GreenStone Farm Credit Services, ACA

Quarterly Report
September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the parent) and GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2015 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Second quarter real Gross Domestic Product (GDP) growth was revised up to 1.4% in the third estimate released by the Bureau of Economic Analysis. The acceleration in the second quarter primarily reflected an increase in personal consumer spending and upturns in nonresidential fixed investment and in exports. These were partly offset by a decrease in private inventory investment, downturns in state and local government spending and in residential fixed investment, and an upturn in imports. Going forward, consumer spending will be a driving force of GDP growth, and will be lifted by continued job growth, low interest rates, low energy costs, and wage and income gains.

The new home market sales in the U.S. continue to be constrained by supply. Builders currently have a 4.6-month supply of homes available for sale, including inventory for sale and construction not yet started. New home sales surged in July by 13.8%, but gave back 7.6% in August. Housing starts continue to recover from historically low levels, averaging a pace of just over 1.2 million units in June and July, before falling 5.8% in August. Single-family home starts fell 6.0%, while starts of projects with 5 units or more declined 6.9%. Despite the drop in single-family home starts, permits rose 3.7% in August providing some optimism.

The pace of job creation continues to accelerate in the U.S. Total nonfarm payroll reported by the U.S. Bureau of Labor Statistics increased by 151,000 in August. Employment continued to trend up in several service-providing activities. The unemployment rate remained at 4.9% for the third month in a row. Michigan and Wisconsin unemployment rates are slightly below the national average at 4.5% and 4.2%, respectively.

During its September meeting, the Federal Open Market Committee (FOMC) voted to maintain the target range for the federal funds rate at ¼ to ½ percent. The FOMC opined that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objective. More importantly, in the press conference following the announcement, Chair Janet Yellen reaffirmed her expectation that interest rates will increase in the future, and focused attention on the December FOMC meeting as the most likely date for the next rate increase. Her expectation was aligned with the three FOMC members who chose to vote against the September policy action, preferring to raise the federal funds rate at the September meeting. While the December rate increase is expected, the median projection released by the committee indicates a less aggressive rise in rates in 2017 and 2018 compared to the last policy decision.

The United States Department of Agriculture (USDA) reduced its corn yield forecast to 174.4 bushels per acre in its September Crop Production report, which, if realized, will result in a harvest of 15.1 billion bushels. Year-ending inventory stocks are now projected at 1.8 billion bushels and a forecasted season-average corn price range of $2.90 to $3.50 per bushel. Soybean yields are now forecasted at 48 bushels per acre with projected year-end stocks of 195 million bushels which is projected to produce an average farm price of $8.95 per bushel.

Winter wheat production is projected at 1.7 billion bushels, nearly 300 million bushels larger than the 2015 estimate. In August, the USDA raised the winter wheat yield to 54.9 bushels, or 12.4 bushels higher than the 2015/16 yield estimate. The USDA's September all-wheat price projection was lowered to a mid-point price of $3.60 per bushel. This mid-point compares to the 2015/16 mid-point price of $4.89 per bushel. If the current projection is realized, the all-wheat season average price will be the lowest since 2005/06 when growers received an average of $3.42 per bushel.

The USDA raised its 2016 milk production forecast to 212.2 billion pounds and increased cow numbers by 10 thousand in the third and fourth quarters of 2016. U.S. producers should benefit from improving global milk prices that is the result of recent declines in production in the Eurozone. An increase in U.S. dairy export opportunities will continue to be constrained by the strong U.S. dollar. The USDA is forecasting a 2016 all-milk price of $16.10 - $16.30 per hundredweight.

U.S. protein production is on pace to increase 3% in 2016. Due to the expanding protein supplies, prices and margins are forecasted to be under pressure in 2016 in the beef, pork, and broiler industry. The turkey and egg layer production industries have been able to avoid a repeat Highly Pathogenic Avian Influenza (HPAI) outbreak in 2016. It appears that the industries' strict biosecurity standards implemented since the 2015 outbreak have been successful, although a risk of another outbreak still exists. U.S. turkey production has recovered since the onset of HPAI in 2015. The turkey industry's poultry placement has reached its highest level since 2012, signaling an increase in future supply. Whole turkey prices for hens remain well above the trend prior to avian influenza in 2015, in part because stocks in cold storage have been low. As turkey production increases to normalized levels, the USDA is forecasting a decline in turkey prices.

