank and 74 Associations across the nation. System entities have specific lending authorities within their chartered territories. We are chartered to serve Associations in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Our chartered territory is referred to as the District. We serve our chartered territory by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs).

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

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

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

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

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

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

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

AgriBank Operations

We primarily lend to affiliated Associations in the form of lines of credit to fund Associations' loan portfolios. These lines of credit (wholesale loans) are collateralized by a pledge of substantially all of each affiliated Association's assets. The terms of the revolving lines of credit are governed by a General Financing Agreement (GFA) between us and each affiliated Association. The wholesale funding we provide substantially matches the terms and embedded options of the Associations' retail loans. General operating expenses of the Associations are also funded through their lines of credit. We also fund affiliated Association lending through the direct purchase of participations in retail loans from Associations.

In addition to providing loan funds to affiliated Associations, we may provide additional services to the Associations, including financial and retail systems, support and reporting, technology services, insurance services and internal audit services. The revenue received for these services is included in "Business services income," a component of non-interest income.

Service Organizations

The Banks in the System jointly own several service organizations. These organizations were created to provide a variety of services for the System. We have ownership interests in the following service organizations:

- **Federal Farm Credit Banks Funding Corporation** provides for the issuance, marketing and processing of System-wide debt securities using a network of investment dealers and dealer banks and financial management and reporting services

- **Farm Credit Services Building Association** owns and leases premises and equipment to the System's regulator, the FCA
- **Farm Credit System Association Captive Insurance Company** provides corporate insurance coverage to member organizations
- **Farm Credit Foundations (Foundations)** provides benefits and payroll services to AgriBank and affiliated Associations as well as certain other System entities

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

NOTE 2

Summary of Significant Accounting Policies

Our accounting policies conform to generally accepted accounting principles (GAAP) in the United States of America and prevailing practices within the financial services industry. The preparation of 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 Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We elected early adoption of ASU 2015-03 *"Interest–Imputation of Interest,"* which required retroactive reclassification of certain line items presented in the Financial Statements consistent with the current year presentation. Deferred debt issuance costs of $32.9 million and $36.3 million were reclassified for the years ended December 31, 2014 and 2013, respectively.

The Financial Statements include the accounts of AgriBank and reflect the investments in service organizations in which we have partial ownership interests. These investments are carried on a cost plus allocated equities basis. No quoted market value is available for the investments in service organizations. These Financial Statements do not include the assets, obligations or results of operation of affiliated Associations. We prepare separate combined AgriBank and affiliated Associations Financial Statements.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Accrued interest on wholesale loans is capitalized to loan principal on a monthly basis. Origination fees, net of related costs, are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan fees and related origination costs are not material to the Financial Statements taken as a whole. The majority of our loan-related fees are through funding our wholesale loans. These fees are considered funding charges, because the fees are related to actions of the underlying Association retail loans, which are funded through the wholesale loans. These wholesale fees are not subject to deferral and are recognized in the period in which they are assessed.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless well secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, unpaid interest accrued in the current year is reversed to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment in the loan, unless the net realizable value is less than the recorded investment in the loan, in which case it is charged-off against the allowance for loan losses. Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected and the loan has no unrecovered prior charge-offs. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected because the borrower has demonstrated payment performance, and the loan is not classified doubtful or loss.

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

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

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

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

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

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

Investment Securities: FCA regulations permit us to hold eligible investment securities for the purpose of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. Our investment securities may not necessarily be held to maturity and, accordingly, have been classified as available-for-sale (AFS). These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of shareholders' equity ("Accumulated other comprehensive (loss) income"). Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive (loss) income, unless the security is deemed to be other-than-temporarily impaired. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

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

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

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

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

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

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

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

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

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

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

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

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

Income Taxes: We are exempt from federal and other income taxes as provided in the Farm Credit Act.

Patronage Program: We accrue patronage refunds when declared by the Board of Directors. We accrue patronage refunds quarterly and pay the refunds in accordance with the declarations of our Board of Directors, generally within 15 days after each quarter-end for which the patronage was declared. Accrued patronage is included in “Accounts and other payables” on the Statements of Condition.

Preferred Stock Dividends: We accrue non-cumulative perpetual preferred stock dividends quarterly as declared by the Board of Directors. Dividends on non-cumulative perpetual preferred stock are payable quarterly in arrears on the first day of January, April, July and October. Accrued dividends are included in “Accounts and other payables” on the Statements of Condition.

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

Changes in the fair values of derivatives are recorded as gains or losses through earnings or as a component of other comprehensive (loss) income, on the Statements of Comprehensive Income, depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For fair value hedge transactions in which we are hedging changes in the fair value of an asset or liability, changes in the fair value of the derivative instrument are offset in net income on the Statements of Comprehensive Income by changes in the fair value of the hedged item. For cash flow hedge transactions hedging the variability of cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative instrument are reported in other comprehensive (loss) income on the Statements of Comprehensive Income. To the extent the hedge is effective, the gains and losses on the derivative instruments are reported in other comprehensive (loss) income, until earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

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

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

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

We discontinue hedge accounting prospectively when we determine that:

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

When we discontinue hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income or loss is amortized into earnings over the remaining life of the original hedged item. When we discontinue hedge accounting for fair value hedges, changes in the fair value of the derivative will be recorded in current period earnings, and the basis adjustment to the previously hedged item will be taken into earnings using the interest method over the remaining life of the hedged item. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the Statements of Condition, recognizing changes in fair value in current period earnings. Refer to further discussion in Note 13.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Statements of Comprehensive Income. However, no such reserve was necessary as of December 31, 2015, 2014, or 2013.

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

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

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

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

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly

- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

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

We may use various acceptable valuation techniques to determine fair value. The primary techniques used include:

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

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

Refer to Note 12 for further discussion on our fair value measurements.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined the following standards to be applicable to our business:

Standard	Description	Effective date and financial statement impact
In February 2016, the FASB issued ASU 2016-02 "Leases."	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018 including interim periods within that year. Early adoption is permitted and modified retrospective adoption is required. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.”	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. Early adoption is permitted for only a portion of the guidance, but that guidance does not apply to us. We are currently evaluating the impact of the remaining guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Standard	Description	Effective date and financial statement impact
In May 2015, the FASB issued ASU 2015-07 "Disclosures of Investments in Certain Entities the Calculate Net Asset Value per Share (or Its Equivalent)."	The guidance removes the requirements to categorize assets valued using net asset value per share within the fair value hierarchy (Levels 1 - 3) as well as certain other disclosures.	The guidance is effective for public entities for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted and retrospective application is required upon adoption. We are currently evaluating the impact of the guidance on our financial statement disclosures.
In April 2015, the FASB issued ASU 2015-03 "Interest–Imputation of Interest."	The guidance requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as a deferred charge (asset).	The guidance is effective for public entities for annual and interim periods beginning after December 15, 2015. Early adoption was elected and retroactively implemented. The adoption of this guidance did not have a material impact on our financial condition, cash flows or financial statement disclosures.
In February 2015, the FASB issued ASU 2015-02 "Consolidation-Amendments to the Consolidation Analysis."	The guidance modifies the assessment of Variable Interest Entity (VIE) characteristics as well as the assessment of related parties.	The guidance is effective for public entities for annual periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. We are currently evaluating the impact on our financial condition, results of operations, cash flows and financial statement disclosures.
In August 2014, the FASB issued ASU 2014-15 "Presentation of Financial Statements-Going Concern."	The guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the Financial Statements are issued or within one year after the Financial Statements are available to be issued, when applicable. Substantial doubt to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations for the assessed period.	This guidance becomes effective for all entities for interim and annual periods ending after December 15, 2016, and early application is permitted. The adoption of this guidance will not have a material impact on our financial statement disclosures.
In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers."	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance.	The guidance is effective for public entities for the first interim reporting period within the annual reporting periods beginning after December 15, 2016. In July 2015 the FASB approved a one year deferral of the effective date. We are in the process of reviewing contracts to determine the effect, if any, on our financial condition and results of operations.

NOTE 3

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	December 31, 2015 Amount	%	December 31, 2014 Amount	%	December 31, 2013 Amount	%
Wholesale loans	**$74,697,131**	**90.1%**	$69,523,491	89.6%	$65,594,412	89.0%
Real estate mortgage	**3,859,885**	**4.7%**	3,985,435	5.1%	4,512,804	6.1%
Production and intermediate term	**3,441,472**	**4.2%**	3,194,263	4.1%	2,819,482	3.8%
Agribusiness	**96,709**	**0.1%**	126,612	0.2%	119,453	0.2%
Loans to other financing institutions (OFIs)	**685,083**	**0.8%**	665,574	0.9%	577,886	0.8%
Other	**39,372**	**0.1%**	50,780	0.1%	53,185	0.1%
Total loans	**$82,819,652**	**100.0%**	$77,546,155	100.0%	$73,677,222	100.0%

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

Participations

We may purchase participations from and sell participations to others, primarily affiliated Associations.

Participations Purchased

(in thousands) As of December 31, 2015	Other Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased
Real estate mortgage	**$3,859,466**	**$ --**	**$3,859,466**
Production and intermediate term	**3,441,472**	**--**	**3,441,472**
Agribusiness	**96,709**	**--**	**96,709**
Other	**39,372**	**--**	**39,372**
Total loans	**$7,437,019**	**$ --**	**$7,437,019**

(in thousands) As of December 31, 2014	Other Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased
Real estate mortgage	$3,984,667	$ --	$3,984,667
Production and intermediate term	3,194,263	--	3,194,263
Agribusiness	126,612	--	126,612
Other	50,780	--	50,780
Total loans	$7,356,322	$ --	$7,356,322

(in thousands) As of December 31, 2013	Other Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased
Real estate mortgage	$4,510,976	$436	$4,511,412
Production and intermediate term	2,819,482	--	2,819,482
Agribusiness	119,453	--	119,453
Other	53,185	--	53,185
Total loans	$7,503,096	$436	$7,503,532

We did not have any participation interests sold as of December 31, 2015, 2014 or 2013.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions.

