As a part of a nationwide network, Farm Credit Mid-America serves operations of all scopes and sizes and brings forward knowledgeable solutions to our customers. Those same customers help us fulfill our purpose to secure the future of rural communities and agriculture. Take a moment to learn about some of our customers — those who help us live our core principles. Whether it’s the transfer of the farm from one generation to the next or making moves toward diversification, our customers continue to drive innovation throughout Indiana, Ohio, Kentucky and Tennessee.
LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

BILL JOHNSON
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The most important factor in the success of Farm Credit Mid-America is you, our customers. We are dedicated to working with you to secure the future of rural communities and agriculture, which means that, like you, we must anticipate the changes brought about by the cyclical nature of the agriculture business. 2017 demonstrated this well, reinforcing the fact that, together, we need to evolve in order to thrive. One thing that will not change is that Farm Credit remains committed to being a source of dependable credit, a knowledgeable resource and a proud investor in the future of agriculture.

ADAPTING WITH THE INDUSTRY
In an age where time is one of the most valuable commodities, it is critical that we make it possible for our customers to conduct business with us with ease. Over the past year, we focused on improving our processes and technology so that we can work with our customers efficiently and effectively. Building on the foundation of the quality teams that we have in place, we hired new team members with strong analytical, communication and strategic thinking skills in order to deliver improvements in your experience working with us.

PREPARING FOR THE FUTURE, TOGETHER
Promoting sustainability for our cooperative and our customers alike, we take a long-term view. Providing relevant, valuable resources for our customers and prioritizing the development of team members are both ways that Farm Credit is preparing for a successful future. Through the Growing Forward program, we offered five Know to Grow conferences, which allowed young, beginning and small farmers to increase their knowledge of farm profitability and performance. In November we held the second Insights Conference, which provided perspectives on leadership, business and agriculture. Throughout the year, we published Insights Reports and Financially Speaking videos, giving customers easy-to-access commentary on the latest trends affecting agricultural finance.

REFLECTING ON 2017
Our overall financial performance in 2017 was strong. Total assets reached $22.5 billion, while net income increased to $378.8 million. We are well-positioned to continue to serve you, our customers, in 2018 and beyond. This financial accomplishment also allows us to continue paying back to our eligible customers through our Patronage Program. Because of the capital levels we reached in 2017, we will be able to pay out a total of $87.9 million in 2018, an increase of 216% over 2017. As we enter into 2018, everyone at Farm Credit Mid-America is committed to working with you so that you may continue to stand strong, today and tomorrow. We thank you for your business and look forward to another successful year of working together to secure the future of rural communities and agriculture.

Bill Johnson
President and CEO
Through every cycle of agriculture, Farm Credit Mid-America’s commitment to our customers remains strong. As a cooperative, we are driven by our purpose – to secure the future of rural communities and agriculture. We have deep roots in our local communities and are governed by those that understand the ins and outs of this industry – farmers.

**COMMITTED TO LOCAL COMMUNITIES**

In our local communities we invest approximately $2 million annually in programs, scholarships and partnerships that support the next generation of agriculture and create stronger, more viable rural communities. Through the Farms to Food Banks program in 2017, nearly 500 team members volunteered at 30 farms and food banks across Kentucky and Tennessee, packaging over 43,000 pounds of produce and harvesting nearly 17,000 pounds of fruits and vegetables to feed families in need.

**INVESTING IN THE FUTURE**

The Association invested in young farmers through projects with Farm Bureau, Ivy Tech and Indiana Agrability and in future leaders through FFA, 4-H and the College Leaders Scholarship Program, a two-year program awarded annually to 20 college students pursuing a degree in agriculture in our four-state territory. Through this program, Farm Credit offers training in leadership development and financial education, a week-long learning and travel experience and an education scholarship. We invest in these students because we believe that they will soon be the leaders of this industry.

**CUSTOMER CONTROLLED, FINANCIALLY STRONG**

As a customer-controlled cooperative, this organization is governed by farmers – those who truly know and understand agriculture. A specific accomplishment last year was the first payout of our Patronage Program. Because of the financial strength and the capital levels we have achieved, we paid $27.8 million in patronage in 2017, and have approved $87.9 million for 2018.

On behalf of the Board of Directors, I thank you for your partnership and hope you will continue to join us in our work to secure the future of rural communities and agriculture.

Andrew Wilson
Chair of the Board of Directors
NAVIGATING THE FUTURE

Farm Credit Mid-America is built on cooperative principles. Each of these stories exemplifies the service and value offered through this cooperative. Read these accounts to see how our customers protect, innovate and thrive in their rural communities.

PURPOSE-DRIVEN

A Future for the Family Farm

NATIONWIDE NETWORK

Change Leads Brothers to Diversification

Cooperative Mindset Empowers Farmers and the Industry

Rooted in Our Community
Communities Rally to Fight Food Insecurity
With a clear purpose to secure the future of rural communities and agriculture, Farm Credit Mid-America has created a range of products that work for producers in all stages and sectors of farming.

Heather Hardy is no exception.

Heather and her three siblings are the sixth generation to operate their family farm in Gates, Tennessee. Along with working as a precision ag coordinator for a local equipment dealer, Heather helps manage the finances and day-to-day operations of her family’s farm alongside her dad, brother and husband. Heather joined her family’s operation after college graduation.

Heather’s family has been Farm Credit customers for many years. Growing up, her parents were very open about the inner workings of the operation – including the books.

From a young age, Heather watched the family’s financial officer come and go from various meetings and visits on the farm with her father, but didn’t participate in those conversations, only watching from the sidelines.

Although Heather was knowledgeable of the financial requirements of running a farming operation, she did not fully understand the nuances involved in working side-by-side with a financial partner until adulthood. She knew, however, that there were many moving parts – and a lot to consider – when making decisions necessary to run a successful farming business.

“Even though I come from a farm family, I wasn’t sure where to get started myself. My dad was always a part of those conversations and decisions,” she says. “Now that I’m back home and am becoming more involved in the family operation, it’s nice to know Farm Credit is there to walk me through the process as I go along.”

Farm Credit sets up all generations of farmers for success by providing them with the tools and knowledge necessary to operate the financial side of the business. Farm Credit also recognizes that young and beginning farmers who are starting out on their own may not have the resources or the line of credit necessary to take their first steps.

With the help of programs like Growing Forward, young farmers like Heather learn from industry specialists and develop thorough business plans. That way, they have the tools they need to make financially sound decisions that allow them to be successful from the beginning.

“You learn how to balance your checkbook and how to manage your bank account as you go through school, but running a farming operation takes much more than just that,” says Heather.

Working with the Farm Credit team gives Heather access to resources that otherwise may not have been available to her. She feels confident having a trusted ally on her journey. “When our names and our credit are on the line, having a Farm Credit loan officer walk beside us as we grow and learn in our operation is very reassuring.”

Now, Heather shares her knowledge of farming with other young, beginning farmers as a member of the Growing Forward advisory board. Heather and the rest of the advisory board make decisions that positively affect the next generation and help Farm Credit continue developing new generations of financially knowledgeable, confident farmers.

A Future for the Family Farm

Heather Hardy | Gates, Tennessee
“When our names and our credit are on the line, having a Farm Credit loan officer walk beside us as we grow and learn in our operation is very reassuring.”
Change Leads Brothers to Diversification
Taylor and Zac Jones | Warsaw, Kentucky

Taylor and Zac Jones were experimenting with the idea of going into farming when their grandpa came with an offer: two acres of tobacco and a couple rows of tomatoes in his garden.

These Kentucky brothers jumped at the chance to explore something out of the ordinary. Their first undertaking was to scale up their tomato production. But first, Taylor crunched the numbers.

“My farm management class at the University of Kentucky taught us to create budgets for crops,” says Taylor. “I did the budget for tomatoes and the profit margin per acre was unbelievable.”

The numbers proved profitable for the brothers and started their path to diversity. Today, Taylor and Zac grow a range of products on their Warsaw, Kentucky farm including tobacco, tomatoes, beef and a variety of vegetables.

“Whenver we get asked to grow something or have an idea of what we’d like to try, the first step is to do the math and see if it can be profitable and work well within our operation,” says Zac. Farm Credit Mid-America helps customers weigh decisions and determine if a new endeavor is a strong financial fit for their individual operations. Diversifying an existing operation can be challenging, but these Farm Credit customers use their sharp financial eye to evaluate every decision.

“If we can come up with a plan to make money, we’re willing to try just about anything,” adds Taylor. “We always try to be responsible with our ventures. With anything that’s new or relatively unknown, we try to keep our risk very low.”

Farm Credit’s nationwide network helps lower some risk for all customers. With one hundred years of experience, Farm Credit has a history of evolving with the industry and with its customers.

“One of our favorite parts of farming is the freedom to change at any moment,” says Zac.

Change has become standard for the Jones’ operation and will continue into the future. Last year, they added high-tunnel greenhouses to extend their tomato production season. Next, they plan to experiment with industrial hemp. Regardless of where they go, Taylor and Zac continue to follow their tried-and-true method: start small, take good notes and find the true potential.
“One of our favorite parts of farming is the freedom to change at any moment.”
While much of this report focuses on other stories from our past, this section features your financial future. From tax reform to rising interest rates, 2018 presents an impressive amount of financial changes and opportunities. Here’s what they mean for your operation.

First off, our ag economy is projected to stabilize. Strong yields in 2017 mean even more inventory in an already crowded market. It’s unlikely prices will increase significantly. Translation: continue to reduce costs and diversify your operation.

Secondly, margins will remain tight. Because our commodity markets will remain largely unchanged, we will continue to cope with leaner margins and tighter balance sheets. Translation: develop an operational strategy that will provide some padding for narrow margins.

Here’s how:
- Examine your break-even on a per bushel basis so you don’t leave money — or your profitability — on the table.
- Make sure your operation’s debt is structured appropriately. Equipment costs that aren’t maximized can leave a large dent in your balance sheet, and so can debt that’s not being used appropriately.
- Analyze production costs. Pay attention to both your variable cost ratio and your total cost of production. Generally, a healthy operation has less than 50 percent variable costs compared to the value of their production.

Interest rates are projected to rise by about .75 percent. However, long-term rates have not risen as quickly and currently remain relatively low. Translation: if your operation has any long-term, variable rate loans, now is the time to refinance in order to lock in current low rates.

Tax reform changed the rules for depreciation. From 2018 and beyond, you are able to write-off 100 percent of equipment depreciation in year one. Translation: when making major equipment purchases in 2018, work with both your lender and your financial advisor to understand your options. Each option has different implications for an operation’s tax liability and balance sheet.

Opportunities still exist. A down cycle can be an important time to look at approaches to improve the farm’s productivity and diversify your income. Translation: this is a great time to think about off-farm income to help offset certain losses. You may explore adding additional crops, like non-GMO beans or even a contract finishing barn to add stability.

Though the financial landscape for 2018 is complex, we can still be optimistic about the long-term performance of the ag economy. By carefully assessing the above factors, we can weather the current storm. Now is the best time to reach out to your lender or financial advisor with questions about your specific situation.
“Farmers should be optimistic about the long-term performance of the ag economy.”
In a part of the country where food is produced abundantly, it’s hard to imagine that 41 million people in the United States do not have access to the food they need to live comfortably. Perhaps more staggering, people in rural America are more likely than their urban counterparts to be part of that statistic.

Closing the gap between production and food security can’t happen overnight, but some farmers and local food banks are teaming up to do their part in their respective communities. Farm Credit Mid-America works with organizations throughout Indiana, Ohio, Kentucky and Tennessee to connect farmers with the food bank system and help solve food distribution challenges.

Through the efforts of organizations like Farms to Food Banks, the Hunger Initiative and Second Harvest Center, food banks in the four-state region distributed 45 million pounds of fresh produce to people in need last year.

Farms to Food Banks, for example, pairs farmers with food banks to harvest, package and distribute goods through the food bank network. More than 475 Farm Credit employees helped local communities gain 17 thousand pounds of fresh food by volunteering with the program last year.

These programs not only help food banks solve a need for fresh food, but also help Farm Credit customers reduce waste on their farms. Through these initiatives, farmers are able to donate produce that otherwise would be left in a field or turned into compost.

“The community's support has resulted in increased capacity of Kentucky’s food bank network to receive locally grown produce and protein,” says Tamara Sandberg, Executive Director for the Kentucky Association of Food Banks. “It's wonderful to have generous farmers and organizations like Farm Credit willing to make sure everyone has enough food to eat to live an active and healthy life.”

Scott Laguire, a Farm Credit financial officer and volunteer in Ohio, explains the impact of a network of farmers, food banks and volunteers: “You're taking what your customers produce, not letting that go to waste, and giving it to people who are extremely thankful and appreciative of it.”

At Farm Credit Mid-America, we’re proud to partner with farmers, protein producers and distributors across our territory to fight hunger and help fight food insecurity.
“You’re taking what your customers produce, not letting that go to waste, and giving it to people who are extremely thankful and appreciative of it.”
Cooperative Mindset Empowers Farmers and the Industry

Aubrey and Adam Bolender | Southern Ohio

For Aubrey and Adam Bolender, farming is a passion deeply ingrained in their Southern Ohio roots. That passion for agriculture was non-negotiable early in their relationship and one they are not giving up any time soon.

“When we started dating, the dealmaker was that we would farm together when we got married,” says Aubrey Bolender. “Agriculture has been part of both our lives since we were young.”

These Farm Credit Mid-America customers produce grain and run a small-scale beef operation not far from where Adam was raised. Like many farm families, the Bolenders have adjusted their business strategies to respond to the various twists and turns that agricultural life has thrown at them in recent years. One of the best decisions was forming Buckeye Valley Beef Cooperative in 2016.

The Bolenders share ownership in Buckeye Valley Beef Cooperative with Nethero Family Farms, run by Lori and Eric Nethero; and Parker Farm Red Angus, run by Ben Parker and Tricyn Hunstman.

Like Buckeye Valley Beef Cooperative, Farm Credit is a cooperative that serves its members. These cooperatives harness the might of shared resources to benefit their members. Throughout the industry, this collective strength works to the advantage of those committed to agricultural life.

“Cooperatives provide many benefits, including additional negotiating power with vendors, shared equipment responsibilities and the ability to bring a larger volume to the market,” says Adam Bolender.

A significant benefit of cooperatives is the broad knowledge base shared among their owner-members. For Farm Credit members, advisors with strong agricultural foundations can take a holistic view of the business, see paths for future growth and offer partnership to meet business goals. For Buckeye Valley, the same is true.

“The co-op has created a solid foundation of trusted peers and advisors,” says Ben Parker. “When one of us has an idea to improve our product, process or sales, we have a network I can trust to do what is best for the whole.”

That united trust is established and amplified by each member’s personal stake in the health and growth of the business. Members of cooperatives want to see each other succeed; it’s a fundamental quality of the collective business model.

Cooperatives like Farm Credit and Buckeye Valley Beef Cooperative share far more than their common cooperative benefits; the members also share that common passion for agriculture and local farms.

“Even with the difficult decisions and challenges farming can bring, we know we’re doing what we want to do,” adds Aubrey Bolender. “We’re happy out in the field; we’re happy feeding calves. You can’t beat that feeling you get from watching the seeds you planted produce a crop, or the calves you’ve seen since birth grow into healthy, finished steers. It’s the most fulfilling work I’ve ever done.”
“When one of us has an idea to improve our product, process or sales, we have a network I can trust to do what is best for the whole.”
LEADERSHIP

BOARD OF DIRECTORS

Andrew Wilson, Chair  
Somerset, OH

John Kuegel Jr., Vice Chair  
Owensboro, KY

Brandon Robbins, Secretary  
Cookeville, TN

Hugh Adams  
Dresden, TN

David Bates  
Shepherdsville, KY

Donald Blankenship  
Murfreesboro, TN

Dwain Cottingham  
Attica, IN

Mary Courtney  
Bagdad, KY

Lowell Hill  
DeGraff, OH

Dale Tucker  
Greeneville, TN

Rachael Vonderhaar  
Camden, OH

Kaye Hurst Whitehead  
Muncie, IN

Tony Wolfe  
Hazleton, IN

Barney Barnett*  
Shelbyville, KY

Steven Bush*  
Clermont, FL

Shari Rogge-Fidler*  
Bloomington, IN

For additional information on the Board of Directors and the Executive Leadership team, see page 82.

EXECUTIVE LEADERSHIP TEAM

Bill Johnson  
President – Chief Executive Officer

Steve Allard  
Executive Vice President – Chief Credit Officer

Gordon Hanson  
Senior Vice President – Chief Risk Officer

Keith Lane  
Executive Vice President – Chief Lending Officer

Heather Vidourek  
Senior Vice President – Human Capital

Dan Wagner  
Executive Vice President – Chief Financial and Information Officer

*Appointed Directors
**PERMANENT CAPITAL RATIO**

- **2013:** 15.9%
- **2014:** 16.8%
- **2015:** 17.6%
- **2016:** 17.6%
- **2017:** 19.8%

**RETURN ON AVERAGE ASSETS (AFTER TAX)**

- **2013:** 1.6%
- **2014:** 1.6%
- **2015:** 1.3%
- **2016:** 1.3%
- **2017:** 1.7%

**LOANS (OWNED ONLY)**

- **2013:** $17.7
- **2014:** $18.8
- **2015:** $20.0
- **2016:** $20.5
- **2017:** $20.3

**TOTAL (OWNED AND MANAGED) ASSETS**

- **2013:** $20.7
- **2014:** $21.4
- **2015:** $22.6
- **2016:** $23.0
- **2017:** $22.8
### Consolidated Five-Year Summary of Selected Financial Data

(Dollars in thousands)

#### Statement of Condition Data

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$20,317,926</td>
<td>$20,475,014</td>
<td>$20,003,514</td>
<td>$18,775,989</td>
<td>$17,669,775</td>
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<tr>
<td>Allowance for loan losses</td>
<td>103,658</td>
<td>94,746</td>
<td>62,861</td>
<td>47,661</td>
<td>46,810</td>
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<td>Net loans</td>
<td>$20,214,268</td>
<td>$20,380,268</td>
<td>$19,940,633</td>
<td>$18,728,328</td>
<td>$17,622,965</td>
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<tr>
<td>Investment in AgriBank, FCB</td>
<td>441,703</td>
<td>441,703</td>
<td>430,198</td>
<td>409,076</td>
<td>448,181</td>
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<td>Investment securities</td>
<td>1,242,448</td>
<td>1,195,681</td>
<td>1,067,001</td>
<td>1,038,343</td>
<td>1,227,018</td>
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<tr>
<td>Other property owned</td>
<td>5,479</td>
<td>6,483</td>
<td>7,367</td>
<td>9,322</td>
<td>10,495</td>
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<tr>
<td>Other assets</td>
<td>568,491</td>
<td>587,817</td>
<td>639,686</td>
<td>645,654</td>
<td>723,716</td>
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<tr>
<td>Total assets</td>
<td>$22,472,389</td>
<td>$22,611,952</td>
<td>$22,104,885</td>
<td>$20,830,723</td>
<td>$20,032,375</td>
</tr>
<tr>
<td>Obligations with maturities of one year or less</td>
<td>$301,362</td>
<td>$18,438,167</td>
<td>$18,199,211</td>
<td>$17,204,330</td>
<td>$16,717,120</td>
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<tr>
<td>Obligations with maturities greater than one year</td>
<td>17,709,391</td>
<td>1,183</td>
<td>1,335</td>
<td>1,593</td>
<td>1,818</td>
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<tr>
<td>Total liabilities</td>
<td>$18,010,783</td>
<td>$18,439,350</td>
<td>$18,200,546</td>
<td>$17,205,923</td>
<td>$16,718,938</td>
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<tr>
<td>Capital stock and participation certificates</td>
<td>81,474</td>
<td>84,561</td>
<td>86,504</td>
<td>85,982</td>
<td>85,693</td>
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<tr>
<td>Unallocated surplus</td>
<td>4,381,202</td>
<td>4,088,041</td>
<td>3,817,835</td>
<td>3,538,818</td>
<td>3,227,744</td>
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<tr>
<td>Accumulated other comprehensive loss</td>
<td>(1,040)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Total members’ equity</td>
<td>4,461,636</td>
<td>4,172,602</td>
<td>3,904,339</td>
<td>3,824,800</td>
<td>3,313,437</td>
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<tr>
<td>Total liabilities and members’ equity</td>
<td>$22,472,389</td>
<td>$22,611,952</td>
<td>$22,104,885</td>
<td>$20,830,723</td>
<td>$20,032,375</td>
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For the year ended December 31

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<td>Net interest income</td>
<td>$470,177</td>
<td>$444,302</td>
<td>$432,403</td>
<td>$416,622</td>
<td>$391,875</td>
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<tr>
<td>Provision for (reversal of) credit losses</td>
<td>23,169</td>
<td>38,818</td>
<td>30,548</td>
<td>10,328</td>
<td>(3,031)</td>
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<tr>
<td>Other expenses, net</td>
<td>(68,192)</td>
<td>(105,252)</td>
<td>(122,838)</td>
<td>(95,220)</td>
<td>(86,507)</td>
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<tr>
<td>Net income</td>
<td>$378,816</td>
<td>$300,232</td>
<td>$279,017</td>
<td>$311,074</td>
<td>$308,399</td>
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</tbody>
</table>

### Key Financial Ratios

#### For the Year

- Return on average assets: 1.7% 1.3% 1.3% 1.6% 1.6%
- Return on average members’ equity: 8.8% 7.4% 7.4% 9.0% 9.8%
- Net interest income as a percentage of average earning assets: 2.2% 2.1% 2.2% 2.2% 2.1%
- Net charge-offs as a percentage of average loans: 0.1% 0.0% 0.1% 0.1% 0.1%

#### At Year End

- Members’ equity as a percentage of total assets: 19.9% 18.5% 17.7% 17.4% 16.5%
- Allowance for loan losses as a percentage of loans: 0.5% 0.5% 0.3% 0.3% 0.3%

#### Capital Ratios effective beginning January 1, 2017:

- Permanent capital ratio: 19.8% N/A N/A N/A N/A
- Common equity tier 1 ratio: 19.7% N/A N/A N/A N/A
- Tier 1 capital ratio: 19.7% N/A N/A N/A N/A
- Total capital ratio: 20.3% N/A N/A N/A N/A
- Tier 1 leverage ratio: 18.3% N/A N/A N/A N/A

#### Capital Ratios effective prior to 2017:

- Permanent capital ratio: N/A 17.6% 17.0% 16.8% 15.9%
- Total surplus ratio: N/A 17.2% 16.6% 16.3% 15.4%
- Core surplus ratio: N/A 17.2% 16.6% 16.3% 15.4%

### Net Income Distributed

#### During the Year

Patronage distributions:

- Cash: $27,781 $— $— $— $— $—
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 Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2018, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 69 customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its district associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Due to the nature of our financial relationship with 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, contact us at:

Farm Credit Mid-America, ACA
P.O Box 34390
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(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

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year.

