Quarterly Report To Stockholders

Quarter Ended March 31, 2017

REPORT OF MANAGEMENT

The consolidated financial statements of Capital Farm Credit, ACA (the Association) are prepared by management, who is responsible for the statements' 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 appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (Bank) and the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The annual consolidated financial statements are examined by PricewaterhouseCoopers LLP, independent auditors, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the board of directors has oversight responsibility for the Association's systems of internal controls, financial reporting, internal audit and internal credit review. The Audit Committee consults regularly with management, the internal auditors and internal credit reviewers, and meets periodically with the independent auditors to review the scope and results of their work. The independent auditors, internal auditors and internal credit reviewers have direct access to the Audit Committee.

The undersigned certify that this quarterly report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his knowledge and belief.

Ben R. Novosad

Ben R. Novosad,
Chief Executive Officer

Phillip Munden

Phillip Munden,
Chairman, Board of Directors

Don VandeVanter

Don VandeVanter,
Chief Financial Officer

May 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Capital Farm Credit, ACA including its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively referred to as the Association) for the quarter ended March 31, 2017. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2016 Annual Report of the Association. Results for interim periods are not necessarily indicative of results to be expected for future periods.

Moisture conditions were generally good during the first quarter with most regions receiving beneficial rains but others still in need of rain entering the spring. Cattle prices are significantly lower than in the last few years, which along with lower crop prices continued to reduce projected farmer revenues in 2017. This will strain producers and result in possible operating losses for some. Oil prices continue to improve for the second quarter in a row. The housing market has experienced mixed growth in Texas' major metropolitan areas. The overall Texas economic outlook reflects continued growth in the coming months.

Patronage Refunds by Association

The Association will distribute its patronage refund for 2016 in April 2017. $57,146 of this distribution will be paid in cash and $77,852 will be distributed in the form of nonqualified allocated equity. These nonqualified distributions are not taxable to the recipient until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the Association, allowing the stockholders to benefit more fully from the earnings of the Association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of the allocated equity, the board of directors will make an annual evaluation of the Association's capital position and determine if some cash retirements of these equities can be made. In November 2016, the Association retired $36,783 in nonqualifed allocated equities, which represented 50.0 percent of the earnings allocated in 2010. In March 2016, the Association made its patronage distribution for 2015, with a cash distribution of $56,746 and nonqualified allocations of $80,882.

Loan Portfolio

Total loan volume was $6,923,128 at March 31, 2017. This compares with loan volume owned by the Association at December 31, 2016 of $6,927,965. This represents a decrease of $4,837, or approximately 0.07 percent. This slight decrease was mainly realized in the production and intermediate term sector.

The Association's high-risk assets have decreased by 10.9 percent in 2017. Most of this decrease has been in nonaccrual loans. The following table summarizes the Association's components and trends of high-risk assets:

	March 31, 2017	**%**	December 31, 2016	%
Nonaccrual loans	**$ 75,963**	**81.0**	$ 88,740	84.2
Loans 90 days past due and still accruing interest	**2,818**	**3.0**	3,677	3.5
Formally restructured loans	**12,831**	**13.7**	10,283	9.8
Other property owned, net	**2,211**	**2.3**	2,634	2.5
Total	**$ 93,823**	**100.0**	$ 105,334	100.0

Nonaccrual loans decreased $12,777 during the first three months of 2017. This decrease was recognized primarily in the real estate mortgage and production and intermediate term sectors. This decrease was related to several loans that were returned to accrual status due to improved performance while other loans were paid off.

Loans that are 90 or more days past due and still accruing interest decreased $859 in the first three months of 2017. Loans in this category are to customers that have a documented plan that details how and when the amount owed will be paid.

Formally restructured loans increased $2,548 during the first three months of 2017. The Association is cooperating with distressed borrowers to work through temporary repayment problems, where possible. These restructurings may include a modification of loan terms to accommodate the financial difficulties of the customer.

Other property owned decreased $423 during the first three months of 2017. The Association is actively working with real estate professionals to ensure properties are accurately valued on the Association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity.

Results of Operations

The Association's net income for the three months ended March 31, 2017 was $40,545 as compared to $33,563 for the three months ended March 31, 2016, an increase of $6,982, or 20.8 percent.