All in all, there is an excess supply of protein like all other commodities relative to demand which equates to a low commodity price environment into 2017.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $7.6 billion at September 30, 2016, a $293.4 million increase from December 31, 2015.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $7.8 billion at September 30, 2016, a $258.8 million increase from December 31, 2015. Our combined mortgage portfolio increased $333.9 million, or 6.1% from December 31, 2015. Our short-term commercial loan portfolio decreased $75.1 million, or 3.6% from December 31, 2015. When compared to September 2015, owned and managed mortgage volume is up 9.8% and commercial loan volume is up 5.9%, driven by growth in all market segments and being led by our capital markets and commercial lending segments that have increased 24.2% and 12.7% since September 30, 2015, respectively. Our current volume reflects an asset growth rate year over year that supports our 2016 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio remained strong during the first nine months of 2016. Acceptable loan credit quality, as measured under the Uniform Classification System, decreased slightly to 95.5% after beginning the year at 97.6%. Year over year, acceptable credit quality decreased 1.9 percentage points from 97.4% at September 30, 2015. Portfolio assets criticized as being less than acceptable are comprised of 2.5% other assets especially mentioned (OAEM) and 2.0% adversely classified. Both categories increased slightly from December 31, 2015.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. The credit quality of our core market of traditional production farm loans remains very sound. Weaker borrowers in our greenhouse/nursery, part-time farmer, and general crop and livestock farm portfolios continued to be challenged financially during the first nine months of 2016.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, results in an adverse asset to risk funds ratio of 11.8%. This ratio has increased 3.5 percentage points since December 31, 2015 but remains sound. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At September 30, 2016, $270.4 million of our loans were, to some level, guaranteed under these programs.

Risk Assets

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

Components of Risk Assets (dollars in thousands) As of:	**September 30** **2016**	December 31 2015
Loans:		
Nonaccrual	**$46,986**	$41,954
Accruing restructured	**3,395**	3,459
Accruing loans 90 days or more past due	**1,125**	34
Total risk loans	**51,506**	45,447
Acquired property	**1,972**	2,440
Total risk assets	**$53,478**	$47,887
Total risk loans as a percentage of total loans	**0.7%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**70.9%**	78.6%
Total delinquencies as a percentage of total loans	**0.3%**	0.3%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased slightly from December 31, 2015 but remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at September 30, 2016 as they increased from $42.0 million at December 31, 2015 to $47.0 million. This $5.0 million increase in nonaccrual volume was primarily attributable to an increase of $1.9 million in the ProPartners Financial portfolio. As of September 30, 2016, approximately 32% of the nonaccrual loan portfolio was comprised of greenhouse/nursery loans, 26% general crop and livestock farms, and 15% part-time farmers.

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

Allowance for Loan Losses

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

Allowance Coverage Ratios As of:	**September 30** **2016**	December 31 2015
Allowance as a percentage of:		
Loans	**0.6%**	0.5%
Nonaccrual loans	**99.1%**	81.7%
Total risk loans	**90.4%**	75.5%

The allowance for loan losses increased $12.3 million from December 31, 2015 to September 30, 2016. During the first nine months of 2016, a provision for loan losses of $13.0 million was recorded, which was slightly offset by $706 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the year in addition to the slight downward credit quality trend in the cash grain and dairy portfolios due to continued price declines.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for credit losses” in the Consolidated Statements of Income for the nine months ended September 30, 2016 and September 30, 2015 included a provision for credit losses on unfunded loan commitments of $726 thousand and $2.7 million, respectively. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $3.5 million and $2.7 million as of September 30, 2016 and December 31, 2015, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2016.