The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as “anticipate,” “believe,” “estimate,” “may,” “expect,” “intend,” “outlook,” and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad.
- Economic fluctuations in the agricultural and farm-related business sectors.
- Unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income.
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions.
- Actions taken by the Federal Reserve System in implementing monetary policy.
- Credit, interest rate, and liquidity risks inherent in our lending activities.
- Changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements.

AGRICULTURAL AND ECONOMIC CONDITIONS

The United States Department of Agriculture (USDA) anticipates farm sector profitability to stabilize after three consecutive years of decline, as net farm income is forecast at $63.2 billion (up 2.7%). Net cash farm income is expected to increase as well with the forecast at $966.9 billion (up 3.9%). Cash receipts are expected to increase $8.6 billion (up 2.4%). The improvement is attributed to a 7.6% increase in animal/animal products receipts. Dairy, poultry/egg, hog, and cattle receipts are also contributing to the improvement, with both higher sales prices and quantities sold. These improvements are offsetting a forecasted
NAVIGATING THE FUTURE

MANAGEMENT’S DISCUSSION AND ANALYSIS

$3.8 billion (down 2.0%) decline in crop receipts. Direct government farm payments are forecast to decline $1.8 billion (down 13.8%) in 2017 to $11.2 billion as there are significant reductions in Agricultural Risk Coverage payments. The USDA forecasts farm asset values to increase by $811.1 billion (up 2.7%) after falling in 2016. Farm debt is forecast to increase by $111.0 billion, with a resulting $701.1 billion (up 2.7%) increase in farm sector equity. The asset value increase is driven by an increase in the value of farm real estate (up 3.3%). The increase in farm debt is driven by higher real estate debt (up 4.6%), which has been a consistent driver from 2016. Yields have been strong and are expected to be comparable or slightly more favorable than 2016 based on November 2017 USDA forecasts. However, these strong yields continue to provide limited relief to the weaker margins. The USDA notes that most farm households earn positive off-farm income, and this will continue to provide support for those producers as median off-farm income is forecast to increase to $68 thousand (up 2.3%). Source: “Highlights From the November 2017 Farm Income Forecast”, USDA Economic Research Service (ERS).

LOAN PORTFOLIO
Total loans were $20.3 billion at December 31, 2017, a decrease of $1.571 million from December 31, 2016.

Components of Loans ($ in thousands)

<table>
<thead>
<tr>
<th>LOAN TYPE</th>
<th>AS OF DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Accrual loans:</td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$138,118,902</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>3,577,254</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1,443,578</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>896,832</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>307,636</td>
</tr>
<tr>
<td>Non-accrual loans</td>
<td>320,724</td>
</tr>
<tr>
<td>Total loans</td>
<td>$20,317,826</td>
</tr>
</tbody>
</table>

The Finance leases and other category is primarily comprised of finance leases, communication, energy, and international-related loans, as well as certain assets originated under our mission-related investment authority.

The decrease in total loans from December 31, 2016, was primarily related to fewer loan originations and draws on existing loans across various segments of the portfolio.

We offer variable, fixed, capped, indexed, and adjustable interest rate loans and variable and fixed rate lease programs to our borrowers. We determine interest margins charged on each lending program based on the cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

As part of the AgriBank Asset Pool program, we have sold participation interests in real estate loans to AgriBank. The total participation interests in this program was $224.3 million, $279.2 million, and $352.9 million at December 31, 2017, 2016, and 2015, respectively.

PORTFOLIO DISTRIBUTION

Geographical Distribution

<table>
<thead>
<tr>
<th>GEOGRAPHIC DISTRIBUTION</th>
<th>AS OF DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Indiana</td>
<td>26.5%</td>
</tr>
<tr>
<td>Ohio</td>
<td>24.4%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>17.5%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>14.0%</td>
</tr>
<tr>
<td>Other</td>
<td>17.6%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Agricultural Concentrations

<table>
<thead>
<tr>
<th>AGRICULTURAL CONCENTRATIONS</th>
<th>AS OF DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Corn and soybeans</td>
<td>24.7%</td>
</tr>
<tr>
<td>Other crops</td>
<td>21.3%</td>
</tr>
<tr>
<td>Cattle</td>
<td>12.3%</td>
</tr>
<tr>
<td>Landlords</td>
<td>8.9%</td>
</tr>
<tr>
<td>Other livestock</td>
<td>6.3%</td>
</tr>
<tr>
<td>Processing and marketing</td>
<td>6.1%</td>
</tr>
<tr>
<td>Timber</td>
<td>4.3%</td>
</tr>
<tr>
<td>Dairy</td>
<td>4.2%</td>
</tr>
<tr>
<td>Rural home</td>
<td>4.1%</td>
</tr>
<tr>
<td>Poultry and eggs</td>
<td>3.5%</td>
</tr>
<tr>
<td>Other</td>
<td>4.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Commodities are based on the borrower’s primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Consistent with prior years, the majority of our loan portfolio is fixed interest rates with original terms greater than five years.

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 December 31, 2017, from 3.5% of the portfolio at December 31, 2016. Adversely classified loans are loans we have identified as showing some credit...
was primarily due to the increase in non-accrual loans as discussed have not recognized any impairment on our investment portfolio. The investment portfolio is evaluated for other-than-temporary accruing status. The increase in total delinquencies as a percentage of total loans was primarily due to disciplined servicing of delinquent accounts. The slight increase in accruing loans 90 days or more past due was primarily due to reduced agriculture commodity prices which strain net farm incomes.

RISK ASSETS

Components of Risk Assets

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>As of December 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-accrual restructured</td>
<td>18,964</td>
<td>17,079</td>
<td>15,319</td>
<td></td>
</tr>
<tr>
<td>Accruing loans 90 days or more past due</td>
<td>440</td>
<td>283</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total risk loans</td>
<td>340,128</td>
<td>263,818</td>
<td>213,804</td>
<td></td>
</tr>
<tr>
<td>Other property owned</td>
<td>5,479</td>
<td>6,483</td>
<td>7,367</td>
<td></td>
</tr>
<tr>
<td>Total risk assets</td>
<td>$345,607</td>
<td>$270,301</td>
<td>$221,171</td>
<td></td>
</tr>
</tbody>
</table>

Total risk loans as a percentage of total loans: 1.7% 1.3% 1.1%
Non-accrual loans as a percentage of total loans: 1.6% 1.2% 1.0%
Current non-accrual loans as a percentage of total non-accrual loans: 67.0% 68.7% 63.2%
Total delinquencies as a percentage of total loans: 0.7% 0.6% 0.5%

Our risk assets increased from December 31, 2016, 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 a result of the challenging earnings environment in agriculture. Non-accrual loans remained at an acceptable level at December 31, 2017, 2016, and 2015.

The increase in accruing restructured loans was primarily due to continuing efforts to restructure financially challenged accounts.

The slight increase in accruing loans 90 days or more past due was primarily due to disciplined servicing of delinquent accounts. 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, accruing loans 90 days or more past due were eligible to remain in accruing status.

The increase in total delinquencies as a percentage of total loans was primarily due to the increase in non-accrual loans as discussed above. Despite the increase in risk assets, total risk loans as a percentage of total loans remains well within our established risk management capacity.

The decline in other property owned is primarily due to a continued focused effort to liquidate acquired properties, as well as a slowdown in the number of properties transferred to other property owned.

ALLOWANCE FOR LOAN LOSSES

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

Allowance Coverage Ratios

<table>
<thead>
<tr>
<th>As of December 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance as a percentage of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Non-accrual loans</td>
<td>32.3%</td>
<td>38.4%</td>
<td>31.7%</td>
</tr>
<tr>
<td>Total risk loans</td>
<td>30.5%</td>
<td>35.9%</td>
<td>29.4%</td>
</tr>
<tr>
<td>Net charge-offs as a percentage of average loans</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Adverse assets to risk funds</td>
<td>20.0%</td>
<td>19.5%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

Note: Risk funds includes permanent capital and allowance for loan losses.

The increase in allowance for loan losses is a result of the challenging agricultural economic environment and continued stress due to continued historically low net farm income. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2017.

Additional loan information is included in Notes 3, 11, 12, and 13 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities. Investment securities totaled $91.2 billion, $91.2 billion, and $91.1 billion at December 31, 2017, 2016, and, 2015, respectively. Our investment securities primarily consisted of securities containing loans guaranteed by the Small Business Administration, as well as Farm Services Administration securities and securities issued by the USDA.

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2017, 2016, and 2015, we have not recognized any impairment on our investment portfolio.
MANAGEMENT’S DISCUSSION AND ANALYSIS

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $32.5 million, with varying commitment end dates through September 2021. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs totaled $11.9 million, $7.5 million, and $4.2 million at December 31, 2017, 2016, and 2015, respectively.

The investments were evaluated for impairment. For the years ended December 31, 2017, 2016, and 2015, we have not recognized any impairment on these investments.

Additional other investments information is included in Note 6 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$378,816</td>
<td>$300,232</td>
<td>$279,017</td>
<td></td>
</tr>
<tr>
<td>Return on average assets</td>
<td>1.69%</td>
<td>1.35%</td>
<td>1.33%</td>
<td></td>
</tr>
<tr>
<td>Return on average members’ equity</td>
<td>8.77%</td>
<td>7.42%</td>
<td>7.40%</td>
<td></td>
</tr>
</tbody>
</table>

Changes presented in the chart above relate directly to:
- Changes in income discussed below.
- Changes in assets discussed in the Loan Portfolio, Investment Securities, and Other Investments sections.
- Changes in capital discussed in the Capital Adequacy section.

Changes in Significant Components of Net Income

<table>
<thead>
<tr>
<th>[In thousands]</th>
<th>For the year ended December 31</th>
<th>Increase (decrease) in net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>$470,177</td>
<td>$444,302</td>
</tr>
<tr>
<td>Provision for credit losses</td>
<td>23,169</td>
<td>30,548</td>
</tr>
<tr>
<td>Patronage income</td>
<td>101,711</td>
<td>52,861</td>
</tr>
<tr>
<td>Other income, net</td>
<td>41,197</td>
<td>56,392</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>232,021</td>
<td>224,884</td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>(20,921)</td>
<td>7,207</td>
</tr>
<tr>
<td>Net income</td>
<td>$378,816</td>
<td>$300,232</td>
</tr>
</tbody>
</table>

Net interest income included income on non-accrual loans that totaled $12.4 million, $11.8 million, and $11.4 million in 2017, 2016, and 2015, respectively. Non-accrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.2%, 2.1%, and 2.2% in 2017, 2016, and 2015, respectively. The change in net interest margin is primarily related to a reduction in the cost of funds related to our note payable as well as an increase in the proportion of assets funded by unallocated surplus. Margins may compress in the future if interest rates continue to rise and competition increases.

PROVISION FOR CREDIT LOSSES

The fluctuation in the provision for credit losses was related to our estimate of losses in our portfolio for the applicable years as well as a methodology change in 2016 resulting in a one-time increase. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.
PATRONAGE INCOME

We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from other Farm Credit Institutions are declared solely at the discretion of each institution’s Board of Directors. Patronage and equalization distributions for the programs discussed below are declared solely at the discretion of AgriBank’s Board of Directors.

Patronage Income

<table>
<thead>
<tr>
<th>Patronage Income (IN THOUSANDS)</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale patronage</td>
<td>$92,644</td>
<td>$71,412</td>
<td>$44,285</td>
<td></td>
</tr>
<tr>
<td>Equalization income</td>
<td>82</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Asset pool patronage</td>
<td>5,819</td>
<td>6,434</td>
<td>8,156</td>
<td></td>
</tr>
<tr>
<td>AgDirect partnership distribution</td>
<td>2,795</td>
<td>1,513</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Farm Credit institutions</td>
<td>431</td>
<td>391</td>
<td>420</td>
<td></td>
</tr>
<tr>
<td>Total patronage income</td>
<td>$101,711</td>
<td>$79,750</td>
<td>$52,861</td>
<td></td>
</tr>
</tbody>
</table>

Wholesale patronage income is based on the average balance of our note payable to AgriBank. The patronage rates were 45.0 basis points, 25.6 basis points, and 26.0 basis points in 2017, 2016, and 2015, respectively. The increase in the patronage rate in 2017 was primarily due to a change in AgriBank’s capital plan effective July 1, 2017. The capital plan was modified to pay out 100% of net earnings beginning in 2017. Previously 50% of net earnings was paid. See the Relationship with AgriBank section for further discussion on patronage income.

Equalization is determined based on the quarterly average balance of stock in excess of our AgriBank required investment. Prior to 2017, we earned equalization on any stock investment in AgriBank required to be held when our growth exceeded a targeted growth rate. The equalization rate is targeted at the average cost of funds for all District associations as a group.

Since 2008, we have participated in the AgriBank Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program, we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans, as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume.

We also received a partnership distribution resulting from our participation in the AgDirect trade credit financing program. The AgDirect trade credit financing program is facilitated by another AgriBank District association through a limited liability partnership (AgDirect, LLP), in which we are a partial owner. AgriBank purchases a 100% participation interest in the program loans from AgDirect, LLP. Patronage distributions are paid to AgDirect, LLP, which in turn pays partnership distributions to the participating associations. We received a partnership distribution in an amount that approximated our share of the net earnings of the loans in the program, adjusted for required capital, servicing, and origination fees. No partnership distributions were received in 2015.

OTHER INCOME, NET

Other income, net remained relatively stable in 2017 compared to 2016. The change was primarily related to decreases in fee income and increases in other property owned losses, net in 2017, which was offset by increases in operating lease income and financially related services income.

OPERATING EXPENSES

Components of Operating Expenses

<table>
<thead>
<tr>
<th>COMPONENT OF OPERATING EXPENSES</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and employee benefits</td>
<td>$142,832</td>
<td>$140,843</td>
<td>$140,773</td>
<td></td>
</tr>
<tr>
<td>Purchased and vendor services</td>
<td>13,925</td>
<td>13,371</td>
<td>12,045</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>3,962</td>
<td>4,225</td>
<td>4,741</td>
<td></td>
</tr>
<tr>
<td>Occupancy and equipment</td>
<td>15,502</td>
<td>16,277</td>
<td>15,456</td>
<td></td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>8,849</td>
<td>10,245</td>
<td>11,506</td>
<td></td>
</tr>
<tr>
<td>Examination</td>
<td>3,581</td>
<td>3,307</td>
<td>2,864</td>
<td></td>
</tr>
<tr>
<td>Farm Credit System insurance</td>
<td>26,180</td>
<td>30,208</td>
<td>22,097</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>16,190</td>
<td>16,450</td>
<td>15,402</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$232,021</td>
<td>$234,926</td>
<td>$224,884</td>
<td></td>
</tr>
<tr>
<td>Operating rate</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td></td>
</tr>
</tbody>
</table>

The Farm Credit System insurance expense decreased in 2017 primarily due to a lower premium rate charged by FCSIC on accrual loans from 16 basis points for the first half and 18 basis points for the second half of 2016 to 15 basis points for the calendar year 2017. The FCSIC has announced premiums will decrease to 9 basis points for 2018. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

(BENEFIT FROM) PROVISION FOR INCOME TAXES

The variance in (benefit from) provision for income taxes was related to our estimate of taxes based on taxable income. The increase in the tax benefit is a result of the updated statutory tax rates used in the valuation of our deferred tax liabilities. Additionally, taxable income was further reduced in 2017 by an increase in patronage distributions.
MANAGEMENT’S DISCUSSION AND ANALYSIS

Additional discussion is included in Note 9 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 7 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2017, we had $5.4 billion available under our line of credit. We generally apply excess cash to this line of credit.

Note Payable Information

[DOLLARS IN THOUSANDS]
FOR THE YEAR ENDED DECEMBER 31 2017 2016 2015
Average balance $17,786,812 $18,016,273 $17,032,390
Average interest rate 2.2% 2.1% 2.0%

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.

CAPITAL ADEQUACY

Total members’ equity was $4.5 billion, $4.2 billion, and $3.9 billion at December 31, 2017, 2016, and 2015, respectively. Total members’ equity increased $269.0 million from December 31, 2016, primarily due to net income for the year partially offset by patronage distribution accruals. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio, Investment Securities, and Other Investments sections for further discussion of the changes in assets. Additional members’ equity information is included in Note 8 to the accompanying Consolidated Financial Statements.

The 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.

Regulatory Capital Requirements and Ratios

<table>
<thead>
<tr>
<th>AS OF DECEMBER 31</th>
<th>2017</th>
<th>Regulatory Minimums</th>
<th>Capital Conservation Buffer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-adjusted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common equity tier 1 ratio</td>
<td>19.7%</td>
<td>4.5%</td>
<td>2.5%*</td>
<td>7.0%</td>
</tr>
<tr>
<td>Tier 1 capital ratio</td>
<td>19.7%</td>
<td>6.0%</td>
<td>2.5%*</td>
<td>8.5%</td>
</tr>
<tr>
<td>Total capital ratio</td>
<td>20.3%</td>
<td>8.0%</td>
<td>2.5%*</td>
<td>10.5%</td>
</tr>
<tr>
<td>Permanent capital ratio</td>
<td>19.8%</td>
<td>7.0%</td>
<td>N/A</td>
<td>7.0%</td>
</tr>
<tr>
<td>Non-risk-adjusted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 leverage ratio</td>
<td>18.3%</td>
<td>4.0%</td>
<td>1.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Unallocated retained earnings and equivalents leverage ratio</td>
<td>18.4%</td>
<td>1.5%</td>
<td>N/A</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

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

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Additional discussion of these regulatory ratios is included in Note 8 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2017, our optimum total capital target range was 14% to 19%, as defined in our 2018 capital plan.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio, Investment Securities, and Other Investments sections for further discussion of the changes in assets. Additional members’ equity information is included in Note 8 to the accompanying Consolidated Financial Statements. Refer to Note 9 in our Annual Report for the year ended December 31, 2016, for a more complete description of the ratios effective as of December 31, 2016, and 2015. We were in compliance with the minimum required capital ratios as of December 31, 2016, and 2015.