The increase in net income was affected by an increase in net interest income, noninterest income, and by a decrease in the provision for loan losses. Net interest income increased by $2,236 during the first three months of 2017 compared to the same time period for 2016. An increase in average loan volume and higher average capital was the catalyst for the improvement in net interest income. The effects of changes in average volume and interest rates on net interest income in the three months ended March 31, 2017, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the three months ended March 31, 2017		For the three months ended March 31, 2016	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 6,829,398**	**$ 85,202**	$ 6,493,596	$ 80,112
Interest-bearing liabilities	**5,847,076**	**30,610**	5,537,797	27,756
Impact of capital	**$ 982,322**		$ 955,799	
Net interest income		**$ 54,592**		$ 52,356

	Average Yield	Average Yield
Yield on loans	**5.06%**	4.96%
Cost of interest-bearing Liabilities	**2.12%**	2.02%
Net interest margin	**2.94%**	**2.94%**

	2017 vs. 2016		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 4,108**	**$ 982**	**$ 5,090**
Interest expense	**1,537**	**1,317**	**2,854**
Net interest income	**$ 2,571**	**$ (335)**	**$ 2,236**

Provision for loan losses was $718 for the period ended March 31, 2017, as compared to $4,180 for the same period in 2016. The Association did not add to its allowance for loan losses as loan volume declined slightly and credit quality continued to improve during the period. The Association's noninterest income increased from $9,047 in the first three months of 2016 to $11,205 in the first three months of 2017. The Association has received a patronage refund over the last several years from the Farm Credit Bank of Texas (Bank). This refund is paid annually to the Association in December by a direct reduction in its Note Payable to Bank. In accordance with the Bank's 2017 Capital Plan declaration the Association is accruing 0.40 percent of its average Note Payable during 2017. For the first three months, the patronage income accrued is $1,166 more in 2017 than for the same period in 2016 because of the higher Note Payable balance. In addition, other income increased $1,084 as compared to the same time period in 2016 primarily due to gains recognized on the Association's investment in the Rural Investment Business Company (RBIC). The Association and the Bank made investments in a limited partnership, the Advantage Capital Ag Partners L.P., that will provide junior capital to rural and agriculture businesses in the United States. This partnership is an RBIC.

Noninterest expenses increased $875, or 3.7 percent in the first three months of 2017 as compared to the same time period in 2016. This increase is primarily attributable to an increase of $914 in salaries and employee benefits offset by a decrease in purchased services. The increase in salary and benefits expense is due to new hires, salary adjustments made to existing employees along with higher benefit costs. Purchased services decreased as the Association capitalized costs during the current year that were previously expensed to purchased services.

Liquidity and Funding Sources

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is its direct loan from the Bank. The Association had an outstanding balance of $5,848,937 at March 31, 2017, as compared to $5,872,624 at December 31, 2016. This decrease in note payable to the Bank since December 2016 is the result of the decrease in the Association's loan portfolio. The direct loan carried a weighted average interest rate of 2.12 percent for the three months ended March 31, 2017, compared to 2.03 percent for the year ended December 31, 2016. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a financing agreement.

The Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At March 31, 2017 the Association's note payable was within the specified limitations. The maximum amount the Association could borrow from the Bank as of March 31, 2017, was $6,807,676, as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases. In general the Bank funds 100 percent of all eligible acceptable and special mention loans and 75 percent of all eligible substandard loans.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2017. As borrower payments are received they are applied to the Association's note payable with the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, retained earnings, member stock and funds held in trust. It is management's opinion that funds available to the Association are sufficient to fund its operations for the next twelve months.

Capital Resources and Regulatory Matters

The Association's capital position remains strong, with total capital of $1,164,040 at March 31, 2017. This represents an increase of $40,506 from the December 31, 2016 total capital level of $1,123,534. This increase in capital is a direct result of the Association's net income for the period. Farm Credit Administration regulations require the Association 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 (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Select Capital Ratios	**Regulatory Minimums**	**Capital Conservation Buffers***	**Total**	**As of March 31, 2017**
Risk-adjusted:				
Common equity tier 1 ratio	4.50%	2.50% *	7.00%	12.81%
Tier 1 capital ratio	6.00%	2.50% *	8.50%	12.81%
Total capital ratio	8.00%	2.50% *	10.50%	14.97%
Permanent capital ratio	7.00%	0.00%	7.00%	14.60%
Non-risk-adjusted:				
Tier 1 leverage ratio	4.00%	1.00%	5.00%	13.06%
UREE leverage ratio	1.50%	0.00%	1.50%	8.60%

Relationship with the Farm Credit Bank of Texas

The Association's statutory obligation to borrow only from the Bank is described in the section "Liquidity and Funding Sources" of the Management's Discussion and Analysis, included in this quarterly report.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis, included in this quarterly report.