RESULTS OF OPERATIONS

Profitability Information (dollars in thousands) For the nine months ended September 30	**2016**	2015
Net income	**$96,718**	$96,540
Return on average assets	**1.7%**	1.9%
Return on average members' equity	**9.1%**	9.9%

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

Changes in Significant Components of Net Income (in thousands) For the nine months ended September 30	**2016**	2015	**Increase (decrease) in net income**
Net interest income	**$144,647**	$134,854	**$9,793**
Provision for credit losses	**(13,689)**	(6,392)	**(7,297)**
Patronage income	**15,465**	17,220	**(1,755)**
Financially related services income	**5,915**	6,151	**(236)**
Fee income	**11,015**	9,791	**1,224**
Acquired property income, net	**161**	298	**(137)**
Miscellaneous income, net	**1,099**	662	**437**
Operating expenses	**(66,956)**	(63,826)	**(3,130)**
Provision for income taxes	**(939)**	(2,218)	**1,279**
Net income	**$96,718**	$96,540	**$178**

Changes in Net Interest Income (in thousands) For the nine months ended September 30	**2016 vs 2015**
Changes in volume	**$13,352**
Changes in interest rates	**(2,912)**
Changes in nonaccrual income and other	**(647)**
Net change	**$9,793**

The change in provision for credit losses of $7.3 million for the first nine months of 2016 compared to the prior year was primarily due to the downgrade of a large capital markets relationship and the increased general allowance placed on cash grain and dairy portfolios.

We receive patronage income from AgriBank primarily based on the average balance of our note payable to AgriBank. In 2015, AgriBank paid a patronage rate of 26 basis points. The rate declined to 21 basis points as of September 30, 2016.

The change in operating expenses was primarily related to Farm Credit System Insurance Corporation (FCSIC) expense. FCSIC expense increased $2.2 million, or 40.6%, during the first nine months of 2016 compared to 2015 primarily due to an increase in the average premium rate charged on accrual loans by FCSIC from 13 basis points in 2015 to 17 basis points in 2016.

The decrease in provision for income taxes was primarily related to lower taxable income on the taxable ACA entity due to the increased provision for loan loss expense.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on January 31, 2017 at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

The components of cost of funds associated with our note payable include:

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

We were not subject to a risk premium at September 30, 2016 or December 31, 2015.

Total members' equity increased $74.1 million from December 31, 2015 primarily due to net income for the period, which was partially offset by patronage distribution accruals.

Farm Credit Administration regulations require us to maintain a certain level for our permanent capital ratio, total surplus ratio, and core surplus ratio. Refer to Note 8 in our 2015 Annual Report for a more complete description of these ratios.

Select Capital Ratios As of	Regulatory Minimums	**September 30** **2016**	December 31 2015
Permanent capital ratio	7.0%	**16.0%**	16.0%
Total surplus ratio	7.0%	**15.7%**	15.8%
Core surplus ratio	3.5%	**15.7%**	15.8%

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section. As discussed below and in Note 4 of the accompanying Consolidated Financial Statements we will be subject to new regulations and capital requirements effective January 1, 2017.

REGULATORY MATTERS

Regulatory Capital Requirements

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the rule are to:

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

The final rule replaces existing core surplus and total surplus ratios with common equity tier 1, tier 1, and total capital risk-based capital ratios. The final rule also adds a tier 1 leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. Refer to Note 4 of the accompanying Consolidated Financial Statements for additional information regarding these ratios.

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

CERTIFICATION

The undersigned have reviewed the September 30, 2016 Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

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

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

November 8, 2016

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:	**September 30 2016**	December 31 2015
ASSETS		
Loans	**$7,586,003**	$7,292,647
Allowance for loan losses	**46,547**	34,290
Net loans	**7,539,456**	7,258,357
Investment in AgriBank, FCB	**118,316**	111,217
Investment securities	**17,540**	20,587
Accrued interest receivable	**65,026**	50,409
Premises and equipment, net	**41,463**	39,753
Acquired property	**1,972**	2,440
Deferred tax assets, net	**7,371**	4,917
Other assets	**33,895**	38,960
Total assets	**$7,825,039**	$7,526,640
LIABILITIES		
Note payable to AgriBank, FCB	**$6,289,329**	$6,060,273
Accrued interest payable	**26,513**	23,976
Patronage distribution payable	**22,875**	35,272
Other liabilities	**43,119**	37,996
Total liabilities	**6,381,836**	6,157,517
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Protected members' equity	**1**	2
Capital stock and participation certificates	**21,661**	21,436
Unallocated surplus	**1,421,541**	1,347,685
Total members' equity	**1,443,203**	1,369,123
Total liabilities and members' equity	**$7,825,039**	$7,526,640

