Quarterly Report
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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:

Farm Credit Mid-America, ACA
P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.agribank.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

Agriculture commodity prices remain below 7-10 year averages resulting in tight and often negative margins for crop and livestock producers. Input prices are declining but not sufficiently to offset the decline in income from low commodity prices.

The overall economy remains sound and little changed from 2016 with modest job and wage growth.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $20.3 billion at June 30, 2017, a decrease of $176.7 million from December 31, 2016. The decrease was primarily related to decreased originations and draws on Production and Intermediate term loans and Real Estate Mortgage loans.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2016. Adversely classified loans increased to 3.9% of the portfolio at June 30, 2017, from 3.5% of the portfolio at December 31, 2016. The increase in adversely classified loans was a reflection of the tight margins for most agriculture producers. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

Components of Risk Assets

(dollars in thousands) **As of:**	**June 30 2017**	December 31 2016
Loans:		
Non-accrual	**$ 333,076**	$ 246,456
Accruing restructured	**17,694**	17,079
Accruing loans 90 days or more past due	**1,820**	283
Total risk loans	**352,590**	263,818
Other property owned	**4,639**	6,483
Total risk assets	**$ 357,229**	$ 270,301
Total risk loans as a percentage of total loans	**1.7%**	1.3%
Non-accrual loans as a percentage of total loans	**1.6%**	1.2%
Current non-accrual loans as a percentage of total non-accrual loans	**65.3%**	68.7%
Total delinquencies as a percentage of total loans	**0.9%**	0.6%

Note: Accruing loans include accrued interest receivable.

Our risk assets increased from December 31, 2016, primarily due to the challenging agriculture environment and declining net farm income, but remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our prudent risk management parameters.

The increase in non-accrual loans was primarily due to increases in real estate mortgage and production and intermediate term non-accrual loans, caused by continued stress for crop and livestock producers. Non-accrual loans remained at an acceptable level at June 30, 2017, and December 31, 2016.

Our accounting policy requires accruing loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, all accruing loans 90 days or more past due 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%**	0.5%
Non-accrual loans	**34.3%**	38.4%
Total risk loans	**32.4%**	35.9%

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	**$ 148,000**	$ 152,572
Return on average assets	**1.3%**	1.4%
Return on average members' equity	**7.0%**	7.7%

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 *	**$ 230,817**	$ 219,432	**$ 11,385**
Provision for credit losses	**27,564**	14,890	**(12,674)**
Patronage income	**33,930**	35,426	**(1,496)**
Other income, net (excluding patronage income)	**16,823**	23,473	**(6,650)**
Operating expenses	**110,503**	111,876	**1,373**
Benefit from income taxes	**(4,497)**	(1,007)	**3,490**
Net income	**$ 148,000**	$ 152,572	**$ (4,572)**

The increase in the provision for credit losses was related to the challenging agricultural environment and declined credit quality.

The decrease in other income was primarily due to losses recognized during the first quarter of 2017 related to write-downs of assets held for lease related to certain lease accounts, and lower fee income.

Operating expenses decreased in 2017 primarily due to a lower premium rate charged by the Farm Credit System Insurance Corporation (FCSIC) on accrual loans from 16 basis points for the first half of 2016 to 15 basis points in 2017.The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change the rates at any time.

The change in benefit from income taxes was primarily related to lower taxable income attributable to our taxable entity, as a result of the patronage distribution accrual considered for tax purposes.

* The changes in net interest income are shown below.

Changes in Net Interest Income

(in thousands) **For the six months ended June 30**	**2017 vs 2016**
Changes in volume	**$ 4,658**
Changes in interest rates	**6,876**
Changes in non-accrual income and other	**(149)**
Net change	**$ 11,385**

FUNDING, LIQUIDITY, AND CAPITAL

Our note payable matured on April 30, 2017, and was renewed for $23.2 billion with a maturity date of April 30, 2020. The note payable will be renegotiated no later than the maturity date. 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 $126.7 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 6 of the accompanying Consolidated Financial Statements for additional detail regarding the capital ratios effective as of June 30, 2017. Refer to Note 9 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

RELATIONSHIP WITH AGRIBANK

Patronage

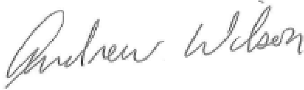
AgriBank has amended its capital plan effective July 1, 2017, to provide for adequate capital at AgriBank under the new capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank 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.