The Bank provides computer systems to support the critical operations of the Association. The Association also has operating systems and facility-based systems that are not supported by the Bank. The Bank also provides other services the Association can utilize.

The Association's financial condition may be impacted by factors that affect the Bank as discussed in Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P. O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the District's annual and quarterly stockholder reports can also be requested by e-mailing *Bank@farmcreditBank.com*. The District's annual and quarterly stockholder reports are also available on its Website at *www.farmcreditBank.com*.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the Association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *isela.morales@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Loans	$ 6,923,128	$ 6,927,965
Less: Allowance for losses	(29,670)	(30,287)
Net Loans	6,893,458	6,897,678
Cash	18	19
Accrued interest receivable - loans	54,599	58,506
Accrued interest receivable - investments	70	89
Investment - held-to-maturity	6,395	6,670
Investment in and receivable from the Bank:		
Capital stock	113,809	113,809
Receivable	13,345	13,489
Investments in other Farm Credit Institutions	7,556	7,801
Other property owned, net	2,211	2,634
Premises and equipment, net	16,137	16,662
Other assets	23,762	18,807
Total assets	$ 7,131,360	$ 7,136,164
LIABILITIES		
Note payable to the Bank	$ 5,848,937	$ 5,872,624
Advanced conditional payments	5,747	4,192
Accrued interest payable	10,594	10,206
Drafts outstanding	967	4,138
Patronage distributions payable	57,152	57,174
Unfunded post retirement medical obligation	23,140	22,938
Reserve for unfunded commitments	955	987
Other liabilities	19,828	40,371
Total liabilities	5,967,320	6,012,630
MEMBERS' EQUITY		
Capital stock and participation certificates	25,071	25,049
Non-qualified allocated retained earnings	528,555	528,533
Unallocated retained earnings	611,743	571,198
Accumulated other comprehensive loss	(1,329)	(1,246)
Total members' equity	1,164,040	1,123,534
Total liabilities and members' equity	$ 7,131,360	$ 7,136,164

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(UNAUDITED)

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
INTEREST INCOME		
Loans	**$ 85,119**	$ 80,012
Investments	**83**	100
Total interest income	**85,202**	80,112
INTEREST EXPENSE		
Note payable to the Bank and others	**30,610**	27,756
Net interest income	**54,592**	52,356
PROVISION FOR LOAN LOSSES		
Provision for loan losses	**718**	4,180
Net interest income after provision for losses	**53,874**	48,176
NONINTEREST INCOME		
Patronage income from the FCB	**7,226**	6,060
Loan fees	**821**	904
Gain on other property owned, net	**23**	32
Other income	**3,135**	2,051
Total noninterest income	**11,205**	9,047
NONINTEREST EXPENSES		
Salaries and employee benefits	**15,486**	14,572
Farm Credit System insurance premium	**2,063**	2,055
Occupancy and equipment	**1,355**	1,292
Advertising	**1,101**	1,032
Public and member relations	**911**	766
Travel	**866**	681
FCA supervisory and exam expense	**460**	368
Purchased services and allocations	**366**	975
Communications	**288**	316
Directors' expense	**222**	218
Other expenses	**1,429**	1,397
Total noninterest expenses	**24,547**	23,672
Income before federal income tax	**40,532**	33,551
Benefit from federal income tax	**13**	12
NET INCOME	**$ 40,545**	$ 33,563
Other comprehensive loss:		
Change in postretirement benefit plans	**(83)**	(94)
Income tax expense related items of other comprehensive income	-	-
Other comprehensive loss, net of tax	**(83)**	(94)
COMPREHENSIVE INCOME	**$ 40,462**	$ 33,469

