GreenStone Farm Credit Services, ACA

Quarterly Report
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2016 (2016 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank or the AgriBank District financial reports or additional copies of our report, contact us at:

GreenStone Farm Credit Services, ACA	AgriBank, FCB
3515 West Road	30 East 7th Street, Suite 1600
East Lansing, MI 48823	St. Paul, MN 55101
(800) 968-0061	(651) 282-8800
www.greenstonefcs.com	*www.agribank.com*
Travis.Jones@greenstonefcs.com	*financialreporting@agribank.com*

FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

After many years of weak recovery for global growth, with 2016 having the lowest rate since 2009, some signs of improvement have begun to appear. Trade and manufacturing output growth picked up from a very low level, and private sector confidence has strengthened. The Organization for Economic Co-operation and Development (OECD) is projecting a modest pickup in global Gross Domestic Product (GDP) growth at 3.5%, with an upturn in trade and investment intensity and improving outcomes in several major commodity producers.

The United States Department of Commerce reported a 2.6% increase to real GDP during the second quarter of 2017, following a real GDP increase of 1.2% reported in the first quarter of 2017. The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures, nonresidential fixed investment, exports, and federal government spending.

Nonfarm employment remains in a favorable spot despite the deceleration in the pace of hiring during May. The 138,000 increase in payroll employment still exceeds the pace that is necessary to absorb new entrants to the labor force. The national unemployment rate was 4.3% in May. Michigan and Wisconsin's unemployment rates were reported below the national level at 4.2% and 3.1%, respectively.

Sales of both existing and new homes fell in April, starts of new single-family were nearly flat, and construction of apartment buildings has dropped for four straight months. Residential construction spending numbers for April were disappointing after six months of gains. On a positive note, home prices continue to advance, inventories of unsold homes are low, the homebuilder sentiment index posted a new cycle high, and mortgage purchase applications maintain an upward trend.

During its June policy meeting, the Federal Open Market Committee (FOMC) decided to raise the target range for the federal funds rate by 0.25%, bringing it from 1.0% to 1.25%. The FOMC cited ongoing improvement in the job market and relatively high levels of consumer sentiment and wealth. In the quarterly economic projection, the committee made a slight increase to its real economic growth for 2017 and decreased its unemployment rate and personal consumption expenditure expectations. Overall, the FOMC maintained its median position on the federal funds rate for 2017 of 1.4% and 2.1% for 2018.

The United States Department of Agriculture's (USDA) June 30 Acreage and Grain Stocks reports were released and offered some positive market outcomes immediately following the release. Soybean acres are estimated at a record high of 89.5 billion, up 7% from last year. Corn acres are estimated at 90.9 million acres, down 3% from last year. All wheat planted area for 2017 is estimated at 45.7 million acres, down 9% from last year. This

represents the lowest all wheat planted area since records began in 1919. Soybean acres planted in Michigan and Wisconsin increased 11% and 10%, respectively. Corn acres in Michigan increased 4% over last year, while Wisconsin corn acres held steady at the same levels.

The USDA raised its milk price forecasts in June. The 2017 all-milk price forecast is $17.80-$18.20 per hundred weight (cwt), an increase from $17.35-$17.85 per cwt forecasted a month earlier. Following expectations for sustained price strength in 2017, the 2018 all-milk price forecast was raised by $0.45 to $18.10-$19.10. There continues to be a disparity between Michigan and Wisconsin mailbox price, or the net price received by dairy farmers net of costs associated with marketing and transporting the milk. In March, Wisconsin mailbox price averaged $17.89 and Michigan mailbox price averaged $16.42. This gap is expected to continue until additional processing capacity is available in Michigan.

As egg prices have reached the lowest levels in a decade, the latest USDA Chicken and Eggs report showed egg-type chicks hatched during May 2017 were down 7% from last year at 53.0 million. Eggs in incubators also were 14% lower than last year, and domestic placements of egg-type pullet chicks for future hatchery supply flocks were down 9% from May 2016. These are all positive signs to a lower forecasted egg supply. The USDA is forecasting 2017 average annual egg prices at $0.83-$0.87 per dozen compared to an average of $0.86 per dozen reported in 2016.

Turkey prices remain well below 2016 levels and have remained flat since the beginning of 2017, an indication of lower than expected demand in domestic and export markets. The USDA's 2017 forecast for average whole hen turkey prices was reduced to a range of $1.02-$1.06 per pound, compared to $1.17 per pound in 2016.