A substantial portion of our loan portfolio consists of individual wholesale loans. Wholesale loans are comprised of 17 loans ranging in size from $41.1 million to $20.1 billion. At December 31, 2015, the two largest affiliated Associations each represented 26.9 percent and 24.0 percent of wholesale loans and 24.2 percent and 21.7 percent of total loans. No other wholesale loan was greater than 10 percent of total loans. The loans of the 10 largest retail customers (excluding other financing institutions (OFIs)) at December 31, 2015 totaled $307.0 million, or 3.8 percent of our retail portfolio and 0.4 percent of our total portfolio.

The wholesale loans are used by affiliated Associations to fund their loan portfolios, and therefore, our distribution of credit risk in various commodities and geographic concentrations approximate that of the District as a whole. The tables below illustrate commodity and geographic distribution of our District's portfolio as of December 31, 2015:

District Portfolio

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

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

While these concentrations represent a proportionate maximum potential credit risk, as it relates to the wholesale loans, a substantial portion of the underlying affiliated Associations' lending activities are collateralized, and affiliated Associations' direct exposure (and therefore AgriBank's indirect exposure) to credit loss associated with lending is reduced accordingly. Collateral held varies, but may include real estate, equipment, inventory and income-producing properties and, in the case of wholesale loans, substantially all assets of affiliated Associations. The District has an internally maintained database that uses market data to estimate market values of collateral for a significant portion of our real estate mortgage portfolio. An estimate of our credit risk exposure is considered in our allowance for loan losses.

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, our underwriting standards generally limit lending to no more than 65 percent at origination. Due to very strong land values in much of our District in recent years, many affiliated Associations implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65 percent level. In addition, many District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk.

The tables below illustrate commodity and geographic diversification of our $8.1 billion retail portfolio at December 31, 2015:

AgriBank Retail Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**52%**	Minnesota	**13%**
Cattle	**11%**	Iowa	**12%**
Dairy	**8%**	Illinois	**11%**
OFIs	**8%**	Wisconsin	**10%**
Other	**21%**	Nebraska	**9%**
Total	**100%**	Michigan	**7%**
		South Dakota	**6%**
		Indiana	**5%**
		Other	**27%**
		Total	**100%**

Other financing institutions (OFIs) make production and intermediate term loans and therefore may have similar commodity exposure as seen in our retail portfolio. Other commodities consist primarily of loans in the investor real estate, pork and timber sectors, none of which represented more than 5 percent of AgriBank's retail loan portfolio. Other states consist primarily of loans in Missouri, Arkansas, North Dakota and Ohio, none of which represented more than 5 percent of AgriBank's retail loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

Portfolio Performance

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

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

Credit Quality of Loans

(in thousands) **As of December 31, 2015**	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$74,990,957**	**100.0%**	**$ --**	**--**	**$ --**	**--**	**$74,990,957**	**100.0%**
Real estate mortgage	**3,766,278**	**96.5%**	**56,983**	**1.5%**	**78,955**	**2.0%**	**3,902,216**	**100.0%**
Production and intermediate term	**3,385,379**	**97.8%**	**24,837**	**0.7%**	**53,106**	**1.5%**	**3,463,322**	**100.0%**
Agribusiness	**89,568**	**92.3%**	**--**	**--**	**7,487**	**7.7%**	**97,055**	**100.0%**
Loans to OFIs	**686,841**	**100.0%**	**--**	**--**	**--**	**--**	**686,841**	**100.0%**
Other	**37,866**	**96.0%**	**400**	**1.0%**	**1,168**	**3.0%**	**39,434**	**100.0%**
Total loans	**$82,956,889**	**99.7%**	**$82,220**	**0.1%**	**$140,716**	**0.2%**	**$83,179,825**	**100.0%**

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

(in thousands) As of December 31, 2013	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$65,843,428	100.0%	$ --	--	$ --	--	$65,843,428	100.0%
Real estate mortgage	4,416,883	96.9%	42,178	0.9%	101,937	2.2%	4,560,998	100.0%
Production and intermediate term	2,818,299	99.0%	12,994	0.5%	13,193	0.5%	2,844,486	100.0%
Agribusiness	94,580	78.8%	8,811	7.3%	16,665	13.9%	120,056	100.0%
Loans to OFIs	578,930	100.0%	--	--	--	--	578,930	100.0%
Other	52,195	98.0%	546	1.0%	517	1.0%	53,258	100.0%
Total loans	$73,804,315	99.7%	$64,529	0.1%	$132,312	0.2%	$74,001,156	100.0%

We had no loans categorized as Loss at December 31, 2015, 2014 or 2013.

Aging Analysis of Loans

(in thousands) **As of December 31, 2015**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing loans 90 days or more past due**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$74,990,957**	**$74,990,957**	**$ --**
Real estate mortgage	**14,203**	**8,585**	**22,788**	**3,879,428**	**3,902,216**	**932**
Production and intermediate term	**31,391**	**3,785**	**35,176**	**3,428,146**	**3,463,322**	**308**
Agribusiness	**--**	**--**	**--**	**97,055**	**97,055**	**--**
Loans to OFIs	**--**	**--**	**--**	**686,841**	**686,841**	**--**
Other	**5,463**	**243**	**5,706**	**33,728**	**39,434**	**--**
Total loans	**$51,057**	**$12,613**	**$63,670**	**$83,116,155**	**$83,179,825**	**$1,240**

(in thousands) As of December 31, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Wholesale loans	$ --	$ --	$ --	$69,789,561	$69,789,561	$ --
Real estate mortgage	8,957	7,182	16,139	4,011,901	4,028,040	--
Production and intermediate term	8,127	2,186	10,313	3,207,694	3,218,007	277
Agribusiness	--	--	--	127,079	127,079	--
Loans to OFIs	--	--	--	666,693	666,693	--
Other	413	222	635	50,210	50,845	--
Total loans	$17,497	$9,590	$27,087	$77,853,138	$77,880,225	$277

(in thousands) As of December 31, 2013	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days or more past due
Wholesale loans	$ --	$ --	$ --	$65,843,428	$65,843,428	$ --
Real estate mortgage	21,959	11,623	33,582	4,527,416	4,560,998	--
Production and intermediate term	5,373	838	6,211	2,838,275	2,844,486	--
Agribusiness	--	--	--	120,056	120,056	--
Loans to OFIs	3,904	--	3,904	575,026	578,930	--
Other	345	--	345	52,913	53,258	--
Total loans	$31,581	$12,461	$44,042	$73,957,114	$74,001,156	$ --

Note: Accruing loans include accrued interest receivable.

Risk Assets

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31,	**2015**	2014	2013
Nonaccrual loans:			
Current as to principal and interest	**$27,739**	$26,305	$24,127
Past due	**15,655**	11,493	15,526
Total nonaccrual loans	**43,394**	37,798	39,653
Accruing restructured loans	**4,429**	17,210	18,445
Accruing loans 90 days or more past due	**1,240**	277	--
Total risk loans	**$49,063**	$55,285	$58,098
Volume with specific reserves	**$18,441**	$12,218	$7,000
Volume without specific reserves	**30,622**	43,067	51,098
Total risk loans	**$49,063**	$55,285	$58,098
Specific reserves	**$3,564**	$2,122	$1,084
For the year ended December 31,	**2015**	2014	2013
Income on accrual risk loans	**$220**	$453	$427
Income on nonaccrual loans	**2,403**	3,451	4,068
Total income on risk loans	**$2,623**	$3,904	$4,495
Average recorded risk loans	**$47,056**	$56,635	$63,628

Note: Accruing loans include accrued interest receivable.

Risk Assets by Loan Type

(in thousands) **As of December 31,**	**2015**	2014	2013
Nonaccrual loans:			
Real estate mortgage	**$27,006**	$29,555	$36,771
Production and intermediate term	**16,033**	7,873	2,882
Other	**355**	370	--
Total nonaccrual loans	**$43,394**	$37,798	$39,653
Accruing restructured loans:			
Real estate mortgage	**$4,247**	$17,196	$18,431
Production and intermediate term	**182**	14	14
Total accruing restructured loans	**$4,429**	$17,210	$18,445
Accruing loans 90 days or more past due:			
Real estate mortgage	**$932**	$ --	$ --
Production and intermediate term	**308**	277	--
Total accruing loans 90 days or more past due	**$1,240**	$277	$ --
Total risk loans	**$49,063**	$55,285	$58,098
Other property owned	**565**	1,822	1,613
Total risk assets	**$49,628**	$57,107	$59,711

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Risk assets over the past three years have primarily been concentrated in the real estate mortgage sector, primarily loan participations from the Asset Pool program.

Nonaccrual loans represented 0.1 percent of total loans at December 31, 2015, of which 63.9 percent were current as to principal and interest.

