

**CoBank Quarterly District
Financial Information
September 30, 2019**

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Introduction and District Overview

CoBank, ACB (CoBank, the Bank, we, our, or us) is one of the four banks in the Farm Credit System (System) and provides loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. The System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The System was established in 1916 by the U.S. Congress, and is a Government Sponsored Enterprise. CoBank is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA).

We are cooperatively owned by our U.S. customers. Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; Agricultural Credit Associations (Associations), which are regulated, farmer-owned financial institutions and members of the System; and other businesses that serve agriculture and rural communities. The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural and other purposes to full and part-time farmers. Associations may also make loans to, among others, processing and marketing entities, farm-related businesses, and rural residents for home purchase and improvement. The Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. The Associations are not authorized by the Farm Credit Act to participate directly in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of September 30, 2019, we have 21 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. As authorized by the FCA, the financial information of affiliated Associations is not included in the condensed consolidated quarterly financial statements presented in CoBank's September 30, 2019 Quarterly Report to Shareholders. However, the FCA authorizes CoBank to present combined Bank and Association quarterly financial information in a separate report.

The Financial Highlights, Management's Discussion and Analysis, and the Condensed Combined Balance Sheets and Statements of Income included on the following pages present unaudited combined financial information and related analysis of CoBank and its affiliated Associations, which are collectively referred to as the "District." As part of the combining process, all significant transactions between CoBank and the Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Financial Highlights

(\$ in Thousands) (Unaudited)

	September 30, 2019	December 31, 2018
Total Loans	\$ 113,037,465	\$ 115,149,430
Less: Allowance for Loan Losses	951,498	930,771
Net Loans	112,085,967	114,218,659
Total Assets	148,567,551	150,603,941
Total Shareholders' Equity	21,230,640	19,512,722

For the Nine Months Ended September 30,	2019	2018
Net Interest Income	\$ 2,304,325	\$ 2,245,177
Provision for Loan Losses	53,732	55,840
Net Fee Income	106,936	101,589
Net Income	1,567,387	1,658,010
Net Interest Margin	2.08 %	2.12 %
Net Charge-offs / Average Loans	0.01	0.03
Return on Average Assets	1.39	1.55
Return on Average Total Shareholders' Equity	10.22	11.72
Operating Expense / Net Interest Income and Noninterest Income	33.75	30.77
Average Loans	\$ 115,184,205	\$ 110,821,194
Average Earning Assets	147,936,565	141,102,358
Average Assets	149,980,885	142,790,395

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 4 percent to \$115.2 billion in the first nine months of 2019, compared to \$110.8 billion for the same period of 2018. The increase in average loan volume primarily reflected growth in production and intermediate-term, real estate mortgage, agribusiness and agricultural export finance loans.

District net income decreased \$90.6 million to \$1.567 billion for the nine-month period ended September 30, 2019, compared to \$1.658 billion for the same period of 2018. The decrease in earnings primarily resulted from an increase in operating expenses, a decrease in noninterest income and a higher provision for income taxes. These items were somewhat offset by an increase in net interest income and a lower provision for loan losses in the 2019 period.

Net interest income increased \$59.1 million to \$2.304 billion for the first nine months of 2019 from \$2.245 billion for the same period in 2018. The increase in net interest income was primarily driven by growth in average loan volume. The District's overall net interest margin decreased to 2.08 percent for the nine months ended September 30, 2019, from 2.12 percent for the same period in 2018. The reduction in net interest margin for the first nine months of 2019 primarily reflected lower earnings on balance sheet positioning at CoBank and lower overall loan spreads somewhat offset by increased earnings on invested capital.

The District recorded a provision for loan losses of \$53.7 million in the nine-month period ended September 30, 2019, compared to \$55.8 million for the same period of 2018. CoBank recorded a provision for loan losses of \$26.0 million in the first nine months of 2019 compared to \$43.0 million during the 2018 period. The 2019 provision at CoBank largely reflected deterioration in credit quality in agribusiness and rural power loans. The Associations recorded a net combined provision for loan losses of \$27.7 million for the first nine months of 2019, compared to a net combined provision of \$12.8 million in the same period of 2018. The net combined 2019 and 2018 provisions for loan losses at the Associations were primarily due to provisions at several Associations resulting from deterioration in credit quality and other concerns causing stress to specific industries.

Noninterest income decreased \$52.7 million to \$292.6 million for the first nine months of 2019 from \$345.3 million for the same period in 2018. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The decline in noninterest income resulted largely from a \$49.0 million decrease in gains on sales of investment securities at CoBank in the first nine months of 2019 compared to 2018. In addition, a lower level of returned excess insurance funds from the Farm Credit System Insurance Corporation (Insurance Corporation) related to the Farm Credit Insurance Fund (Insurance Fund) also contributed to the decrease in noninterest income. In the first nine months of 2019 and 2018, excess insurance funds of \$27.0 million and \$69.5 million, respectively, were returned from the Insurance Corporation. When the Insurance Fund exceeds the statutory 2 percent secure base amount (SBA), the Insurance Corporation may reduce premiums and return excess amounts. In both 2019 and 2018, the Insurance Fund began the year above the SBA. Other noninterest income increased by \$20.0 million primarily due to derivative gains resulting from the impact of market interest rate changes partially offset by prior period gains on the disposition of warrants which had been obtained by CoBank and several Associations in a previous loan restructuring. In addition, patronage income received from other System institutions on loan participations sold by CoBank and certain Associations increased by \$18.4 million in the first nine months of 2019 compared to 2018.

