Quarterly Report
September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). 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, 2015 (2015 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Farm Credit Mid-America, ACA. To request free copies of the AgriBank and combined AgriBank and affiliated Associations' financial reports or additional copies of our report, contact us at:

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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 2015 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

Prices received for primary agriculture commodities continue to move lower and remain well below 5-7 year averages. These lower prices are creating tight and often negative margins for crop and livestock producers. Input prices have not declined as quickly as commodity prices creating a challenging environment for 2016.

The overall economy is little changed from 2015 year end with modest job and wage growth.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $20.4 billion at September 30, 2016, an increase of $379.2 million from December 31, 2015. The increase was primarily due to strong activity in our real estate mortgage portfolio.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2015. Adversely classified loans increased to 3.2% of the portfolio at September 30, 2016, from 2.4% of the portfolio at December 31, 2015. 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. The worsening credit quality is a reflection of a challenging environment in agriculture with low commodity prices and tight if not negative margins**.**

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At September 30, 2016, $332.5 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Risk assets are comprised of non-accrual loans, accruing restructured loans, accruing loans 90 days or more past due, and other property owned.

Components of Risk Assets

(dollars in thousands) **As of:**	**September 30 2016**	December 31 2015
Loans:		
Non-accrual	**$ 242,988**	$ 198,485
Accruing restructured	**16,480**	15,319
Accruing loans 90 days or more past due	**15**	--
Total risk loans	**259,483**	213,804
Other property owned	**6,872**	7,367
Total risk assets	**$ 266,355**	$ 221,171
Total risk loans as a percentage of total loans	**1.3%**	1.1%
Non-accrual loans as a percentage of total loans	**1.2%**	1.0%
Current non-accrual loans as a percentage of total non-accrual loans	**63.6%**	63.2%
Total delinquencies as a percentage of total loans	**0.6%**	0.5%

Note: Accruing loans include accrued interest receivable.

The increase in non-accrual loans correlates with the increase in adverse credit quality. Non-accrual loans remained at an acceptable level at September 30, 2016.

Corresponding to the change in credit quality, our risk assets have increased from December 31, 2015, but remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management capacity.

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:	**September 30 2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.4%**	0.3%
Non-accrual loans	**33.4%**	31.7%
Total risk loans	**31.3%**	29.4%

Allowance coverage ratios have increased consistent with the agricultural economic challenges and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2016.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) **For the nine months ended September 30**	**2016**	2015
Net income	**$ 226,923**	$ 211,752
Return on average assets	**1.4%**	1.4%
Return on average members' equity	**7.5%**	7.6%

Changes presented in the chart above are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) **For the nine months ended September 30**		**2016**		2015		**Increase (decrease) in net income**
Net interest income *	**$**	**331,228**	$	321,886	**$**	**9,342**
Provision for credit losses		**25,200**		24,971		**(229)**
Patronage income		**53,452**		39,546		**13,906**
Other income, net (excluding patronage income)		**33,952**		40,967		**(7,015)**
Operating expenses		**169,870**		159,297		**(10,573)**
(Benefit from) provision for income taxes		**(3,361)**		6,379		**9,740**
Net income	**$**	**226,923**	$	211,752	**$**	**15,171**

The increase in patronage income is primarily related to AgriBank's increased cost of funds.

The change in other income, net is primarily due to a loss recognized on an operating lease.

The change in operating expenses was primarily related to Farm Credit System Insurance Corporation (FCSIC) expense, employee salaries and technology related expenses. FCSIC expense increased in 2016 due to an increase in the premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 16 basis points for the first half of 2016 and 18 basis points for the second half of 2016. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

The benefit from income taxes increased due to lower 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 nine months ended September 30**		**2016 vs 2015**
Changes in volume	**$**	**23,197**
Changes in interest rates		**(14,192)**
Changes in non-accrual income and other		**337**
Net change	**$**	**9,342**

The change in interest rates is related to the additional cost of funds beginning in 2016. This additional cost is being offset with additional patronage income.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on April 30, 2016 and was renewed for $21.0 billion with a maturity date of April 30, 2017. The note payable will be renegotiated at that time. 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.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, and bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at September 30, 2016 or December 31, 2015.