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

We had no wholesale loans classified as risk loans at December 31, 2015, 2014 or 2013.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2015 Recorded Investment *	Unpaid Principal Balance **	Related Allowance	For the year ended December 31, 2015 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$5,109**	**$5,641**	**$1,119**	**$5,101**	**$ --**
Production and intermediate term	**13,111**	**13,542**	**2,357**	**11,668**	**--**
Other	**221**	**220**	**88**	**137**	**--**
Total loans	**$18,441**	**$19,403**	**$3,564**	**$16,906**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$27,076**	**$44,625**	**$ --**	**$27,030**	**$1,839**
Production and intermediate term	**3,412**	**5,142**	**--**	**3,037**	**784**
Other	**134**	**379**	**--**	**83**	**--**
Total loans	**$30,622**	**$50,146**	**$ --**	**$30,150**	**$2,623**
Total impaired loans:					
Real estate mortgage	**$32,185**	**$50,266**	**$1,119**	**$32,131**	**$1,839**
Production and intermediate term	**16,523**	**18,684**	**2,357**	**14,705**	**784**
Other	**355**	**599**	**88**	**220**	**--**
Total loans	**$49,063**	**$69,549**	**$3,564**	**$47,056**	**$2,623**

(in thousands)	As of December 31, 2014 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2014 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,104	$5,529	$1,100	$5,486	$ --
Production and intermediate term	6,892	7,071	1,022	5,080	--
Other	222	217	--	219	--
Total loans	$12,218	$12,817	$2,122	$10,785	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$41,647	$59,347	$ --	$44,765	$3,496
Production and intermediate term	1,272	4,234	--	939	408
Other	148	379	--	146	--
Total loans	$43,067	$63,960	$ --	$45,850	$3,904
Total impaired loans:					
Real estate mortgage	$46,751	$64,876	$1,100	$50,251	$3,496
Production and intermediate term	8,164	11,305	1,022	6,019	408
Other	370	596	--	365	--
Total loans	$55,285	$76,777	$2,122	$56,635	$3,904

(in thousands)	As of December 31, 2013 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2013 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$4,583	$5,277	$660	$4,952	$ --
Production and intermediate term	2,417	2,468	424	2,755	--
Other	--	--	--	88	--
Total loans	$7,000	$7,745	$1,084	$7,795	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$50,619	$70,303	$ --	$54,935	$4,111
Production and intermediate term	479	3,093	--	546	377
Other	--	408	--	352	7
Total loans	$51,098	$73,804	$ --	$55,833	$4,495
Total impaired loans:					
Real estate mortgage	$55,202	$75,580	$660	$59,887	$4,111
Production and intermediate term	2,896	5,561	424	3,301	377
Other	--	408	--	440	7
Total loans	$58,098	$81,549	$1,084	$63,628	$4,495

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

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

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

Troubled Debt Restructurings

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

Troubled Debt Restructuring Activity

(in thousands) **As of December 31, 2015**	**Pre-modification Outstanding Recorded Investment***	**Post-modification Outstanding Recorded Investment***
Real estate mortgage	**$800**	**$918**
Production and intermediate term	**180**	**182**
Total loans	**$980**	**$1,100**

(in thousands) As of December 31, 2014	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real estate mortgage	$618	$652
Production and intermediate term	14	14
Total loans	$632	$666

(in thousands) As of December 31, 2013	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real estate mortgage	$2,561	$2,417
Production and intermediate term	20	20
Total loans	$2,581	$2,437

*Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring, and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

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

We had no TDRs that defaulted during the year ended December 31, 2015. For the year ended December 31, 2014, there was one loan included in the production and intermediate term sector, totaling $11 thousand, that had troubled debt restructurings that occurred in the previous 12-months and for which there was a subsequent default during the year. For the year ended December 31, 2013 Asset Pool loans included in the real estate mortgage sector, totaling $771 thousand, had troubled debt restructurings that occurred in the previous 12 months and for which there was a subsequent default during the year.

TDRs Outstanding

(in thousands) **As of December 31,**	**2015**	2014	2013
Accrual Status			
Real estate mortgage	**$4,247**	$17,196	$18,431
Production and intermediate term	**182**	14	14
Total TDRs in accrual status	**$4,429**	$17,210	$18,445
Nonaccrual Status			
Real estate mortgage	**$5,378**	$5,604	$7,600
Production and intermediate term	**11**	--	--
Total TDRs in nonaccrual status	**$5,389**	$5,604	$7,600
Total TDRs	**$9,818**	$22,814	$26,045

We did not have any material commitments to lend additional money to borrowers whose loans have been modified in a TDR at December 31, 2015.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **For the year ended December 31,**	**2015**	2014	2013
Balance at beginning of period	**$12,520**	$10,100	$13,275
Provision for (reversal of) loan losses	**7,500**	3,500	(4,000)
Charge-offs	**(4,002)**	(2,200)	(3,192)
Recoveries	**2,058**	1,120	4,017
Balance at end of period	**$18,076**	$12,520	$10,100

Our allowance for loan losses increased $5.5 million at December 31, 2015. Provision for loan losses in 2015 and 2014 reflect the credit quality of our retail loan portfolio. The reversal of loan losses in 2013 was related to a reduction in allowance coverage needed, primarily due to payments received on risk loans. The net charge-offs in 2015 and 2014 were primarily related to various loans in our AgDirect program. The net recoveries in 2013 were primarily related to recoveries received on a large participated dairy credit that was previously charged-off, partially offset by charge-offs on various Asset Pool and AgDirect loans.

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

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2014	**$ --**	**$2,003**	**$9,710**	**$457**	**$235**	**$115**	**$12,520**
(Reversal of) provision for loan losses	**--**	**(51)**	**7,598**	**(188)**	**43**	**98**	**7,500**
Charge-offs	**--**	**(155)**	**(3,846)**	**--**	**--**	**(1)**	**(4,002)**
Recoveries	**--**	**131**	**1,919**	**--**	**--**	**8**	**2,058**
Balance at December 31, 2015	**$ --**	**$1,928**	**$15,381**	**$269**	**$278**	**$220**	**18,076**
At December 31, 2015:							
Ending balance: individually evaluated for impairment	**$ --**	**$1,118**	**$2,358**	**$ --**	**$ --**	**$88**	**$3,564**
Ending balance: collectively evaluated for impairment	**$ --**	**$810**	**$13,023**	**$269**	**$278**	**$132**	**$14,512**
Recorded investments in loans outstanding:							
Ending balance at December 31, 2015	**$74,990,957**	**$3,902,216**	**$3,463,322**	**$97,055**	**$686,841**	**$39,434**	**$83,179,825**
Ending balance: loans individually evaluated for impairment	**$74,990,957**	**$32,185**	**$16,523**	**$ --**	**$ --**	**$355**	**$75,040,020**
Ending balance: loans collectively evaluated for impairment	**$ --**	**$3,870,031**	**$3,446,799**	**$97,055**	**$686,841**	**$39,079**	**$8,139,805**

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2013	$ --	$2,041	$7,181	$590	$220	$68	$10,100
(Reversal of) provision for loan losses	--	(217)	3,793	(133)	15	42	3,500
Charge-offs	--	(331)	(1,860)	--	--	(9)	(2,200)
Recoveries	--	510	596	--	--	14	1,120
Balance at December 31, 2014	$ --	$2,003	$9,710	$457	$235	$115	$12,520
At December 31, 2014:							
Ending balance: individually evaluated for impairment	$ --	$1,100	$1,022	$ --	$ --	$ --	$2,122
Ending balance: collectively evaluated for impairment	$ --	$903	$8,688	$457	$235	$115	$10,398
Recorded investments in loans outstanding:							
Ending balance at December 31, 2014	$69,789,561	$4,028,040	$3,218,007	$127,079	$666,693	$50,845	$77,880,225
Ending balance: loans individually evaluated for impairment	$69,789,561	$46,751	$8,164	$ --	$ --	$370	$69,844,846
Ending balance: loans collectively evaluated for impairment	$ --	$3,981,289	$3,209,843	$127,079	$666,693	$50,475	$8,035,379

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2012	$ --	$4,427	$5,940	$2,201	$376	$331	$13,275
Reversal of provision for loan losses	--	(994)	(1,014)	(1,611)	(156)	(225)	(4,000)
Charge-offs	--	(1,851)	(1,276)	--	--	(65)	(3,192)
Recoveries	--	459	3,531	--	--	27	4,017
Balance at December 31, 2013	$ --	$2,041	$7,181	$590	$220	$68	$10,100
At December 31, 2013:							
Ending balance: individually evaluated for impairment	$ --	$660	$424	$ --	$ --	$ --	$1,084
Ending balance: collectively evaluated for impairment	$ --	$1,381	$6,757	$590	$220	$68	$9,016
Recorded investments in loans outstanding:							
Ending balance at December 31, 2013	$65,843,428	$4,560,998	$2,844,486	$120,056	$578,930	$53,258	$74,001,156
Ending balance: loans individually evaluated for impairment	$65,843,428	$55,202	$2,896	$ --	$ --	$ --	$65,901,526
Ending balance: loans collectively evaluated for impairment	$ --	$4,505,796	$2,841,590	$120,056	$578,930	$53,258	$8,099,630

Note: Accruing loans include accrued interest receivable.

NOTE 4

Investment Securities

All investment securities are classified as AFS.

Investment Securities

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

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

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

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

Contractual Maturities of Investment Securities

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

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

Additional Investment Security Information

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

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

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

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

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

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

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

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

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

Assumptions Used by Range

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

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

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

OTTI AFS Investment Securities

(in thousands)

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

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

OTTI AFS Investment Securities Sold

(in thousands)

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

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

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

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

NOTE 5

Bonds and Notes

The System obtains funds for its lending operations primarily from the sale of System-wide debt securities issued by the System Banks through the Funding Corporation. System-wide bonds and discount notes are joint and several obligations of the System Banks (refer to Note 10 for further discussion).

AgriBank's Participation in System-wide Bonds and Notes

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

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

Maturities and Weighted Average Interest Rate of Bonds and Notes

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

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

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

Bonds and Notes with Call Options

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

Participation in System-wide Debt Securities

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

Member Investment Bonds

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

Insurance Fund

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

Debt Transfers

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

Short-term Borrowings

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

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

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

NOTE 6

Subordinated Notes

In July 2009, we issued $500 million of 9.125 percent unsecured subordinated notes due in 2019. At December 31, 2014, the ending and year-to-date average balance was $500 million. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, and senior to all classes of shareholders. Interest is payable semi-annually on January 15 and July 15 beginning on January 15, 2010. Interest is deferred if, as of the fifth business day prior to an interest payment date of the notes, any applicable minimum regulatory capital ratios are not satisfied. A deferral period may not last for more than five consecutive years or beyond the maturity date of the subordinated notes. During such a period, we may not declare or pay any dividends or patronage refunds, among certain other restrictions, until interest payments are resumed and all deferred interest has been paid. We have not deferred any interest since issuing the subordinated notes. The subordinated notes are not System-wide debt securities and are not obligations of any of the other System Banks. Payments on the subordinated notes are not insured by the Insurance Fund. The inclusion of subordinated notes in regulatory capital ratios is subject to certain limitations as defined by FCA. The proposed rule to modify regulatory capital requirements, if adopted in its current form, would have an impact on the capital treatment of our subordinated debt. Refer to Note 7 for further discussion.