District operating expenses increased \$79.3 million to \$876.4 million in the first nine months of 2019 from \$797.1 million for the same period of 2018. Higher operating expenses included an increase in employee compensation expense of \$40.9 million to \$491.4 million for the first nine months of 2019, compared to \$450.5 million for the same period of 2018. The increase in employee compensation expense was driven by annual merit increases, a higher overall number of employees, compensation expenses related to lease originations that are no longer deferred and amortized under the new lease accounting standard and a reduction in compensation reimbursements in CoBank's digital banking activities. Purchased services increased by \$13.0 million primarily due to strategic initiatives at several Associations. Information

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

services expense increased \$9.2 million in the nine months ended September 30, 2019 compared to the 2018 period primarily due to greater expenditures at CoBank and certain Associations to enhance service offerings and technology platforms. General and administrative expenses increased \$7.6 million in 2019 compared to 2018. General and administrative expenses include contributions and other support provided to civic, charitable and other organizations that benefit the residents, communities and industries we serve in rural America. Occupancy and equipment expenses increased by \$2.9 million primarily due to higher costs relating to rent, improvements and maintenance at CoBank and several Associations.

Income tax expense increased \$20.0 million for the nine-month period ended September 30, 2019, compared to the same period of 2018. The income tax expense at the District predominantly relates to CoBank, as a substantial majority of the business activities at Associations are exempt from federal income tax. Income tax expense for the nine months ended September 30, 2018 included a nonrecurring income tax benefit of \$16.0 million which resulted from a change in accounting estimate to reflect the full effect of 2017 tax legislation. Excluding the impact of the 2018 nonrecurring income tax benefit, income tax expense increased \$4.0 million in 2019 compared to 2018 reflecting a lower level of tax-deductible patronage in 2019, driven by the special patronage distribution in the third quarter of 2018 at CoBank.

Loan Portfolio

The following table presents the District's outstanding loans classified in accordance with the FCA's loan types.

(\$ in Thousands)

District Loans by Loan Type	September 30, 2019	December 31, 2018
Real Estate Mortgage	\$ 35,091,866	\$ 34,116,612
Nonaffiliated Associations	4,920,003	4,932,121
Production and Intermediate-term	16,841,209	16,242,017
Agribusiness:		
Loans to Cooperatives	12,440,107	15,379,249
Processing and Marketing Operations	9,269,112	8,873,455
Farm-Related Businesses	1,818,376	1,840,623
Communications	4,429,032	3,948,778
Rural Power	16,073,701	16,991,058
Water/Waste Water	1,944,831	2,033,851
Agricultural Export Finance	5,731,253	6,138,278
Rural Residential Real Estate	709,549	767,197
Lease Receivables	3,664,230	3,742,895
Other	104,196	143,296
Total	\$ 113,037,465	\$ 115,149,430

Overall District loan volume decreased \$2.1 billion to \$113.0 billion at September 30, 2019, as compared to loan volume of \$115.1 billion as of December 31, 2018. The decrease was driven primarily by a decrease in agribusiness, rural power and agricultural export finance loans, partially offset by increases in real estate mortgage, production and intermediate-term and communications loans.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. Credit risk in the District's loan portfolio is spread broadly among customers, industries and geographic territory. The District serves a diversified spectrum of borrowers up and down the agricultural value chain. Association retail loans in the District loan portfolio are concentrated in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

United States. CoBank's retail loan portfolio extends across the United States, with moderate levels of concentration in the Midwest region of the country and in the farm supply, grain and marketing, dairy and electric distribution sectors.

The following tables present the District's combined loan portfolio by primary business/commodity and geographic distribution, as a percent of total loans for the periods presented.

Distribution by Primary Business / Commodity		
	September 30, 2019	December 31, 2018
Fruits, Nuts and Vegetables	16 %	15 %
Farm Supply, Grain and Marketing	10	14
Dairy	9	9
Electric Distribution	7	7
Cattle	6	6
Forest Products	6	6
Agricultural Export Finance	5	5
Field Crops Except Grains	5	4
Nonaffiliated Associations	4	4
Livestock, Fish and Poultry	4	4
Farm-Related Businesses	4	4
Generation and Transmission	3	3
Leasing	3	3
Rural Home	2	2
Local Telephone Exchange Carriers	1	1
Nursery and Greenhouse	1	1
Other	14	12
Total	100 %	100 %

Geographic Distribution		
	September 30, 2019	December 31, 2018
California	23 %	22 %
Kansas	6	6
Texas	6	6
New York	5	5
Washington	5	4
Colorado	4	3
Idaho	3	3
Oklahoma	3	3
Oregon	3	3
Illinois	2	3
Minnesota	2	2
Iowa	-	2
Other (less than 2 percent each for the current year)	33	33
Total States	95 %	95 %
Latin America	2	2
Europe, Middle East and Africa	1	1
Other International	2	2
Total International	5 %	5 %
Total	100 %	100 %

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Loan Quality

One credit quality indicator utilized by the Bank and Associations is the FCA 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,
- Special Mention – 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 presents loans, classified by management at the various District entities pursuant to the FCA's Uniform Loan Classification System, as a percent of total loans and accrued interest.