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.
RELATIONSHIP WITH AGRIBANK

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 7 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA 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.

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank’s Asset Liability Committee.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 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.

We are also required to hold AgriBank stock related to our participation in the AgriBank Asset Pool Program. As of December 31, 2017, we were required to hold the greater of 8.0% of the quarter-end balance in the program, or 2.0% of the initial balance of loans sold into the program.

At December 31, 2017, our investment in AgriBank was $441.7 million, of which, $338.1 million consisted of stock representing distributed AgriBank surplus and $103.6 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program’s outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

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.

We receive different types of discretionary patronage from AgriBank. Beginning in 2017, patronage income earned may be paid in cash and AgriBank stock. Patronage income for 2017, 2016, and 2015 was paid in the form of cash. AgriBank’s Board of Directors sets the level of:
- Wholesale patronage which includes:
  - Patronage on our note payable with AgriBank.
  - Equalization patronage based on our excess stock in AgriBank.
  - Patronage based on the balance and net earnings of loans in the AgriBank Asset Pool program.
  - Partnership distribution based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees.

PURCHASED SERVICES

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services.

The total cost of services we purchased from AgriBank was $4.7 million, $5.0 million, and $4.8 million in 2017, 2016, and 2015, respectively.

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 and will be named SunStream Business Services (SunStream). An application to form the service entity was submitted in May 2017 to the FCA for approval.
MANAGEMENT’S DISCUSSION AND ANALYSIS

IMPACT ON MEMBERS’ INVESTMENT
Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members’ investment.

OTHER RELATIONSHIPS AND PROGRAMS
RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS
Farm Credit Leasing: We have an agreement with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $321 thousand, $232 thousand, and $155 thousand at December 31, 2017, 2016, and 2015, respectively.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), which involves purchasing human resource information systems, and benefit, payroll, and workforce management services. As of December 31, 2017, 2016 and 2015, our investment in Foundations was $113 thousand. The total cost of services we purchased from Foundations was $856 thousand, $846 thousand, and $778 thousand in 2017, 2016, and 2015, respectively.

Rural Business Investment Company: We and other Farm Credit Institutions are among the limited partners for RBICs. Refer to the Other Investments section for further discussion.

Farm Credit Services of America: We have a relationship with Farm Credit Services of America, a Farm Credit association headquartered in Nebraska, which involves partnering on agriculture purpose loan origination systems.

UNINCORPORATED BUSINESS ENTITIES (UBEs)
In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $31.0 million, $27.9 million, and $22.4 million at December 31, 2017, 2016, and 2015, respectively.

PROGRAMS
We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBEs section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members’ revolving lines of credit with an AgriBank investment bond to optimize members’ use of funds.
REPORT OF MANAGEMENT

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

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

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

The undersigned certify we have reviewed the Association’s Annual Report, which has been prepared 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 and Information Officer
Farm Credit Mid-America, ACA

March 15, 2018
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Association’s management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2017. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the “COSO” criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2017, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2017.

WILLIAM L. JOHNSON
President and Chief Executive Officer
Farm Credit Mid-America, ACA

DANIEL WAGNER
Executive Vice President — Chief Financial and Information Officer
Farm Credit Mid-America, ACA

March 15, 2018
REPORT OF AUDIT COMMITTEE

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

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

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2017, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, The Auditor’s Communication with Those Charged with Governance, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

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

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2017.

DONALD BLANKENSHIP
Chair of the Audit Committee
Farm Credit Mid-America, ACA

Audit Committee Members:
Shari Rogge-Fidler
Tony G. Wolfe
Rachael M. Vonderhaar

March 15, 2018
To the Board of Directors of Farm Credit Mid-America, ACA,

We have audited the accompanying Consolidated Financial Statements of Farm Credit Mid-America, ACA and its subsidiaries (the Association), which comprise the consolidated statements of condition as of December 31, 2017, 2016, and 2015, and the related consolidated statements of income, changes in members’ equity and cash flows for the years then ended.

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

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

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

Opinion
In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of Farm Credit Mid-America, ACA and its subsidiaries as of December 31, 2017, 2016, and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 15, 2018
### CONSOLIDATED STATEMENTS OF CONDITION

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$20,317,926</td>
<td>$20,475,014</td>
<td>$20,003,514</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>103,688</td>
<td>94,746</td>
<td>62,881</td>
</tr>
<tr>
<td>Net loans</td>
<td>20,214,238</td>
<td>20,380,268</td>
<td>19,940,633</td>
</tr>
<tr>
<td>Investment in AgriBank, FCB</td>
<td>441,703</td>
<td>441,703</td>
<td>430,198</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1,242,448</td>
<td>1,195,681</td>
<td>1,087,001</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>180,246</td>
<td>167,642</td>
<td>155,738</td>
</tr>
<tr>
<td>Other property owned</td>
<td>5,479</td>
<td>6,483</td>
<td>7,367</td>
</tr>
<tr>
<td>Assets held for lease, net</td>
<td>173,059</td>
<td>234,492</td>
<td>322,818</td>
</tr>
<tr>
<td>Other assets</td>
<td>215,186</td>
<td>185,683</td>
<td>161,130</td>
</tr>
<tr>
<td>Total assets</td>
<td>$22,472,389</td>
<td>$22,611,952</td>
<td>$22,104,885</td>
</tr>
</tbody>
</table>

#### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable to AgriBank, FCB</td>
<td>$17,708,345</td>
<td>$18,148,415</td>
<td>$17,939,263</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>100,160</td>
<td>95,499</td>
<td>86,296</td>
</tr>
<tr>
<td>Deferred tax liabilities, net</td>
<td>36,388</td>
<td>78,833</td>
<td>103,049</td>
</tr>
<tr>
<td>Patronage distribution payable</td>
<td>87,900</td>
<td>30,026</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>77,960</td>
<td>86,577</td>
<td>71,938</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$18,010,753</td>
<td>$18,439,350</td>
<td>$18,200,546</td>
</tr>
</tbody>
</table>

#### Contingencies and commitments (Note 12)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
</table>

#### MEMBERS’ EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock and participation certificates</td>
<td>81,474</td>
<td>84,561</td>
<td>86,504</td>
</tr>
<tr>
<td>Unallocated surplus</td>
<td>4,381,202</td>
<td>4,088,041</td>
<td>3,817,835</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(1,040)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total members’ equity</td>
<td>4,461,636</td>
<td>4,172,602</td>
<td>3,904,339</td>
</tr>
<tr>
<td>Total liabilities and members’ equity</td>
<td>$22,472,389</td>
<td>$22,611,952</td>
<td>$22,104,885</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these Consolidated Financial Statements.
### CONSOLIDATED STATEMENTS OF INCOME

#### [IN THOUSANDS]

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td>$862,718</td>
<td>$828,203</td>
<td>$764,724</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>392,541</td>
<td>383,901</td>
<td>332,321</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>470,177</td>
<td>444,302</td>
<td>432,403</td>
</tr>
<tr>
<td><strong>Provision for credit losses</strong></td>
<td>23,169</td>
<td>38,818</td>
<td>30,548</td>
</tr>
<tr>
<td><strong>Net interest income after provision for credit losses</strong></td>
<td>447,008</td>
<td>405,484</td>
<td>401,855</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patronage income</td>
<td>101,711</td>
<td>79,750</td>
<td>52,861</td>
</tr>
<tr>
<td>Financially related services income</td>
<td>10,834</td>
<td>9,875</td>
<td>9,874</td>
</tr>
<tr>
<td>Fee income</td>
<td>28,807</td>
<td>35,796</td>
<td>37,972</td>
</tr>
<tr>
<td>Operating lease income (loss)</td>
<td>4,601</td>
<td>(1,547)</td>
<td>10,465</td>
</tr>
<tr>
<td>Other property owned losses, net</td>
<td>(2,827)</td>
<td>(1,257)</td>
<td>(2,521)</td>
</tr>
<tr>
<td>Miscellaneous (loss) income, net</td>
<td>(318)</td>
<td>141</td>
<td>602</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>142,908</td>
<td>122,758</td>
<td>109,253</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>142,832</td>
<td>140,843</td>
<td>140,773</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>89,189</td>
<td>94,083</td>
<td>84,111</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>232,021</td>
<td>234,926</td>
<td>224,884</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>357,895</td>
<td>293,316</td>
<td>286,224</td>
</tr>
<tr>
<td><strong>(Benefit from) provision for income taxes</strong></td>
<td>(20,921)</td>
<td>(6,916)</td>
<td>7,207</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$378,816</td>
<td>$300,232</td>
<td>$279,017</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these Consolidated Financial Statements.
### CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS’ EQUITY

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>Capital Stock and Participation Certificates</th>
<th>Unallocated Surplus</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total Members’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2014</strong></td>
<td>$85,982</td>
<td>$3,538,818</td>
<td>$—</td>
<td>$3,624,800</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>279,017</td>
<td>—</td>
<td>279,017</td>
</tr>
<tr>
<td>Capital stock and participation certificates issued</td>
<td>6,305</td>
<td>—</td>
<td>—</td>
<td>6,305</td>
</tr>
<tr>
<td>Capital stock and participation certificates retired</td>
<td>(5,783)</td>
<td>—</td>
<td>—</td>
<td>(5,783)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2015</strong></td>
<td>86,504</td>
<td>3,817,835</td>
<td>—</td>
<td>3,904,339</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>300,232</td>
<td>—</td>
<td>300,232</td>
</tr>
<tr>
<td>Unallocated surplus designated for patronage distributions</td>
<td>—</td>
<td>(30,026)</td>
<td>—</td>
<td>(30,026)</td>
</tr>
<tr>
<td>Capital stock and participation certificates issued</td>
<td>4,399</td>
<td>—</td>
<td>—</td>
<td>4,399</td>
</tr>
<tr>
<td>Capital stock and participation certificates retired</td>
<td>(6,342)</td>
<td>—</td>
<td>—</td>
<td>(6,342)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td>84,561</td>
<td>4,088,041</td>
<td>—</td>
<td>4,172,602</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>378,816</td>
<td>—</td>
<td>378,816</td>
</tr>
<tr>
<td>Other comprehensive loss and other</td>
<td>—</td>
<td>(1,040)</td>
<td>—</td>
<td>(1,040)</td>
</tr>
<tr>
<td>Unallocated surplus designated for patronage distributions</td>
<td>—</td>
<td>(85,655)</td>
<td>—</td>
<td>(85,655)</td>
</tr>
<tr>
<td>Capital stock and participation certificates issued</td>
<td>3,520</td>
<td>—</td>
<td>—</td>
<td>3,520</td>
</tr>
<tr>
<td>Capital stock and participation certificates retired</td>
<td>(6,607)</td>
<td>—</td>
<td>—</td>
<td>(6,607)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2017</strong></td>
<td>$81,474</td>
<td>$4,381,202</td>
<td>$(1,040)</td>
<td>$4,461,636</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these Consolidated Financial Statements.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

### [IN THOUSANDS] FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$378,816</td>
<td>$300,232</td>
<td>$279,017</td>
</tr>
<tr>
<td>Depreciation on premises and equipment</td>
<td>7,577</td>
<td>8,779</td>
<td>7,911</td>
</tr>
<tr>
<td>Loss on sale of premises and equipment, net</td>
<td>550</td>
<td>294</td>
<td>29</td>
</tr>
<tr>
<td>Depreciation on assets held for lease</td>
<td>40,112</td>
<td>55,044</td>
<td>61,005</td>
</tr>
<tr>
<td>Loss on disposal of assets held for lease, net</td>
<td>469</td>
<td>7,816</td>
<td>625</td>
</tr>
<tr>
<td>Amortization of premiums on loans and investment securities</td>
<td>18,141</td>
<td>14,747</td>
<td>11,452</td>
</tr>
<tr>
<td>Provision for credit losses</td>
<td>23,169</td>
<td>38,818</td>
<td>30,548</td>
</tr>
<tr>
<td>Stock patronage received from CoBank, ACB</td>
<td>(89)</td>
<td>(77)</td>
<td>—</td>
</tr>
<tr>
<td>Loss on other property owned, net</td>
<td>2,585</td>
<td>1,048</td>
<td>2,247</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in operating assets and liabilities:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in accrued interest receivable</td>
<td>(25,772)</td>
<td>(24,755)</td>
<td>(25,224)</td>
</tr>
<tr>
<td>(Increase) decrease in other assets</td>
<td>(28,727)</td>
<td>(15,504)</td>
<td>9,268</td>
</tr>
<tr>
<td>Increase in accrued interest payable</td>
<td>4,661</td>
<td>9,203</td>
<td>4,886</td>
</tr>
<tr>
<td>(Decrease) increase in other liabilities</td>
<td>(52,102)</td>
<td>(9,577)</td>
<td>6,512</td>
</tr>
</tbody>
</table>

| Net cash provided by operating activities | (1,448) | (1,239) | (1,232,798) |

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease (Increase) in loans, net</td>
<td>149,687</td>
<td>(469,503)</td>
<td>(1,232,798)</td>
</tr>
<tr>
<td>Purchases of investment in AgriBank, FCB, net</td>
<td>–</td>
<td>(1,150)</td>
<td>(21,123)</td>
</tr>
<tr>
<td>Purchases of investment in other Farm Credit Institutions, net</td>
<td>(3,117)</td>
<td>(5,448)</td>
<td>(7,674)</td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(271,146)</td>
<td>(302,359)</td>
<td>(305,095)</td>
</tr>
<tr>
<td>Proceeds from maturing investment securities</td>
<td>206,238</td>
<td>178,932</td>
<td>244,985</td>
</tr>
<tr>
<td>Sales (purchases) of assets held for lease, net</td>
<td>20,852</td>
<td>25,466</td>
<td>(38,463)</td>
</tr>
<tr>
<td>Proceeds from sales of other property owned</td>
<td>3,049</td>
<td>3,241</td>
<td>5,902</td>
</tr>
<tr>
<td>Purchases of premises and equipment, net</td>
<td>(5,696)</td>
<td>(12,599)</td>
<td>(15,996)</td>
</tr>
</tbody>
</table>

| Net cash provided by (used in) investing activities | 99,867 | (593,772) | (1,370,262) |

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease) increase in note payable to AgriBank, FCB, net</td>
<td>(440,070)</td>
<td>209,152</td>
<td>983,225</td>
</tr>
<tr>
<td>Patronage distributions paid</td>
<td>(27,781)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Capital stock and participation certificates retired, net</td>
<td>(1,406)</td>
<td>(1,448)</td>
<td>(1,239)</td>
</tr>
</tbody>
</table>

| Net cash (used in) provided by financing activities | (469,257) | 207,704     | 981,986     |

| Net change in cash | – | – | – |
| Cash at beginning of year | – | – | – |
| Cash at end of year | $— | $— | $— |

### Supplemental schedule of non-cash activities

| Stock financed by loan activities | $3,234 | $4,425 | $6,216 |
| Stock applied against loan principal | 4,895 | 4,906 | 4,435 |
| Stock applied against interest | 20 | 14 | 20 |
| Interest transferred to loans | 13,147 | 12,838 | 14,468 |
| Loans transferred to other property owned | 5,492 | 4,296 | 6,586 |
| Patronage distributions payable to members | 87,900 | 30,026 | – |
| Financed sales of other property owned | 862 | 891 | 302 |
| Decrease in members’ equity from employee benefits | (1,040) | – | – |

### Supplemental information

| Interest paid | $387,880 | $374,698 | $327,435 |
| Taxes paid, net | 22,288 | 10,339 | 9,762 |

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

FARM CREDIT SYSTEM AND DISTRICT
The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2018, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 69 customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2018, the District consisted of 14 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for non-accrual loans and impaired loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION
Farm Credit Mid-America, ACA (the Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (subsidaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in all counties in Indiana; all counties in Ohio, with the exception of Marion, Crawford, Wyandot, Hancock, Seneca, Wood, Ottawa, Lucas, and Sandusky; all counties in Kentucky, with the exception of Graves, Hickman, Carlisle, Fulton, Ballard, McCracken, Calloway, and Marshall; and all counties in Tennessee.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals to our members.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES
Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Certain amounts in prior years’ financial statements have been reclassified to conform to the current year’s presentation.

PRINCIPLES OF CONSOLIDATION
The Consolidated Financial Statements present the consolidated financial results of Farm Credit Mid-America, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

LOANS: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in non-accrual status when principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in non-accrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the estimated market value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on non-accrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Non-accrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

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

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

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

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

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.
An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in “Provision for credit losses” in the Consolidated Statements of Income, recoveries, and charge-offs.

INVESTMENT IN AGRI BANK: Our stock investment in AgriBank is on a cost plus allocated equities basis.

INVESTMENT SECURITIES: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through “Miscellaneous (loss) income, net” in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using a method that approximates the interest method, over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

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

OTHER INVESTMENTS: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are accounted for under the equity method. The investments are included in “Other assets” in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in “Miscellaneous (loss) income, net” in the Consolidated Statements of Income in the year of impairment.

PREMISES AND EQUIPMENT: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in “Other assets” in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in “Miscellaneous (loss) income, net” in the Consolidated Statements of Income. Depreciation and maintenance and repair expenses are included in “Other operating expenses” in the Consolidated Statements of Income and improvements are capitalized.

LEASES: We have finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance leases is included in “Loans” in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease and charge depreciation and other expenses against revenue as incurred in “Operating lease income (loss)” in the Consolidated Statements of Income. The amortized cost of operating leases is included in “Assets held for lease, net” in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

POST-EMPLOYMENT BENEFIT PLANS: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

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

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Beginning in 2017, the pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Statements of Condition.

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

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

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

INCOME TAXES: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

PATRONAGE PROGRAM: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

OFF-BALANCE SHEET CREDIT EXPOSURES: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management’s best estimate of losses inherent in these instruments, since the commitments have not yet disbursed. Factors such as likelihood of disbursement and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss is recorded in “Provision for credit losses” in the Consolidated Statements of Income.

CASH: For purposes of reporting cash flow, cash includes cash on hand.

FAIR VALUE MEASUREMENT: The accounting guidance describes three levels of inputs that may be used to measure fair value.

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

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

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly.
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity’s own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.
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. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements on the public effective date or aligned with other System institutions, whichever is earlier.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Effective date and financial statement impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 “Revenue from Contracts with Customers.”</td>
<td>The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of 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 guidance. The guidance sets forth the requirement for new and enhanced disclosures.</td>
<td>We have adopted the new standard effective January 1, 2018, using the modified retrospective approach, as the majority of the Association’s revenues are not subject to the new guidance. The adoption of the guidance did not have a material impact on the financial position, results of operations, equity, or cash flows.</td>
</tr>
<tr>
<td>In March 2017, the FASB issued ASU 2017-07 “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.”</td>
<td>This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.</td>
<td>The guidance is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. For other entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted with certain restrictions. However, we have no plans to early adopt. We are currently evaluating the impact of the guidance on our results of operations and financial statement disclosures. The guidance will have no impact on the financial condition or cash flows.</td>
</tr>
<tr>
<td>In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.”</td>
<td>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.</td>
<td>The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that year. 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, 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.</td>
</tr>
<tr>
<td>In February 2016, the FASB issued ASU 2016-02 “Leases.”</td>
<td>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.</td>
<td>The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018, including interim periods within that year. 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. However, we have no plans to early adopt. We have determined after preliminary review, this guidance will impact the combined financial condition, results of operations, and financial statement disclosures, and will have no impact on combined cash flows. We have initiated development and modification of certain procedures to adopt this guidance.</td>
</tr>
<tr>
<td>In June 2016, the FASB issued ASU 2016-13 “Financial Instruments—Credit Losses.”</td>
<td>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.</td>
<td>The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020, including interim periods within those annual periods. 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. However, we have no plans to early adopt. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.</td>
</tr>
</tbody>
</table>
### Loans and Allowance for Loan Losses

<table>
<thead>
<tr>
<th>Loans by Type</th>
<th>2017</th>
<th>%</th>
<th>2016</th>
<th>%</th>
<th>2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate mortgage</td>
<td>$14,044,676</td>
<td>69.1%</td>
<td>$14,030,873</td>
<td>68.6%</td>
<td>$13,515,473</td>
<td>67.6%</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>3,605,111</td>
<td>17.7%</td>
<td>3,582,878</td>
<td>17.5%</td>
<td>3,613,415</td>
<td>18.1%</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1,444,163</td>
<td>7.1%</td>
<td>1,457,640</td>
<td>7.1%</td>
<td>1,345,455</td>
<td>6.7%</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>914,528</td>
<td>4.5%</td>
<td>985,986</td>
<td>4.8%</td>
<td>1,026,350</td>
<td>5.1%</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>309,448</td>
<td>1.6%</td>
<td>417,637</td>
<td>2.0%</td>
<td>502,821</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,317,926</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$20,475,014</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$20,003,514</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

The finance leases and other category is primarily comprised finance leases, communications, energy, and international-related loans as well as certain assets originated under our mission-related investment authority.