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

NOTE 7

Shareholders' Equity

Description of Equities

All shares and participation certificates are $5 par value, except the Series A Perpetual Preferred Stock, which is $100 par value.

(in whole numbers)	Number of Shares		
As of December 31	**2015**	2014	2013
Series A Perpetual Preferred Stock	**2,500,000**	2,500,000	2,500,000
Class D Preferred Stock	**37,193**	256,629	107,415
Class P Common Stock	**407,242,796**	383,251,219	416,398,798
Series A Participation Certificates	**5,340,551**	5,302,371	5,414,194
Protected Series C Participation Certificates	**48,100**	48,100	48,100

Perpetual Preferred Stock

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

On October 29, 2013, we issued $250 million of Series A Non-Cumulative Perpetual Preferred Stock (Series A Preferred Stock), representing 2.5 million shares at $100 per share par value, resulting in net proceeds of $246.1 million. The net proceeds reflect issuance costs from underwriting, auditor and attorney fees. This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations as defined by FCA.

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

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

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

Member Stock

In accordance with the Farm Credit Act, eligible borrowers are required to purchase common stock in AgriBank as a condition of borrowing. Affiliated Associations fund member stock purchases through wholesale loan advances. OFIs make cash purchases of Series A Participation Certificates as a condition of borrowing.

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

Class D Preferred Stock is issued solely to affiliated Associations based on allocated equities issued and as a conversion of Class P Common Stock that is in excess of the minimum amounts required under our capital plan. Class D Preferred Stock has no voting rights.

Class F Common Stock is issued only to other System institutions. Class F Common Stock has no voting rights, and no stock of this kind was outstanding at December 31, 2015, 2014 or 2013.

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

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

Series B Participation Certificates are issued to affiliated Associations and direct borrowers. Series B Participation Certificates have no voting rights, and no stock of this kind was outstanding at December 31, 2015, 2014 or 2013.

Protected Series C Participation Certificates are issued to entities identified in the Farm Credit Act that meet certain requirements of the Act in existence before the close of business on October 5, 1988. Refer to discussion under Protection Mechanisms. Protected Series C Participation Certificates have no voting rights. Protected Series C Participation Certificates of $241 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of December 31, 2015, 2014 and 2013.

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

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

All Member Stock is subject to a statutory first lien in favor of us to secure any indebtedness of the holder of such capital investments to us.

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

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

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

Capitalization Requirements

In accordance with the Farm Credit Act, and our capitalization bylaws, we are authorized to issue Series A Preferred Stock, Class D Preferred Stock, Classes F and P Common Stock, Series A, B and C Participation Certificates and such other classes of equity in such amounts as may be necessary to conduct our business.

Affiliated Associations, as a condition of obtaining a loan from us, are required to hold Class P Common Stock in an amount determined by our capital plan that is currently equal to 2.25 percent of the quarterly average wholesale loan balance plus an additional 1 percent on growth that exceeded a targeted rate. Our bylaws permit us to increase the required investment up to 4 percent with Board approval.

Affiliated Associations who sold us Asset Pool program loan participations are required to hold additional Class P Common Stock equal to 8 percent of the quarter-end Asset Pool program participation loan balance.

AgDirect LLP, the limited liability partnership that is involved in the AgDirect retail equipment financing program, is required to purchase an investment in Class P Common Stock equal to 6 percent of the AgDirect program participation outstanding loan balance at quarter-end plus 6 percent of the expected balance.

OFIs, as a condition of obtaining a loan from us, are required to hold Series A Participation Certificates in an amount determined by our capital plan, currently equal to 2.25 percent of their quarter-end loan commitment plus an additional 1 percent on increases in their commitments that exceeded a targeted rate. Our bylaws permit us to increase the investment up to 4 percent with Board approval.

We may require an originator, as a condition of our purchase of a participation interest in a loan, to hold stock or participation certificates in an amount up to 7 percent of the amount of the participation interest as of the date purchased.

Effective January 1, 2014, two affiliated Associations entered into contractual agreements with AgriBank whereby their required investments in AgriBank were reduced by a total of up to $66.2 million. In return for having a lower required investment, these affiliated Associations agreed to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. The additional spread compensates us for the cost of third-party capital, including issuance costs.

Protection Mechanisms

Protection of certain borrower capital is provided under the Farm Credit Act, which requires us to retire protected capital at par or stated value regardless of its book value when retiring protected borrower capital. Series C Participation Certificates are protected capital. Stock and participation certificates issued after October 5, 1988 are not subject to these protection provisions. If we are unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements and Restrictions

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

AgriBank Regulatory Capital Requirements and Ratios

As of December 31,	Regulatory Minimums	2015	2014	2013
Permanent capital ratio	7.0%	**20.8%**	20.8%	22.1%
Total surplus ratio	7.0%	**17.9%**	18.1%	18.5%
Core surplus ratio	3.5%	**12.1%**	11.8%	11.4%
Net collateral ratio*	104.0%	**105.8%**	105.9%	106.4%

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

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

- Permanent capital ratio is the quarterly average permanent capital (generally shareholders' equity and subordinated notes subject to certain limitations, excluding accumulated other comprehensive (loss) income and other deductions) as a percentage of quarterly average risk-adjusted assets
- Total surplus ratio is the quarterly average total surplus (permanent capital less purchased stock) as a percentage of quarterly average risk-adjusted assets

- Core surplus ratio is the quarterly average core surplus (generally unallocated surplus and perpetual preferred stock subject to certain limitations) as a percentage of quarterly average risk-adjusted assets
- Net collateral ratio is the net collateral (generally net loans and investments) less an amount equal to that portion of the allocated investments of affiliated Associations that is not counted as permanent capital by AgriBank, divided by total liabilities as adjusted to exclude subordinated notes (subject to certain limitations) and the fair value adjustment impact of certain derivatives

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

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

The inclusion of subordinated notes in regulatory capital ratios is subject to certain limitations as defined by FCA. The amount of subordinated notes eligible to be counted as permanent capital and total surplus may not exceed 50 percent of core surplus, and beginning in July 2014, is reduced by 20 percent of the original amount at the beginning of each of the last five years of the term of the notes.

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

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

Patronage Distributions and Dividends

Payment of discretionary patronage and/or dividends is allowed under our bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA capital adequacy regulations. Patronage distributions totaled $284.0 million, $337.6 million and $335.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We declared $17.2 million, $17.2 million and $2.7 million of non-cumulative perpetual preferred stock dividends during 2015, 2014 and 2013, respectively. Dividends on non-cumulative perpetual preferred stock are payable quarterly on the first day of January, April, July and October, beginning on January 1, 2014.

In the event preferred stock dividends for the current dividend period have not been declared or interest payments on our subordinated notes have been deferred, we may not declare or pay any dividends, patronage refunds or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock (including borrower stock, participation certificates and preferred stock), other than exercising our statutory lien under the Farm Credit Act, which allows us to apply member stock and/or participation certificates to reduce the aggregate principal amount of outstanding loans to affiliated Associations. We have not deferred any interest since issuing our subordinated notes and dividends have been declared as scheduled since issuing preferred stock.

NOTE 8

Employee Benefit Plans

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

The funded status of the post-employment benefit plans is recorded at the District-level only. Additional District-level financial information for these plans may be found in the “District-Level Pension and Post-Employment Benefit Plans Disclosures” section of this footnote.

Pension Benefit Plans

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

AgriBank District Retirement Plan Information

(in thousands) As of December 31,	2015	2014	2013
Unfunded liability	**$453,825**	$423,881	$255,187
Projected benefit obligation	**1,255,259**	1,234,960	1,014,649
Fair value of plan assets	**801,434**	811,079	759,462
Accumulated benefit obligation	**1,064,133**	1,051,801	864,202

For the year ended December 31,	2015	2014	2013
Total plan expense	**$63,787**	$45,827	$63,270
Our allocated share of plan expenses	**5,873**	4,088	6,029
Contributions by participating employers	**62,722**	52,032	59,046
Our allocated share of contributions	**6,163**	4,799	5,939

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Benefits paid to participants in the District were $58.3 million in 2015, none of which were paid to our senior officers who were actively employed during the year. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2016 is $65.0 million. Our allocated share of these pension contributions is expected to be $5.2 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District Financial Statements.

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

Pension Restoration Plan Information

(in thousands)

As of December 31,	**2015**	2014	2013
Unfunded liability	**$31,650**	$27,695	$25,263
Projected benefit obligation	**31,650**	27,695	25,263
Accumulated benefit obligation	**26,323**	22,959	19,799

For the year ended December 31,	**2015**	2014	2013
Total plan expense	**$3,776**	$3,652	$3,577
Our allocated share of plan expenses	**524**	266	292
Our cash contributions	**411**	411	411

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

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded, and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions were equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to senior officers who were actively employed during the year.

Other Post-Employment Benefit Plans

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Post-employment benefit costs were $1.6 million, $817 thousand and $1.2 million for 2015, 2014 and 2013, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" on the Statements of Comprehensive Income was income of $303 thousand, $215 thousand and $192 thousand for 2015, 2014 and 2013, respectively, reflecting income related to amortization of actuarial gains in excess of current service costs and interest. Postretirement benefit costs are included in "Salaries and employee benefits" in the Consolidated Statements of Income. Our cash contributions are equal to the benefits paid.