District Loan Quality		
	September 30, 2019	December 31, 2018
Acceptable	93.44 %	94.22 %
Special Mention	3.25	2.97
Substandard	3.28	2.80
Doubtful	0.03	0.01
Loss	-	-
Total	100.00 %	100.00 %

While our overall loan quality within the District remains strong, certain entities within the District, including CoBank, experienced credit quality deterioration in the first nine months of 2019 resulting from volatile commodity prices and other concerns causing stress to specific industries. Acceptable loans and accrued interest decreased to 93.44 percent at September 30, 2019, compared to 94.22 percent at December 31, 2018. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percent of total loans was 3.31 percent at September 30, 2019, compared to 2.81 percent at December 31, 2018. These movements were primarily driven by deterioration in credit quality impacting agribusiness, production and intermediate-term, as well as rural power loans.

At September 30, 2019, Special Mention loans included a CoBank participation in a \$471.0 million wholesale loan made by Farm Credit Bank of Texas to one of its affiliated Associations. Pursuant to regulatory requirements, wholesale loans are classified using the same FCA Uniform Loan Classification System as is used with commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the downgrade reflects certain material internal control weaknesses at that Association, as a result of the collateralization and other mitigants described above, no losses are anticipated related to that wholesale loan. As of September 30, 2019, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any wholesale loans to Associations.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled \$822.1 million as of September 30, 2019, compared to \$761.8 million at December 31, 2018. Nonaccrual loans increased \$59.4 million during the first nine months of 2019. Nonaccrual loans at CoBank improved by \$15.6 million while nonaccrual loans at Associations increased by \$75.0 million primarily due to the addition of several real estate mortgage and production and intermediate-term loans to nonaccrual status during 2019. Accruing restructured loans decreased by \$4.1 million to \$28.9 million in the nine-month period ended September 30, 2019 primarily due to payoff activity in real estate mortgage, rural residential real estate and agribusiness loans at three Associations. Total accruing loans 90 days or more past due increased by \$1.9 million during the first nine months of 2019 primarily driven by increases in production and intermediate-term loans at two Associations. Nonperforming assets

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

represented 0.73 percent of total District loan volume and other property owned at September 30, 2019, compared to 0.66 percent at December 31, 2018. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.68 percent of total loans at September 30, 2019 compared to 0.62 percent at December 31, 2018.

The following table displays the District's nonperforming assets for the periods presented.

(\$ in Thousands)

Nonperforming Assets	September 30, 2019	December 31, 2018
Nonaccrual Loans:		
Real Estate Mortgage	\$ 230,271	\$ 187,334
Production and Intermediate-term	169,657	129,866
Agribusiness	300,999	314,010
Communications	-	9,507
Rural Power	27,613	28,656
Rural Residential Real Estate	4,501	4,226
Lease Receivables	35,135	37,216
Other	2,068	-
Total Nonaccrual Loans	770,244	710,815
Accruing Restructured Loans:		
Real Estate Mortgage	16,775	19,568
Production and Intermediate-term	10,912	10,832
Agribusiness	-	489
Rural Residential Real Estate	1,205	2,056
Total Accruing Restructured Loans	28,892	32,945
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	6,330	8,857
Production and Intermediate-term	6,688	2,983
Agribusiness	104	771
Water/Waste Water	1,907	-
Rural Residential Real Estate	240	-
Lease Receivables	194	914
Total Accruing Loans 90 Days or More Past Due	15,463	13,525
Total Nonperforming Loans	814,599	757,285
Other Property Owned	7,532	4,534
Total Nonperforming Assets	\$ 822,131	\$ 761,819
Nonaccrual Loans as a Percentage of Total Loans	0.68 %	0.62 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	0.73	0.66
Nonperforming Assets as a Percentage of Capital	3.87	3.90

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

The following tables present an aging of past due loans in the District for the periods presented.