**Portfolio Concentrations**

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2017, volume plus commitments to our ten largest borrowers totaled an amount equal to 3.2% of total loans and commitments.
## Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the FCA Regulations or General Financing Agreement (GFA) limitations.

### Participations Purchased and Sold

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AgriBank</th>
<th>Other Farm Credit Institutions</th>
<th>Non-Farm Credit Institutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Purchased</td>
<td>Sold</td>
<td>Purchased</td>
<td>Sold</td>
</tr>
<tr>
<td><strong>As of December 31, 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$—</td>
<td>$(275,282)</td>
<td>$300,839</td>
<td>$(16,319)</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>—</td>
<td>—</td>
<td>485,490</td>
<td>(13,412)</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>—</td>
<td>(256)</td>
<td>938,563</td>
<td>(142,554)</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>—</td>
<td>—</td>
<td>65</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>—</td>
<td>—</td>
<td>141,152</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$—</td>
<td>$(275,282)</td>
<td>$1,866,109</td>
<td>$(172,285)</td>
</tr>
<tr>
<td><strong>As of December 31, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$—</td>
<td>$(300,713)</td>
<td>$278,262</td>
<td>$(11,812)</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>—</td>
<td>—</td>
<td>420,896</td>
<td>(17,725)</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>—</td>
<td>(273)</td>
<td>1,027,741</td>
<td>(136,474)</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>—</td>
<td>(8)</td>
<td>79</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>—</td>
<td>—</td>
<td>164,592</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$—</td>
<td>$(300,994)</td>
<td>$1,891,570</td>
<td>$(166,011)</td>
</tr>
<tr>
<td><strong>As of December 31, 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$—</td>
<td>$(369,893)</td>
<td>$201,781</td>
<td>$(12,763)</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>—</td>
<td>—</td>
<td>394,742</td>
<td>(15,640)</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>—</td>
<td>(376)</td>
<td>999,700</td>
<td>(195,036)</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>—</td>
<td>(10)</td>
<td>91</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>—</td>
<td>—</td>
<td>254,035</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$—</td>
<td>$(369,893)</td>
<td>$1,850,349</td>
<td>$(223,439)</td>
</tr>
</tbody>
</table>

Information in the preceding chart excludes loans entered into under our mission related investment authority.
CREDIT QUALITY AND DELINQUENCY

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- **Acceptable** — loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.

- **Other assets especially mentioned (Special Mention)** — are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.

- **Substandard** — loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.

- **Doubtful** — loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.

- **Loss** — loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2017, 2016, or 2015.

### Credit Quality of Loans

<table>
<thead>
<tr>
<th></th>
<th>Acceptable</th>
<th>Special Mention</th>
<th>Substandard/Doubtful</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong> (Dollars in Thousands)</td>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td><strong>As of December 31, 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$13,382,966</td>
<td>94.5%</td>
<td>$287,275</td>
<td>2.0%</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>3,214,165</td>
<td>88.0%</td>
<td>193,801</td>
<td>5.3%</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1,412,142</td>
<td>97.3%</td>
<td>2,180</td>
<td>0.2%</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>880,789</td>
<td>96.0%</td>
<td>1,729</td>
<td>0.2%</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>307,159</td>
<td>99.1%</td>
<td>281</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,197,221</strong></td>
<td><strong>93.7%</strong></td>
<td><strong>$485,266</strong></td>
<td><strong>2.4%</strong></td>
</tr>
<tr>
<td><strong>As of December 31, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$13,530,152</td>
<td>95.6%</td>
<td>$192,076</td>
<td>1.4%</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>3,290,531</td>
<td>90.7%</td>
<td>111,619</td>
<td>3.1%</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1,423,909</td>
<td>97.3%</td>
<td>126</td>
<td>0.0%</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>947,718</td>
<td>95.8%</td>
<td>2,536</td>
<td>0.3%</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>406,509</td>
<td>97.3%</td>
<td>11,055</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,598,819</strong></td>
<td><strong>95.0%</strong></td>
<td><strong>$317,412</strong></td>
<td><strong>1.5%</strong></td>
</tr>
<tr>
<td><strong>As of December 31, 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$13,167,266</td>
<td>96.7%</td>
<td>$166,137</td>
<td>1.2%</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>3,435,016</td>
<td>94.1%</td>
<td>70,542</td>
<td>1.9%</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1,334,114</td>
<td>98.7%</td>
<td>16,496</td>
<td>1.2%</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>981,236</td>
<td>95.3%</td>
<td>4,713</td>
<td>0.5%</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>488,035</td>
<td>97.0%</td>
<td>14,732</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,405,667</strong></td>
<td><strong>96.2%</strong></td>
<td><strong>$272,620</strong></td>
<td><strong>1.4%</strong></td>
</tr>
</tbody>
</table>

Note: Accruing loans include accrued interest receivable.
### Aging Analysis of Loans

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>30–89 Days Past Due</th>
<th>90 Days or More Past Due</th>
<th>Total Past Due</th>
<th>Not Past Due or Less Than 30 Days Past Due</th>
<th>Total</th>
<th>Accruing Loans 90 Days or More Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of December 31, 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$49,924</td>
<td>$45,197</td>
<td>$95,121</td>
<td>$14,066,043</td>
<td>$14,161,164</td>
<td>$—</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>9,454</td>
<td>20,392</td>
<td>29,846</td>
<td>3,622,005</td>
<td>3,651,851</td>
<td>440</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>59</td>
<td>—</td>
<td>59</td>
<td>1,450,895</td>
<td>1,450,954</td>
<td>—</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>9,660</td>
<td>3,412</td>
<td>13,072</td>
<td>904,037</td>
<td>917,109</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>—</td>
<td>1,811</td>
<td>1,811</td>
<td>307,956</td>
<td>309,767</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$69,097</td>
<td>$70,812</td>
<td>$139,909</td>
<td>$20,350,936</td>
<td>$20,490,845</td>
<td>$440</td>
</tr>
<tr>
<td><strong>As of December 31, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$45,637</td>
<td>$26,441</td>
<td>$72,078</td>
<td>$14,067,927</td>
<td>$14,140,005</td>
<td>$—</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>19,429</td>
<td>15,802</td>
<td>35,231</td>
<td>3,590,772</td>
<td>3,626,003</td>
<td>283</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>4,078</td>
<td>—</td>
<td>4,078</td>
<td>1,459,408</td>
<td>1,463,486</td>
<td>—</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>10,587</td>
<td>5,176</td>
<td>15,763</td>
<td>972,857</td>
<td>988,620</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>277</td>
<td>440</td>
<td>717</td>
<td>417,086</td>
<td>417,803</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$80,008</td>
<td>$47,859</td>
<td>$127,867</td>
<td>$20,508,050</td>
<td>$20,635,917</td>
<td>$283</td>
</tr>
<tr>
<td><strong>As of December 31, 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$42,335</td>
<td>$27,532</td>
<td>$69,867</td>
<td>$13,548,127</td>
<td>$13,617,994</td>
<td>$—</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>4,752</td>
<td>9,689</td>
<td>14,441</td>
<td>3,637,208</td>
<td>3,651,649</td>
<td>—</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>39</td>
<td>127</td>
<td>166</td>
<td>1,351,135</td>
<td>1,351,301</td>
<td>—</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>12,570</td>
<td>6,589</td>
<td>19,159</td>
<td>1,009,869</td>
<td>1,029,028</td>
<td>—</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>271</td>
<td>—</td>
<td>271</td>
<td>502,871</td>
<td>503,142</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$59,967</td>
<td>$43,937</td>
<td>$103,904</td>
<td>$20,049,210</td>
<td>$20,153,114</td>
<td>$—</td>
</tr>
</tbody>
</table>

Note: Accruing loans include accrued interest receivable.

All loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**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. Interest income recognized and cash payments received on non-accrual risk loans are applied as described in Note 2.

### Risk Loan Information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-accrual loans:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current as to principal and interest</td>
<td>$215,018</td>
<td>$169,429</td>
<td>$125,464</td>
<td></td>
</tr>
<tr>
<td>Past due</td>
<td>105,706</td>
<td>77,027</td>
<td>73,021</td>
<td></td>
</tr>
<tr>
<td>Total non-accrual loans</td>
<td>$320,724</td>
<td>246,456</td>
<td>198,485</td>
<td></td>
</tr>
<tr>
<td>Accruing restructured loans</td>
<td>18,964</td>
<td>17,079</td>
<td>15,319</td>
<td></td>
</tr>
<tr>
<td>Accruing loans 90 days or more past due</td>
<td>440</td>
<td>283</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total risk loans</td>
<td>$340,128</td>
<td>$263,818</td>
<td>$213,804</td>
<td></td>
</tr>
<tr>
<td>Volume with specific allowance</td>
<td>$37,273</td>
<td>$19,891</td>
<td>$17,308</td>
<td></td>
</tr>
<tr>
<td>Volume without specific allowance</td>
<td>$302,855</td>
<td>243,927</td>
<td>196,496</td>
<td></td>
</tr>
<tr>
<td>Total risk loans</td>
<td>$340,128</td>
<td>$263,818</td>
<td>$213,804</td>
<td></td>
</tr>
<tr>
<td>Total specific allowance</td>
<td>$15,977</td>
<td>$6,023</td>
<td>$4,096</td>
<td></td>
</tr>
<tr>
<td>FOR THE YEAR ENDED DECEMBER 31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income on accrual risk loans</td>
<td>$869</td>
<td>$769</td>
<td>$755</td>
<td></td>
</tr>
<tr>
<td>Income on non-accrual loans</td>
<td>12,417</td>
<td>11,822</td>
<td>11,443</td>
<td></td>
</tr>
<tr>
<td>Total income on risk loans</td>
<td>$13,286</td>
<td>$12,591</td>
<td>$12,198</td>
<td></td>
</tr>
<tr>
<td>Average recorded risk loans</td>
<td>$337,686</td>
<td>$246,953</td>
<td>$219,166</td>
<td></td>
</tr>
</tbody>
</table>

Note: Accruing loans include accrued interest receivable.

**Non-accrual Loans by Loan Type**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate mortgage</td>
<td>$232,774</td>
<td>$164,182</td>
<td>$133,822</td>
<td></td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>$67,858</td>
<td>60,501</td>
<td>36,080</td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
<td>585</td>
<td>263</td>
<td>496</td>
<td></td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>17,696</td>
<td>21,069</td>
<td>28,087</td>
<td></td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>1,811</td>
<td>441</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$320,724</td>
<td>$246,456</td>
<td>$198,485</td>
<td></td>
</tr>
</tbody>
</table>
### Additional Impaired Loan Information by Loan Type

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>As of December 31, 2017</th>
<th>For the year ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recorded Unpaid Principal Balance</td>
<td>Related Allowance</td>
</tr>
<tr>
<td>Impaired loans with a related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$24,565</td>
<td>$34,067</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>11,131</td>
<td>15,843</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>526</td>
<td>567</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>1,051</td>
<td>1,342</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>$37,273</td>
<td>$51,819</td>
</tr>
<tr>
<td>Impaired loans with no related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$222,909</td>
<td>$243,881</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>59,895</td>
<td>74,433</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>59</td>
<td>62</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>18,181</td>
<td>22,645</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>1,811</td>
<td>1,811</td>
</tr>
<tr>
<td>Total</td>
<td>$302,855</td>
<td>$342,842</td>
</tr>
<tr>
<td>Total impaired loans:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$247,474</td>
<td>$277,958</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>71,026</td>
<td>90,276</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>585</td>
<td>629</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>19,232</td>
<td>23,987</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>1,811</td>
<td>1,811</td>
</tr>
<tr>
<td>Total</td>
<td>$340,128</td>
<td>$394,661</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2016</th>
<th>For the year ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recorded Investment</td>
<td>Unpaid Principal Balance</td>
</tr>
<tr>
<td>Impaired loans with a related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$9,267</td>
<td>$11,411</td>
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<tr>
<td>Production and intermediate term</td>
<td>8,984</td>
<td>12,642</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>246</td>
<td>254</td>
</tr>
<tr>
<td>Rural residential real estate</td>
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<td>1,703</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$19,891</td>
<td>$26,010</td>
</tr>
<tr>
<td>Impaired loans with no related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$169,871</td>
<td>$192,129</td>
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<tr>
<td>Production and intermediate term</td>
<td>52,632</td>
<td>64,369</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>20,952</td>
<td>25,973</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>441</td>
<td>441</td>
</tr>
<tr>
<td>Total</td>
<td>$243,927</td>
<td>$282,942</td>
</tr>
<tr>
<td>Total impaired loans:</td>
<td></td>
<td></td>
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<tr>
<td>Real estate mortgage</td>
<td>$179,138</td>
<td>$203,540</td>
</tr>
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<td>Production and intermediate term</td>
<td>61,616</td>
<td>77,011</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>277</td>
<td>284</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>22,346</td>
<td>27,676</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>441</td>
<td>441</td>
</tr>
<tr>
<td>Total</td>
<td>$263,818</td>
<td>$308,952</td>
</tr>
<tr>
<td></td>
<td>As of December 31, 2015</td>
<td>For the year ended December 31, 2015</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Recored Investment</td>
<td>Unpaid Principal Balance</td>
</tr>
<tr>
<td>Impaired loans with a related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$10,857</td>
<td>$13,976</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>4,489</td>
<td>5,513</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>461</td>
<td>452</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>1,501</td>
<td>2,045</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>$–</td>
<td>$–</td>
</tr>
<tr>
<td>Total</td>
<td>$17,308</td>
<td>$21,986</td>
</tr>
<tr>
<td>Impaired loans with no related allowance for loan losses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$136,753</td>
<td>$161,211</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>32,647</td>
<td>46,858</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>126</td>
<td>126</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>26,970</td>
<td>32,690</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>$–</td>
<td>$–</td>
</tr>
<tr>
<td>Total</td>
<td>$196,496</td>
<td>$240,885</td>
</tr>
<tr>
<td>Total impaired loans:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$147,610</td>
<td>$175,187</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>37,136</td>
<td>52,371</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>587</td>
<td>578</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>28,471</td>
<td>34,735</td>
</tr>
<tr>
<td>Finance leases and other</td>
<td>$–</td>
<td>$–</td>
</tr>
<tr>
<td>Total</td>
<td>$213,804</td>
<td>$262,871</td>
</tr>
</tbody>
</table>

The recorded investment in the loan is the unpaid principal amount 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 of the investment.

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

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2017.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TROUBLED DEBT RESTRUCTURINGS (TDRs)

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

TDR Activity

<table>
<thead>
<tr>
<th>[IN THOUSANDS]</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2018</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-modification</td>
<td>Post-modification</td>
<td>Pre-modification</td>
<td>Post-modification</td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$1,141</td>
<td>$1,088</td>
<td>$825</td>
<td>$817</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>853</td>
<td>885</td>
<td>1,307</td>
<td>1,279</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>196</td>
<td>195</td>
<td>304</td>
<td>279</td>
</tr>
<tr>
<td>Total</td>
<td>$2,190</td>
<td>$2,148</td>
<td>$2,436</td>
<td>$2,375</td>
</tr>
</tbody>
</table>

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 extension of maturity, interest rate reduction below market, or forgiveness of interest.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted

<table>
<thead>
<tr>
<th>[IN THOUSANDS]</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate mortgage</td>
<td>$208</td>
<td>$285</td>
<td>$389</td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>42</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>—</td>
<td>—</td>
<td>247</td>
</tr>
<tr>
<td>Total</td>
<td>$250</td>
<td>$298</td>
<td>$638</td>
</tr>
</tbody>
</table>

TDRs Outstanding

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accrual status:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$14,699</td>
<td>$14,956</td>
<td>$13,790</td>
<td></td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>2,729</td>
<td>832</td>
<td>1,055</td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
<td>—</td>
<td>13</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>1,538</td>
<td>1,278</td>
<td>383</td>
<td></td>
</tr>
<tr>
<td>Total TDRs in accrual status</td>
<td>$18,964</td>
<td>$17,079</td>
<td>$15,319</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-accrual status:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate mortgage</td>
<td>$8,710</td>
<td>$9,897</td>
<td>$11,977</td>
<td></td>
</tr>
<tr>
<td>Production and intermediate term</td>
<td>2,671</td>
<td>6,684</td>
<td>6,238</td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Rural residential real estate</td>
<td>1,176</td>
<td>1,298</td>
<td>2,250</td>
<td></td>
</tr>
<tr>
<td>Total TDRs in non-accrual status</td>
<td>$12,557</td>
<td>$17,879</td>
<td>$20,465</td>
<td></td>
</tr>
<tr>
<td>Total TDRs</td>
<td>$31,521</td>
<td>$34,958</td>
<td>$35,784</td>
<td></td>
</tr>
</tbody>
</table>

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2017.
ALLOWANCE FOR LOAN LOSSES

Changes in Allowance for Loan Losses

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$94,746</td>
<td>$62,881</td>
<td>$47,661</td>
<td></td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>24,553</td>
<td>34,613</td>
<td>26,202</td>
<td></td>
</tr>
<tr>
<td>Loan recoveries</td>
<td>3,714</td>
<td>5,005</td>
<td>4,693</td>
<td></td>
</tr>
<tr>
<td>Loan charge-offs</td>
<td>(19,365)</td>
<td>(7,753)</td>
<td>(15,675)</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$103,658</td>
<td>$94,746</td>
<td>$62,881</td>
<td></td>
</tr>
</tbody>
</table>

Credit Loss Information on Unfunded Commitments

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Reversal of) provision for credit losses</td>
<td>$(1,384)</td>
<td>$4,205</td>
<td>$4,346</td>
<td></td>
</tr>
<tr>
<td>AS OF DECEMBER 31</td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>Accrued credit losses</td>
<td>$7,165</td>
<td>$8,550</td>
<td>$4,346</td>
<td></td>
</tr>
</tbody>
</table>

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 (reversal of) 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.