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		*Nine Months Ended*	
For the period ended September 30	**2016**	2015	**2016**	2015
Interest income	**$76,638**	$69,796	**$224,626**	$204,282
Interest expense	**27,251**	23,940	**79,979**	69,428
Net interest income	**49,387**	45,856	**144,647**	134,854
Provision for credit losses	**3,157**	4,814	**13,689**	6,392
Net interest income after provision for credit losses	**46,230**	41,042	**130,958**	128,462
Non-interest income				
Patronage income	**5,286**	5,782	**15,465**	17,220
Financially related services income	**1,716**	1,982	**5,915**	6,151
Fee income	**4,465**	2,939	**11,015**	9,791
Acquired property income, net	**85**	66	**161**	298
Miscellaneous income, net	**55**	265	**1,099**	662
Total non-interest income	**11,607**	11,034	**33,655**	34,122
Operating expenses				
Salaries and employee benefits	**14,125**	14,172	**42,284**	42,411
Other operating expenses	**8,488**	7,179	**24,672**	21,415
Total operating expenses	**22,613**	21,351	**66,956**	63,826
Income before income taxes	**35,224**	30,725	**97,657**	98,758
Provision for income taxes	**666**	44	**939**	2,218
Net income	**$34,558**	$30,681	**$96,718**	$96,540

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

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

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2014	$2	$21,105	$1,241,867	$1,262,974
Net income	--	--	96,540	96,540
Unallocated surplus designated for patronage distributions	--	--	(22,575)	(22,575)
Capital stock and participation certificates issued	--	1,451	--	1,451
Capital stock and participation certificates retired	--	(1,206)	--	(1,206)
Balance at September 30, 2015	$2	$21,350	$1,315,832	$1,337,184
Balance at December 31, 2015	$2	$21,436	$1,347,685	$1,369,123
Net income	**--**	**--**	**96,718**	**96,718**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(22,862)**	**(22,862)**
Capital stock and participation certificates issued	**--**	**1,432**	**--**	**1,432**
Capital stock and participation certificates retired	**(1)**	**(1,207)**	**--**	**(1,208)**
Balance at September 30, 2016	**$1**	**$21,661**	**$1,421,541**	**$1,443,203**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2015 (2015 Annual Report).

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

Recently Issued or Adopted Accounting Pronouncements

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

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020 and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type
(dollars in thousands)

As of:	**September 30, 2016**		December 31, 2015	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$4,508,206**	**59.4%**	$4,345,125	59.6%
Production and intermediate term	**1,954,572**	**25.8**	2,177,244	29.9
Agribusiness	**822,986**	**10.8**	445,927	6.1
Other	**300,239**	**4.0**	324,351	4.4
Total	**$7,586,003**	**100.0%**	$7,292,647	100.0%

The other category is primarily comprised of rural residential real estate, communication, and international loans, as well as loans originated under the Mission Related Investment authority.

Delinquency

Aging Analysis of Loans
(in thousands)

As of September 30, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	**$8,998**	**$6,084**	**$15,082**	**$4,533,676**	**$4,548,758**	**$ --**
Production and intermediate term	**3,421**	**5,260**	**8,681**	**1,967,276**	**1,975,957**	**1,125**
Agribusiness	**--**	**--**	**--**	**825,125**	**825,125**	**--**
Other	**1,888**	**578**	**2,466**	**298,366**	**300,832**	**--**
Total	**$14,307**	**$11,922**	**$26,229**	**$7,624,443**	**$7,650,672**	**$1,125**

As of December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	90 Days or More Past Due and Accruing
Real estate mortgage	$9,265	$2,920	$12,185	$4,361,252	$4,373,437	$ --
Production and intermediate term	2,711	2,537	5,248	2,192,064	2,197,312	34
Agribusiness	--	--	--	446,897	446,897	--
Other	2,049	1,076	3,125	321,932	325,057	--
Total	$14,025	$6,533	$20,558	$7,322,145	$7,342,703	$34

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**September 30 2016**	December 31 2015
Volume with specific reserves	**$23,034**	$27,935
Volume without specific reserves	**28,472**	17,512
Total risk loans	**$51,506**	$45,447
Total specific reserves	**$10,970**	$11,904
For the nine months ended September 30	**2016**	2015
Income on accrual risk loans	**$206**	$183
Income on nonaccrual loans	**749**	955
Total income on risk loans	**$955**	$1,138
Average risk loans	**$49,404**	$51,427

Note: Accruing loans include accrued interest receivable.