(\$ in Thousands)

Aging of Past Due Loans						
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
September 30, 2019						
Real Estate Mortgage	\$ 69,090	\$ 86,304	\$ 155,394	\$ 35,544,733	\$ 35,700,127	\$ 6,330
Nonaffiliated Associations	-	-	-	4,930,950	4,930,950	-
Production and Intermediate-term	57,657	74,820	132,477	16,883,694	17,016,171	6,688
Agribusiness	88,555	22,072	110,627	23,517,603	23,628,230	104
Communications	-	-	-	4,436,554	4,436,554	-
Rural Power	1	21,521	21,522	16,119,047	16,140,569	-
Water/Waste Water	-	1,907	1,907	1,952,394	1,954,301	1,907
Agricultural Export Finance	-	-	-	5,760,809	5,760,809	-
Rural Residential Real Estate	4,019	2,354	6,373	705,490	711,863	240
Lease Receivables	18,532	7,871	26,403	3,638,977	3,665,380	194
Other	-	-	-	104,484	104,484	-
Total	\$ 237,854	\$ 216,849	\$ 454,703	\$ 113,594,735	\$ 114,049,438	\$ 15,463
December 31, 2018						
Real Estate Mortgage	\$ 111,912	\$ 92,524	\$ 204,436	\$ 34,334,133	\$ 34,538,569	\$ 8,857
Nonaffiliated Associations	1	-	1	4,944,254	4,944,255	-
Production and Intermediate-term	74,252	62,167	136,419	16,239,422	16,375,841	2,983
Agribusiness	12,518	8,030	20,548	26,185,768	26,206,316	771
Communications	-	-	-	3,957,618	3,957,618	-
Rural Power	1,024	21,522	22,546	17,036,355	17,058,901	-
Water/Waste Water	1	-	1	2,043,552	2,043,553	-
Agricultural Export Finance	-	-	-	6,164,788	6,164,788	-
Rural Residential Real Estate	4,616	1,993	6,609	762,959	769,568	-
Lease Receivables	14,787	7,592	22,379	3,721,380	3,743,759	914
Other	-	-	-	143,711	143,711	-
Total	\$ 219,111	\$ 193,828	\$ 412,939	\$ 115,533,940	\$ 115,946,879	\$ 13,525

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled \$145.0 million at September 30, 2019.

Although aggregated in the District's condensed combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at September 30, 2019 totaled \$951.5 million compared to \$930.8 million at December 31, 2018. Changes in the allowance during the first nine months of 2019 included an overall provision for loan losses of \$53.7 million, which is described on page 3, a \$25.7 million net transfer to the reserve for unfunded commitments, loan charge-offs of \$10.7 million, and loan recoveries of \$4.8 million.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

The following table presents detailed changes in the allowance for loan losses in the District for the periods presented.

(\$ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non- affiliated Associations	Production and Intermediate- term	Agri- business	Communi- cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
September 30, 2019											
Allowance for Loan Losses											
Beginning Balance	\$ 126,347	\$ -	\$ 174,805	\$ 369,193	\$ 55,768	\$ 119,415	\$ 13,657	\$ 18,441	\$ 3,032	\$ 50,113	\$ 930,771
Charge-offs	(356)	-	(6,422)	(616)	-	-	-	-	(1)	(3,313)	(10,708)
Recoveries	839	-	1,403	1,281	315	300	-	100	18	565	4,821
Provision for Loan Losses/ (Loan Loss Reversal)	5,930	-	40,620	(3,346)	(18,329)	21,299	2,316	(274)	(247)	5,763	53,732
Transfers (to) from Reserve for Unfunded Commitments	(3,811)	-	(3,622)	(19,955)	112	1,314	142	115	-	(13)	(25,718)
Association Combination Impact, Net	(918)	-	(482)	-	-	-	-	-	-	-	(1,400)
Ending Balance	\$ 128,031	\$ -	\$ 206,302	\$ 346,557	\$ 37,866	\$ 142,328	\$ 16,115	\$ 18,382	\$ 2,802	\$ 53,115	\$ 951,498
Allowance for Loan Losses											
Ending Balance, Allowance for Loan Losses Related to Loans:											
Individually Evaluated for Impairment	\$ 2,028	\$ -	\$ 14,379	\$ 53,774	\$ -	\$ 21,997	\$ -	\$ -	\$ 9	\$ 4,866	\$ 97,053
Collectively Evaluated for Impairment	126,003	-	191,923	292,783	37,866	120,331	16,115	18,382	2,793	48,249	854,445
Total	\$ 128,031	\$ -	\$ 206,302	\$ 346,557	\$ 37,866	\$ 142,328	\$ 16,115	\$ 18,382	\$ 2,802	\$ 53,115	\$ 951,498
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	\$ 290,254	\$ 4,930,950	\$ 197,949	\$ 308,169	\$ 336	\$ 27,878	\$ 12	\$ 132	\$ 5,867	\$ 111,975	\$ 5,873,522
Collectively Evaluated for Impairment	35,409,873	-	16,818,222	23,320,061	4,436,218	16,112,691	1,954,289	5,760,677	705,996	3,657,889	108,175,916
Total	\$35,700,127	\$ 4,930,950	\$17,016,171	\$23,628,230	\$ 4,436,554	\$16,140,569	\$ 1,954,301	\$ 5,760,809	\$ 711,863	\$3,769,864	\$114,049,438
September 30, 2018											
Allowance for Loan Losses											
Beginning Balance	\$ 127,851	\$ -	\$ 170,997	\$ 343,003	\$ 50,189	\$ 112,042	\$ 11,606	\$ 16,403	\$ 3,673	\$ 48,263	\$ 884,027
Charge-offs	(3,060)	-	(3,737)	(21,724)	-	(2,135)	-	-	(13)	(2,234)	(32,903)
Recoveries	1,891	-	2,836	865	52	201	-	117	-	228	6,190
Provision for Loan Losses/ (Loan Loss Reversal)	3,550	-	14,122	26,043	5,144	(87)	433	1,496	(303)	5,442	55,840
Transfers from (to) Reserve for Unfunded Commitments	1,382	-	(1,885)	(11,636)	288	4,438	486	78	-	(8)	(6,857)
Ending Balance	\$ 131,614	\$ -	\$ 182,333	\$ 336,551	\$ 55,673	\$ 114,459	\$ 12,525	\$ 18,094	\$ 3,357	\$ 51,691	\$ 906,297
Allowance for Loan Losses											
Ending Balance, Allowance for Loan Losses Related to Loans:											
Individually Evaluated for Impairment	\$ 11,953	\$ -	\$ 27,915	\$ 73,514	\$ 4,700	\$ 13,197	\$ -	\$ -	\$ 39	\$ 5,714	\$ 137,032
Collectively Evaluated for Impairment	119,661	-	154,418	263,037	50,973	101,262	12,525	18,094	3,318	45,977	769,265
Total	\$ 131,614	\$ -	\$ 182,333	\$ 336,551	\$ 55,673	\$ 114,459	\$ 12,525	\$ 18,094	\$ 3,357	\$ 51,691	\$ 906,297
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	\$ 324,995	\$ 4,883,874	\$ 159,281	\$ 348,916	\$ 10,236	\$ 29,605	\$ 16	\$ 173	\$ 5,963	\$ 127,462	\$ 5,890,521
Collectively Evaluated for Impairment	33,816,583	-	15,263,448	22,342,622	3,971,507	16,622,715	1,889,049	5,625,410	781,186	3,657,099	103,969,619
Total	\$34,141,578	\$ 4,883,874	\$15,422,729	\$22,691,538	\$ 3,981,743	\$16,652,320	\$ 1,889,065	\$ 5,625,583	\$ 787,149	\$3,784,561	\$109,860,140