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

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>Real Estate Mortgage</th>
<th>Production and Intermediate Term</th>
<th>Agribusiness</th>
<th>Rural Residential Real Estate</th>
<th>Finance Leases and Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for loan losses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31, 2016</td>
<td>$33,062</td>
<td>$37,035</td>
<td>$17,432</td>
<td>$5,175</td>
<td>$2,042</td>
<td>$94,746</td>
</tr>
<tr>
<td>Provision for (reversal of) loan losses</td>
<td>16,679</td>
<td>10,435</td>
<td>(911)</td>
<td>(1,273)</td>
<td>(377)</td>
<td>24,553</td>
</tr>
<tr>
<td>Loan recoveries</td>
<td>1,528</td>
<td>1,800</td>
<td>—</td>
<td>386</td>
<td>—</td>
<td>3,714</td>
</tr>
<tr>
<td>Loan charge-offs</td>
<td>(10,915)</td>
<td>(7,618)</td>
<td>—</td>
<td>(822)</td>
<td>—</td>
<td>(19,355)</td>
</tr>
<tr>
<td>Balance as of December 31, 2017</td>
<td>$40,251</td>
<td>$39,610</td>
<td>$16,521</td>
<td>$3,466</td>
<td>$1,665</td>
<td>$103,658</td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$9,600</td>
<td>$5,532</td>
<td>$5,26</td>
<td>$319</td>
<td>$—</td>
<td>$15,977</td>
</tr>
<tr>
<td>Ending balance: collectively evaluated for impairment</td>
<td>$30,754</td>
<td>$34,078</td>
<td>$11,265</td>
<td>$3,147</td>
<td>$1,665</td>
<td>$87,681</td>
</tr>
<tr>
<td>Recorded investment in loans outstanding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance as of December 31, 2017</td>
<td>$14,161,164</td>
<td>$3,651,851</td>
<td>$1,450,954</td>
<td>$917,109</td>
<td>$309,767</td>
<td>$20,490,845</td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$1,207,474</td>
<td>$71,026</td>
<td>$585</td>
<td>$19,232</td>
<td>$1,811</td>
<td>$1,340,128</td>
</tr>
<tr>
<td>Ending balance: collectively evaluated for impairment</td>
<td>$13,913,690</td>
<td>$3,580,825</td>
<td>$1,450,369</td>
<td>$897,877</td>
<td>$307,956</td>
<td>$20,150,717</td>
</tr>
</tbody>
</table>
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Allowance for loan losses:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate Mortgage</th>
<th>Production and Rural Finance</th>
<th>Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Rural Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Real Estate Intermediate Term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2015</strong></td>
<td>$30,406</td>
<td>$21,654</td>
<td>$5,193</td>
<td>$3,606</td>
<td>$2,022</td>
<td>$62,881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>2,631</td>
<td>17,330</td>
<td>12,239</td>
<td>2,393</td>
<td>20</td>
<td>34,613</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan recoveries</td>
<td>2,650</td>
<td>1,593</td>
<td>(1,586)</td>
<td>752</td>
<td>(5,005)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan charge-offs</td>
<td>(2,625)</td>
<td>(3,542)</td>
<td></td>
<td>(2,022)</td>
<td>(7,753)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td>$33,062</td>
<td>$37,035</td>
<td>$17,432</td>
<td>$5,175</td>
<td>$2,042</td>
<td>$94,746</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$1,256</td>
<td>$4,164</td>
<td>$246</td>
<td>$357</td>
<td>$—</td>
<td>$6,023</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: collectively evaluated for impairment</td>
<td>$31,806</td>
<td>$32,871</td>
<td>$17,186</td>
<td>$4,818</td>
<td>$2,042</td>
<td>$88,723</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Recorded investment in loans outstanding:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate Mortgage</th>
<th>Production and Rural Finance</th>
<th>Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Rural Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Real Estate Intermediate Term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ending balance as of December 31, 2016</strong></td>
<td>$14,140,005</td>
<td>$3,626,003</td>
<td>$1,463,486</td>
<td>$988,620</td>
<td>$417,803</td>
<td>$20,635,917</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$179,138</td>
<td>$61,616</td>
<td>$277</td>
<td>$22,346</td>
<td>$441</td>
<td>$263,818</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Allowance for loan losses:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate Mortgage</th>
<th>Production and Rural Finance</th>
<th>Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Rural Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Real Estate Intermediate Term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2014</strong></td>
<td>$20,923</td>
<td>$14,848</td>
<td>$5,094</td>
<td>$4,535</td>
<td>$2,261</td>
<td>$47,661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for (reversal of) loan losses</td>
<td>14,152</td>
<td>11,725</td>
<td>99</td>
<td>465</td>
<td>(239)</td>
<td>26,202</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan recoveries</td>
<td>2,451</td>
<td>1,657</td>
<td></td>
<td>585</td>
<td>(4,693)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan charge-offs</td>
<td>(7,120)</td>
<td>(6,756)</td>
<td></td>
<td>(1,979)</td>
<td>(15,675)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2015</strong></td>
<td>$30,406</td>
<td>$21,654</td>
<td>$5,193</td>
<td>$3,606</td>
<td>$2,022</td>
<td>$62,881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$1,516</td>
<td>$1,833</td>
<td>$461</td>
<td>$286</td>
<td>$—</td>
<td>$4,096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: collectively evaluated for impairment</td>
<td>$28,890</td>
<td>$19,821</td>
<td>$4,732</td>
<td>$3,320</td>
<td>$2,022</td>
<td>$58,785</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Recorded investment in loans outstanding:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate Mortgage</th>
<th>Production and Rural Finance</th>
<th>Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Rural Agribusiness</th>
<th>Real Estate Intermediate Term</th>
<th>Real Estate Intermediate Term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ending balance as of December 31, 2015</strong></td>
<td>$13,617,994</td>
<td>$3,651,649</td>
<td>$1,351,301</td>
<td>$1,029,028</td>
<td>$503,142</td>
<td>$20,153,114</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: individually evaluated for impairment</td>
<td>$147,619</td>
<td>$37,136</td>
<td>$587</td>
<td>$28,471</td>
<td>$—</td>
<td>$213,084</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance: collectively evaluated for impairment</td>
<td>$13,470,384</td>
<td>$3,614,513</td>
<td>$1,350,714</td>
<td>$1,000,557</td>
<td>$503,142</td>
<td>$19,939,310</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The recorded investment in the loan is the unpaid principal amount 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 of the investment.
As of December 31, 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. We are also required to hold AgriBank stock related to our participation in the AgriBank Asset Pool Program. As of December 31, 2017, we were required to hold the greater of 8.0% of the quarter-end balance in the program, or 2.0% of the initial balance of loans sold into the program.

Investment in AgriBank

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>As of December 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required stock investment</td>
<td>$432,315</td>
<td>$441,703</td>
<td>$430,198</td>
<td></td>
</tr>
<tr>
<td>Purchased excess stock investment</td>
<td>9,388</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total investment</td>
<td>$441,703</td>
<td>$441,703</td>
<td>$430,198</td>
<td></td>
</tr>
</tbody>
</table>

Excess stock investment is recorded when the required investment in AgriBank and the AgriBank Asset Pool program is lower than our total investment. Effective July 1, 2017, AgriBank modified its capital plan. Among other plan changes, the plan optimizes capital at the Bank by distributing all available Bank earnings in the form of patronage, either in cash or stock. During the first half of 2017 and in 2016 and 2015, the Bank’s capital plan distributed 50 percent of Bank earnings in cash. Additionally, beginning in 2017, AgriBank is retiring stock on an annual basis.

Investment Securities

We held investment securities of $1.2 billion, $1.2 billion, and $1.1 billion at December 31, 2017, 2016, and 2015, respectively. 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 $7.3 million, $7.6 million, and $7.9 million at December 31, 2017, 2016, and 2015, respectively, 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. For the years ended December 31, 2017, 2016, and 2015, 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

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31, 2017</th>
<th>Weighted Average Yield</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MBS</td>
<td>3.0%</td>
<td>$1,062,574</td>
<td>$3,871</td>
<td>$43,456</td>
<td>$1,022,989</td>
<td></td>
</tr>
<tr>
<td>ABS</td>
<td>2.5%</td>
<td>179,874</td>
<td>420</td>
<td>9,610</td>
<td>170,684</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.9%</td>
<td>$1,242,448</td>
<td>$4,291</td>
<td>$53,066</td>
<td>$1,193,673</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31, 2016</th>
<th>Weighted Average Yield</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MBS</td>
<td>2.6%</td>
<td>$1,010,764</td>
<td>$4,723</td>
<td>$37,183</td>
<td>$978,304</td>
<td></td>
</tr>
<tr>
<td>ABS</td>
<td>2.1%</td>
<td>184,917</td>
<td>1,084</td>
<td>9,885</td>
<td>176,116</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.5%</td>
<td>$1,195,681</td>
<td>$5,807</td>
<td>$47,068</td>
<td>$1,154,420</td>
<td></td>
</tr>
</tbody>
</table>

## Contractual Maturities of Investment Securities

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31, 2017</th>
<th>Amortized Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td></td>
<td>$857</td>
</tr>
<tr>
<td>One to five years</td>
<td></td>
<td>37,497</td>
</tr>
<tr>
<td>Five to ten years</td>
<td></td>
<td>105,786</td>
</tr>
<tr>
<td>More than ten years</td>
<td></td>
<td>1,098,308</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1,242,448</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31, 2015</th>
<th>Fair Value</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
<th>Unrealized Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>MBS</td>
<td>2.6%</td>
<td>$949,410</td>
<td>$5,499</td>
<td>$926,903</td>
<td></td>
</tr>
<tr>
<td>ABS</td>
<td>1.9%</td>
<td>137,591</td>
<td>1,967</td>
<td>134,624</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.5%</td>
<td>$1,087,001</td>
<td>$7,466</td>
<td>$1,060,965</td>
<td></td>
</tr>
</tbody>
</table>

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 December 31, 2017, the majority of the $53.1 million unrealized loss represents unamortized premium.

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $32.3 million, $28.0 million, and $24.3 million in 2017, 2016, and 2015, respectively.
OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $32.5 million, with varying commitment end dates through September 2021. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs totaled $11.9 million, $7.5 million, and $4.2 million at December 31, 2017, 2016, and 2015, respectively.

The investments were evaluated for impairment. For the years ended December 31, 2017, 2016, and 2015, we have not recognized any impairment on these investments.

NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral.

<table>
<thead>
<tr>
<th>Note Payable Information</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line of credit</td>
<td>$23,200,000</td>
<td>$21,000,000</td>
<td>$19,500,000</td>
</tr>
<tr>
<td>Outstanding principal under the line of credit</td>
<td>17,708,345</td>
<td>18,148,415</td>
<td>17,939,263</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.3%</td>
<td>2.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Our note payable matures April 30, 2020, at which time the note will be renegotiated.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2017, and throughout the year, we were not declared in default under any GFA covenants or provisions.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MEMBERS’ EQUITY

CAPITALIZATION REQUIREMENTS
In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock or participation certificate purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The stock purchase requirement for obtaining a lease is one share of Class D common stock for those eligible to hold such stock or one Class B participation certificate for those not eligible to hold such stock. In addition, the purchase of one Class B participation certificate is required of all customers who purchase financial services and are not a stockholder. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

REGULATORY CAPITALIZATION REQUIREMENTS

Regulatory Capital Requirements and Ratios

<table>
<thead>
<tr>
<th>AS OF DECEMBER 31</th>
<th>2017</th>
<th>Regulatory Minimums</th>
<th>Capital Conservation Buffer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-adjusted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common equity tier 1 ratio</td>
<td>19.7%</td>
<td>4.5%</td>
<td>2.5% *</td>
<td>7.0%</td>
</tr>
<tr>
<td>Tier 1 capital ratio</td>
<td>19.7%</td>
<td>6.0%</td>
<td>2.5% *</td>
<td>8.5%</td>
</tr>
<tr>
<td>Total capital ratio</td>
<td>20.3%</td>
<td>8.0%</td>
<td>2.5% *</td>
<td>10.5%</td>
</tr>
<tr>
<td>Permanent capital ratio</td>
<td>19.8%</td>
<td>7.0%</td>
<td>N/A</td>
<td>7.0%</td>
</tr>
<tr>
<td>Non-risk-adjusted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 leverage ratio</td>
<td>18.3%</td>
<td>4.0%</td>
<td>1.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Unallocated retained earnings and equivalents leverage ratio</td>
<td>18.4%</td>
<td>1.5%</td>
<td>N/A</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

* 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 and 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 the 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 are 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 as regulatorily prescribed, 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 as regulatorily prescribed, 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 as regulatorily prescribed, 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 December 31, 2017.

Refer to Note 9 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016 and 2015. We were in compliance with the minimum required capital ratios as of December 31, 2016, and 2015.

---

**DESCRIPTION OF EQUITIES**

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

<table>
<thead>
<tr>
<th>AS OF DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class D common stock (at-risk)</td>
<td>13,633,460</td>
<td>14,058,056</td>
<td>14,311,611</td>
</tr>
<tr>
<td>Class B participation certificates (at-risk)</td>
<td>2,661,410</td>
<td>2,854,216</td>
<td>2,989,102</td>
</tr>
</tbody>
</table>

Under our bylaws, we are also authorized to issue Class C common stock. This stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of this class has been issued.

Only holders of Class D common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2017, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed pro rata to all holders of common stock and participation certificates.

In the event of impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PATRONAGE DISTRIBUTIONS
We accrued patronage distributions of $87.9 million and $30.0 million at December 31, 2017 and 2016, respectively. No patronage distributions were accrued as of December 31, 2015. The patronage distributions are expected to be paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. Additionally, effective January 1, 2017, patronage distributions may be restricted or prohibited without prior FCA approval if capital ratios fall below the total requirements, including the buffer amounts. We do not foresee any events that would result in this prohibition in 2018.

INCOME TAXES
The Tax Cuts and Jobs Act (the Act) was enacted in December of 2017. This Act contained various tax law changes, including a federal statutory tax rate change to 21% from 35%, effective January 1, 2018. Because deferred tax assets and liabilities are expected to be recognized in the Association's tax return in a future year, when the new statutory tax rate would be applicable, the deferred tax assets and liabilities as of December 31, 2017, have been valued using a blended federal/state effective tax rate based on the new federal statutory tax rate. The effect of this revaluation is recognized in our provision for (benefit from) income taxes for the year ended December 31, 2017.

(BENEFIT FROM) PROVISION FOR INCOME TAXES

(Benefit from) Provision for Income Taxes

<table>
<thead>
<tr>
<th>DOLLARS IN THOUSANDS</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$20,515</td>
<td>$16,726</td>
<td>$13,265</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>1,009</td>
<td>574</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td>Total current</td>
<td>$21,524</td>
<td>$17,300</td>
<td>$13,815</td>
<td></td>
</tr>
<tr>
<td>Deferred:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$(42,231)</td>
<td>$(23,107)</td>
<td>$(5,207)</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>(214)</td>
<td>(1,109)</td>
<td>(1,401)</td>
<td></td>
</tr>
<tr>
<td>Total deferred</td>
<td>$(42,445)</td>
<td>$(24,216)</td>
<td>$(6,608)</td>
<td></td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>$20,921</td>
<td>$(6,916)</td>
<td>$7,207</td>
<td></td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>(5.8%)</td>
<td>(2.4%)</td>
<td>2.5%</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of Taxes at Federal Statutory Rate to (Benefit from) Provision for Income Taxes

<table>
<thead>
<tr>
<th>DOLLARS IN THOUSANDS</th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal tax at statutory rates</td>
<td>$125,264</td>
<td>$102,661</td>
<td>$100,179</td>
<td></td>
</tr>
<tr>
<td>State tax, net</td>
<td>3</td>
<td>(221)</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>Patronage distributions</td>
<td>(12,705)</td>
<td>(10,509)</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Effect of non-taxable entity (FLCA)</td>
<td>(112,513)</td>
<td>(98,866)</td>
<td>(92,607)</td>
<td></td>
</tr>
<tr>
<td>Change in statutory tax rates due to the Tax Cuts and Jobs Act</td>
<td>(22,619)</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,649</td>
<td>19</td>
<td>(614)</td>
<td></td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>$20,921</td>
<td>$(6,916)</td>
<td>$7,207</td>
<td></td>
</tr>
</tbody>
</table>

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DEPARTMENT OF LABOR

Deferred Income Taxes

Deferred tax assets and liabilities are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers.

The Trust Committee is responsible for fiduciary and plan administrative functions.

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

### AgriBank District Retirement Plan Information

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfunded liability</td>
<td>$352,516</td>
<td>$374,305</td>
<td>$453,825</td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>1,371,013</td>
<td>1,269,625</td>
<td>1,255,259</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>1,018,497</td>
<td>895,320</td>
<td>801,434</td>
<td></td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>1,184,550</td>
<td>1,096,013</td>
<td>1,064,133</td>
<td></td>
</tr>
</tbody>
</table>

### FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total plan expense</td>
<td>$444,730</td>
<td>953,139</td>
<td>963,800</td>
</tr>
<tr>
<td>Our allocated share of plan expenses</td>
<td>8,884</td>
<td>10,521</td>
<td>12,510</td>
</tr>
<tr>
<td>Contributions by participating employers</td>
<td>90,000</td>
<td>90,000</td>
<td>62,722</td>
</tr>
<tr>
<td>Our allocated share of contributions</td>
<td>17,648</td>
<td>17,514</td>
<td>12,304</td>
</tr>
</tbody>
</table>

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

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Benefits paid to participants in the District were $103.7 million in 2017. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2018 is $90.0 million. Our allocated share of these pension contributions is expected to be $17.2 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

**NONQUALIFIED RETIREMENT PLAN**: We also participate in the District-wide Nonqualified Defined Benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

### Pension Restoration Plan Information

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>AS OF DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our unfunded liability</td>
<td>$2,092</td>
<td>$1,177</td>
<td>$1,301</td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation for the Combined District</td>
<td>37,190</td>
<td>28,514</td>
<td>31,650</td>
<td></td>
</tr>
<tr>
<td>Accumulated benefit obligation for the Combined District</td>
<td>29,844</td>
<td>22,778</td>
<td>26,323</td>
<td></td>
</tr>
</tbody>
</table>

### FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>(IN THOUSANDS)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total plan expense</td>
<td>$8,336</td>
<td>95,767</td>
<td>33,776</td>
</tr>
<tr>
<td>Our allocated share of plan expenses</td>
<td>206</td>
<td>207</td>
<td>372</td>
</tr>
<tr>
<td>Our cash contributions</td>
<td>331</td>
<td>331</td>
<td>331</td>
</tr>
</tbody>
</table>

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. Beginning in 2017, the recognition of the unfunded liability includes the impact of prior service cost and unamortized gain/loss. The increase in the liability was offset against accumulated other comprehensive loss and had no impact to net income. The amount of the pension benefits funding status is subject to many variables, including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Consolidated Statements of Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.
**Retiree Medical Plans:** District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status.

<table>
<thead>
<tr>
<th>Retiree Medical Plan Information</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit income</td>
<td>$(120)</td>
<td>$(131)</td>
<td>$(236)</td>
</tr>
<tr>
<td>Our cash contributions</td>
<td>17</td>
<td>21</td>
<td>22</td>
</tr>
</tbody>
</table>

Postretirement benefit costs are included in “Salaries and employee benefits” in the Consolidated Statements of Income. Our cash contributions are equal to the benefits paid.

**Defined Contribution Plans**

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

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain line of credit, to fund our loan portfolio.

**Related Party Transactions**

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2017, involved more than a normal risk of collectability.

**Related Party Loans and Leases Information**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total related party loans and leases</td>
<td>$19,098</td>
<td>$11,591</td>
<td>$16,119</td>
</tr>
<tr>
<td>FOR THE YEAR ENDED DECEMBER 31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to related parties</td>
<td>$11,168</td>
<td>$4,933</td>
<td>$5,890</td>
</tr>
<tr>
<td>Repayments by related parties</td>
<td>6,551</td>
<td>5,552</td>
<td>5,515</td>
</tr>
</tbody>
</table>

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans and leases in the preceding chart are related to those considered related parties at year end.

As discussed in Note 7, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, and insurance services. The total cost of services we purchased from AgriBank was $4.7 million, $5.0 million, and $4.8 million in 2017, 2016, and 2015, respectively.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Foundations. As of December 31, 2017, 2016, and 2015, our investment in Foundations was $113 thousand. The total cost of services purchased from Foundations was $856 thousand, $846 thousand, and $778 thousand in 2017, 2016, and 2015, respectively.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, 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 have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2017, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $3.3 billion. Additionally, we had $36.0 million of issued standby letters of credit as of December 31, 2017.

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

We are among the limited partners in RBICs. Refer to Note 6 for additional discussion regarding these commitments.