Total members' equity increased $203.3 million from December 31, 2015 primarily due to net income for the period, which was partially offset by patronage distribution accruals and a decrease in capital stock and participation certificates.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 9 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of	Regulatory Minimums	**September 30 2016**	December 31 2015
Permanent capital ratio	7.0%	**17.3%**	17.0%
Total surplus ratio	7.0%	**16.9%**	16.6%
Core surplus ratio	3.5%	**16.9%**	16.6%

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. As discussed in Note 5 of the accompanying Consolidated Financial Statements we will be subject to new regulations and capital requirements effective January 1, 2017.

REGULATORY MATTERS

Regulatory Capital Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the 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 final rule replaces existing core surplus and total surplus ratios with common equity tier 1, tier 1, and total capital risk-based capital ratios. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. Refer to Note 5 of the accompanying Consolidated Financial Statements for additional information regarding these ratios.

The effective date of the new capital requirements is January 1, 2017. We are currently evaluating the impact of the recently announced changes.

Investment Securities Eligibility

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. FCA has not issued any further information regarding this proposed rule.

CERTIFICATION

The undersigned have reviewed the September 30, 2016 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

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

William L Johnson

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

Paul Bruce

Paul Bruce
Senior Vice President – Financial Operations and
Chief Financial Officer
Farm Credit Mid-America, ACA

November 9, 2016

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		**September 30 2016**		December 31 2015
ASSETS				
Loans	**$**	**20,382,696**	$	20,003,514
Allowance for loan losses		**81,234**		62,881
Net loans		**20,301,462**		19,940,633
Investment in AgriBank, FCB		**443,197**		430,198
Investment securities		**1,174,139**		1,087,001
Accrued interest receivable		**192,160**		155,738
Other property owned		**6,872**		7,367
Assets held for lease, net		**265,960**		322,818
Other assets		**162,210**		161,130
Total assets	**$**	**22,546,000**	$	22,104,885
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**18,166,646**	$	17,939,263
Accrued interest payable		**96,526**		86,296
Deferred tax liabilities, net		**87,190**		103,049
Patronage distribution payable		**22,692**		--
Other liabilities		**65,342**		71,938
Total liabilities		**18,438,396**		18,200,546
Contingencies and commitments (Note 6)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**85,538**		86,504
Unallocated surplus		**4,022,066**		3,817,835
Total members' equity		**4,107,604**		3,904,339
Total liabilities and members' equity	**$**	**22,546,000**	$	22,104,885

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

CONSOLIDATED STATEMENTS OF INCOME

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

For the period ended September 30	*Three Months Ended* **2016**	2015	*Nine Months Ended* **2016**	2015
Interest income	**$ 208,360**	$ 194,473	**$ 619,594**	$ 567,795
Interest expense	**96,564**	84,324	**288,366**	245,909
Net interest income	**111,796**	110,149	**331,228**	321,886
Provision for credit losses	**10,310**	14,321	**25,200**	24,971
Net interest income after provision for credit losses	**101,486**	95,828	**306,028**	296,915
Other income				
Patronage income	**18,026**	13,164	**53,452**	39,546
Financially related services income	**4,190**	4,096	**5,168**	4,967
Fee income	**10,096**	9,349	**27,676**	27,971
Operating lease (loss) income, net	**(3,282)**	2,803	**1,943**	8,455
Other property owned losses, net	**(447)**	(112)	**(1,000)**	(1,149)
Miscellaneous (loss) income, net	**(78)**	22	**165**	723
Total other income	**28,505**	29,322	**87,404**	80,513
Operating expenses				
Salaries and employee benefits	**33,721**	33,137	**101,687**	99,249
Other operating expenses	**24,273**	21,963	**68,183**	60,048
Total operating expenses	**57,994**	55,100	**169,870**	159,297
Income before income taxes	**71,997**	70,050	**223,562**	218,131
(Benefit from) provision for income taxes	**(2,354)**	204	**(3,361)**	6,379
Net income	**$ 74,351**	$ 69,846	**$ 226,923**	$ 211,752

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, 2014	$ 85,982	$ 3,538,818	$ 3,624,800
Net income	--	211,752	211,752
Capital stock and participation certificates issued	4,847	--	4,847
Capital stock and participation certificates retired	(4,317)	--	(4,317)
Balance at September 30, 2015	$ 86,512	$ 3,750,570	$ 3,837,082
Balance at December 31, 2015	$ 86,504	$ 3,817,835	$ 3,904,339
Net income	**--**	**226,923**	**226,923**
Unallocated surplus designated for patronage distributions	**--**	**(22,692)**	**(22,692)**
Capital stock and participation certificates issued	**3,706**	**--**	**3,706**
Capital stock and participation certificates retired	**(4,672)**	**--**	**(4,672)**
Balance at September 30, 2016	**$ 85,538**	**$ 4,022,066**	**$ 4,107,604**

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. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. 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, 2015 (2015 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Mid-America, ACA (the parent) and 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

The following accounting standards have been issued since the issuance of our 2015 Annual Report, but are not yet effective.