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Investment Portfolio

As the funding bank for the District, CoBank is responsible for meeting the District's funding and liquidity needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the District also maintains a secondary source of liquidity through a high credit quality investment portfolio and other short-term liquid assets which are primarily held at CoBank. All of CoBank's investment securities are classified as "available for sale". Refer to the CoBank Annual Report for additional description of the types of investments held by the Bank and related yield information and maturities. Associations have regulatory authority to enter into certain investments that carry an explicit government guarantee and certain other securities. As of September 30, 2019 and December 31, 2018, Associations held mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation which are classified as "held to maturity".

(\$ in Millions)

Investment Information

	Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
September 30, 2019							
CoBank Investments	\$	31,070	\$	413	\$	(36)	\$ 31,447
Association Investments		11		-		-	11
Total	\$	31,081	\$	413	\$	(36)	\$ 31,458
December 31, 2018							
CoBank Investments	\$	31,594	\$	35	\$	(337)	\$ 31,292
Association Investments		14		-		-	14
Total	\$	31,608	\$	35	\$	(337)	\$ 31,306

District Capital Resources and Other

Combined District shareholders' equity at September 30, 2019 totaled \$21.2 billion, a net increase of \$1.718 billion as compared to December 31, 2018. The increase primarily resulted from District net income of \$1.567 billion, a decrease in accumulated other comprehensive loss of \$579.6 million, an increase in common stock of \$44.5 million and an increase in preferred stock at Associations of \$37.2 million. These items were somewhat offset by accrued patronage of \$442.6 million and preferred stock dividends of \$75.5 million.

The components of the District's accumulated other comprehensive loss are detailed in the following table.

(\$ in Thousands)

Accumulated Other Comprehensive Loss⁽¹⁾	September 30, 2019		December 31, 2018	
Unrealized Gains (Losses) on Investment Securities	\$	330,281	\$	(271,242)
Net Pension Adjustment		(332,888)		(348,563)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments		(63,231)		(25,614)
Accumulated Other Comprehensive Loss	\$	(65,838)	\$	(645,419)

⁽¹⁾ Amounts are presented net of tax.

The decrease in the District's total accumulated other comprehensive loss during the first nine months of 2019 is largely due to an increase in unrealized gains on investment securities at CoBank primarily driven by market interest rate changes on the fair value of fixed rate securities.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

The following tables present regulatory capital and leverage ratios for CoBank and the range of ratios at the affiliated Associations.