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

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

Our contribution expenses for the retirement savings plans, included in "Salaries and employee benefits" on the Statements of Comprehensive Income, were $1.2 million, $1.2 million and $1.0 million in 2015, 2014 and 2013, respectively. These expenses were equal to our cash contributions for each year.

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

District Level Pension and Post-Employment Benefit Plans Disclosures

All District employers, with the exception of one affiliated Association, participate in the defined benefit pension plan. Certain District employers also participate in the nonqualified retirement plan. Additionally, District employers provide certain health insurance benefits to eligible retired employees in the District. The current measurement date is December 31 for the defined benefit and other post-employment benefit plans.

District Obligations and Funded Status

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

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

Components of District Net Periodic Benefit Cost

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

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

Assumptions

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

The discount rates are calculated using a full yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time. As of December 31, 2015, the Plan Sponsor Committee elected to update the method used to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits consistent with the full yield curve method. Previously, a single weighted-average discount rate was used to estimate the service and interest components of net periodic benefit cost. Generally, a lower discount rate correlates to an increase in the benefit obligation. The change in discount rate resulted in a decrease to our projected benefit obligations of $64.0 million as of December 31, 2015.

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

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

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

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

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

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

Estimated Future Contributions and Benefit Payments

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

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

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

Plan Assets

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

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

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

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

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

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan's funded ratio improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is composed of short-term assets intended to pay periodic plan benefits and expenses.

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

Fair Value of District Pension Plan Assets

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

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

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

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

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

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

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

Valuation Techniques

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and that we have the ability to redeem at NAV per share at the measurement date are classified as Level 2. Unobservable inputs (e.g., a company's own assumptions and data) and assets measured at NAV per share that we do not have the ability to redeem at NAV per share at the measurement date would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 12 for a complete description of fair value measurements.

NOTE 9

Related Party Transactions

As discussed in Note 1, we lend to affiliated Associations to fund their loan portfolios. At December 31, 2015, we had $7.8 billion in unfunded commitments to fund wholesale loans to affiliated Associations, subject to any limitations under the borrowing base calculation defined in the GFA.

We also purchase participations from affiliated Associations or related entities. At December 31, 2015, we had $7.4 billion of loans of such participations purchased, which included $3.3 billion of participation interests in the Asset Pool program and $3.2 billion in the AgDirect program.

We pay compensation to affiliated Associations and related entities for servicing loans and loan participations. We paid $35.8 million, $32.9 million and $28.3 million in 2015, 2014 and 2013, respectively, to affiliated Associations and related entities.

Interest income recognized on affiliated Associations' wholesale loans was $1.1 billion, $1.0 billion and $1.0 billion during 2015, 2014 and 2013, respectively. In addition, we recorded fees of $12.4 million, $13.0 million and $43.1 million during 2015, 2014 and 2013, respectively, representing fees assessed on funding affiliated Associations' wholesale loans.

We provide certain services to affiliated Associations, including financial and retail systems, support and reporting, technology services, insurance services and internal audit services. Total business services income recorded from affiliated Associations totaled $19.2 million, $15.6 million and $15.8 million during 2015, 2014 and 2013, respectively.

We, along with other System entities, collectively own Foundations. Our investment in Foundations was $25 thousand at December 31, 2015, 2014 and 2013, respectively. We purchase human resource information systems, benefit, payroll, and workforce management services from Foundations. Foundations subleases office space and purchases various business services from us.

Elected members of our Board of Directors are affiliated Association borrowers. We have no direct lending relationships with any of our Board of Directors or Senior Officers. In the ordinary course of business, our Directors and Senior Officers are eligible to hold member investment bonds under the same terms and conditions as all other affiliated Association borrowers and AgriBank employees. The amount held by our Directors and Senior Officers was negligible to the Statements of Condition. Refer to Note 5 for additional information regarding member investment bonds.

NOTE 10

Commitments and Contingencies

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

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

While primarily liable for our portion of System-wide bonds and notes, we are jointly and severally liable for the System-wide bonds and notes of the other System Banks. The total bonds and notes of the System at December 31, 2015 were $243.3 billion.

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

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

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

NOTE 11

Financial Instruments with Off-Balance Sheet Risk

We participate in financial instruments with off-balance sheet risk to satisfy the financing needs of borrowers. These financial instruments are in the form of commitments to extend credit and letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the Financial Statements. Commitments to extend credit are agreements to lend to a borrower as long as they are in compliance with conditions established in the contract. Our loan commitments totaled $8.6 billion at December 31, 2015, of which $7.8 billion were on wholesale loans. Standby letters of credit are agreements to pay a beneficiary if there is default on a contractual arrangement. At December 31, 2015, we had issued standby letters of credit of $98.6 million and unexercised commitments related to standby letters of credit of $78.5 million.

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

NOTE 12

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands) **As of December 31, 2015**	**Fair Value Measurement Using** **Level 1**	 **Level 2**	 **Level 3**	**Total Fair Value**
Assets:				
Federal funds	**$ --**	**$1,427,125**	**$ --**	**$1,427,125**
Investments available-for-sale:				
Mortgage-backed securities	**--**	**5,686,573**	**70,438**	**5,757,011**
Commercial paper and other	**--**	**4,914,385**	**--**	**4,914,385**
U.S. Treasury securities	**--**	**2,815,257**	**--**	**2,815,257**
Asset-backed securities	**--**	**768,272**	**7,958**	**776,230**
Total investments available-for-sale	**--**	**14,184,487**	**78,396**	**14,262,883**
Cash collateral pledged to counterparties	**32,023**	**--**	**--**	**32,023**
Derivative assets	**--**	**698**	**--**	**698**
Total assets	**$32,023**	**$15,612,310**	**$78,396**	**$15,722,729**
Liabilities:				
Derivative liabilities	**$ --**	**$52,002**	**$ --**	**$52,002**
Total liabilities	**$ --**	**$52,002**	**$ --**	**$52,002**

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

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2013	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$911,644	$ --	$911,644
Investments available-for-sale:				
Mortgage-backed securities	--	4,085,508	208,801	4,294,309
Commercial paper and other	--	3,827,095	--	3,827,095
U.S. Treasury securities	--	2,623,614	--	2,623,614
Asset-backed securities	--	596,159	107,954	704,113
U.S. Agencies	--	106,141	--	106,141
Total investments available-for-sale	--	11,238,517	316,755	11,555,272
Cash collateral pledged to counterparties	4,254	--	--	4,254
Derivative assets	--	74,688	--	74,688
Total assets	$4,254	$12,224,849	$316,755	$12,545,858
Liabilities:				
Cash collateral pledged by counterparties	$24,170	$ --	$ --	$24,170
Derivative liabilities	--	181	--	181
Total liabilities	$24,170	$181	$ --	$24,351

Fair Value Measurement Activity of Level 3 Instruments

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

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

Non-Recurring Measurements

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

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

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

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Value**	**(Losses) Gains**
Impaired loans	**$ --**	**$ --**	**$15,621**	**$15,621**	**$(5,444)**
Other property owned	**--**	**--**	**588**	**588**	**37**

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2014	Level 1	Level 2	Level 3	Value	(Losses) Gains
Impaired loans	$ --	$ --	$10,601	$10,601	$(3,238)
Other property owned	--	--	1,895	1,895	362

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2013	Level 1	Level 2	Level 3	Value	Losses
Impaired loans	$ --	$ --	$6,212	$6,212	$(1,259)
Other property owned	--	--	1,678	1,678	(261)

Other Financial Instrument Measurements

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

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

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

Bonds and Notes: System-wide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System-wide debt securities and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated Notes: The fair value of obligations held by us is based on an estimated fair value using credit spreads, market trends, interest rate risks and comparisons to similar institutions which we receive from an independent investment dealer.

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

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

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

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

(in thousands) **As of December 31, 2015**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$533,711**	**$533,711**	**$ --**	**$ --**	**$533,711**
Net non-impaired loans	**82,786,699**	**--**	**--**	**82,692,611**	**82,692,611**
Total assets	**$83,320,410**	**$533,711**	**$ --**	**$82,692,611**	**$83,226,322**
Liabilities:					
Bonds and notes	**$93,404,251**	**$ --**	**$ --**	**$93,319,254**	**$93,319,254**
Subordinated notes	**498,283**	**--**	**--**	**604,885**	**604,885**
Total liabilities	**$93,902,534**	**$ --**	**$ --**	**$93,924,139**	**$93,924,139**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**$(10,996)**	**$(10,996)**

(in thousands) As of December 31, 2014	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$780,948	$780,948	$ --	$ --	$780,948
Net non-impaired loans	77,523,539	--	--	77,788,304	77,788,304
Total assets	$78,304,487	$780,948	$ --	$77,788,304	$78,569,252
Liabilities:					
Bonds and notes	$88,552,711	$ --	$ --	$88,459,535	$88,459,535
Subordinated notes	497,899	--	--	625,280	625,280
Total liabilities	$89,050,610	$ --	$ --	$89,084,815	$89,084,815
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(12,624)	$(12,624)

(in thousands) As of December 31, 2013	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$1,074,192	$1,074,192	$ --	$ --	$1,074,192
Net non-impaired loans	73,661,206	--	--	72,993,642	$72,993,642
Total assets	$74,735,398	$1,074,192	$ --	$72,993,642	$74,067,834
Liabilities:					
Bonds and notes	$81,855,249	$ --	$ --	$81,024,774	$81,024,774
Subordinated notes	497,547	--	--	636,505	$636,505
Total liabilities	$82,352,796	$ --	$ --	$81,661,279	$81,661,279
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(13,017)	$(13,017)

NOTE 13

Derivative and Hedging Activity

Use of Derivatives

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

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

- Interest rate swaps allow us to change the characteristics of fixed or floating debt we issue by swapping to a synthetic fixed or floating rate lower than those available to us if borrowings were made directly. Under interest rate swap arrangements, we agree with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.
- Interest rate options allow us to manage the impact of changing interest rates on certain assets and liabilities.
- We also facilitate interest rate swaps to qualified borrowers of the affiliated Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

Derivative Instruments Activity (in notional amount)

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

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

Credit Risk Management

By using derivative products, we expose ourselves to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes us, thus creating credit risk for us. When the fair value of the derivative contract is negative, we owe the counterparty and, therefore, we do not assume credit risk to that counterparty.