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Retained Earnings: Non-qualified Allocated	Retained Earnings: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2015	$ 24,419	$ 487,489	$ 555,052	$ (581)	$ 1,066,379
Net income	-	-	33,563	-	33,563
Other comprehensive loss	-	-	-	(94)	(94)
Capital stock/participation certificates issued	983	-	-	-	983
Capital stock/participation certificates/ allocated equities retired	(838)	-	-	-	(838)
Other adjustments	-	(4)	5	-	1
Balance at March 31, 2016	24,564	487,485	588,620	(675)	1,099,994
Net income	-	-	117,583	-	117,583
Other comprehensive gain	-	-	-	(571)	(571)
Capital stock/participation certificates issued	2,962	-	-	-	2,962
Capital stock/participation certificates/ allocated equities retired	(2,477)	(36,783)	-	-	(39,260)
Patronage distributions declared:	-	-	-	-	-
Cash	-	-	(57,170)	-	(57,170)
Nonqualifed allocations	-	77,830	(77,830)	-	-
Other adjustments	-	1	(5)	-	(4)
Balance at December 31, 2016	25,049	528,533	571,198	(1,246)	1,123,534
Net income	-	-	40,545	-	40,545
Other comprehensive loss	-	-	-	(83)	(83)
Capital stock/participation certificates issued	938	-	-	-	938
Capital stock/participation certificates/ allocated equities retired	(916)	-	-	-	(916)
Other adjustments	-	22	-	-	22
Balance at March 31, 2017	**$ 25,071**	**$ 528,555**	**$ 611,743**	**$ (1,329)**	**$ 1,164,040**

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas.

The Association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act).

A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of December 31, 2016 are contained in the 2016 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016 as contained in the 2016 Annual Report to Stockholders.

The Bank and its related Associations are collectively referred to as the "District." The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investment in the Association. Upon request, stockholders of the Association will be provided the Tenth Farm Credit District's Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the District Associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Farm Credit System Insurance Corporation.

In the opinion of management, the unaudited financial information is complete and reflects, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2017. Descriptions of the significant accounting policies are included in the 2016 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the Banking industry.

In August 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

In June 2016, the 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 estimate credit losses. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of the Association's contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations. Management anticipates the adoption of this guidance to have very little impact to the financial condition or results of operations for the Association.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The Association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

March 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 6,395	$ 76	$ -	$ 6,471	5.07%	4.13

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 6,670	$ 62	$ -	$ 6,732	4.98%	3.40

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitment to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. The Association continues to service the loans included in the transaction.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	March 31 2017	%	December 31 2016	%
Real estate mortgage	**$ 5,242,144**	**75.8**	$ 5,226,806	75.5
Production and intermediate term	**822,814**	**11.9**	869,290	12.6
Farm-related business	**604,997**	**8.7**	581,179	8.4
Rural residential real estate	**108,805**	**1.6**	106,909	1.5
Energy	**70,782**	**1.0**	71,192	1.0
Communication	**58,183**	**0.8**	56,944	0.8
Mission-related investments	**7,310**	**0.1**	7,779	0.1
Lease receivables	**5,847**	**0.1**	5,969	0.1
Water and waste disposal	**2,246**	**0.0**	1,897	0.0
Total	**$ 6,923,128**	**100.0**	$ 6,927,965	100.0

At March 31, 2017, the Association held five transactions, which are reported as loans on the consolidated balance sheet totaling $6,396 and with $44 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold as of March 31, 2017:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 103,550	$ 408,194	$ 8,745	$ -	$ 112,295	$ 408,194
Production and Intermediate-term	195,000	491,806	-	-	195,000	491,806
Farm-related business	436,688	75,178	2,486	-	439,174	75,178
Energy	70,782	-	-	-	70,782	-
Communication	58,183	-	-	-	58,183	-
Mission-related investments	2,205	-	4,191	-	6,396	-
Lease receivables	5,847	-	-	-	5,847	-
Water and waste disposal	2,119	-	-	-	2,119	-
Total	$ 874,374	$ 975,178	$ 15,422	$ -	$ 889,796	$ 975,178