Regulatory Capital Requirements and Ratios							
Ratio	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer*	September 30, 2019		December 31, 2018	
				CoBank	District Associations	CoBank	District Associations
Risk Adjusted:							
Common equity tier 1 (CET1) capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity) ⁽¹⁾	4.5%	7.0%	12.90%	13.65 - 25.49%	12.38%	14.00 - 28.58%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	15.09%	13.65 - 25.49%	14.57%	14.00 - 28.58%
Total capital ratio	Tier 1 Capital, allowance for loan losses ⁽²⁾ , common cooperative equities ⁽³⁾ and term preferred stock and subordinated debt ⁽⁴⁾	8.0%	10.5%	16.14%	13.88 - 25.98%	15.58%	14.38 - 29.84%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	15.22%	13.83 - 25.64%	14.69%	14.14 - 32.30%
Non-risk adjusted:							
Tier 1 leverage ratio**	Tier 1 Capital	4.0%	5.0%	7.55%	14.40 - 24.17%	7.53%	14.51 - 27.47%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	3.26%	16.01 - 25.98%	3.19%	16.64 - 27.09%

* The new capital requirements have a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. There is no phase-in of the leverage buffer. Amounts shown reflect the full capital conservation buffer.

** Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

⁽¹⁾ Equities outstanding 7 or more years

⁽²⁾ Capped at 1.25% of risk-adjusted assets

⁽³⁾ Equities outstanding 5 or more years, but less than 7 years

⁽⁴⁾ Debt and equities outstanding 5 or more years

As depicted in the tables above, at September 30, 2019, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios and any required buffers. Although aggregated in the District's condensed combined financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations. CoBank has no access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Association Combination and Other Matters

Litigation

In June 2016, a lawsuit was commenced by the filing of a complaint in the United States District Court Southern District of New York against CoBank by a number of investors (the “Plaintiffs”) who had held CoBank’s 7.875 percent Subordinated Notes due in 2019 (the “Notes”). The Notes were redeemed at par plus accrued interest by CoBank in April 2016 due to the occurrence of a “Regulatory Event” (as defined under the terms of the Notes). The Plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that CoBank impermissibly redeemed the Notes. The Plaintiffs have requested damages in an amount to be determined at trial, reasonable attorneys’ fees and any other such relief as the court may deem just and proper. CoBank filed its answer in September 2016 and discovery concluded in January 2018. CoBank and Plaintiffs filed their respective motions for summary judgment in March 2018. There is presently no indication of when the court will rule on the motions for summary judgment. CoBank intends to vigorously defend against these allegations. The likelihood of any outcome of this proceeding cannot be determined at this time.

Association Combination

Effective February 14, 2019, the boards of directors of American AgCredit, ACA and Farm Credit Services of Hawaii, ACA approved the terms of an Agreement and Plan of Combination, which provided for the sale of the net assets of Farm Credit Services of Hawaii, ACA to American AgCredit, ACA. The Agreement and Plan of Combination was approved by the stockholders of Hawaii, ACA on June 25, 2019. The transaction closed on July 1, 2019.

Future of LIBOR

In 2017, the United Kingdom’s Financial Conduct Authority, which regulates the London Inter-Bank Offered Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021.

The System institutions that comprise the District have exposure to various LIBOR-indexed financial instruments that mature after 2021. Such exposure includes loans that are made to customers, investment securities that are purchased, Systemwide Debt Securities that are issued by the Funding Corporation, preferred stock that is issued and derivative transactions. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the terms of the financial instruments, which could adversely affect the value of, and return on, instruments held by System institutions in the District. The transition from LIBOR could result in paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments that reference LIBOR, and increase the costs of or affect the ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that LIBOR-indexed financial instruments cannot be successfully transitioned to an alternative rate-based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments. Disputes and litigation with counterparties and borrowers relating to the transition are also possible. Due to the uncertainty regarding the transition from LIBOR-indexed financial instruments, including when it will happen, the manner in which an alternative reference rate will apply, and the mechanisms for transitioning LIBOR-indexed instruments to instruments with an alternative rate, the expected financial impact of the LIBOR transition cannot yet reasonably be estimated.

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

On September 11, 2018 the FCA issued guidance for System institutions to follow as they prepare for the expected phase-out of LIBOR. Pursuant to the guidance, System institutions must develop a LIBOR transition plan. The FCA identified the following as important considerations in the development of transition plans.

- a governance structure to manage the transition,
- an assessment of exposures to LIBOR,
- an assessment of the fallback provisions in contracts and the impact of a LIBOR phase-out under those provisions,
- the establishment of strategies for reducing each type of LIBOR exposure,
- assessment of operational processes that need to be changed,
- communication strategies with customers and stakeholders,
- the establishment of a process to stay abreast of industry developments and best practices,
- the establishment of a process to ensure a coordinated approach, to the extent possible, across the bank, and
- a timeframe and action steps for completing key objectives.

System institutions in the District continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. System institutions also continue to monitor the LIBOR transition relief being considered by the Financial Accounting Standards Board concerning the accounting for contract modifications and hedge accounting.