To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency and we monitor the credit standing and levels of exposure to individual counterparties. At December 31, 2015, we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to post collateral in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating.

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

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

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

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

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Gains and losses on derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

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

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

Financial Statement Impact of Derivatives

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

(in thousands)	**2015**		2014		2013	
As of December 31,	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:						
Receive-fixed swaps	**$13,480**	**$649**	$35,460	$77	$74,360	$ --
Pay-fixed and amortizing pay-fixed swaps	**3,380**	**64,587**	4,102	63,787	42,091	34,744
Floating-for-floating and amortizing floating-for-floating swaps	**151**	**3,368**	--	5,114	--	7,049
Total derivatives designated as hedging instruments	**17,011**	**68,604**	39,562	68,978	116,451	41,793
Derivatives not designated as hedging instruments:						
Receive-fixed swaps	**--**	**--**	--	93	--	24
Pay-fixed and amortizing pay-fixed swaps	**40**	**305**	--	--	--	--
Other derivative products	**483**	**--**	248	--	--	--
Total derivatives not designated as hedging instruments	**523**	**305**	248	93	--	24
Credit valuation adjustments	**71**	**--**	82	--	(127)	--
Total gross amounts of derivatives	**$17,605**	**$68,909**	$39,892	$69,071	$116,324	$41,817
Gross amounts offset in Statements of Condition	**(16,907)**	**(16,907)**	(24,509)	(24,509)	(41,636)	(41,636)
Net amounts in Statements of Condition	**$698**	**$52,002**	$15,383	$44,562	$74,688	$181

(in thousands) **As of December 31,**	**2015**	2014	2013
Derivative assets, net	**$698**	$15,383	$74,688
Derivative liabilities, net	**(52,002)**	(44,562)	(181)
Accrued interest receivable on derivatives, net	**2,426**	285	4,911
Gross amounts not offset in Statements of Condition:			
Cash collateral pledged by counterparties	**--**	(7,280)	(24,170)
Cash collateral pledged to counterparties	**32,023**	22,018	4,254
Securities posted as collateral from counterparties	**--**	--	(12,356)
Net exposure amounts	**$(16,855)**	$(14,156)	$47,146

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty, and an adjustment for our credit worthiness where the counterparty has exposure to us. The favorable CVA in 2015 and 2014 is due to our counterparties' exposure to us. The change in the CVA for the period is included in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

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

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

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

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

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

Derivatives not Designated as Hedges: We recorded $171 thousand and $70 thousand of net losses for 2015 and 2014, compared to $99 thousand of net gains for 2013, related to swaps which are not designated as hedging instruments on the Statements of Comprehensive Income. The gains and losses on the derivative instruments are recognized in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income.

NOTE 14

Accumulated Other Comprehensive Income

Changes in Components of Accumulated Other Comprehensive Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Total
Balance at December 31, 2012	$14,046	$18,919	$(97,291)	$(64,326)
Other comprehensive (loss) income before reclassifications	(15,648)	(10,193)	97,947	72,106
Amounts reclassified from accumulated other comprehensive income	357	1,526	(193)	1,690
Net other comprehensive (loss) income	(15,291)	(8,667)	97,754	73,796
Balance at December 31, 2013	$(1,245)	$10,252	$463	$9,470
Other comprehensive income (loss) before reclassifications	4,175	26,432	(65,105)	(34,498)
Amounts reclassified from accumulated other comprehensive income	1,675	(21,493)	(219)	(20,037)
Net other comprehensive income (loss)	5,850	4,939	(65,324)	(54,535)
Balance at December 31, 2014	$4,605	$15,191	$(64,861)	$(45,065)
Other comprehensive (loss) income before reclassifications	**(37,938)**	**(386)**	**374**	**(37,950)**
Amounts reclassified from accumulated other comprehensive income	**2,331**	**(4,244)**	**63**	**(1,850)**
Net other comprehensive (loss) income	**(35,607)**	**(4,630)**	**437**	**(39,800)**
Balance at December 31, 2015	**$(31,002)**	**$10,561**	**$(64,424)**	**$(84,865)**

Reclassifications Out of Accumulated Other Comprehensive Income

(in thousands)

Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income			Affected Line Item in the Statements of Comprehensive Income
For the year ended December 31,	**2015**	2014	2013	
Not-other-than-temporarily-impaired investments:				
Impairment losses	**$73**	$ --	$357	Net impairment losses recognized in earnings
Realized loss on sale of investment securities	**2,258**	1,675	--	Miscellaneous income and other gains, net
	2,331	1,675	357	
Other-than-temporarily-impaired investments:				
Impairment losses	**620**	150	1,526	Net impairment losses recognized in earnings
Realized gain on sale of investment securities	**(4,864)**	(21,643)	--	Miscellaneous income and other gains, net
	(4,244)	(21,493)	1,526	
Derivatives and hedging activity:				
Interest rate contracts	**63**	(219)	(193)	Interest expense
Total reclassifications	**$(1,850)**	$(20,037)	$1,690	

NOTE 15

Condensed Average Daily Statements of Condition (Unaudited)

Condensed Statements of Condition on an Average Daily Balance Basis

(in thousands)

As of December 31,	**2015**	2014	2013
Net loans	**$77,812,268**	$73,502,321	$69,690,932
Cash, federal funds and investment securities	**16,032,350**	14,545,023	12,920,632
Accrued interest receivable	**354,316**	339,309	343,955
Other assets	**149,993**	149,060	153,961
Total assets	**$94,348,927**	$88,535,713	$83,109,480
Bonds and notes	**$88,884,222**	$83,307,158	$78,247,595
Other liabilities	**421,302**	375,773	338,173
Total liabilities	**89,305,524**	83,682,931	78,585,768
Shareholders' equity	**5,043,403**	4,852,782	4,523,712
Total liabilities and shareholders' equity	**$94,348,927**	$88,535,713	$83,109,480

NOTE 16

Quarterly Financial Information (Unaudited)

Select Quarterly Financial Information

(in thousands) **2015**	**First**	**Second**	**Third**	**Fourth**	**Total**
Interest income	**$362,924**	**$368,448**	**$381,716**	**$395,050**	**$1,508,138**
Interest expense	**234,720**	**241,395**	**250,866**	**261,155**	**988,136**
Net interest income	**128,204**	**127,053**	**130,850**	**133,895**	**520,002**
Provision for loan losses	**2,000**	**1,000**	**2,000**	**2,500**	**7,500**
Other expense, net	**2,350**	**8,206**	**7,766**	**14,207**	**32,529**
Net income	**$123,854**	**$117,847**	**$121,084**	**$117,188**	**$479,973**

(in thousands) 2014	First	Second	Third	Fourth	Total
Interest income	$341,718	$347,127	$354,368	$362,076	$1,405,289
Interest expense	214,737	215,826	222,044	227,649	880,256
Net interest income	126,981	131,301	132,324	134,427	525,033
Provision for loan losses	500	2,000	--	1,000	3,500
Other income, net	(4,611)	(6,156)	(23,426)	(13,922)	(48,115)
Net income	$131,092	$135,457	$155,750	$147,349	$569,648

(in thousands) 2013	First	Second	Third	Fourth	Total
Interest income	$333,571	$328,232	$336,631	$344,314	$1,342,748
Interest expense	205,278	198,078	203,940	211,611	$818,907
Net interest income	128,293	130,154	132,691	132,703	523,841
Provision for (reversal of) loan losses	500	(2,000)	--	(2,500)	(4,000)
Other income, net	(12,241)	(9,132)	(6,896)	(7,476)	(35,745)
Net income	$140,034	$141,286	$139,587	$142,679	$563,586

NOTE 17

Subsequent Events

We have evaluated subsequent events through March 7, 2016, which is the date the Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2015 Financial Statements or disclosure in the Notes to those Financial Statements.

Disclosure Information Required by Regulations

AgriBank, FCB

(Unaudited)
(In whole dollars unless otherwise noted)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Financial Statements included in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis" section included in this Annual Report.

Description of Property

We lease our headquarters located in St. Paul, Minn. In addition to base rent, we are responsible for our share of the operating costs of the building under the lease agreement. Our lease agreement expires October 31, 2026. We sublease a portion of our office space to Farm Credit Foundations.

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference from Note 10 to the Financial Statements included in this Annual Report. We were not subject to any enforcement actions as of December 31, 2015.

Description of Capital Structure

Information regarding capital structure is incorporated herein by reference from Note 7 to the Financial Statements included in this Annual Report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference from Notes 5, 6, 8, 10, 12 and 13 to the Financial Statements included in this Annual Report.

Selected Financial Data

"Five-Year Summary of Selected Financial Data," included at the beginning of this Annual Report, is incorporated herein by reference.

Management's Discussion and Analysis

"Management's Discussion and Analysis," included in this Annual Report, is incorporated herein by reference.

Board of Directors of AgriBank, FCB

The Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Audit Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of AgriBank's internal audit program, the independence of the outside auditors, the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Finance Committee** monitors our financial and capital planning, asset/liability management and funding and investment activities. Committee members serve as a resource to the Board by maintaining a more in-depth knowledge of our financial activities.
- The **Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies and administers a planning process focused upon achieving our mission and maintaining a viable, competitive institution.
- The **Human Resources Committee** oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Risk Management Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.