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2017	December 31, 2016
Nonaccrual loans:		
Real estate mortgage	**$ 46,941**	$ 53,841
Production and intermediate-term	**24,945**	30,762
Farm-related business	**3,450**	3,471
Rural residential real estate	**540**	574
Mission-related investments	**-**	-
Lease receivable	**87**	92
Total nonaccrual loans	**$ 75,963**	$ 88,740
Accruing restructured loans:		
Real estate mortgage	**$ 7,675**	$ 7,715
Production and intermediate-term	**3,004**	381
Farm-related business	**-**	-
Rural residential real estate	**-**	-
Mission-related investments	**2,262**	2,229
Lease receivable	**-**	-
Total accruing restructured loans	**$ 12,941**	$ 10,325
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 190**	$ 2,313
Production and intermediate-term	**2,735**	1,538
Farm-related business	**-**	-
Rural residential real estate	**-**	-
Mission-related investments	**-**	-
Lease receivable	**-**	-
Total accruing loans 90 days or more past due	**$ 2,925**	$ 3,851
Total nonperforming loans	**$ 91,829**	$ 102,916
Other property owned	**2,211**	2,634
Total nonperforming assets	**$ 94,040**	$ 105,550

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2017	December 31, 2016
Real estate mortgage		
Acceptable	**96.6%**	96.5%
OAEM	**1.5%**	2.0%
Substandard/doubtful	**1.9%**	1.5%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**88.3%**	88.2%
OAEM	**4.8%**	5.1%
Substandard/doubtful	**6.9%**	6.7%
	100.0%	100.0%
Farm-related business		
Acceptable	**96.6%**	95.5%
OAEM	**0.7%**	0.8%
Substandard/doubtful	**2.7%**	3.7%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**98.1%**	98.6%
OAEM	**1.1%**	0.7%
Substandard/doubtful	**0.8%**	0.7%
	100.0%	100.0%
Energy		
Acceptable	**82.2%**	82.3%
OAEM	**12.4%**	17.7%
Substandard/doubtful	**5.4%**	-
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Mission-related investments		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Lease receivables		
Acceptable	**98.5%**	98.5%
OAEM	**-**	-
Substandard/doubtful	**1.5%**	1.5%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Total Loans		
Acceptable	**95.5%**	95.3%
OAEM	**1.9%**	2.4%
Substandard/doubtful	**2.6%**	2.3%
	100.0%	100.0%

The following table provides an age analysis of past due loans (including accrued interest) as of:

March 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$38,211	$ 13,231	$ 51,442	$ 5,230,165	$ 5,281,607	$ 190
Production and intermediate-term	12,043	4,573	16,616	818,357	834,973	2,735
Farm-related business	-	-	-	607,209	607,209	-
Rural residential real estate	935	20	955	108,229	109,184	-
Energy	-	-	-	70,916	70,916	-
Communication	-	-	-	58,222	58,222	-
Mission-related investments	-	-	-	7,455	7,455	-
Lease receivables	87	-	87	5,826	5,913	-
Water and waste disposal	-	-	-	2,248	2,248	-
Total	$51,276	$ 17,824	$ 69,100	$ 6,908,627	$ 6,977,727	$ 2,925

December 31, 2016	30-89 Days Past	90 Days or More Past	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$25,344	$ 19,308	$ 44,652	$ 5,226,017	$ 5,270,669	$ 2,313
Production and intermediate-term	24,253	7,399	31,652	849,769	881,421	1,538
Farm-related business	5,045	-	5,045	577,966	583,011	-
Rural residential real estate	602	211	813	106,461	107,274	-
Energy	-	-	-	71,333	71,333	-
Communication	-	-	-	56,979	56,979	-
Mission-related investments	-	-	-	7,840	7,840	-
Lease receivables	-	-	-	6,046	6,046	-
Water and waste disposal	-	-	-	1,898	1,898	-
Total	$55,244	$ 26,918	$ 82,162	$ 6,904,309	$ 6,986,471	$ 3,851

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2017 the total troubled debt restructured loans was $14,235, including $1,293 classified as nonaccrual and $12,942 classified as accrual, with specific allowance for loan losses of $152. As of March 31, 2017 commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $1,851.

The following table presents additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred. Balance of Pre-TDR designation represents quarter-end loans just prior to restructuring and post-TDR represents the quarter-end loans immediately following the restructuring.