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Measurement of Credit Losses on Financial Instruments." 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.

Refer to Note 2 in our 2015 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements. No accounting pronouncements were adopted during the nine months ended September 30, 2016.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	September 30, 2016		December 31, 2015	
	Amount	%	Amount	%
Real estate mortgage	**$ 14,026,677**	**68.8%**	$ 13,515,473	67.6%
Production and intermediate term	**3,622,852**	**17.8%**	3,613,415	18.1%
Agribusiness	**1,287,400**	**6.3%**	1,345,455	6.7%
Rural residential real estate	**1,001,677**	**4.9%**	1,026,350	5.1%
Finance leases and other	**444,090**	**2.2%**	502,821	2.5%
Total	**$ 20,382,696**	**100.0%**	$ 20,003,514	100.0%

The finance leases and other category is 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 September 30, 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	**$ 41,996**	**$ 32,035**	**$ 74,031**	**$ 14,082,609**	**$ 14,156,640**	**$ --**
Production and intermediate term	**14,049**	**22,433**	**36,482**	**3,633,121**	**3,669,603**	**15**
Agribusiness	**--**	**--**	**--**	**1,293,148**	**1,293,148**	**--**
Rural residential real estate	**10,460**	**4,759**	**15,219**	**989,126**	**1,004,345**	**--**
Finance leases and other	**20**	**496**	**516**	**444,111**	**444,627**	**--**
Total	**$ 66,525**	**$ 59,723**	**$ 126,248**	**$ 20,442,115**	**$ 20,568,363**	**$ 15**

Note: Accruing loans include accrued interest receivable.

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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 42,335	$ 27,532	$ 69,867	$ 13,548,127	$ 13,617,994	$ --
Production and intermediate term	4,752	9,689	14,441	3,637,208	3,651,649	--
Agribusiness	39	127	166	1,351,135	1,351,301	--
Rural residential real estate	12,570	6,589	19,159	1,009,869	1,029,028	--
Finance leases and other	271	--	271	502,871	503,142	--
Total	$ 59,967	$ 43,937	$ 103,904	$ 20,049,210	$ 20,153,114	$ --

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:**	**September 30 2016**	December 31 2015
Volume with specific reserves	**$ 20,405**	$ 17,308
Volume without specific reserves	**239,078**	196,496
Total risk loans	**$ 259,483**	$ 213,804
Total specific reserves	**$ 6,664**	$ 4,096
For the nine months ended September 30	**2016**	2015
Income on accrual risk loans	**$ 572**	$ 563
Income on non-accrual loans	**8,594**	8,257
Total income on risk loans	**$ 9,166**	$ 8,820
Average risk loans	**$ 241,654**	$ 219,350

Note: Accruing loans include accrued interest receivable.

The increase in total risk loans is primarily due to an increase in non-accrual loans, which correlates with the increase in adverse credit quality.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at September 30, 2016.

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) **Nine months ended September 30**	**2016**		2015	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 533**	**$ 453**	$ 965	$ 976
Production and intermediate term	**1,113**	**1,116**	1,102	1,040
Rural residential real estate	**249**	**249**	666	558
Total	**$ 1,895**	**$ 1,818**	$ 2,733	$ 2,574

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 included interest rate reduction below market and forgiveness of principal or interest.

TDRs that Subsequently Defaulted within the Previous 12 Months

(in thousands)		2016		2015
Real estate mortgage	$	253	$	188
Production and intermediate term		--		158
Rural residential real estate		--		247
Total	$	253	$	593

TDRs Outstanding

(in thousands) **As of:**		September 30 2016		December 31 2015
Accrual status:				
Real estate mortgage	$	14,685	$	13,790
Production and intermediate term		820		1,055
Agribusiness		33		91
Rural residential real estate		942		383
Total TDRs in accrual status	$	16,480	$	15,319
Non-accrual status:				
Real estate mortgage	$	10,272	$	11,977
Production and intermediate term		6,750		6,238
Rural residential real estate		1,637		2,250
Total TDRs in non-accrual status	$	18,659	$	20,465
Total TDRs status:				
Real estate mortgage	$	24,957	$	25,767
Production and intermediate term		7,570		7,293
Agribusiness		33		91
Rural residential real estate		2,579		2,633
Total TDRs	$	35,139	$	35,784