Information regarding directors who served as of December 31, 2015, including business experience in the past five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Douglas Felton, Board chair Year term began: 2012	2016	**Principal Occupation:** Self-employed grain farmer in Northfield, Minn. **Board Committees:** Ex officio on AgriBank Board Committees **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Director: D&T Enterprise of Minnesota, Inc., custom harvesting, Randolph, Minn. Director: Great Western Industrial Park, LLC, industrial development company, Cannon Falls, Minn. Director: Kinnix Group, LLC, plastic film conversion company, Bloomington, Minn.
Matt Walther, Board vice chair Year term began: 2015	2019	**Principal Occupation:** Self-employed crop and cow/calf herd and finished cattle farmer in Centerville, Ind. **Board Committees:** Chair of the Finance Committee **Other Affiliations:** Member: Buell Drainage, LLC, tile drainage company, Centerville, Ind.
Ed Breuer Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and livestock farmer in Mandan, N.D. **Board Committees:** Chair of Governance Committee Risk Management Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C.
Richard Davidson Year term began: 2013	2017	**Principal Occupation:** Self-employed grain and livestock farmer in Washington Court House, Ohio. **Board Committees:** Risk Management Committee Finance Committee **Other Affiliations:** Director: Federal Agricultural Mortgage Corporation (Farmer Mac), an agricultural secondary market real estate lending corporation, Washington, D.C.
Ernie Diggs Year term began: 2012	2016	**Principal Occupation:** Self-employed crop farmer in Paris, Tenn. **Board Committees:** Governance Committee
Dan Flanagan Year term began: 2014	2018	**Principal Occupation:** Self-employed grain farmer in Campbellsville, Ky. **Board Committees:** Governance Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C. President: 4-E Flanagan Farms, Inc., farm related business, Campbellsville, Ky. President: Saloma Chick Litter Company, Inc., farm related business, Campbellsville, Ky.
Thomas Klahn Year term began: 2013	2017	**Principal Occupation:** Self-employed grain farmer in Lodi, Wis. **Board Committees:** Vice chair of the Human Resources Committee
Natalie Laackman, appointed director Year term began: 2013	2017	**Principal Occupation:** Chief Financial Officer of The Shamrock Foods Company, a food manufacturing and distribution company in Phoenix, Ariz. **Board Committees:** Chair and financial expert of the Audit Committee
Brian Peterson Year term began: 2012	2016	**Principal Occupation:** Self-employed dairy and crop farmer in Trenton, Mo. **Board Committees:** Vice chair of the Governance Committee **Other Affiliations:** Treasurer: Rural Dale Cemetery Association, Trenton, Mo.

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
John Schable Year term began: 2013	2017	**Principal Occupation:** Self-employed grain farmer in Tuscola, Ill. **Board Committees:** Finance Committee
John Schmitt Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and beef cattle farmer in Quincy, Ill. **Board Committees:** Vice chair of the Finance Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Director: Adams County Farm Bureau, Quincy, Ill.
Dan Shaw Year term began: 2014	2018	**Principal Occupation:** Self-employed livestock and grain farmer and grain merchandiser in Edgar, Neb. **Board Committees:** Vice chair of the Risk Management Committee Human Resources Committee **Other Affiliations:** Owner/Operator: Shaw Grain LLC, a local grain elevator, Edgar, Neb. Board chair: Edgar Township Board, Edgar, Neb.
William Stutzman Year term began: 2014	2018	**Principal Occupation:** Full-time farmer and President of Farm Resource Management, Inc., a grain marketing and consulting company in Blissfield, Mich. **Board Committees:** Vice chair of the Audit Committee **Other Affiliations:** President: Ogden Communications, Inc., a communications company, Ogden, Mich. Director: Farm Credit Foundations Board, an employee benefits provider, St. Paul, Minn. Member: Farm Credit Foundations Plan Sponsor Committee, St. Paul, Minn.
Roy Tiarks Year term began: 2013	2017	**Principal Occupation:** Self-employed grain and livestock farmer in Council Bluffs, Iowa. **Board Committees:** Audit Committee Risk Management Committee **Other Affiliations:** Director: Federal Farm Credit Banks Funding Corporation, Jersey City, N.J.
Nick Vande Weerd Year term began: 2015	2019	**Principal Occupation:** Self-employed dairy, livestock and grain farmer in Brookings, S.D. **Board Committees:** Risk Management Committee Human Resources Committee
Keri Votruba Year term began: 2012	2016	**Principal Occupation:** Self-employed grain and livestock farmer in Hemingford, Neb. **Board Committees:** Finance Committee
Leon Westbrock, appointed director Year term began: 2015	2019	**Principal Occupation:** Retired from CHS Inc., a U.S.-based diversified energy, grains and foods company headquartered in Inver Grove Heights, Minn. **Board Committees:** Human Resources Committee **Other Affiliations:** Director: Southern Minnesota Beet Sugar Cooperative, a farmer owned producer of beet sugar in Renville, Minn.
Thomas Wilkie, III Year term began: 2014	2018	**Principal Occupation:** Self-employed grain farmer and owner of a drainage supply company in Forrest City, Ark. **Board Committees:** Chair of the Risk Management Committee Audit Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Vice chair of National Farm Credit Council Board, Washington, D.C. Farm Credit Council Services Board, Denver, Colo.

Information regarding days served and compensation paid during 2015 for each director follows:

	Days Served		
	Board Meetings	Other Activities	Compensation Paid in 2015
Douglas Felton	17	22	$57,323
Matt Walther	17	20	57,323
Ed Breuer	17	13	57,323
Richard Davidson	17	15	57,323
Ernie Diggs	16	11	57,323
Dan Flanagan	17	12	57,323
Thomas Klahn	16	10	57,323
Natalie Laackman	15	14	57,323
Lyndon Limberg**	3	6	14,330
Brian Peterson	17	16	57,323
John Schable	17	13	57,323
John Schmitt	17	14	57,323
Dan Shaw	17	20	57,323
William Stutzman	16	11	57,323
Roy Tiarks	17	14	57,323
Nick Vande Weerd*	12	7	42,993
Keri Votruba	17	16	57,323
Leon Westbrock	17	15	57,323
Thomas Wilkie, III	17	18	57,323
Total			$1,031,814

* Elected to Board in 2015

** Term expired in 2015

Days served in the preceding chart represent actual days at Board meetings and activities. Board members also spend additional time in preparation for meetings and in travel to and from meetings.

The Board members receive an annual retainer which is paid quarterly for attendance at meetings and other official activities. Directors are also reimbursed for reasonable expenses incurred.

Senior Officers

The senior officers of AgriBank, FCB at December 31, 2015 included:

Name	Position	Business experience and employment during past five years
L. William York	Chief Executive Officer	Current position began in January 2006. Serves as a director of the National Council of Farmer Cooperatives and serves on the Board of the Federal Farm Credit Banks Funding Corporation.
Ruth L. Anderson	Vice President, Business Services	Current position began in March 2011. Prior to that served as director, Information Services for AgriBank beginning in 2006.
James B. Jones	Senior Vice President, Chief Risk Officer	Current position began in August 2015. Prior to that served as vice president, chief risk officer for AgriBank beginning in 2011.
Patricia G. Jones	Senior Vice President, Human Resources and Communications	Current position began in August 2015. Prior to that served as vice president, Human Resources and Administration since 2010.
Jeffrey L. Moore	Senior Vice President, Finance	Current position began in August 2012. Prior to that served as vice president, Controller for AgriBank beginning in 1998. Committee member on the Farm Credit Foundations Trust Committee.
Brian J. O'Keane	Executive Vice President, Banking and Finance, and Chief Financial Officer	Current position began in January 2011. Prior to that served as senior vice president and chief financial officer for AgriBank since 2007.
Barbara K. Stille	Senior Vice President and General Counsel	Current position began in December 2014. Prior to that served as senior vice president and general counsel for 1st Farm Credit Services, ACA since 2006.
Jeffrey R. Swanhorst	Executive Vice President, Credit, and Chief Credit Officer	Current position began in August 2011. Prior to that served as senior vice president of Credit for CoBank, ACB.

Senior Officer Compensation

All senior officers, including the chief executive officer (CEO), are compensated with a mix of salary, short-term and long-term incentives as well as various AgriBank Farm Credit District post-employment benefit plans. The Human Resources Committee of the Board determines the appropriate levels and mix of short-term and long-term incentives in a responsible manner. Annual compensation for senior officers is intended to be competitive with annual compensation for comparable positions at peer organizations. The Human Resources Committee engages a consulting firm to conduct an independent review of external benchmark data on a regular basis for senior officers. Our compensation philosophy enables us to attract and retain highly qualified senior officers with the requisite skills and experience to achieve our desired business results, including our mission to ensure that safe, sound and reliable sources of credit and related services are provided to rural America.

Salary: Senior officer base salaries reflect the officer’s experience and level of responsibility. The base salary of the CEO is subject to review and approval by the Board. All other senior officer salaries are subject to review and approval by the CEO or his/her direct manager.

Short-term Incentive Compensation: Annually, a short-term incentive compensation program is available to all employees, including senior officers, based upon AgriBank performance criteria established by the Board and personal objectives established by employees and their managers. In 2015, 2014 and 2013 the criteria for AgriBank performance objectives included: financial measures of efficiency ratio, adverse credit quality ratio and return on equity ratio as well as client measures of client satisfaction and performance. The short-term incentive compensation amounts are calculated after the end of the plan year (calendar year) and are generally paid out in a lump sum within 90 days of year end. Beginning in 2016 the criteria for AgriBank performance objectives will include: financial measures of efficiency ratio, return available for patronage and our CIPA performance score as well as client measures of client satisfaction and performance achievement of strategic imperatives.

Long-term Incentive Compensation: The CEO and certain senior officers also receive long-term incentive compensation. The long-term incentive compensation amounts are determined based upon three-year performance criteria established by the Board. A new three-year plan is established each year. The criteria for plan years beginning in 2015, 2014 and 2013 were based on AgriBank's performance and include three potential incentive levels based on cumulative net income, average return on assets and CIPA asset quality at the end of each three-year period. The criteria for the plan year beginning in 2016 are based on return available for patronage and our CIPA performance score.