	Troubled Debt Restructuring Activity			
	2017		2016	
Three months ended March 31:	Pre-TDR Designation Balance	Post-TDR Designation Balance	Pre-TDR Designation Balance	Post-TDR Designation Balance
Production and intermediate-term	2,934	2,477	-	-
Total	$ 2,934	$ 2,477	$ -	$ -

During the previous twelve months, the Association had three loans that met the accounting criteria for troubled debt restructuring. For each of the three, there was an extension of terms during that same period.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

Additional impaired loan information is as follows:

	At March 31, 2017			At December 31, 2016		
	Loan Balance	Unpaid Principal Balance	Related Specific Allowance	Loan Balance	Unpaid Principal Balance	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 2,271	$ 2,271	$ 130	$ 2,833	$ 2,836	$ 207
Production and intermediate-term	9,531	10,495	1,226	12,030	12,563	2,580
Farm-related business	2,847	2,847	368	2,868	2,868	368
Rural residential real estate	-	-	-	-	-	-
Mission-related investments	2,205	2,205	88	2,206	2,206	86
Lease receivables	-	-	-	-	-	-
Total	$ 16,854	$ 17,818	$ 1,812	$ 19,937	$ 20,473	$ 3,241
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	$ 52,527	$ 55,300	$ -	$ 60,887	$ 63,680	$ -
Production and intermediate-term	21,001	24,321	-	20,608	23,053	-
Farm-related business	603	4,940	-	603	14,904	-
Rural residential real estate	540	645	-	574	682	-
Mission-related investments	-	-	-	-	-	-
Lease receivables	87	87	-	91	91	-
Total	$ 74,758	$ 85,293	$ -	$ 82,763	$ 102,410	$ -
Total impaired loans:						
Real estate mortgage	$ 54,798	$ 57,571	$ 130	$ 63,720	$ 66,516	$ 207
Production and intermediate-term	30,532	34,816	1,226	32,638	35,616	2,580
Farm-related business	3,450	7,787	368	3,471	17,772	368
Rural residential real estate	540	645	-	574	682	-
Mission-related investments	2,205	2,205	88	2,206	2,206	86
Lease receivables	87	87	-	91	91	-
Total	$ 91,612	$ 103,111	$ 1,812	$ 102,700	$ 122,883	$ 3,241

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

	For the Three Months Ended March 31, 2017		For the Year Ended December 31, 2016	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Real estate mortgage	$ 2,582	$ -	$ 4,329	$ -
Production and intermediate-term	10,047	4	12,838	99
Farm-related business	2,854	35	609	-
Rural residential real estate	-		-	-
Mission-related investments	2,206	34	2,224	138
Lease receivables	-	-	-	-
Total	$ 17,689	$ 73	$ 20,000	$ 237
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 55,664	$ 222	$ 59,934	$ 3,366
Production and intermediate-term	20,235	166	16,357	493
Farm-related business	603	3	839	18
Rural residential real estate	560	-	452	14
Mission-related investments	-		-	-
Lease receivables	88	2	23	4
Total	$ 77,150	$ 393	$ 77,605	$ 3,895
Total impaired loans:				
Real estate mortgage	$ 58,246	$ 222	$ 64,263	$ 3,366
Production and intermediate-term	30,282	170	29,195	592
Farm-related business	3,457	38	1,448	18
Rural residential real estate	560	-	452	14
Mission-related investments	2,206	34	2,224	138
Lease receivables	88	2	23	4
Total	$ 94,839	$ 466	$ 97,605	$ 4,132