Exports continue to bode well for pork with twelve consecutive months reporting year over year increases. The USDA expects strong pork demand, supported particularly by seasonal demand and higher beef prices, to keep third quarter hog prices in a range of $47-$49, about 3% below the same period last year.

Oil prices are expected to remain stable for the remainder of 2017. The Organization of Petroleum Exporting Countries (OPEC) production limits have brought oil's price up from the 2016 average of $43.74 per barrel. The United States Energy Information Administration forecasts a Brent crude spot price of $52.60 per barrel for 2017, about equal to current levels. The recent announcement from Saudi Arabia and Russia to extend their production limits (and other OPEC members may follow) may put some upward pressure on prices but is not expected to result in dramatic increases.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $7.9 billion at June 30, 2017, a $116.4 million increase from December 31, 2016.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $8.1 billion at June 30, 2017, a $97.7 million increase from December 31, 2016. Our combined mortgage portfolio increased $205.4 million, or 3.5% from December 31, 2016. Our short-term commercial loan portfolio decreased $107.6 million, or 5.2% from December 31, 2016. When compared to June 2016, owned and managed total loan volume is up 5.7%, driven by growth in all market segments and being led by our commercial lending segment that has increased 13.1% since June 30, 2016. Our current volume reflects an asset growth rate year over year that supports our overall 2017 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio remained solid during the second quarter of 2017. Acceptable loan credit quality, as measured under the Uniform Classification System, was 94.6% after beginning the year at 95.4%. Year over year, acceptable credit quality decreased 0.9% from 95.5% at June 30, 2016. Portfolio assets criticized as being less than acceptable are comprised of 2.1% other assets especially mentioned (OAEM) and 3.3% adversely classified. OAEM decreased 0.6% while adversely classified increased 1.5% from December 31, 2016.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. The credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our greenhouse/nursery, part-time farmer, general crop, and dairy farm portfolios continued to be challenged financially during the second quarter of 2017.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 18.4%. This ratio has increased 7.6% since December 31, 2016 but remains sound. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At June 30, 2017, $283.6 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30 2017**	December 31 2016
Loans:		
Nonaccrual	**$44,715**	$46,522
Accruing restructured	**3,342**	3,374
Accruing loans 90 days or more past due	**784**	65
Total risk loans	**48,841**	49,961
Acquired property	**2,087**	1,583
Total risk assets	**$50,928**	$51,544
Total risk loans as a percentage of total loans	**0.6%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**75.7%**	76.5%
Total delinquencies as a percentage of total loans	**0.4%**	0.4%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased slightly from December 31, 2016, and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at June 30, 2017, as they decreased from $46.5 million at December 31, 2016, to $44.7 million. As of June 30, 2017, the nonaccrual loan portfolio was comprised of approximately 27% greenhouse/nursery loans, 24% general crop farms, 15% dairy farms, and 13% part-time farmers.

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

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 periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios As of:	**June 30 2017**	December 31 2016
Allowance as a percentage of:		
Loans	**0.6%**	0.6%
Nonaccrual loans	**113.9%**	99.7%
Total risk loans	**104.3%**	92.8%

The allowance for loan losses increased $4.5 million from December 31, 2016 to June 30, 2017. During the first half of 2017, a provision for loan losses of $1.4 million was recorded. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the year, which was partially offset by a recovery from a separate large capital markets relationship.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The "Provision for credit losses" in the Consolidated Statements of Income for the six months ended June 30, 2017, included a provision for credit losses on unfunded loan commitments of $3.1 million. The accrued credit losses are recorded in "Other liabilities" in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $6.1 million and $3.0 million as of June 30, 2017 and December 31, 2016, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2017.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30	**2017**	2016
Net income	**$71,446**	$62,160
Return on average assets	**1.8%**	1.7%
Return on average members' equity	**9.5%**	8.9%

Changes in the chart above relate directly to:

- Changes in income discussed below
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30	**2017**	2016	**Increase (decrease) in net income**
Net interest income	**$100,019**	$95,260	**$4,759**
Provision for credit losses	**(4,547)**	(10,532)	**5,985**
Patronage income	**14,263**	10,179	**4,084**
Financially related services income	**4,236**	4,199	**37**
Fee income	**7,369**	6,550	**819**
Acquired property income, net	**7**	76	**(69)**
Miscellaneous income, net	**674**	1,044	**(370)**
Operating expenses	**(45,782)**	(44,343)	**(1,439)**
Provision for income taxes	**(4,793)**	(273)	**(4,520)**
Net income	**$71,446**	$62,160	**$9,286**