The Board, in its sole discretion, may increase or decrease the amount of any incentive calculated. The long-term incentive compensation amounts are calculated annually and are generally paid out in a lump sum within 90 days of the final three-year plan year. Additionally, long-term incentive compensation may be provided to new senior officers on a phased in basis during the initial three years of participation in the long-term incentive program. Annual long-term incentive amounts reflect long-term incentives earned in the applicable year based on an estimate of the total incentive over the three-year period.

Perquisites: Perquisites may include compensation associated with group term life and long-term disability insurance premiums, taxable reimbursements and commuting assistance, as applicable. The senior officers did not receive any additional noncash compensation during any year presented.

Other: The "Other" category includes:

- Employer contributions to the AgriBank District Retirement Savings Plan which is available to all employees, including senior officers.
- Changes in the value of pension benefits, which is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Retirement Plan and Pension Restoration Plan, as applicable, as disclosed in Note 8 to the accompanying Financial Statements included in this Annual Report. This change in value does not represent cash payments made by AgriBank during the year, but rather is an estimate of the change in AgriBank's future obligations under the pension plans.
- The "Other" category also includes service awards in 2015, a sign on bonus and service awards in 2014 and severance and a service award in 2013.

"Other" fluctuates from year to year based primarily on changes to pension actuarial assumptions and changes in composition of the aggregate senior officers.

Retirement Plans: The AgriBank District has various post-employment benefit plans which are generally available to all AgriBank employees, including the CEO and senior officers, based on dates of service to AgriBank and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is incorporated herein by reference from Notes 2 and 8 to the accompanying Financial Statements included in this Annual Report.

Senior officers and certain other individuals over a specified salary amount have an option to defer payments of their salary as well as payments under both the short-term and long-term incentive programs in accordance with applicable laws and regulations. Total amounts deferred by the CEO were $342 thousand, $228 thousand and $243 thousand for amounts that were to be paid during 2015, 2014 and 2013, respectively. Total amounts deferred by senior officers and other highly compensated individuals (excluding the CEO) were $25 thousand, $91 thousand and $32 thousand for amounts that were to be paid in 2015, 2014 and 2013, respectively.

Compensation Paid to the Senior Officers and Highly Compensated Individuals

(in thousands)

Name of Individual	Year	Salary	Short-term Incentive Compensation	Long-term Incentive Compensation	Perquisites	Other	Total
CEO:							
L. William York	**2015**	**$647**	**$417**	**$375**	**$14**	**$367**	**$1,820**
L. William York	2014	628	514	411	14	318	1,885
L. William York	2013	607	533	438	13	243	1,834
Aggregate Number of Senior Officers and Highly Compensated Individuals (excluding CEO):							
7*	**2015**	**$2,115**	**$946**	**$539**	**$100**	**$498**	**$4,198**
7**	2014	1,974	1,044	467	58	1,227	4,770
8***	2013	2,450	1,200	514	61	920	5,145

* 2015 count includes a new senior officer position as of August 1, 2015. Dollars include new senior officer compensation for August to December 2015

** 2014 count and dollars includes compensation related to the current General Counsel (who began employment with AgriBank on December 1, 2014), plus all 2014 compensation related to the previous General Counsel (who remained with AgriBank in an advisory capacity)

*** 2013 count and dollars include two Highly Compensated Individuals

Farm Credit Administration (FCA) regulations require the disclosure of the compensation paid during the last three fiscal years to all senior officers included in the above table to AgriBank shareholders and shareholders of related institutions upon request.

Effective April 29, 2015, the Farm Credit Administration Board adopted a final rule to remove the requirement to report in the chart above the compensation of employees who are not senior officers and who would not otherwise be considered highly compensated employees, but for the payments related to or changes in value related to their pension plan. The exclusion only applies if the individual's pension plan was available to all similarly situated employees on the same basis. While not final as of December 31, 2014, employees disclosed for 2014 in the above chart were determined based on the November 17, 2014 proposed rule, which was unchanged in the final rule. No disclosures were changed for the 2013 reporting period; therefore, comparability may be limited as a result of this change.

Pension Benefits Attributable to Senior Officers

(dollars in thousands) **2015** Name of Individual	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
CEO:				
L. William York	AgriBank District Retirement Plan	**25.9**	**$646**	**$ --**
	AgriBank District Pension Restoration Plan	**25.9**	**$950**	**$ --**
Aggregate Number of Senior Officers (excluding CEO):				
4	AgriBank District Retirement Plan	**21.4**	**$2,337**	**$ --**
3	AgriBank District Pension Restoration Plan	**19.1**	**$17**	**$ --**

The change in composition of the aggregate senior officer and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits. There were no highly compensated individuals included in 2015.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 9 to the accompanying Financial Statements included in this Annual Report.

Travel, Subsistence and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with AgriBank's business functions. AgriBank Directors were reimbursed for expenses in the amount of $290,754, $271,157 and $251,147 in 2015, 2014 and 2013, respectively. A copy of AgriBank's policy for reimbursing these costs is available by contacting AgriBank at the address provided in the Financial Statements section below.

Involvement in Certain Legal Proceedings

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer of AgriBank on January 1, 2016 or at any time during 2015.

Shareholder Privacy

Shareholders' nonpublic personal financial information is protected by FCA regulations. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about AgriBank, affiliated Associations or their shareholders.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2015 were $315 thousand. In addition, we paid $2 thousand for accounting research software and $1 thousand was paid related to employee training sponsored by the external auditor which occurred in the normal course of business. There were no other audit, tax or non-audit related services paid in 2015.

Financial Statements

The "Report of Management, " "Report on Internal Control over Financial Reporting," "Report of Audit Committee," "Independent Auditor's Report, " "Financial Statements" and "Notes to Financial Statements, " included in this Annual Report, are incorporated herein by reference.

Copies of AgriBank's annual and quarterly reports and the annual and quarterly reports of the combined AgriBank, FCB and affiliated Associations are available free of charge upon request to:

AgriBank, FCB
30 E. 7th St., Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800
financialreporting@agribank.com

The reports are also available through AgriBank's website at www.AgriBank.com. The quarterly reports are available approximately 40 days following the end of each calendar quarter and the Annual Report is available approximately 75 days following the end of the year.

District Young, Beginning and Small Farmers and Ranchers

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

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

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

Young, Beginning and Small Farmers and Ranchers Served by AgriBank District

As of December 31, 2015	Young	Beginning	Small
As a percentage of total District farm members:			
Number of loans	**19.0%**	**25.1%**	**46.8%**
Loan and commitment volume	**14.1%**	**18.3%**	**21.2%**

Risk Factors

AgriBank, FCB

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

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

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

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

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

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

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

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

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

has not to date specifically related to the System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decision made as Congress addresses these and other GSEs. Any change in the System's status as a GSE or the general perception by investors of GSE status could have a significant adverse impact on the System's ability to issue debt at favorable rates and terms.

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

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

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

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

Factors that can influence our credit risk exposure include, but are not limited to:

- A general slowdown in the global economy and the relationship of demand for, and supply of, U.S. agricultural commodities in a global marketplace
- Political or regulatory changes that disrupt or modify an established market
- Major international events, including a downturn in the world economy, military or other armed conflicts, political disruptions, civil unrest or trade agreements, which can affect, among other things, the price of commodities or products used or sold by our borrowers or their access to markets
- Changes in financial and credit markets, which could affect our ability to buy and sell loan exposures or issue debt
- Fluctuations in prices of agricultural commodities

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

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

We are exposed to interest rate and counterparty risk.

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

We fund real estate mortgage loans through affiliated Associations and purchase mortgage-backed and asset-backed securities that are impacted by changes in interest rates. Changes in interest rates can significantly impact the prepayment patterns of these assets and thus affect our earnings. We strive to manage or reduce this risk by "match-funding" debt securities issued to the maturities of our loans and investments and entering into interest-rate derivative transactions, and through the rebalancing of cash-flow mismatches of assets and liabilities. Our inability to "match-fund" debt securities to longer-term assets may increase the prepayment risks.

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

If market interest rates move contrary to our interest rate risk position, our earnings and the net present value of our interest-sensitive assets and liabilities will be adversely affected.

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

We and affiliated Associations are exposed to risks associated with the agricultural industry and commodity prices.

We are chartered to make loans to affiliated Associations and other financing institutions (OFIs), as provided in the Farm Credit Act. Due to these statutory provisions, we have a significant concentration of lending to agricultural concerns. Our loan portfolio consists of wholesale loans to affiliated Associations, OFIs and participations with other lenders in loans to Eligible Borrowers. Our earnings, loan growth and the credit quality of our lending portfolio can be impacted significantly by the general state of the agricultural economy. In general, the overall U.S. farm economy has experienced a sustained period of favorable conditions that has benefitted from generally strong demand for U.S. agricultural products. Our financial results have been favorably impacted during this period of time. However, production agriculture remains a cyclical business that is heavily influenced by the demand for U.S. agricultural products and by commodity prices. Regional agricultural economies within our territory can be impacted by weather, domestic and international demand for food and other agricultural products and other factors. Extreme seasonal conditions can substantially impact grain harvests and commodity prices and, ultimately, impact the credit quality of agricultural borrowers. In addition, declining land values are a potential lending risk following periods of sustained, rapid land value increases.

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

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

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

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

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

We are exposed to risks associated with our investments.

We maintain a liquidity plan covering certain contingencies in the event our access to normal funding mechanisms is not available. We purchase only high credit quality investments to best position our investment portfolio to be readily marketable and available to serve as a source of funding in the event of disruption of our normal funding mechanisms. Our liquidity investment portfolio can also be used as collateral to borrow funds to meet obligations.

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

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

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

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

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

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

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

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

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

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

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