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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 input levels that may be used to measure fair value. Refer to Note 2 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 December 31, 2017, 2016, or 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]

<table>
<thead>
<tr>
<th></th>
<th>AS OF DECEMBER 31, 2017</th>
<th>Fair Value Measurement Using</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$—</td>
<td>$—</td>
<td>$22,361</td>
</tr>
<tr>
<td>Other property owned</td>
<td>—</td>
<td>—</td>
<td>5,808</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>AS OF DECEMBER 31, 2016</th>
<th>Fair Value Measurement Using</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$—</td>
<td>$14,561</td>
<td>$—</td>
</tr>
<tr>
<td>Other property owned</td>
<td>—</td>
<td>—</td>
<td>6,742</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>AS OF DECEMBER 31, 2015</th>
<th>Fair Value Measurement Using</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$—</td>
<td>$13,873</td>
<td>$—</td>
</tr>
<tr>
<td>Other property owned</td>
<td>—</td>
<td>—</td>
<td>7,662</td>
</tr>
</tbody>
</table>
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.

SUBSEQUENT EVENTS

We have evaluated subsequent events through March 15, 2018, 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 2017 Consolidated Financial Statements or disclosures in the Notes to Consolidated Financial Statements.
DISCLOSURE INFORMATION REQUIRED BY REGULATIONS (UNAUDITED)

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

The description of significant business developments, if any, is incorporated herein by reference from the Management’s Discussion and Analysis section of the Consolidated Financial Statements in this Annual Report.

DESCRIPTION OF PROPERTY
There are 86 offices located throughout our territory originating and servicing loans and leases. We own 82 offices and lease four. In addition to our Louisville office facility, we lease two supplementary spaces in Louisville to accommodate staff. There are 86 retail offices which are supported by four special account units. A single building may house multiple offices. The owned facilities have net book values ranging between $33 thousand and $7.4 million. On December 31, 2017, there were two buildings held for resale. During 2017, construction was completed on new facilities in Anderson, Indiana and Owensboro, Kentucky, which replaced existing offices. Additionally, offices in Bardstown and Danville, Kentucky were closed and merged into existing offices.

LEGAL PROCEEDINGS
Information regarding legal proceedings is discussed in Note 12 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2017.

ADDITIONAL REGULATORY CAPITAL DISCLOSURE
Pursuant to FCA Regulation 620.5, the permanent capital ratio, total surplus ratio, and core surplus ratios were 15.5%, 15.0%, and 15.0% as of December 31, 2012, respectively. Refer to the Consolidated Five Year Summary of Selected Financial Data for capital ratio calculations for the past five years.

DESCRIPTION OF CAPITAL STRUCTURE
Information regarding our capital structure is discussed in Note 8 to the Consolidated Financial Statements in this Annual Report.

DESCRIPTION OF LIABILITIES
Information regarding liabilities is discussed in Notes 7, 8, 9, 10 and 12 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

SELECTED FINANCIAL DATA
The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of the Consolidated Financial Statements in this Annual Report.

MANAGEMENT’S DISCUSSION AND ANALYSIS
Information regarding any material aspects of our financial condition, changes in financial condition and results of operations are discussed in the Management’s Discussion and Analysis section of the Consolidated Financial Statements in this Annual Report.

BOARD OF DIRECTORS
The Board of Directors is organized into the following committees to carry out Board responsibilities:
- The Audit Committee oversees financial reporting, adequacy of our internal control systems, the scope of our internal audit program, independence of the outside auditors, processes for monitoring compliance with applicable laws and regulations related to preparation of the quarterly and annual reports, and the code of ethics. The Audit Committee also oversees the adequacy of management’s action with respect to recommendations arising from auditing activities.
- The Governance Committee addresses issues of Board governance and the Board’s continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies, and administers, in conjunction with the Board and management, a planning process focused upon securing the future of rural communities and agriculture.
- The Human Resources Committee oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The Risk Management Committee oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.
### DISCLOSURE INFORMATION REQUIRED BY REGULATIONS (UNAUDITED)

**Board of Directors as of December 31, 2017, including business experience during the last five years**

<table>
<thead>
<tr>
<th>Name</th>
<th>Term</th>
<th>Principal occupation and other business interests or affiliations</th>
</tr>
</thead>
</table>
| Andrew Wilson      | 2015–2019     | **Principal Occupation:** Self-employed farmer (corn, soybeans, wheat, hay, cattle, and hogs)  
                      **Other Affiliations:** Alternate Director, AgriBank District Farm Credit Council Board (agriculture) |
| Chair              |               |                                                               |
| Service Began:     | 10/2007       |                                                               |
| John L. Kuegel, Jr.| 2016–2020     | **Principal Occupation:** Self-employed farmer (dairy, corn, soybeans, wheat, hay, and alfalfa)  
                      **Other Affiliations:** Director, Daviess County Farm Bureau Board (agriculture)  
                      Director, Daviess County Extension Council (cooperative education)  
                      AgriBank District Farm Credit Council Board (agriculture) |
| Vice Chair         |               |                                                               |
| Service Began:     | 10/2012       |                                                               |
| Brandon Robbins    | 2015–2019     | **Principal Occupation:** Business owner, part-time farmer (cow-calf operation)  
                      **Other Affiliations:** Owner, Mountain Farm International, LLC (equipment dealership)  
                      Alternate Director, AgriBank District Farm Credit Council Board (agriculture) |
| Secretary          |               |                                                               |
| Service Began:     | 10/2011       |                                                               |
| R. Hugh Adams      | 2014–2018     | **Principal Occupation:** Self-employed farmer (corn, soybeans, and wheat); retired from Tennessee Farm Bureau (Field Service Director)  
                      **Other Affiliations:** Director, Weakley County Farm Bureau (agriculture)  
                      Director, West Tennessee River Basin Authority (environmental conservation)  
                      Alternate Director, AgriBank District Farm Credit Council Board (agriculture) |
| Service Began:     | 10/2012       |                                                               |
| Barney Barnett     | 2014–2018     | **Principal Occupation:** Retired (former president/owner of management recruiting business) |
| Outside Director   |               |                                                               |
| Service Began:     | 06/1998       |                                                               |
| David A. Bates, III| 2017–2021     | **Principal Occupation:** Self-employed farmer (beef, corn, soybeans, wheat, hay, barley, and alfalfa); previously, farming included dairy  
                      **Other Affiliations:** Director, Bullitt County Farm Bureau (agriculture)  
                      Alternate Director, AgriBank District Farm Credit Council Board (agriculture) |
| Service Began:     | 01/1988       |                                                               |
| Donald Blankenship | 2016–2020     | **Principal Occupation:** Self-employed farmer (vegetables, hay, corn, beans, wheat, custom farming, and beef cattle) |
| Service Began:     | 10/2008       |                                                               |
| Steven R. Bush     | 2017–2021     | **Principal Occupation:** CFO, Whitestone Feeds, LLC; Administrative Pastor, Real Life Christian Church;  
                      former Executive Pastor, Family Christian Center |
| Outside Director   | Service Began:| 04/2017                                                       |
| Dwain Cottingham   | 2015–2019     | **Principal Occupation:** Self-employed farmer (cash grains)  
                      **Other Affiliations:** Adams Township Advisory Board (local government, beginning January 1, 2016)  
                      Director, Warren County Sheriff's Merit Board  
                      Warren County Community Foundation Finance Committee (philanthropic) |
| Service Began:     | 10/2015       |                                                               |
| Mary C. Courtney   | 2015–2019     | **Principal Occupation:** Self-employed farmer (tobacco, soybeans, corn, wholesale produce, and cattle)  
                      **Other Affiliations:** Co-Owner, Lawns of Perfection, LLC (lawn maintenance)  
                      Director, Shelby County Farm Bureau (agriculture)  
                      Director, Shelby County Extension Council (agriculture)  
                      Director, Shelby County District Extension Board (agriculture) |
| Service Began:     | 07/2014       |                                                               |
| Lowell D. Hill     | 2014–2018     | **Principal Occupation:** Self-employed farmer (grain); retired general superintendent of Thomas Marker Construction Company  
                      **Other Affiliations:** |
| Service Began:     | 10/2014       |                                                               |
DISCLOSURE INFORMATION REQUIRED BY REGULATIONS (UNAUDITED)

<table>
<thead>
<tr>
<th>Name</th>
<th>Term</th>
<th>Principal occupation and other business interests or affiliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shari Rogge-Fidler</td>
<td>2017–2021</td>
<td><strong>Principal Occupation:</strong> Interim CEO, Applied Geosolutions, LLC; Owner, Cambium Strategies, LLC; Self-employed farmer (grain)&lt;br&gt;<strong>Other Affiliations:</strong> Director, Coastal Pet; Director, SEED Corp (micro loans); Director, Local Growers Guild (2013–2014)</td>
</tr>
<tr>
<td></td>
<td>Service Began: 04/2017</td>
<td></td>
</tr>
<tr>
<td>Dale B. Tucker</td>
<td>2017–2021</td>
<td><strong>Principal Occupation:</strong> Self-employed farmer (hay, timber, and cattle); retired from Greene County Tennessee School System, North Greene High School (agriculture education)&lt;br&gt;<strong>Other Affiliations:</strong> Greene County Commissioner (local government)</td>
</tr>
<tr>
<td></td>
<td>Service Began: 10/2013</td>
<td></td>
</tr>
<tr>
<td>Rachael M. Vonderhaar</td>
<td>2017–2021</td>
<td><strong>Principal Occupation:</strong> Full-time farmer (grain, cow/calf, ewe/lamb, bird seed); business owner&lt;br&gt;<strong>Other Affiliations:</strong> Director, Preble County Farm Service Agency (agriculture); Director, Ohio Small Grains Marketing Program (agriculture/education)</td>
</tr>
<tr>
<td></td>
<td>Service Began: 10/2017</td>
<td></td>
</tr>
<tr>
<td>Kaye H. Whitehead</td>
<td>2016–2020</td>
<td><strong>Principal Occupation:</strong> Self-employed farmer (hay, corn, soybeans, wheat, and hog operation)&lt;br&gt;<strong>Other Affiliations:</strong> Director, Delaware County Pork Producers (agriculture); Director, Ivy Tech Community College (education); Chair, Delaware County Farm Bureau (agriculture); Alternate Director, AgriBank District Farm Credit Council Board (agriculture)</td>
</tr>
<tr>
<td></td>
<td>Service Began: 10/2016</td>
<td></td>
</tr>
<tr>
<td>Tony G. Wolfe</td>
<td>2014–2018</td>
<td><strong>Principal Occupation:</strong> Self-employed farmer (corn, soybeans, wheat, and cattle); former Field Representative for Indiana Farm Bureau&lt;br&gt;<strong>Other Affiliations:</strong> AgriBank District Farm Credit Council Board (agriculture); The Farm Credit Council (national trade association for the Farm Credit system)</td>
</tr>
<tr>
<td></td>
<td>Service Began: 10/2010</td>
<td></td>
</tr>
</tbody>
</table>

Update on Board of Directors Restructure Plan: In January 2016, the Board of Directors approved a plan to reduce the number of stockholder elected directors on the Board of Directors from 16 to 12, one in each of the four states served by our Association. A position in each of Indiana, Ohio, and Kentucky have been eliminated to date, and for the remaining position in Tennessee, the plan includes scenarios that provide flexibility from both a position and timing standpoint to allow for completion of the plan no later than November 2020.

Outside Directors: The Board of Directors has three Appointed Outside Directors. These positions are held by Barney Barnett, whose term ends October 31, 2018, and Steven R. Bush and Shari Rogge-Fidler, whose terms began April 1, 2017 and end March 31, 2021.

Directors are compensated in the form of an annual retainer paid monthly for time spent in preparing and attending board and committee meetings, regional advisory committee meetings, summer planning meeting and AgriBank annual meeting. For the month of January 2017 the monthly rate paid was $2,869.50. Beginning February 1, 2017, the retainer increased to a monthly rate of $2,905.75. In addition, directors were compensated at the daily rate of $350 for attendance at designated meetings not specified above but set out by board policy. Directors were also reimbursed for reasonable expenses incurred in connection with attending such meetings.

The officers of the Board (Chair, Vice Chair, and Secretary) and the Chair of each of the Board’s standing committees (Audit, Governance, Human Resources, and Risk Management) received an annual retainer paid monthly for the additional time commitments of their positions. The monthly amounts paid were as follows: Board Chair — $500; Board Vice Chair and Risk Management Committee Chair — $300; and Secretary and Board Committee Chairs — $200. Additionally, directors serving on standing committees receive $175 for participation in conference call meetings or committee meetings not held in conjunction with board meetings.
Information regarding compensation paid to each director who served during 2017 follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Days Served</th>
<th>Compensation Paid for Service on a Board Committee</th>
<th>Name of Committee</th>
<th>Total Compensation Paid in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Hugh Adams</td>
<td>18.0</td>
<td>2.0</td>
<td>$—</td>
<td>£35,551</td>
</tr>
<tr>
<td>Barney Barnett</td>
<td>18.0</td>
<td>14.0</td>
<td>$3,100</td>
<td>42,126</td>
</tr>
<tr>
<td>David A. Bates, III</td>
<td>18.0</td>
<td>9.5</td>
<td>2,400</td>
<td>Human Resource</td>
</tr>
<tr>
<td>Donald Blankenship</td>
<td>15.0</td>
<td>15.0</td>
<td>2,125</td>
<td>Audit</td>
</tr>
<tr>
<td>Steven R. Bush</td>
<td>14.0</td>
<td>6.0</td>
<td>$—</td>
<td>28,970</td>
</tr>
<tr>
<td>Dwain Cottingham</td>
<td>18.0</td>
<td>13.0</td>
<td>175</td>
<td>Audit</td>
</tr>
<tr>
<td>Mary C. Courtney</td>
<td>18.0</td>
<td>10.5</td>
<td>200</td>
<td>Human Resource</td>
</tr>
<tr>
<td>Shari Rogge-Fidler</td>
<td>14.0</td>
<td>2.0</td>
<td>$—</td>
<td>27,220</td>
</tr>
<tr>
<td>David E. Hahn</td>
<td>4.0</td>
<td>3.0</td>
<td>$—</td>
<td>9,749</td>
</tr>
<tr>
<td>Lowell D. Hill</td>
<td>18.0</td>
<td>23.5</td>
<td>$—</td>
<td>42,376</td>
</tr>
<tr>
<td>John L. Kuegel, Jr</td>
<td>18.0</td>
<td>21.0</td>
<td>$—</td>
<td>44,801</td>
</tr>
<tr>
<td>Brandon Robbins</td>
<td>14.0</td>
<td>0.0</td>
<td>$—</td>
<td>38,251</td>
</tr>
<tr>
<td>George E. Stebbins</td>
<td>12.0</td>
<td>5.5</td>
<td>1,225</td>
<td>Audit</td>
</tr>
<tr>
<td>Dale B. Tucker</td>
<td>18.0</td>
<td>16.5</td>
<td>2,925</td>
<td>Governance</td>
</tr>
<tr>
<td>Rachael M. Vonderhaar</td>
<td>6.0</td>
<td>3.5</td>
<td>350</td>
<td>Audit</td>
</tr>
<tr>
<td>Kaye H. Whitehead</td>
<td>14.0</td>
<td>8.0</td>
<td>725</td>
<td>Governance</td>
</tr>
<tr>
<td>Andrew Wilson</td>
<td>18.0</td>
<td>30.5</td>
<td>$—</td>
<td>50,826</td>
</tr>
<tr>
<td>Tony G. Wolfe</td>
<td>18.0</td>
<td>24.0</td>
<td>525</td>
<td>Governance</td>
</tr>
</tbody>
</table>

1 The number of board meeting days and per diem totals include travel time to and from meetings.
2 All directors serve on board committees. The additional compensation paid was for serving as a committee chair or participating in meetings not held in conjunction with board meeting dates. Tony G. Wolfe was compensated for participation on both the Governance and Audit committees.
3 Appointed to Board of Directors in April 2017.
4 Term Expired in March 2017.
5 Term Expired in October 2017.
6 Elected to Board of Directors in October 2017.

Total compensation includes annual insurance of $1.21 for business travel and $16.80 for accidental death and dismemberment coverage per director.
### Senior Officers

Senior Officers as of December 31, 2017, including business experience during the last five years

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Business experience and employment during past five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>William L. Johnson</td>
<td>President and Chief Executive Officer</td>
<td>President and Chief Executive Officer of Farm Credit Mid-America from May 2011 to present</td>
</tr>
<tr>
<td>Steve Allard</td>
<td>Executive Vice President – Chief Credit Officer</td>
<td>Vice President – Credit Analysis from November 2011 through December 2014; Acting Chief Credit Officer January 2015 through March 2015; Senior Vice President – Chief Credit Officer from April 2015 through April 2017; Executive Vice President – Chief Credit Officer from May 2017 to present</td>
</tr>
<tr>
<td>Gordon Hanson</td>
<td>Senior Vice President – Chief Risk Officer</td>
<td>Credit Risk Program Manager – Farm Credit Administration from February 2007 through December 2013; Senior Vice President – Chief Risk Officer of Farm Credit Mid-America from January 2014 to present</td>
</tr>
<tr>
<td>Keith Lane</td>
<td>Executive Vice President – Chief Lending Officer</td>
<td>Senior Vice President – Agribusiness from November 2011 through April 2017; Executive Vice President – Specialty Lending from May 2017 through December 2017; Executive Vice President – Chief Lending Officer from January 2018 to present</td>
</tr>
<tr>
<td>Jill Marchant *</td>
<td>Senior Vice President – General Counsel</td>
<td>General Counsel for Texas Roadhouse from August 2011 to January 2014; Corporate Secretary for Farm Credit Mid-America from May 2015 through December 2016; Senior Vice President – General Counsel from June 2014 to January 2018</td>
</tr>
<tr>
<td>Richard Poe **</td>
<td>Executive Vice President – Financial Services</td>
<td>Senior Vice President – Financial Services from July 2007 to March 2016; Executive Vice President – Financial Services from March 2016 through December 2017</td>
</tr>
<tr>
<td>Heather Vidourek</td>
<td>Senior Vice President – Human Capital</td>
<td>Senior Vice President – Human Capital from June 2012 to present</td>
</tr>
<tr>
<td>Daniel Wagner</td>
<td>Executive Vice President – Chief Financial and Information Officer</td>
<td>Senior Vice President – Chief Information Officer of Farm Credit Mid-America from June 2012 through April 2017; Executive Vice President – Chief Financial and Information Officer May 2017 to present</td>
</tr>
</tbody>
</table>

* Jill Marchant left the Association in January 2018.
** Richard Poe retired at the end of December 2017.

**William L. Johnson** is a director of Farm Credit Council Services (Farm Credit business services), University of Evansville (Board of Visitors – education), the Local Food Association Board (agriculture), and AgriNovis (agriculture).

**Heather Vidourek** is a trustee of Farm Credit Foundations (employee benefits), and council member of the Kentucky Chamber of Commerce Education and director of Workforce Council (business education).

**Richard Poe** is a director of the Purdue University Center for Commercial Agriculture (agriculture education).
**SENIOR OFFICER COMPENSATION**

**Compensation Overview:** The CEO and senior officer compensation program’s design and governance follows prudent risk management standards, while providing total compensation that promotes the Association’s mission and business strategy to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Association’s compensation philosophy aims to provide total cash compensation that is competitive within the relevant market in order to recruit, reward, and retain team members to meet the Association’s objectives, while remaining aligned with the best interests of cooperative shareholders. The senior officer compensation program supports our risk management goals through its balance of the following: (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

**Elements of Compensation:** The CEO and senior officers are compensated with a mix of direct cash and long-term incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of short-term and long-term incentives while keeping in mind their responsibilities to our members. Base salary and short-term incentives are intended to be competitive with annual compensation for comparable positions at peer organizations.

**Base Salary:** Base salaries for all team members, including the CEO and senior officers, are determined by the position and responsibilities, performance and competitive market compensation data. The CEO’s base salary increase is determined by combining an individual performance rating established by the Board of Directors and the Association’s performance. Senior officer base salary increases are determined by each officer’s individual performance rating. The CEO and senior officer base salary programs are annually reviewed and approved by the Board of Directors.

**Short-term Incentives:** The Board of Directors approves the short-term incentive program each year and eligible team members, including the CEO and senior officers, participate in the program. The 2017 program included team and association performance measures based on financial and business results, association initiatives and credit performance. These measures include efficiency ratio, new loan volume, return on assets, crop insurance growth and credit administration. Association-level measures may be updated periodically, are approved by the Board of Directors and are consistent with the Association’s business plan for the corresponding year. Team measures align to the Association and include measures specific to each business division. Payouts are earned only when specific levels of performance are achieved and are paid out within 75 days of the end of the plan year (the plan year is the calendar year). The 2018 short-term program will be similar to the 2017 program.