Changes in Net Interest Income

(in thousands) For the six months ended June 30	**2017 vs 2016**
Changes in volume	**$6,479**
Changes in interest rates	**(1,905)**
Changes in nonaccrual income and other	**185**
Net change	**$4,759**

The change in provision for credit losses of $6.0 million for the first half of 2017 compared to the prior year was primarily due to a recovery on a large capital markets relationship.

We receive patronage income from AgriBank primarily based on the average balance of our note payable to AgriBank. In 2016, AgriBank paid a patronage rate of 25.6 basis points. The rate increased to 33.2 basis points as of June 30, 2017.

The increase in provision for income taxes was primarily related to higher taxable income on the taxable ACA entity.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on December 31, 2019, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated surplus.

The components of cost of funds associated with our note payable 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

We were not subject to a risk premium at June 30, 2017 or December 31, 2016.

Total members’ equity increased $54.8 million from December 31, 2016, primarily due to net income for the period partially offset by patronage distribution accruals.

Farm Credit Administration (FCA) Regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section. Refer to Note 5 of the accompanying Consolidated Financial Statements for additional detail regarding the capital ratios effective as of June 30, 2017. Refer to Note 8 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

RELATIONSHIP WITH AGRIBANK

Patronage

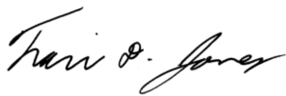
AgriBank has amended its capital plan effective July 1, 2017, to provide for adequate capital at AgriBank under the new capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or stock. A key part of these changes involves maintaining capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

CERTIFICATION

The undersigned have reviewed the June 30, 2017, Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA



Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

August 7, 2017

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**June 30 2017**	December 31 2016
ASSETS		
Loans	**$7,917,959**	$7,801,558
Allowance for loan losses	**50,920**	46,382
Net loans	**7,867,039**	7,755,176
Investment in AgriBank, FCB	**161,876**	159,936
Investment securities	**14,968**	16,749
Accrued interest receivable	**54,596**	54,054
Premises and equipment, net	**44,954**	41,740
Acquired property	**2,087**	1,583
Deferred tax assets, net	**3,822**	5,279
Other assets	**42,193**	44,712
Total assets	**$8,191,535**	$8,079,229
LIABILITIES		
Note payable to AgriBank, FCB	**$6,578,662**	$6,506,325
Accrued interest payable	**33,061**	27,164
Patronage distribution payable	**16,800**	32,979
Other liabilities	**39,845**	44,428
Total liabilities	**6,668,368**	6,610,896
Contingencies and commitments (Note 6)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**21,869**	21,693
Unallocated surplus	**1,501,297**	1,446,639
Total members' equity	**1,523,167**	1,468,333
Total liabilities and members' equity	**$8,191,535**	$8,079,229

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		*Six Months Ended*	
For the period ended June 30	**2017**	2016	**2017**	2016
Interest income	**$83,470**	$74,429	**$163,393**	$147,988
Interest expense	**33,061**	26,643	**63,374**	52,728
Net interest income	**50,409**	47,786	**100,019**	95,260
Provision for credit losses	**5,349**	8,596	**4,547**	10,532
Net interest income after provision for credit losses	**45,060**	39,190	**95,472**	84,728
Non-interest income				
Patronage income	**7,157**	5,233	**14,263**	10,179
Financially related services income	**1,697**	1,702	**4,236**	4,199
Fee income	**4,184**	3,580	**7,369**	6,550
Acquired property income, net	**19**	118	**7**	76
Miscellaneous income, net	**316**	147	**674**	1,044
Total non-interest income	**13,373**	10,780	**26,549**	22,048
Operating expenses				
Salaries and employee benefits	**14,495**	14,228	**28,924**	28,159
Other operating expenses	**8,479**	8,047	**16,858**	16,184
Total operating expenses	**22,974**	22,275	**45,782**	44,343
Income before income taxes	**35,459**	27,695	**76,239**	62,433
Provision for (benefit from) income taxes	**2,060**	(423)	**4,793**	273
Net income	**$33,399**	$28,118	**$71,446**	$62,160