Purchased Services

During 2016, District Associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by AgriBank. A separate service entity allows District Associations and AgriBank to develop and maintain long-term, cost effective technology and business services. The service entity would be owned by certain District Associations and AgriBank. An application to form the service entity was submitted to the FCA for approval in May 2017.

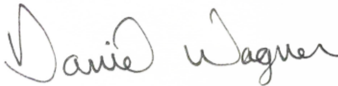
CERTIFICATION

The undersigned have reviewed the June 30, 2017, Quarterly Report of Farm Credit Mid-America, 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.



Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA

William L. Johnson
President and Chief Executive Officer
Farm Credit Mid-America, ACA



Daniel Wagner
Executive Vice President - Chief Financial & Information Officer
Farm Credit Mid-America, ACA

August 9, 2017

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:	June 30 2017	December 31 2016
ASSETS		
Loans	**$ 20,298,349**	$ 20,475,014
Allowance for loan losses	**114,268**	94,746
Net loans	**20,184,081**	20,380,268
Investment in AgriBank, FCB	**441,703**	441,703
Investment securities	**1,197,662**	1,195,681
Accrued interest receivable	**159,414**	167,642
Other property owned	**4,639**	6,483
Assets held for lease, net	**210,911**	234,492
Other assets	**183,205**	185,683
Total assets	**$ 22,381,615**	$ 22,611,952
LIABILITIES		
Note payable to AgriBank, FCB	**$ 17,840,450**	$ 18,148,415
Accrued interest payable	**98,413**	95,499
Deferred tax liabilities, net	**63,592**	78,833
Patronage distribution payable	**22,023**	30,026
Other liabilities	**57,880**	86,577
Total liabilities	**18,082,358**	18,439,350
Contingencies and commitments (Note 7)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**82,994**	84,561
Unallocated surplus	**4,216,263**	4,088,041
Total members' equity	**4,299,257**	4,172,602
Total liabilities and members' equity	**$ 22,381,615**	$ 22,611,952

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2017**	2016	**2017**	2016
Interest income	**$ 214,058**	$ 207,366	**$ 423,406**	$ 411,234
Interest expense	**98,441**	96,271	**192,589**	191,802
Net interest income	**115,617**	111,095	**230,817**	219,432
Provision for credit losses	**25,681**	13,253	**27,564**	14,890
Net interest income after provision for credit losses	**89,936**	97,842	**203,253**	204,542
Other income				
Patronage income	**16,744**	17,730	**33,930**	35,426
Financially related services income	**411**	301	**1,230**	978
Fee income	**7,479**	9,345	**14,776**	17,580
Operating lease income, net	**2,047**	2,562	**2,027**	5,225
Other property owned losses, net	**(272)**	(454)	**(2,048)**	(553)
Miscellaneous income, net	**(96)**	(135)	**838**	243
Total other income	**26,313**	29,349	**50,753**	58,899
Operating expenses				
Salaries and employee benefits	**35,382**	33,996	**68,852**	67,966
Other operating expenses	**21,087**	22,973	**41,651**	43,910
Total operating expenses	**56,469**	56,969	**110,503**	111,876
Income before income taxes	**59,780**	70,222	**143,503**	151,565
Benefit from income taxes	**(3,396)**	(2,271)	**(4,497)**	(1,007)
Net income	**$ 63,176**	$ 72,493	**$ 148,000**	$ 152,572

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2015	$ 86,504	$ 3,817,835	$ 3,904,339
Net income	--	152,572	152,572
Unallocated surplus designated for patronage distributions	--	(15,122)	(15,122)
Capital stock and participation certificates issued	2,456	--	2,456
Capital stock and participation certificates retired	(3,067)	--	(3,067)
Balance at June 30, 2016	$ 85,893	$ 3,955,285	$ 4,041,178
Balance at December 31, 2016	$ 84,561	$ 4,088,041	$ 4,172,602
Net income	**--**	**148,000**	**148,000**
Unallocated surplus designated for patronage distributions	**--**	**(19,778)**	**(19,778)**
Capital stock and participation certificates issued	**1,801**	**--**	**1,801**
Capital stock and participation certificates retired	**(3,368)**	**--**	**(3,368)**
Balance at June 30, 2017	**$ 82,994**	**$ 4,216,263**	**$ 4,299,257**