At this time, it is not known whether or when LIBOR will cease to be available or if the Secured Overnight Financing Rate (SOFR) or any other alternative reference rate will become the benchmark to replace LIBOR. Because System institutions in the District routinely engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on those institutions, their borrowers, investors, customers and counterparties.

Other Regulatory Matters

On April 3, 2019, the FCA issued a proposed rule that would clarify the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule would also revise the criteria by which loans are reinstated to accrual status, and it would revise the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status. The public comment period ended on June 3, 2019.

On September 23, 2019, the FCA issued a proposed rule to address changes to its capital regulation and certain other regulations in response to the Current Expected Credit Losses (CECL) accounting standard. The proposed rule would identify which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25% of the System institution's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ends on November 22, 2019.

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets
(unaudited)

(\$ in Thousands)

	September 30, 2019	December 31, 2018
Assets		
Total Loans	\$ 113,037,465	\$ 115,149,430
Less: Allowance for Loan Losses	951,498	930,771
Net Loans	112,085,967	114,218,659
Cash and Cash Equivalents	436,188	1,654,814
Federal Funds Sold and Other Overnight Funds	1,563,000	1,300,000
Investment Securities	31,458,458	31,305,903
Interest Rate Swaps and Other Financial Instruments	499,634	243,233
Accrued Interest Receivable and Other Assets	2,524,304	1,881,332
Total Assets	\$ 148,567,551	\$ 150,603,941
Liabilities		
Bonds and Notes	\$ 124,674,216	\$ 128,504,636
Interest Rate Swaps and Other Financial Instruments	325,988	152,206
Reserve for Unfunded Commitments	144,955	120,837
Accrued Interest Payable and Other Liabilities	2,191,752	2,313,540
Total Liabilities	127,336,911	131,091,219
Shareholders' Equity		
Preferred Stock Issued by Bank	1,500,000	1,500,000
Preferred Stock Issued by Associations	548,942	511,747
Common Stock	1,671,909	1,627,379
Paid In Capital	1,346,030	1,319,232
Unallocated Retained Earnings	16,229,597	15,199,783
Accumulated Other Comprehensive Loss	(65,838)	(645,419)
Total Shareholders' Equity	21,230,640	19,512,722
Total Liabilities and Shareholders' Equity	\$ 148,567,551	\$ 150,603,941

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Statements of Income
(unaudited)

(\$ in Thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest Income				
Loans	\$ 1,335,733	\$ 1,231,519	\$ 4,099,094	\$ 3,608,951
Investment Securities, Federal Funds Sold and Other Overnight Funds	200,161	174,857	595,103	506,017
Total Interest Income	1,535,894	1,406,376	4,694,197	4,114,968
Interest Expense				
Net Interest Income	765,805	739,719	2,304,325	2,245,177
Provision for Loan Losses	14,106	13,108	53,732	55,840
Net Interest Income After Provision for Loan Losses	751,699	726,611	2,250,593	2,189,337
Noninterest Income				
Net Fee Income	38,095	43,183	106,936	101,589
Patronage Income	22,857	15,582	76,287	57,852
Prepayment Income	5,930	12,097	9,907	15,312
Losses on Early Extinguishments of Debt	(6,558)	(3,550)	(9,003)	(9,447)
Gains on Sale of Investment Securities	50	8,439	5	48,998
Return of Excess Insurance Funds	-	-	27,004	69,504
Other, Net	24,304	7,974	81,487	61,469
Total Noninterest Income	84,678	83,725	292,623	345,277
Operating Expenses				
Employee Compensation	165,296	152,787	491,404	450,549
Insurance Fund Premium	22,602	21,477	68,977	66,458
Information Services	22,467	18,806	66,155	56,988
General and Administrative	21,341	17,539	61,596	54,028
Occupancy and Equipment	19,643	19,334	54,590	51,724
Farm Credit System Related	7,792	6,862	24,781	23,667
Purchased Services	20,004	16,471	58,004	45,051
Other	18,333	16,115	50,899	48,666
Total Operating Expenses	297,478	269,391	876,406	797,131
Income Before Income Taxes	538,899	540,945	1,666,810	1,737,483
Provision for Income Taxes	32,922	17,251	99,423	79,473
Net Income	\$ 505,977	\$ 523,694	\$ 1,567,387	\$ 1,658,010

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Select Information on District Associations (unaudited)

(\$ in Thousands)