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2015	$2	$21,436	$1,347,685	$1,369,123
Net income	--	--	62,160	62,160
Unallocated surplus designated for patronage distributions	--	--	(15,237)	(15,237)
Capital stock and participation certificates issued	--	909	--	909
Capital stock and participation certificates retired	(1)	(810)	--	(811)
Balance at June 30, 2016	$1	$21,535	$1,394,608	$1,416,144
Balance at December 31, 2016	$1	$21,693	$1,446,639	$1,468,333
Net income	**--**	**--**	**71,446**	**71,446**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(16,788)**	**(16,788)**
Capital stock and participation certificates issued	**--**	**1,018**	**--**	**1,018**
Capital stock and participation certificates retired	**--**	**(842)**	**--**	**(842)**
Balance at June 30, 2017	**$1**	**$21,869**	**$1,501,297**	**$1,523,167**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2017, are not necessarily indicative of the results to be expected for the year ending December 31, 2017. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2016 (2016 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business:

Standard	Description	Effective date and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments – Credit Losses.”	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In February 2016, the FASB issued ASU 2016-02 “Leases.”	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019, and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. 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 nonpublic entities for annual reporting periods beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Certain disclosure changes are permitted to be immediately adopted for annual reporting periods that have not yet been made available for issuance. Nonpublic entities are no longer required to include certain fair value of financial instruments disclosures as part of these disclosure changes. We have immediately adopted this guidance and have excluded such disclosures from our Notes to Consolidated Financial Statements. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2017, for other applicable sections of the guidance. 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 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 nonpublic entities for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. In March 2016, the FASB issued ASUs 2016-08 and 2016-10, which provided further clarifying guidance on the previously issued standard. We are in the process of reviewing contracts to determine the effect, if any, on our financial condition and results of operations.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2017**		December 31, 2016	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,729,204**	**59.7%**	$4,612,265	59.1%
Production and intermediate term	**2,000,622**	**25.3**	2,039,670	26.1
Agribusiness	**846,510**	**10.7**	842,667	10.8
Other	**341,623**	**4.3**	306,956	4.0
Total	**$7,917,959**	**100.0%**	$7,801,558	100.0%

The other category is primarily comprised of rural residential real estate and communication related loans, as well as loans originated under the mission related investment authority.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2017**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$10,031**	**$2,847**	**$12,878**	**$4,750,153**	**$4,763,031**	**$132**
Production and intermediate term	**9,591**	**3,424**	**13,015**	**2,005,003**	**2,018,018**	**652**
Agribusiness	**--**	**--**	**--**	**848,898**	**848,898**	**--**
Other	**1,862**	**1,117**	**2,979**	**339,269**	**342,248**	**--**
Total	**$21,484**	**$7,388**	**$28,872**	**$7,943,323**	**$7,972,195**	**$784**

As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	$14,447	$3,890	$18,337	$4,624,963	$4,643,300	$ --
Production and intermediate term	5,612	2,374	7,986	2,051,332	2,059,318	65
Agribusiness	--	--	--	845,001	845,001	--
Other	2,518	444	2,962	304,672	307,634	--
Total	$22,577	$6,708	$29,285	$7,825,968	$7,855,253	$65

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**June 30** **2017**	December 31 2016
Volume with specific allowance	**$20,258**	$25,850
Volume without specific allowance	**28,583**	24,111
Total risk loans	**$48,841**	$49,961
Total specific allowance	**$8,105**	$11,355
For the six months ended June 30	**2017**	2016
Income on accrual risk loans	**$111**	$128
Income on nonaccrual loans	**849**	536
Total income on risk loans	**$960**	$664
Average risk loans	**$50,663**	$48,678

Note: Accruing loans include accrued interest receivable.

We had two relationships in which we had commitments to lend additional money whose loans were at risk at June 30, 2017. The balance of the unfunded loan commitments were $6.1 million and $3.0 million as of June 30, 2017, and December 31, 2016, respectively.