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $1 thousand at September 30, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) **Nine months ended September 30**		2016		2015
Balance at beginning of period	$	62,881	$	47,661
Provision for loan losses		21,109		20,680
Loan recoveries		3,513		3,188
Loan charge-offs		(6,269)		(12,905)
Balance at end of period	$	81,234	$	58,624

The increase in allowance for loan losses from December 31, 2015 was primarily due to additional allowance for unsecured loans and changes in loss estimates recognized.

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 loan 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 nine months ended September 30**		2016		2015
Provision for credit losses	$	4,091	$	4,291
As of:		September 30 2016		December 31 2015
Accrued credit losses	$	8,437	$	4,346

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.2 billion at September 30, 2016 and $1.1 billion at December 31, 2015. 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 $7.7 million at September 30, 2016 and $7.9 million at December 31, 2015 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 September 30, 2016**	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**2.6%**	**$ 998,100**	**$ 5,755**	**$ 34,362**	**$ 969,493**
ABS	**2.1%**	**176,039**	**1,389**	**9,582**	**167,846**
Total	**2.5%**	**$ 1,174,139**	**$ 7,144**	**$ 43,944**	**$ 1,137,339**

As of December 31, 2015	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	2.6%	$ 949,410	$ 5,499	$ 28,006	$ 926,903
ABS	1.9%	137,591	1,967	5,496	134,062
Total	2.5%	$ 1,087,001	$ 7,466	$ 33,502	$ 1,060,965

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $20.7 million and $18.8 million for the nine months ended September 30, 2016 and 2015, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2016**	Amortized Cost
Less than one year	**$ 859**
One to five years	**60,264**
Five to ten years	**123,449**
More than ten years	**989,567**
Total	**$ 1,174,139**

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 September 30, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 203,237**	**$ 18,533**	**$ 464,478**	**$ 15,829**
ABS	**77,064**	**7,170**	**38,652**	**2,412**
Total	**$ 280,301**	**$ 25,703**	**$ 503,130**	**$ 18,241**

	Less than 12 months		Greater than 12 months	
As of December 31, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$ 218,960	$ 20,056	$ 464,688	$ 7,950
ABS	61,530	5,376	6,721	120
Total	$ 280,490	$ 25,432	$ 471,409	$ 8,070

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 September 30, 2016, the majority of the $43.9 million unrealized loss represents unamortized premium.

NOTE 4: OTHER INVESTMENTS

We and other Farm Credit Institutions 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 total commitment is $20 million through October 2019. Our investment in the RBIC is recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $5.5 million at September 30, 2016 and $4.2 million at December 31, 2015.

The investment was evaluated for impairment. To date, we have not recognized any impairment on this investment. During the nine months ended September 30, 2016 we received a distribution of $250 thousand as the RBIC sold an investment. The distribution was a return of contributed capital and therefore reduced our recorded investment. To date, no income has been distributed from the RBIC.

NOTE 5: MEMBERS’ EQUITY

Regulatory Capitalization Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus ratios with common equity tier 1, tier 1, and total capital risk-based capital ratios. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. The effective date of the new capital requirements is January 1, 2017.

FCA Revised Capital Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total
Risk adjusted:			
Common equity Tier 1 ratio	4.5%	2.5%	7.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%
Total capital ratio	8.0%	2.5%	10.5%
Non-risk adjusted:			
Tier 1 leverage ratio	4.0%	1.0%	5.0%

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.

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.

We are among the forming limited partners in a RBIC. Refer to Note 4 for additional discussion regarding this commitment.

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 2015 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 September 30, 2016 or December 31, 2015.

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 September 30, 2016				Nine months ended September 30, 2016
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		Total Losses
Impaired loans	**$ --**	**$ 14,428**	**$ --**	**$ 14,428**	**$ (8,837)**
Other property owned	**--**	**--**	**7,147**	**7,147**	**(811)**

	As of December 31, 2015				Nine months ended September 30, 2015
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		Total Losses
Impaired loans	$ --	$ 13,873	$ --	$ 13,873	$ (11,610)
Other property owned	--	--	7,662	7,662	(953)

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 8: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 9, 2016, 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.