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 Farm Credit Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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	%	Amount	%
Real estate mortgage	**$ 13,972,063**	**68.8%**	$ 14,030,873	68.6%
Production and intermediate term	**3,504,534**	**17.3%**	3,582,878	17.5%
Agribusiness	**1,486,975**	**7.3%**	1,457,640	7.1%
Rural residential real estate	**950,361**	**4.7%**	985,986	4.8%
Finance leases and other	**384,416**	**1.9%**	417,637	2.0%
Total	**$ 20,298,349**	**100.0%**	$ 20,475,014	100.0%

The finance leases and other category is primarily comprised of finance leases, communication, international, and energy related loans as well as certain assets originated under our 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	**$ 43,688**	**$ 55,166**	**$ 98,854**	**$ 13,980,647**	**$ 14,079,501**	**$ 1,820**
Production and intermediate term	**22,224**	**21,841**	**44,065**	**3,497,351**	**3,541,416**	**--**
Agribusiness	**17,488**	**61**	**17,549**	**1,474,966**	**1,492,515**	**--**
Rural residential real estate	**8,502**	**4,107**	**12,609**	**940,366**	**952,975**	**--**
Finance leases and other	**495**	**2,147**	**2,642**	**381,944**	**384,586**	**--**
Total	**$ 92,397**	**$ 83,322**	**$ 175,719**	**$ 20,275,274**	**$ 20,450,993**	**$ 1,820**

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	$ 45,637	$ 26,441	$ 72,078	$ 14,067,927	$ 14,140,005	$ --
Production and intermediate term	19,429	15,802	35,231	3,590,772	3,626,003	283
Agribusiness	4,078	--	4,078	1,459,408	1,463,486	--
Rural residential real estate	10,587	5,176	15,763	972,857	988,620	--
Finance leases and other	277	440	717	417,086	417,803	--
Total	$ 80,008	$ 47,859	$ 127,867	$ 20,508,050	$ 20,635,917	$ 283

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	**$**	**49,150**	$	19,891
Volume without specific allowance		**303,440**		243,927
Total risk loans	**$**	**352,590**	$	263,818
Total specific allowance	**$**	**17,147**	$	6,023
For the six months ended June 30		**2017**		2016
Income on accrual risk loans	**$**	**413**	$	382
Income on non-accrual loans		**6,147**		6,296
Total income on risk loans	**$**	**6,560**	$	6,678
Average risk loans	**$**	**322,352**	$	232,543

Note: Accruing loans include accrued interest receivable.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at June 30, 2017.

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	**$**	**504**	**$**	**447**	$	455	$	454
Production and intermediate term		**702**		**706**		1,112		1,115
Rural residential real estate		**4**		**3**		249		249
Total	**$**	**1,210**	**$**	**1,156**	$	1,816	$	1,818

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, forgiveness of interest 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	**$**	**67**	$	164
Production and intermediate term		**19**		20
Total	**$**	**86**	$	184

TDRs Outstanding

(in thousands) **As of:**	**June 30 2017**	December 31 2016
Accrual status:		
Real estate mortgage	**$ 14,849**	$ 14,956
Production and intermediate term	**1,513**	832
Agribusiness	**--**	13
Rural residential real estate	**1,332**	1,278
Total TDRs in accrual status	**$ 17,694**	$ 17,079
Non-accrual status:		
Real estate mortgage	**$ 9,125**	$ 9,897
Production and intermediate term	**4,213**	6,684
Agribusiness	**--**	--
Rural residential real estate	**1,224**	1,298
Total TDRs in non-accrual status	**$ 14,562**	$ 17,879
Total TDRs:		
Real estate mortgage	**$ 23,974**	$ 24,853
Production and intermediate term	**5,726**	7,516
Agribusiness	**--**	13
Rural residential real estate	**2,556**	2,576
Total TDRs	**$ 32,256**	$ 34,958

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	**$ 94,746**	$ 62,881
Provision for loan losses	**27,440**	14,234
Loan recoveries	**2,319**	2,443
Loan charge-offs	**(10,237)**	(3,588)
Balance at end of period	**$ 114,268**	$ 75,970

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	**$ 124**	$ 656
	June 30	December 31
As of:	**2017**	2016
Accrued credit losses	**$ 8,674**	$ 8,550

NOTE 3: INVESTMENT IN AGRIBANK, FCB

Effective July 1, 2017, we were 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. From January 1 to June 30, 2017, we were 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 growth in excess of a sustainable growth rate. Previously, 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.