Troubled Debt Restructurings (TDRs)

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 restructured loan. 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 TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

TDR Activity

(in thousands) Six months ended June 30	**2017**		2016	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$831**	**$827**	$207	$209
Production and intermediate term	**566**	**539**	--	--
Other	**--**	**--**	28	20
Total	**$1,397**	**$1,366**	$235	$229

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 unpaid principal 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 included interest rate reduction below market and extension of maturity.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Six Months Ended June 30

(in thousands)	**2017**	2016
Real estate mortgage	**$48**	$ --
Production and intermediate term	**34**	27
Other	**--**	107
Total	**$82**	$134

TDRs Outstanding

(in thousands) As of:	**June 30 2017**	December 31 2016
Accrual status:		
Real estate mortgage	**$2,669**	$2,706
Production and intermediate term	**509**	506
Other	**164**	162
Total TDRs in accrual status	**$3,342**	$3,374
Nonaccrual status:		
Real estate mortgage	**$1,776**	$972
Production and intermediate term	**714**	252
Other	**243**	263
Total TDRs in nonaccrual status	**$2,733**	$1,487
Total TDRs:		
Real estate mortgage	**$4,445**	$3,678
Production and intermediate term	**1,223**	758
Other	**407**	425
Total TDRs	**$6,075**	$4,861

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2017.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Six months ended June 30	**2017**	2016
Balance at beginning of period	**$46,382**	$34,290
Provision for loan losses	**1,390**	7,518
Loan recoveries	**3,724**	406
Loan charge-offs	**(576)**	(685)
Balance at end of period	**$50,920**	$41,529

The "Provision for credit losses" in the Consolidated Statements of Income includes a provision for loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in "Other liabilities" in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30	**2017**	2016
Provision for credit losses	**$3,157**	$3,014
As of:	**June 30 2017**	December 31 2016
Accrued credit losses	**$6,118**	$2,960

The allowance for loan losses increased $4.5 million from December 31, 2016 to June 30, 2017. This increase is primarily due to a large capital markets relationship that was downgraded during the year, which was partially offset by a recovery from a separate large capital markets relationship.

NOTE 3: INVESTMENT IN AGRIBANK, FCB

We are required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable, with an additional amount required on Association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. Prior to 2017, the required investment was equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate.

The balance of our investment in AgriBank, all required stock, was $161.9 million at June 30, 2017, and $159.9 million at December 31, 2016.

NOTE 4: INVESTMENT SECURITIES

We held investment securities of $15.0 million at June 30, 2017, and $16.7 million at December 31, 2016. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration. The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Additional Investment Securities Information

(dollars in thousands) As of:	**June 30 2017**	December 31 2016
Amortized cost	**$14,968**	$16,749
Unrealized gains	**737**	787
Fair value	**$15,705**	$17,536
Weighted average yield	**3.2%**	1.8%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $254 thousand and $162 thousand for the six months ended June 30, 2017, and 2016, respectively.

NOTE 5: MEMBERS’ EQUITY

Regulatory Capitalization Requirements

Select Capital Ratios

	As of June 30, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:				
Common equity tier 1 ratio	**16.12%**	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**16.12%**	6.0%	2.5%*	8.5%
Total capital ratio	**16.71%**	8.0%	2.5%*	10.5%
Permanent capital ratio	**16.21%**	7.0%	--	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.21%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.04%**	1.5%	--	1.5%

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

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

Risk-adjusted assets have been defined by Farm Credit Administration (FCA) 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 primary changes, which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments with terms at origination of less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

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

These ratios are based on a three-month average daily balance in accordance with FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

Effective January 1, 2017, the regulatory capital requirements allow for allotment agreements for only the permanent capital ratio and, as such, any stock in excess of our AgriBank required investment was not included in the common equity tier 1, tier 1 capital, total capital, or leverage ratios. We had no allocated excess stock at June 30, 2017, or December 31, 2016.

Refer to Note 8 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

NOTE 6: CONTINGENCIES AND COMMITMENTS

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 Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

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

NOTE 7: FAIR VALUE MEASUREMENTS

Fair value is defined as 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 in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2016 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2017 or December 31, 2016.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)					**Six months ended**
	As of June 30, 2017				**June 30, 2017**
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	**$ --**	**$5,927**	**$6,835**	**$12,762**	**$2,674**
Acquired property	**--**	**5,159**	**--**	**5,159**	**23**

					Six months ended
	As of December 31, 2016				June 30, 2016
	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Impaired loans	$ --	$6,999	$8,221	$15,220	$1,333
Acquired property	--	4,360	--	4,360	(32)

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Acquired Property: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, 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. If the process uses independent appraisals and other market-based information, they are classified as

Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 8: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 7, 2017, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.