**Long-term Incentive:** In 2014, the Board of Directors implemented a long-term incentive program which aligned the CEO and senior officers to the Association’s long-term business objectives, while providing the opportunity for a competitive market-based total compensation package. The Board of Directors set independent, three-year performance objectives at the beginning of each plan year, including efficiency, credit quality and earning asset growth. Additionally, the Board of Directors, at its sole discretion, may increase or decrease the amount of the incentive calculated.

The plan began in 2014 and continued through 2016, with the payout during the first quarter of 2017. To create the desired alignment between compensation and long-term performance sooner, there was a one-time, two-year transition program that ran from 2014 to 2015. The payout for this program occurred during the first quarter of 2016. The Board of Directors must approve all long-term incentive payouts. Individuals becoming eligible for a plan after commencement of the plan (e.g., new hires) will receive a pro-rata long-term incentive based on months of service in an eligible position as long as the individual became eligible prior to January 1 of the last year in the plan. The Human Resources Committee of the Board of Directors will administer the plan as it relates to the CEO and delegate the administration as it relates to other participants to the CEO and human resources function. In addition, the CEO, at his sole discretion, may increase or decrease the amount of the incentive calculated and paid to a qualified plan participant based on market compensation and individual contributions and performance, not exceeding the Board approved aggregate senior officer pool.

**Retirement Plans:** We have various post-employment benefit plans which are generally available to all Association employees, including the CEO and senior officers, based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 10 to the accompanying Consolidated Financial Statements.

**Other Components of Compensation:** Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums or dependent financial aid may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.
DISCLOSURE INFORMATION REQUIRED BY REGULATIONS (UNAUDITED)

Compensation to the CEO and Senior Officers

<table>
<thead>
<tr>
<th>Name, Plan, Year</th>
<th>Salary</th>
<th>Incentive</th>
<th>Deferred/Perquisites</th>
<th>Pension Value</th>
<th>Change in Long-Term Incentive</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>William L. Johnson, CEO 2017</td>
<td>$645</td>
<td>$357</td>
<td>$11</td>
<td>$203</td>
<td>$267</td>
<td>$35</td>
<td>$1,518</td>
</tr>
<tr>
<td>William L. Johnson, CEO 2016</td>
<td>606</td>
<td>240</td>
<td>12</td>
<td>173</td>
<td>212</td>
<td>18</td>
<td>1,232</td>
</tr>
<tr>
<td>William L. Johnson, CEO 2015</td>
<td>533</td>
<td>240</td>
<td>12</td>
<td>129</td>
<td>234</td>
<td>31</td>
<td>1,179</td>
</tr>
</tbody>
</table>

Aggregate Number of Senior Officers, excluding CEO
Five 2016 2,043 531 34 1,561 493 197 4,859
Five 2015 2,166 724 75 1,625 663 171 5,424

Senior officers in the above table includes those who retired during 2017.

Certain reclassifications of 2016 and 2015 compensation amounts have been made to conform to current year presentation. Previously, elective deferrals of salary, short-term incentive, and long-term incentive were classified in the “Deferred/Perquisites” category. These amounts are now classified as salary, short-term incentive, and long-term incentive.

The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 10 to the accompanying Consolidated Financial Statements. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association’s future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

The amount in “Other” category in the preceding table primarily includes the employer match on defined contribution plans available to all employees.

No tax reimbursements are made to the CEO or senior officers.

The value of the pension benefits from December 31, 2016, to December 31, 2017, changed primarily due to interest cost, accumulation of an additional year of credited service by plan participants and changes in actuarial assumptions.

Members may request information on the 2017 compensation to the individuals included in the preceding table.

Pension Benefits Attributable to the CEO and Senior Officers

<table>
<thead>
<tr>
<th>Name, Plan, Year</th>
<th>Years of Credited Service</th>
<th>Present Value of Accumulated Benefits</th>
<th>Payments Made During the Reporting Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>William L. Johnson, CEO AgriBank District Retirement Plan</td>
<td>35.2</td>
<td>$713</td>
<td>$--</td>
</tr>
<tr>
<td>William L. Johnson, CEO AgriBank District Pension Restoration Plan</td>
<td>35.2</td>
<td>437</td>
<td>--</td>
</tr>
</tbody>
</table>

Aggregate Number of Senior Officers, excluding CEO

Five 2016 2,043 531 34 1,561 493 197 4,859
Five 2015 2,166 724 75 1,625 663 171 5,424

Senior officers in the above table includes those who retired during the year.

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

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

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

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 11 to the Consolidated Financial Statements in this Annual Report.
TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES
Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

The total director’s travel, subsistence, and other related expenses were $266 thousand, $230 thousand, and $289 thousand in 2017, 2016, and 2015, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS
No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2018, or at any time during 2017.

MEMBER PRIVACY
The FCA Regulations protect members’ nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT
There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2017 were $146 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS

YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS
Information regarding credit and services to young, beginning and small farmers and ranchers, as well as producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.
The Board of Directors has approved a policy to serve the credit and related needs of young, beginning, and small farmers and ranchers in our territory. The definitions of young, beginning, and small farmers and ranchers follow:

- Young: a farmer, rancher, producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: a farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: a farmer, rancher, producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products.

**DEMographics**

We have used the 2012 USDA Ag Census as our source of demographic data for Young, Beginning, and Small Farmers (YBS). There are 268,106 farms in the four state territory of Indiana, Kentucky, Ohio, and Tennessee. Of that number, there are 31,098 young farmers (11.5%), 66,299 beginning farmers (24.7%), and 246,771 small farmers (92.0%). The census data is as of 2012, whereas our portfolio data is based on the number of current YBS customers and/or loans in the current year.

**Mission Statement**

Our mission for the Young, Beginning, and Small Farmer Program is to provide sound and constructive credit to meet the needs of young, beginning, and small farmers by offering standard or special programs targeted to this group.

**Targets and Goals**

**Total Loan Portfolio**

The goal of the young farmer program is to maintain the percentage that young farmers represent of the total farm members in our portfolio at 25% or higher; the goal of the beginning farmer program is to maintain the percentage that beginning farmers represent of the total farm members in our portfolio at 45% or higher; the goal of the small farmer program is to maintain the percentage that small farmers represent of the total farm members in our portfolio at 70% or higher.

In 2017, there were 74,162 agriculture members in our portfolio. Of that number, there were 21,552 young farmers, 41,935 beginning farmers, and 61,001 small farmers. Farm members could qualify in more than one category. These numbers surpass the goals as follows:

<table>
<thead>
<tr>
<th>% of Member Base</th>
<th>Actual</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>29.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Beginning</td>
<td>56.6%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Small</td>
<td>82.3%</td>
<td>70.0%</td>
</tr>
</tbody>
</table>

**New Loan Portfolio**

The Association has also set a goal that 20% or more of new loans or leases will be closed to young farm customers, 30% or more new loans or leases will be closed to beginning farmers, and 60% or more of new loans or leases will be closed to small farm customers.

<table>
<thead>
<tr>
<th>% of Loans</th>
<th>Actual</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>19.7%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Beginning</td>
<td>31.3%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Small</td>
<td>55.5%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

**Safety and soundness of the program**

It is the responsibility of the President and Chief Executive Officer or his designee for development of appropriate standards and procedures to support implementation of this policy and special programs approved by the Board of Directors. The Board of Directors reviews the ongoing adequacy of this policy at least annually and monitors progress on a quarterly basis.

Management has developed a young, beginning, and small farmer program that provides sound and constructive credit through standard or special programs targeted to this group.

**YBS Program Features**

We implemented four Young, Beginning, and Small Farmer and Rancher Program with four components, all of which were continued in 2017.

- Special underwriting program for young and beginning farmers. In 2017, Farm Credit Mid-America provided special underwriting standards on 355 loans representing $61.3 million in loan volume.
- Farm Service Agency (FSA) loan guarantee reimbursement of 50% for young or beginning farmers. In 2017, the Association waived its origination fees and reimbursed members 50% of their FSA guarantee fees on 63 loans representing more than $155 thousand in reimbursed FSA fees.
- 425 YBS farmers attended Farm Credit Mid-America’s YBS education seminar, “Know to Grow,” which works with members to understand and make sound management decisions based upon their own financial information.
- Reimbursement of up to $500 dollars (one time only) to young or beginning members who attend business, production, financial management, or agricultural leadership development programs that will help them in their farm business.
COMMUNITY ENGAGEMENT
In 2017, we focused on bringing additional knowledge to the customer. We supported young people by providing almost $275,000 in scholarships to students from Indiana, Ohio, Kentucky, and Tennessee enrolled in college programs related to agriculture careers. The Farm Credit Mid-America Board has a “community engagement philosophy” that contributed an additional $1.68 million in programs and gifts. These contributions benefitted rural communities, young people, commodity groups, and other agricultural organizations by supporting the next generation of agriculture, advocating for our industry and investing in rural communities. Employees also participated in and supported organizations like Future Farmers of America, 4-H, and Young Farmer groups by conducting training and education sessions to help the next generation of farmers.

OUTREACH AND EDUCATION
We continued to partner with many organizations to reach a variety of customers in 2017. We sponsored the Local Food Association and the Kentucky Proud Local Food Heroes program. We currently work with the Indiana State Department of Agriculture and the Indiana Certified Livestock Program, the Farm Bureau Young Farmer and Rancher organizations in all four states, Ohio State University, and the University of Tennessee’s Center for Profitable Agriculture, to name a few. Additionally, on the national level, we strive to partner with other associations from across the System by co-hosting an annual YBS idea sharing conference with the Farm Credit Council and maintaining membership in the AgriBank non-traditional lending committee.
FUNDS HELD PROGRAM (UNAUDITED)

The Association offers a Funds Held Program (Funds Held) that provides for customers to make uninsured advance payments on loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and the customer provide for other limitations.

PAYMENT APPLICATION
Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment date. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

ACCOUNT MAXIMUM
The amount in Funds Held may never exceed the unpaid principal balance of the loan. Many loans have a lower limit which is equal to the total payments due for the next year. In addition, Funds Held on loans with certain prepayment penalties may not exceed 10% of the original principal balance. Funds Held is generally not available on revolving lines of credit loans.

INTEREST RATE
Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. However, the rate will not exceed the interest rate charged on the related loan except in rare cases. The current interest rate is based upon the following criteria:
- Real estate loans closed under the loan program in effect prior to October 1, 1994, are paid a rate of interest equal to the loan rate.
- Real estate loans closed under the loan program in effect on October 1, 1994, and later are paid a rate of interest similar to short-term money market rates. The rate was 0.75% as of January 1, 2018.
- Commercial loans, with the exception of lines of credit, are paid a rate of interest similar to short-term money market rates. The rate was 0.75% as of January 1, 2018.

WITHDRAWALS
Money in Funds Held may be withdrawn for the following items, depending on the customer’s loan program.
- Customers may request that Funds Held or interest on Funds Held be applied to their loan balance at any time.
- Customers with real estate and commercial loans may use Funds Held for future installments or insurance. As well, customers may make up to four additional withdrawals for other approved purposes in lieu of increasing the loan amount. These four withdrawals have a minimum size limit of the lesser of $500 or the remaining balance in Funds Held in a 12-month period.

ASSOCIATION OPTIONS
In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held program, the Association may apply funds in the account to the unpaid balance and other amounts due, and shall return any excess funds to the customer.
- If the customers sell, assign, or transfer any interest in the underlying collateral, the Association may apply the funds in the account against the remaining loan balance.
- If all customers who are party to the loan are deceased, the Association may apply the funds in the account to the remaining loan balance.

UNINSURED ACCOUNT
Funds Held is not a depository account and is not insured. In the event of Association liquidation, customers having balances in Funds Held shall be notified according to FCA Regulations then in effect.

QUESTIONS
Please direct all questions regarding Funds Held to your local Farm Credit Mid-America representative by calling 1-800-444-FARM (3276).
This notice contains information about your stock investment in Farm Credit Mid-America, ACA (Association). Please read it carefully and make sure you understand both the benefits and risks of an investment in the Association.

Association Capitalization Bylaws (a copy of which is included as part of this publication) require an investment in stock or participation certificates in the amount of 2% of the loan amount or $1,000, whichever is less, when obtaining a loan from either of its wholly owned subsidiaries, the Farm Credit Mid-America, FLCA (FLCA) or the Farm Credit Mid-America, PCA (PCA). The Association’s Board of Directors (Board) has the discretion to apply the stock requirement on a per-customer basis or a per-loan basis. Currently, the stock requirement is on a per customer basis.

The Association also sells stock or “Participation Certificates” (Certificates) to any eligible customer of the FLCA or PCA as a condition of obtaining a lease and as a condition for purchasing related services. The amount of stock or participation certificates required may range from one share to no more than the requirement for obtaining a loan, at the discretion of the Board. At this time, the Board has decided to require one share for both leasing and related services.

The voting stock issued by the Association is called “Class D Stock” (Stock) and is issued only to farmers, ranchers and producers or harvesters of aquatic products. Other persons who are eligible to borrow or lease from or purchase financially related services with the FLCA or PCA, but who are not eligible to own Stock, must purchase Participation Certificates, which are issued on essentially the same terms as Stock except as described below.

Stock and Certificates issued as a condition of doing business with the Association (which may include stock issued in connection with loan renewals, assumptions, refinancing, etc.) are an investment in the Association that is at risk and not a compensating balance.

**HOW STOCK AND CERTIFICATES ARE PURCHASED**

Shares of Stock (and units of Certificates) are sold for their par value (or face amount) of $5 each and can be paid for either with cash or with the proceeds of a loan.

When the purchase price is borrowed, the amount of the FLCA and/or PCA loan includes the cost of the Stock or Certificates and interest is charged on the entire loan. The portion of the FLCA or PCA loan proceeds attributable to the purchase price of the Stock or Certificates is withheld and applied to the purchase price of the Stock or Certificates. The total amount of the loan, including the portion used to pay for the Stock or Certificates, is a legally enforceable obligation that must be repaid in full. The Association does not issue physical certificates for Stock or Certificates. Instead, the ownership of Stock or Certificates is evidenced by entries recorded on the combined books of the Association as reflected in periodic account statements sent to each customer.

**CERTAIN IMPORTANT CHARACTERISTICS OF STOCK AND CERTIFICATES**

The principal difference between Stock and Certificates is that the Stock entitles its holder to one vote (regardless of how many shares are owned) with respect to the election of Association directors and other matters on which stockholders are entitled to vote. Holders of Certificates have no voting rights. In all other respects, Stock and Certificates have substantially the same rights and restrictions.

Association bylaws provide that dividends may be paid on Stock or Certificates with the approval of the Board. Dividends may not be paid if, after or due to such action, the permanent capital of the Association would thereafter fail to meet the minimum capital adequacy standards established by the FCA.

The Board may adopt a resolution in accordance with the Act and the Regulations, so as to obligate the Association to distribute as patronage, its available “Patronage-Sourced Net Earnings” for such fiscal year as defined in the Patronage Resolution. Members, Equityholders and other parties with or for whom the Association conducts Patronage Business (“Patrons”) shall have the right to share in the patronage distribution on the basis of the quantity or value of their respective Patronage Business. Patronage may not be paid if, after or due to such action, the permanent capital of the Association would thereafter fail to meet the minimum capital adequacy standards established by the FCA.

The FLCA or PCA takes a lien on the Stock or Certificates held by a customer as additional security for the customer’s loan. If the customer defaults, the value of the customer’s investment (not to exceed par value, or face amount) may be applied against the balance due on the loan. If the customer’s Stock or Certificates are transferred, they are still subject to this lien. In any event, Stock and Certificates are transferable only to persons eligible to purchase such equities.

Stock and Certificates do not appreciate in value. Any retirement or conversion will be at their original issue price or, if less, their book value. The possibility that this investment may result in a loss is discussed below under the heading “Impairment.”

**RETIREE OF STOCK AND CERTIFICATES**

Under Association bylaws, Stock and Certificates are retired only at the discretion of the Board. Stock is retired at book value not to exceed par value, while Certificates are retired at book value not to exceed face amount. Book value will be determined in accordance with generally accepted accounting principles (GAAP).
Under Federal Law, there is no automatic right to have Stock or Certificates retired upon repayment of the customer’s loan or when the customer ceases to conduct other business with the FLCA and/or PCA. Under the Association’s existing Equity Policy, equity is on a customer basis and is required on existing fixed, adjustable or variable rate loans originated after July 1, 1995, in an amount not less than 2% or $1,000, whichever is less, according to the customer’s total loan balances (when the customer is the same on each loan).

Equity of one share is required on a lease or for a non-customer to qualify for related services.

The Equity Policy may be amended by the Board at any time at their sole discretion and in accordance with the Act, Regulations and Bylaws.

Effective 01/01/03, the Board’s policy permits the retirement of customer equity only if the Association’s permanent capital percentage is above the Board’s stated minimum, established annually. The Board allows stock to be retired by management provided that retirements are in accordance with the Association’s capital plan; the Association’s permanent capital ratio will be in excess of 14% after any such retirements; the Association meets and maintains all applicable minimum surplus and collateral standards; and the aggregate amount of stock purchases and retirements are reported to the Board of Directors monthly.

Except for loans in default, customer equity may be retired under any of the following conditions:
- the customer’s indebtedness for a loan or a lease is totally paid off;
- a non-borrower is no longer a purchaser of related services;
- the customer’s loan is sold into the secondary market without recourse; or
- management approves a partial retirement when a customer’s loan is in good standing and due to paydown, requests excess stock to be retired.

The retirement policy may be suspended or modified at any time at the discretion of the Board in order to protect the financial condition of the Association.

The Association is prohibited from retiring Stock or Certificates if such retirement results in the Association’s failure to satisfy the minimum capital adequacy standards established by the FCA.

Of course, even though you may be given the opportunity to have your stock retired, you are not required to retire your Stock or Certificates after repaying your FLCA and/or PCA loan and may continue to hold this investment. However, if you do not borrow from the FLCA and/or PCA during the following two years, your Class D Stock will be converted into non-voting Class C Stock.

**IMPAIRMENT**

Your ownership of Stock or Certificates in the Association is an investment and is subject to certain risks that could result in a partial or complete loss of investment. You are responsible for repayment of the entire amount of the FLCA and/or PCA loan, including the amount borrowed to pay for your Stock or Certificates, regardless of the value of your Stock or Certificates. These risks include:

- loan losses experienced by the FLCA and/or PCA as a result of inadequate evaluation of credit risks or adverse trends in agriculture, such as loss of international markets, over-production, weather conditions or disease;
- increases in the amount of non-accrual FLCA and/or PCA loans and properties acquired from borrowers that reduce revenues; and
- impairment of Agribank (Bank) stock owned by the Association due to losses in other associations within the district, loan losses and operating expenses of the Bank and the Bank’s joint and several liabilities on Systemwide debt securities issues by other Banks in the national Farm Credit System.

As a result of these or any other risks, the capital of the Association could become impaired. Impairment means that the book value of the Stock or Certificates has declined below par value or face value, which is $5 per share or unit. (For example, if the Association were to suffer loan losses which exceeded its other income, its bad debt reserve and its surplus accounts, the Stock and Certificates could have a book value less than $5 and thus would be impaired.) So long as the capital of the Association is impaired, its customers would receive less than they had paid for their stock upon retirement. If the Association were to be liquidated at the time when its capital is impaired, holders of Stock or Certificates would receive less than the par value or face amount of their investment and may suffer a total loss of their investment in the Association. However, in any event, customers would remain liable for the full amount of their loan from the FLCA and/or PCA, including the portion used to pay for the purchase of Stock or Certificates.

Of course, the Association will take all feasible action to prevent its capital from becoming impaired. The FLCA and PCA maintain loss reserves (and surplus accounts) to protect against this possibility.

The Farm Credit Act provides a mechanism for providing financial assistance to distressed Farm Credit System entities. This mechanism is described in the Association’s 2017 Annual Report. However, the assistance mechanisms in the Farm Credit Act provide no assurance to customers that Stock and Certificates will be protected. Therefore members are advised to review the financial statements of the Association and of the Bank and other available information about the Farm Credit System. Copies of the Association and the Bank’s Annual and Interim Reports to Investors are available from the Association upon request.