As of September 30, 2019	Wholesale Loans	% of Wholesale Loans	Total Assets	Total Regulatory Capital	Total Regulatory Capital Ratio	Non- performing Loans as a % of Total Loans	Return on Average Assets
Northwest Farm Credit Services, ACA	\$ 9,236,375	19.59 %	\$ 12,301,277	\$ 2,409,048	18.76 %	0.78 %	2.30 %
American AgCredit, ACA	9,321,664	19.76	11,850,947	1,800,302	13.88	0.60	1.70
Farm Credit West, ACA	7,951,585	16.86	10,823,657	1,710,295	14.91	1.16	2.48
Farm Credit East, ACA	5,878,057	12.46	7,568,596	1,473,349	19.18	0.75	2.54
Yosemite Farm Credit, ACA	2,640,663	5.60	3,278,894	468,746	14.10	1.35	2.01
Frontier Farm Credit, ACA	1,604,815	3.40	2,093,680	425,750	19.09	0.66	2.12
Farm Credit of New Mexico, ACA	1,411,006	2.99	1,862,942	381,390	22.41	2.28	1.70
Golden State Farm Credit, ACA	1,379,759	2.92	1,734,015	276,213	15.81	0.27	1.92
Oklahoma AgCredit, ACA	1,136,705	2.41	1,437,927	249,070	17.54	0.95	1.69
Fresno-Madera Farm Credit, ACA	936,121	1.98	1,297,084	250,754	17.26	0.98	1.89
High Plains Farm Credit, ACA	1,004,736	2.13	1,284,471	210,569	16.58	0.42	2.21
Western AgCredit, ACA	890,851	1.89	1,152,016	192,171	16.52	1.77	2.32
Farm Credit of Southern Colorado, ACA	815,445	1.73	1,098,036	231,306	20.57	1.06	1.47
Farm Credit Western Oklahoma, ACA	725,463	1.54	909,449	144,213	17.45	0.16	1.39
Premier Farm Credit, ACA	547,206	1.16	736,442	151,841	19.68	0.13	2.09
Yankee Farm Credit, ACA	449,446	0.95	572,687	99,989	19.14	1.91	2.34
Farm Credit Services of Colusa-Glenn, ACA	331,234	0.70	476,333	107,243	20.80	- ⁽¹⁾	2.14
Farm Credit of Western Kansas, ACA	300,771	0.64	406,806	87,465	22.30	0.19	2.09
Idaho AgCredit, ACA	237,477	0.50	307,503	52,154	17.53	0.99	1.60
AgPreference, ACA	203,788	0.43	258,846	44,792	21.87	0.79	1.14
Farm Credit of Enid, ACA	170,784	0.36	235,600	56,738	25.98	0.91	1.27

⁽¹⁾ Represents less than 0.01 percent

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Association Information

AgPreference, ACA

3120 North Main
Altus, OK 73521
580-482-3030
www.agpreference.com

American AgCredit, ACA

400 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403
707-545-1200
www.agloan.com

Farm Credit East, ACA

240 South Road
Enfield, CT 06082
860-741-4380
www.farmcrediteast.com

Farm Credit of Enid, ACA

1605 W. Owen K. Garriott Road
Enid, OK 73703
580-233-3489
www.fcenid.com

Farm Credit of New Mexico, ACA

5651 Balloon Fiesta Parkway NE
Albuquerque, NM 87113
505-884-1048
www.farmcreditnm.com

Farm Credit of Southern Colorado, ACA

5110 Edison Avenue
Colorado Springs, CO 80915
719-570-1087
www.aglending.com

Farm Credit of Western Kansas, ACA

1190 South Range Avenue
Colby, KS 67701
785-462-6714
www.fcwk.com

Farm Credit of Western Oklahoma, ACA

3302 Williams Avenue
Woodward, OK 73801
580-256-3465
www.fcwestok.com

Farm Credit Services of Colusa-Glenn, ACA

605 Jay Street
Colusa, CA 95932
530-458-2163
www.fcscolusaglenn.com

Farm Credit West, ACA

3755 Atherton Road
Rocklin, CA 95765
916-780-1166
www.farmcreditwest.com

Fresno-Madera Farm Credit, ACA

4635 West Spruce Avenue
Fresno, CA 93794
559-277-7000
www.fmfarmcredit.com

Frontier Farm Credit, ACA

5015 South 118th Street
Omaha, NE 68137
785-776-7144
www.frontierfarmcredit.com

Golden State Farm Credit, ACA

1580 Ellis Street
Kingsburg, CA 93631
530-895-8698
www.goldenstatefarmcredit.com

High Plains Farm Credit, ACA

605 Main
Larned, KS 67550
620-285-6978
www.highplainsfarmcredit.com

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Idaho AgCredit, ACA
188 West Judicial Street
Blackfoot, ID 83221
208-785-1510
www.idahoagcredit.com

Northwest Farm Credit Services, ACA
2001 South Flint Road
Spokane, WA 99224
509-340-5300
www.northwestfcs.com

Oklahoma AgCredit, ACA
601 E. Kenosha Street
Broken Arrow, OK 74012
918-251-8596
www.okagcredit.com

Premier Farm Credit, ACA
202 Poplar Street
Sterling, CO 80751
970-522-2330
www.premieraca.com

Western AgCredit, ACA
10980 South Jordan Gateway
South Jordan, UT 84095
801-571-9200
www.westernagcredit.com

Yankee Farm Credit, ACA
289 Hurricane Lane, Suite 102
Williston, VT 05495
802-879-4700
www.yankeefarmcredit.com

Yosemite Farm Credit, ACA
806 West Monte Vista Avenue
Turlock, CA 95382
209-667-2366
www.yosemitfarmcredit.com