We had relationships with two at risk borrowers in which we had commitments to lend additional funds at September 30, 2016. The balance of the unfunded loan commitments were $3.5 million and $2.7 million as of September 30, 2016 and December 31, 2015, respectively.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

TDR Activity

(in thousands) Nine months ended September 30	**2016**		2015	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$207**	**$209**	$143	$177
Production and intermediate term	**57**	**46**	180	181
Other	**28**	**20**	108	111
Total	**$292**	**$275**	$431	$469

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

The primary types of modification included extension of maturity and forgiveness of principal.

We had TDRs in the production and intermediate term loan category of $22 thousand that defaulted during the nine months ended September 30, 2015 in which the modifications were within twelve months of the respective reporting period. We had no TDRs that subsequently defaulted within the previous twelve months during the nine months ended September 30, 2016.

TDRs Outstanding (in thousands) As of:	**September 30 2016**	December 31 2015
Accrual status:		
Real estate mortgage	**$2,705**	$2,732
Production and intermediate term	**527**	563
Other	**163**	164
Total TDRs in accrual status	**$3,395**	$3,459
Nonaccrual status:		
Real estate mortgage	**$857**	$841
Production and intermediate term	**264**	425
Other	**378**	382
Total TDRs in nonaccrual status	**$1,499**	$1,648
Total TDRs status:		
Real estate mortgage	**$3,562**	$3,573
Production and intermediate term	**791**	988
Other	**541**	546
Total TDRs	**$4,894**	$5,107

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2016.

Allowance for Loan Losses

Changes for Allowance for Loan Losses (in thousands) Nine months ended September 30	**2016**	2015
Balance at beginning of period	**$34,290**	$34,106
Provision for loan losses	**12,963**	3,731
Loan recoveries	**678**	598
Loan charge-offs	**(1,384)**	(1,698)
Balance at end of period	**$46,547**	$36,737

The allowance for loan losses increased $12.3 million from December 31, 2015 to September 30, 2016. During the first nine months of 2016, a provision for loan losses of $13.0 million was recorded, which was slightly offset by $706 thousand of net charge-offs. The increase in the allowance for loan losses is primarily due to a large capital markets relationship that was downgraded during the year in addition to the slight downward credit quality trend in the cash grain and dairy portfolios due to continued price declines.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for credit losses” in the Consolidated Statements of Income for the nine months ended September 30, 2016 and September 30, 2015 included a provision for credit losses on unfunded loan commitments of $726 thousand and $2.7 million, respectively. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $3.5 million and $2.7 million as of September 30, 2016 and December 31, 2015, respectively.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $17.5 million at September 30, 2016 and $20.6 million at December 31, 2015. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration. The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Additional Investment Securities Information (dollars in thousands) As of:	**September 30 2016**	December 31 2015
Amortized cost	**$17,540**	$20,587
Unrealized gains	**817**	831
Fair value	**$18,357**	$21,418
Weighted average yield	**1.7%**	1.5%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $241 thousand and $247 thousand for the nine months ended September 30, 2016 and 2015, respectively.

NOTE 4: MEMBERS' EQUITY

Regulatory Capitalization Requirements

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

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

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

NOTE 5: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2015 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2016 or December 31, 2015.

Non-Recurring

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

Assets Measured at Fair Value on a Non-recurring Basis
(in thousands)

	As of September 30, 2016				**Nine months ended September 30, 2016**
	Fair Value Measurement Using			Total Fair	Total (Losses)
	Level 1	Level 2	Level 3	Value	Gains
Impaired loans	**$ --**	**$6,913**	**$5,755**	**$12,668**	**($450)**
Acquired property	**--**	**4,756**	**--**	**4,756**	**12**

	As of December 31, 2015				Nine months ended September 30, 2015
	Fair Value Measurement Using			Total Fair	
	Level 1	Level 2	Level 3	Value	Total Gains
Impaired loans	$ --	$9,168	$7,665	$16,833	$1,836
Acquired property	--	5,377	--	5,377	176

Valuation Techniques

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

Acquired property: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 8, 2016, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.