**ASSOCIATION PERMANENT CAPITAL STANDARDS**

The FCA Regulations prohibit patronage distributions to the extent they would reduce the Association’s permanent capital ratio below the minimum permanent capital adequacy standards. Additionally, effective January 1, 2017, patronage distributions may be restricted or prohibited without prior FCA approval if capital ratios fall below the total requirements, including the buffer amounts. We do not foresee any events that would result in this prohibition in 2018.
ARTICLE VIII — CAPITALIZATION

800 AUTHORIZED SHARES

The Association is authorized to issue:

a. fifty million (50,000,000) shares of Class C Common Stock with a par value of $5 per share to be issued as provided in Section 810.3 of these Bylaws, provided an unlimited number of shares may be issued for purposes of Section 845.2 and such other purposes for which the Regulations do not require the Bylaws to state a number or value limit;

b. an unlimited number of shares of Class D Common Stock with a par value of $5 per share to be issued as provided in Sections 810.4 of these Bylaws;

c. an unlimited number of Class B Participation Certificates, with a face value of $5 per unit to be issued as provided in Section 810.6 of these Bylaws; and

d. such number of shares of such other classes of capital stock as may be provided for in an amendment or amendments to these Bylaws as adopted pursuant to Article XIV, provided, however, if the class being proposed in any amendment or amendments is for a class of preferred stock, such amendment or amendments shall be approved by a majority of the shares voting of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

No fractional shares of any class of stock shall be issued or paid.

805 OWNERSHIP

Evidence of ownership of stock and participation certificates may be by book entry or in definitive form as prescribed by the Board.

A borrower’s required investment in Association common stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with MidAm, PCA or MidAm, FLCA, as the case may be. Accordingly, all references to loans and outstanding loan balances in this Article shall refer to aggregate loans held or originated by Association, MidAm, PCA and MidAm, FLCA

810 ISSUE, RIGHTS, PREFERENCES AND LIMITATIONS OF CLASSES OF STOCK

810.1 RESERVED

810.2 RESERVED

810.3 CLASS C COMMON STOCK

a. Issue: This stock may be issued in accordance with the Act and Regulations:

1. In such amounts and to such persons as may be permitted under a plan adopted by the Board;

2. For allocated surplus distributions, dividend payments, and patronage distributions; and

3. In accordance with Section 845.2 of these Bylaws.

b. Voting Rights: Class C Common Stock shall have no voting rights.

c. Rights: Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

810.4 CLASS D COMMON STOCK

a. Issue: Class D Common Stock may only be issued to borrowers who are farmers, ranchers or producers or harvesters of aquatic products and other requirements of such borrowers as specified in the Act and Regulations.

b. Voting Rights: Class D Common Stock shall have voting rights.

c. Rights: Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.
Condition to Borrowing:
1. Any borrower who is entitled to own Class D Common Stock shall acquire voting stock in the Association as a condition for obtaining a loan from the Association, MidAm, PCA or MidAm, FLCA. The amount of Class D Common Stock which a borrower shall be required to acquire shall be 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the stock requirement shall apply to each loan to a borrower or apply to a borrower’s aggregate outstanding loan balance on all borrower’s loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).
2. If the Association fails to meet the minimum permanent capital standards the Class D Common Stock shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing from the Association, MidAm, PCA or MidAm, FLCA as the Board from time to time may determine.

Condition to Lease:
As a condition of obtaining a lease from Association, MidAm, PCA or MidAm, FLCA any lessee who is entitled to own Class D Common Stock shall be required to acquire Class D Common Stock in an amount as determined by the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

810.5 RESERVED

810.6 CLASS B PARTICIPATION CERTIFICATES
1. Issue: Class B Participation Certificates may be issued in accordance with the Act and Regulations:
   1. To borrowers who are rural residents to capitalize their rural housing loans.
   2. To borrowers who are persons or organizations furnishing to farmers and ranchers farm-related services directly related to their agricultural production, to capitalize their loans.
   3. To other persons or organizations who are eligible to borrow or participate in loans from Association, MidAm, PCA or MidAm, FLCA but are not eligible to hold voting stock.
   4. For allocated surplus distributions, dividend payments, and patronage distributions.

5. To any person who is not a stockholder but who is eligible to borrow from Association, MidAm, PCA or MidAm, FLCA for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by Association, MidAm, PCA or MidAm, FLCA.

Voting Rights: Class B Participation Certificates shall have no voting rights.

Rights: Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

Fractional Units: No fractional units of Class B Participation Certificates shall be issued or paid.

Condition to Borrowing:
1. Any borrower who is entitled to own Class B Participation Certificates shall acquire Participation Certificates as a condition for obtaining a loan from Association, MidAm, PCA or MidAm, FLCA. The amount of Class B Participation Certificates which a borrower shall acquire shall be 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the certificate requirement shall apply to each loan to a borrower or apply to a borrower’s aggregate outstanding loan balance on all borrower’s loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).
2. If the Association fails to meet the minimum permanent capital standards, the Class B Participation Certificates shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing as the Board from time to time may determine.

Condition to Lease or Purchase of Financially Related Services: As a condition of obtaining a lease or purchasing financially related services from Association, MidAm, PCA or MidAm, FLCA any lessee or purchaser of financially related services who is entitled to own Class B Participation Certificates shall be required to acquire Class B Participation Certificates in an amount as determined by
the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

815 APPLICATION OF EARNINGS OR LOSSES

815.1 At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year in the following order:

a. to cover operating expenses, including additions to loan valuation reserves as provided by law;

b. to restore the amount of any impairment of stock and participation certificates as prescribed in Section 855.2 of these Bylaws;

c. to restore the amount of any impairment of allocated surplus;

d. to restore the amount of any impairment of paid-in surplus;

e. to create and maintain an unallocated surplus account as provided in Section 820 of these Bylaws;

f. to pay dividends on stock and participation certificates of the Association if authorized pursuant to Section 830 of these Bylaws; and

g. to make patronage distributions if authorized pursuant to Section 835 of these Bylaws.

815.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 815.1 above, such loss shall be absorbed by, first, charges to the unallocated surplus account; second, impairment of paid-in surplus; third, impairment of the allocated surplus account in the manner determined by the Board; fourth, impairment of Class D Common Stock, Class C Common Stock, and Class B Participation Certificates, concurrently; and fifth, impairment of any class of preferred stock issued and outstanding.

820 SURPLUS ACCOUNTS

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount established in the capital adequacy requirements prescribed by the FCA, or such higher requirement established by the Board, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 815, the unallocated surplus account may not be reduced below the minimum aggregate amount prescribed by the Board.

825.1 ALLOCATED SURPLUS ACCOUNTS

The Association may, subject to the Act and the Regulations, create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis in accordance with Section 835 of these Bylaws. Allocated surplus may be issued as either “qualified written notices of allocation” or “non-qualified written notices of allocation,” or both, as those terms are defined under Section 1388 of the Code as follows:

a. All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the Board’s sole discretion, in order of issuance by year as funds are available.

b. All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the Board’s sole discretion.

Only those persons to which allocated surplus may be issued may own such allocated surplus. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment as provided Section 815.2.

825.2 Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for such borrower’s indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.3 Subject to the Act and Regulations, when the debt of a borrower is in default or is in the process of final liquidation, the Association may, at the Board’s sole discretion, retire at book value (not to exceed face value) any and all surplus account allocations owned by such borrower to be applied against the indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.
Subject to the Act, Regulations, and any other restrictions, when all of the stock and participation certificates of the Association owned by a borrower are retired or otherwise disposed of, any surplus account allocations owned by such borrower may also be retired, upon request by the borrower and subject to the approval of the Board at its sole discretion, and the proceeds paid to the borrower. Alternatively, if the Board so directs, upon notice to the borrower such surplus account applications may be applied against any of the borrower’s indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

Subject to the Act and the Regulations, and provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board are met, allocated surplus may be distributed at their book value not to exceed their stated value in Class C Common Stock of the Association or in cash. Any such distribution shall be at the sole discretion of the Board. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Act and the Regulations. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis. If any part of a distribution in Class C Common Stock to one borrower is less than $5, such distribution may be held by the Association and accumulated with subsequent partial distributions to equal one whole share of Class C Common Stock.

All qualified notices of allocation shall satisfy the definition of a “qualified written notice of allocation” as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a “nonqualified written notice of allocation” as also defined in Section 1388 of the Code.

A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of “qualified” amounts will be maintained separately from allocations of “nonqualified” amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member or Equityholder of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.

In accordance with the Act and the Regulations, the Board may declare dividends on the common stock and participation certificates of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum capital adequacy requirements established by the FCA. Any dividend paid on common stock and participation certificates shall be paid on all classes of common stock and participation certificates on a per share basis and without preference between classes of common stock and participation certificates; provided, however, that such dividends shall not exceed 8% per share/unit per annum. No dividend shall be paid on common stock and participation certificates in any year with respect to which the Association is obligated to pay patronage as provided under Section 835. Any dividend on preferred stock, if authorized, shall not reduce net earnings from business done with or for patrons. Any such dividend shall be in addition to amounts otherwise payable to patrons under Section 835.

Dividends may be paid to holders of record on the effective date of the declaration, or such other record date established by the Board.

Dividends on stock and participation certificates may be paid in cash, Class C Common Stock, or partly in cash and partly in stock. If any part of such dividends payable in stock to one borrower are less than $5, the dividends may be distributed in cash or held by the Association and accumulated with subsequent dividends until the retained dividends equal $5, so that the dividends may be distributed as one whole share of Class C Common Stock.

If a borrower’s loan is in default, any part of the dividend distribution to that borrower may, at the Board’s sole discretion, be applied against the borrower’s indebtedness to the Association and any subsidiary.
835  PATRONAGE REFUNDS

835.1 Prior to the beginning of any fiscal year, the Board may adopt a resolution in accordance with the Act and the Regulations, so as to obligate the Association to distribute as a patronage dividend, its available “Patronage-Sourced Net Earnings” for such fiscal year or for that year and subsequent fiscal years. Patronage-Sourced Net Earnings shall mean the net earnings of the Association and its Subsidiaries from business conducted on a patronage business (“Patronage Business” or “Patronage Transaction”) as defined in the Patronage Resolution. Members, Equityholders, and other parties with or for whom the Association conducts Patronage Business (“Patrons”) shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VIII of the Bylaws.

835.2 All patronage distributions shall be paid to Patrons in proportion to the amount or value of Patronage Business done by the Association and its Subsidiaries with or for each Patron, as determined by the Board in accordance with cooperative principles on an equitable and nondiscriminatory basis, and within the payment period prescribed by 26 U.S.C. 1382(d). A Patron who pays interest or otherwise contributes to the Association’s net income, as applicable, during the period for which the patronage distribution is made shall be entitled to receive a pro-rata share of the patronage distribution regardless of whether the Patron continues to be a stockholder or borrower of the Association or its Subsidiaries on the date the declaration of the patronage distribution is made. In accordance with the Act and Regulations, the Board may establish, on a rational and equitable basis, separate patronage pools or allocation units for Patronage Business transactions of the same type or with similar characteristics. The Board shall determine the amounts and forms of patronage distributions from each pool on a rational and equitable basis.

835.3 Net earnings of any fiscal year shall be available for patronage distribution only after making the applications as required in (a) through (f) of Section 815, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made. Earnings from transactions that do not constitute Patronage Business will be set aside and applied to unallocated surplus.

835.4 Patronage distributions may be in cash, Class C Common Stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution; provided, however, that the cash portion of any patronage distribution for any fiscal year which includes a qualified written notice of allocation shall not be less than the amount required to qualify such distribution as a deduction for Federal income tax purposes. Any part of a patronage distribution in Class C Common Stock to one borrower that is not a multiple of $5 may be distributed in cash or held by the Association for the borrower and included in a subsequent distribution.

In the event that the total patronage distribution to a Patron is less than the minimum amount or amounts as determined annually by the Board, prior to the end of the taxable year, such distribution may be retained by the Association, paid entirely in cash or applied to the Patron’s indebtedness.

Any part of the patronage allocated to a borrower may, at the Board’s sole discretion, be applied to such borrower’s indebtedness to the Association and its Subsidiaries. If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the Board’s sole discretion, be applied against the borrower’s indebtedness to the Association and its Subsidiaries.
Each person who hereafter applies for and is accepted to membership in this Association and each Member of this Association on the effective date of this bylaw who continues as a Member after such date, and each person who thereafter applies for and is issued stock of this Association shall by such act alone, consent that the amount of any distributions with respect to such holder's patronage which are made in written notices of allocation, as defined in 26 U.S.C. 1388 (i.e., patronage allocations of surplus account and patronage refunds paid in Class C Common Stock of the Association, and which are received by him or her from the Association), will be taken into account as income by such person at the stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The foregoing consent shall not apply to any written notice of allocation expressly designated as “nonqualified.” Such holders also consent by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice from the Association that such amount has been applied on his or her indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in written notices of allocations as defined in 26 U.S.C. 1388 (i.e., patronage allocations of surplus account, patronage refunds paid in Class C Common Stock, or distributions with respect to patronage that have been applied to the holder's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be, and for which the holder has received written notice), will be taken into account as income by the Patron at the stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Patron, and may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

Where the Association arranges for the provision of credit and/or related services to its Patrons through the Subsidiaries, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from the Subsidiaries, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with Patrons and all business done with the Subsidiaries shall be treated as business done with the Association.

Stock and participation certificates may be transferred to persons or organizations eligible to receive or to hold such stock or participation certificates as provided in Section 810 of these Bylaws.

The Association shall be its own transfer agent in all matters relating to its stock and participation certificates.

Each class of common stock and participation certificates may be converted into any other class of common stock or participation certificates for which the holder is eligible as provided in Section 810.

Class D Common Stock shall be converted into Class C Common Stock within two years after the holder thereof ceases to be a borrower from Association, MidAm, PCA or MidAm, FLCA.

Subject to the Act common stock and participation certificates may be retired at the sole discretion of the Board, provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met. Such retirements shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvement plan. All stock and participation certificates shall be retired at book value not to exceed par or face value.

Subject to the Act and Regulations, when the debt of a borrower is in default, the Association may, at the Board's sole discretion, order the retirement of any common stock or participation certificates held by the borrower at book value not to exceed par value or face value, and apply all or part of the proceeds thereof against the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.
855 IMPAIRMENT
855.1 Any losses which result in an impairment of the Association’s capital shall be borne ratably by, first, each share of Class D Common Stock and Class C Common Stock, and each unit of Class B Participation Certificates outstanding; and second, each share of preferred stock outstanding (if any).
855.2 Impaired common stock and participation certificates shall be restored in the reverse of the sequence set forth in Section 855.1 until each share of stock and unit of participation certificates has a book value equal to the par value or face value, respectively.

860 LIQUIDATION
In the event of a voluntary or involuntary liquidation of the Association, following the payment of all claims in accordance with the Act and Regulations, the remainder of the assets of the Association shall be distributed in the following order of priority:
860.1 First, to the holders of common stock and participation certificates, pro rata, in proportion to the number of shares or units of each such class of stock and participation certificate then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders;
860.2 Second, to the holders of allocated surplus evidenced by qualified written notices of allocation on a pro rata basis until an amount equal to the aggregate face value of all such allocated surplus has been distributed to such holders;
860.3 Third, to the holders of allocated surplus evidenced by nonqualified written notices of allocation on a pro rata basis until an amount equal to the aggregate face value of all such allocated surplus has been distributed to such holders; and
860.4 Fourth, any remaining assets shall be distributed to present and former Patrons (including patrons of any predecessor System institution) in the proportion to which the aggregate patronage of each such party bears to the total patronage of all such parties insofar as practical unless otherwise provided by law.

865 LIEN
Except with respect to common stock or participation certificates held by other System institutions, each of Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all common stock and participation certificates in the Association owned by its borrowers as additional collateral for any indebtedness of such borrower. All common stock and participation certificates shall be pledged to MidAm, PCA or MidAm, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to MidAm, PCA or MidAm, FLCA, respectively. Common stock and participation certificates may not be pledged or hypothecated to third parties.

870 PAID-IN SURPLUS
The Association is authorized to receive paid-in surplus from the FCB in accordance with the Act and the Regulations.

875 SECONDARY MARKET LOANS
875.1 NO PURCHASE REQUIREMENT
On or after December 1, 1996, no voting stock or participation certificate purchase requirement shall apply to a loan which is designated, at the time the loan is made, for sale to a secondary market. If the loan so designated for sale is not sold into the secondary market during the 180 day period beginning on the date of the designation, the stock and participation certificate purchase requirements shall apply.
875.2 RETIREMENT
The Board is authorized to retire stock or participation certificates on those loans sold to a secondary market prior to December 1, 1996, and on those loans designated for sale to the secondary market but not sold within the 180 day time period, provided however that the Association shall not retire such stock or participation certificates if the action would result in the failure of the Association to meet minimum capital adequacy standards established in the Regulations.
OUR COOPERATIVE AND YOU

Customer ownership of Farm Credit began over 100 years ago when the creators of the Farm Credit System envisioned a cooperative network that would not only provide a dependable source of credit to rural communities and agriculture, but also have the support and involvement of the people who are at its very roots.

As a cooperative, Farm Credit Mid-America is owned by the people who use our services — you, our customer. What makes us competitive and effective is having our customers actively engaged and communicating with our staff and board members about products and services that will help you and our cooperative grow and be successful.

Becoming involved in Farm Credit Mid-America can be rewarding to you on a personal level. Investing your time and talents will allow you to form and build relationships with others, expand your personal networks and hone your leadership skills. You will also have the satisfaction of knowing that by supporting your cooperative, you are also helping to secure the future of rural communities and agriculture.

Below are three ways you can become involved in Farm Credit Mid-America.

BOARD OF DIRECTORS*

Our Board of Directors is responsible for establishing policies, providing strategic direction to and oversight of management and making sure information provided to customers is accurate, understandable and reliable.

The Board consists of stockholder-elected directors from each of Farm Credit Mid-America’s four states and three outside appointed directors who bring an independent and objective perspective to the boardroom. Each director serves on a committee responsible for a specific area of board governance — Audit, Human Resources, Risk Management and Governance.

Visionary thinking, leadership experience, strong communication skills, diverse perspectives and backgrounds and a passion to serve — these are just some of the qualities customers contribute to Farm Credit Mid-America through service on our Board of Directors. Board members receive compensation for their service and are reimbursed for expenses incurred in attending meetings.

NOMINATING COMMITTEE*

Each year, five customers from each of Farm Credit Mid-America’s four states are elected by voting customers to serve on the Nominating Committee. The Nominating Committee meets each June to nominate candidates for open Director and Nominating Committee positions. Members are compensated for their time and travel.

ADVISORY COMMITTEE

Nearly 1,000 customers serve at the local level on Farm Credit Mid-America’s Advisory Committees. These customers, along with community influencers, serve as grass roots advisors to the Board of Directors, providing input and making the concerns of the general membership known to the Board.

NOTICE TO OUT-OF-TERRITORY CUSTOMERS

Farm Credit Mid-America’s bylaws prohibit customers who do not farm or reside within Farm Credit Mid-America’s chartered four-state area from serving on the Board of Directors or the Nominating Committee.

WANT TO LEARN MORE?

Contact your local office at (800) 444-3276 or our office in Louisville at (502) 420-3728 to learn more about how you can become involved. Recommendations are now being accepted for positions up for election this year on the Board of Directors and for next year’s Nominating Committee.

*Qualifications and eligibility requirements apply.

CUSTOMER PRIVACY

Your privacy and the security of your financial and personal information are vital to our ability to serve your credit needs. We hold your information in strict confidence. It is not sold or traded to marketing companies or information brokers. It may only be disclosed in situations allowed by federal regulations or upon your consent.
RESPONSIBLE PRINTING

- SFI Certified Sourcing
- Printed with Soy Ink
- Rainforest Alliance Certified
Farm Credit Mid-America exists to secure the future of rural communities and agriculture. To find a location near you, call 1-800-444-FARM or visit e-farmcredit.com.