Investment in AgriBank

(in thousands) **As of:**	**June 30 2017**	December 31 2016
Required stock investment	**$ 435,107**	$ 441,703
Purchased excess stock investment	**6,596**	--
Total investment	**$ 441,703**	$ 441,703

NOTE 4: INVESTMENT SECURITIES

We held investment securities of $1.2 billion at June 30, 2017, and $1.2 billion at December 31, 2016. Our investment securities consisted of:

- Securities containing loans guaranteed by the Small Business Administration (SBA)
- Investment securities made up of Farm Service Agency securities (FSA)
- Securities issued by the United States Department of Agriculture (USDA)

All of our investment securities, except for $7.4 million at June 30, 2017 and $7.6 million at December 31, 2016 were fully guaranteed by the SBA, FSA, or USDA.

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.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA, FSA, and USDA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of June 30, 2017**	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**2.9%**	**$ 1,005,847**	**$ 981**	**$ 37,378**	**$ 969,450**
ABS	**2.4%**	**191,815**	**11**	**10,362**	**181,464**
Total	**2.8%**	**$ 1,197,662**	**$ 992**	**$ 47,740**	**$ 1,150,914**

As of December 31, 2016	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	2.6%	$ 1,010,764	$ 4,723	$ 37,183	$ 978,304
ABS	2.1%	184,917	1,084	9,885	176,116
Total	2.5%	$ 1,195,681	$ 5,807	$ 47,068	$ 1,154,420

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $15.4 million and $13.7 million for the six months ended June 30, 2017, and 2016, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2017**	Amortized Cost
Less than one year	**$ 894**
One to five years	**46,328**
Five to ten years	**112,334**
More than ten years	**1,038,106**
Total	**$ 1,197,662**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows:

(in thousands)	Less than 12 months		Greater than 12 months	
As of June 30, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 179,332**	**$ 13,074**	**$ 486,496**	**$ 24,304**
ABS	**47,449**	**2,856**	**105,783**	**7,506**
Total	**$ 226,781**	**$ 15,930**	**$ 592,279**	**$ 31,810**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At June 30, 2017, the majority of the $47.7 million unrealized loss represents unamortized premium.

NOTE 5: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for a $154.5 million Rural Business Investment Company (RBIC), Advantage Capital Agribusiness Partners, L.P., established in October 2014. The RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our total commitment is $20.0 million through October 2019. Our investment in the RBIC is recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $10.8 million at June 30, 2017, and $7.5 million at December 31, 2016.

We and other Farm Credit Institutions are among the limited partners for a $31.3 million RBIC. Innova Ag Innovation Fund IV, L.P., established in April 2017. Our total commitment is $5.0 million, which ends on the fourth anniversary of the initial closing date, unless extended to the fifth anniversary. Our investment in the RBIC is recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $113 thousand at June 30, 2017.

The investments were evaluated for impairment. To date, we have not recognized any impairment on these investments.

NOTE 6: 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	**19.0%**	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**19.0%**	6.0%	2.5%*	8.5%
Total capital ratio	**19.5%**	8.0%	2.5%*	10.5%
Permanent capital ratio	**19.0%**	7.0%	0.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.7%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.7%**	1.5%	0.0%	1.5%

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

Effective January 1, 2017, the regulatory capital requirements for 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 non-accrual 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 9 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

NOTE 7: 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 8: 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

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)	**As of June 30, 2017**				**Six months ended June 30, 2017**
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total (Losses)
Impaired loans	**$ --**	**$ 33,603**	**$ --**	**$ 33,603**	**$ (21,361)**
Other property owned	**--**	**--**	**4,825**	**4,825**	**(1,878)**

	As of December 31, 2016				Six months ended June 30, 2016
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total (Losses)
Impaired loans	$ --	$ 14,561	$ --	$ 14,561	$ (6,546)
Other property owned	--	--	6,742	6,742	(408)

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.

Other property owned: 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 9: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 9, 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.