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses:									
Balance at December 31, 2016	$ 8,194	$ 15,840	$ 4,954	$ 135	$ 873	$ 183	$ 88	$ 20	$ 30,287
Charge-offs	(1)	(1,511)	-	-	-	-	-	-	(1,512)
Recoveries	3	101	39	1	-	-	-	-	145
Provision for loan losses	1,362	160	(687)	5	(121)	(1)	1	(1)	718
Other *	2	57	(33)	(0)	6	1	-	-	32
Balance at March 31, 2017	$ 9,560	$ 14,648	$ 4,273	$ 141	$ 757	$ 183	$ 89	$ 19	$ 29,670
Ending Balance at March 31, 2017									
Individually evaluated for impairment	$ 130	$ 1,226	$ 368	$ -	$ -	$ -	$ 88	$ -	$ 1,812
Collectively evaluated for impairment	$ 9,430	$ 13,422	$ 3,905	$ 141	$ 757	$ 183	$ 1	$ 19	$ 27,858
Balance at December 31, 2015	$ 10,053	$ 10,465	$ 2,023	$ 289	$ 247	$ 141	$ 89	$ 21	$ 23,328
Charge-offs	-	(416)	-	-	-	-	-	-	(416)
Recoveries	71	52	51	1	-	-	-	-	175
Provision for loan losses	475	2,128	1,336	21	200	17	-	3	4,180
Other	-	-	-	-	-	-	-	-	-
Balance at March 31, 2016	$ 10,599	$ 12,229	$ 3,410	$ 311	$ 447	$ 158	$ 89	$ 24	$ 27,267
Ending Balance at December 31, 2016									
individually evaluated for impairment	$ 207	$ 2,580	$ 368	$ -	$ -	$ -	$ 86	$ -	$ 3,241
collectively evaluated for impairment	$ 7,987	$ 13,260	$ 4,586	$ 135	$ 873	$ 183	$ 2	$ 20	$ 27,046
Recorded Investments in Loans Outstanding:									
Ending Balance at March 31, 2017	$ 5,281,607	$ 834,972	$ 607,209	$ 109,184	$ 73,164	$ 58,222	$ 7,455	$ 5,914	$ 6,977,727
Individually evaluated for impairment	$ 54,798	$ 30,532	$ 3,450	$ 540	$ -	$ -	$ 2,205	$ 87	$ 91,612
Collectively evaluated for impairment	$ 5,226,809	$ 804,440	$ 603,759	$ 108,644	$ 73,164	$ 58,222	$ 5,250	$ 5,827	$ 6,886,115
Ending Balance at December 31, 2016	$ 5,257,669	$ 894,421	$ 583,011	$ 107,274	$ 73,231	$ 56,979	$ 7,840	$ 6,046	$ 6,986,471
Individually evaluated for impairment	$ 63,720	$ 32,638	$ 3,471	$ 574	$ -	$ -	$ 2,206	$ 91	$ 102,700
Collectively evaluated for impairment	$ 5,193,949	$ 861,783	$ 579,540	$ 106,700	$ 73,231	$ 56,979	$ 5,634	$ 5,955	$ 6,883,771

*The Association recognized a provision for loan loss of $32 on unfunded commitments in the first quarter of 2017. Because this loss is recognized on commitments yet to be funded, it is included in Other Liabilities in the Consolidated Balance Sheet as of March 31, 2017.

NOTE 4 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 14 "Fair Value Measurements" of the 2016 Annual Report to stockholders for a more complete description.

Assets held in nonqualified benefits trusts related to deferred compensation and supplemental retirement plans are classified as Level 1. Level 1 valuation utilizes quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The trust funds include investments that are actually traded and have quoted net assets values that are quoted in the marketplace. These assets are measured at fair value on a recurring basis and are summarized below:

	Total Fair Value March 31, 2017	**Total Fair Value December 31, 2016**
Beginning Balance	**$ 5,834**	**$ 5,496**
Transfers In	**37**	**402**
Other Market Changes	**(126)**	**(64)**
Assets held in non-qualified benefits trusts	**$ 5,745**	**$ 5,834**

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. The Association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

These assets are measured at fair value on a nonrecurring basis and are summarized below:

	Total Fair Value March 31, 2017	Total Fair Value December 31, 2016
Impaired Loans	**$ 15,042**	$ 16,696
Other property owned	**2,211**	2,634
Total	**$ 17,253**	$ 19,330

NOTE 5 — MEMBERS EQUITY:

The board of directors approved a $135,000 patronage distribution for 2016. $57,170 of this distribution is to be paid in cash in April 2017. $77,830 is to be distributed in the form of nonqualified allocated equity. In March 2017 the Association finalized the computation of these distributions which resulted in an increase in nonqualified allocations of $22 resulting in an actual allocation of $77,852, and a reduction in cash patronage payable of $24 for an actual cash distribution of $57,146. The owners of these nonqualified distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the Association, allowing the stockholders to benefit more fully from the earnings of the Association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the Association's capital position and determine if some cash retirements of these equities can be made. In 2015, the board of directors approved a $137,631 patronage distribution for 2016, with cash patronage payable of $56,746 and $80,885 in nonqualified allocations. In March 2016 the Association finalized the computation of these distributions which resulted in a reduction in nonqualified allocations of $3 resulting in actual allocation of $80,882.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The Association expects to contribute $4,419 to its pension plan in 2017, which will be $218 less than the 2016 contribution. Pension plan funding expense was $1,105 and $1,159 for the three months ended March 31, 2017 and 2016 respectively.

NOTE 7 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 4, 2017 which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date.