AGRIBANK 2019 QUARTERLY REPORT

SEPTEMBER 30, 2019

ADVANCING TOGETHER

FUNDING AND FINANCIAL SOLUTIONS, TODAY AND TOMORROW

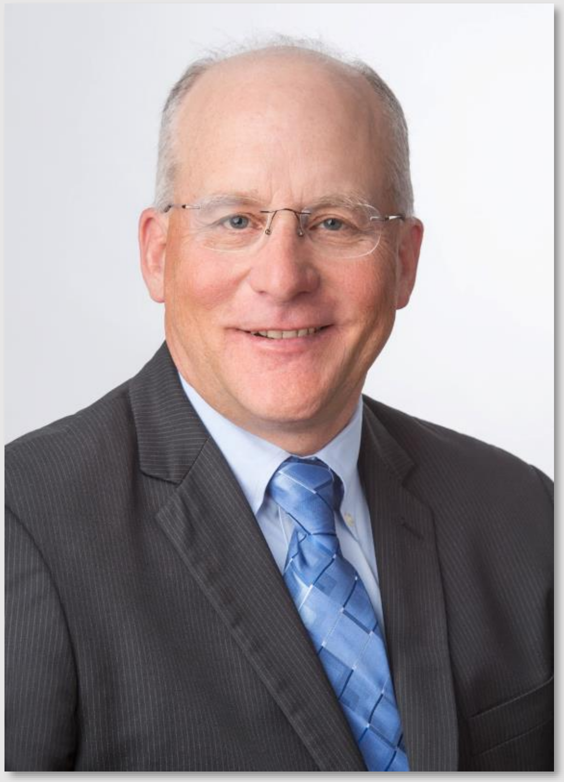
AgriBank

FARM CREDIT BANK

In Memoriam

KERI VOTRUBA

May 8, 1959 – October 22, 2019



Keri Votruba, chair of the AgriBank Board of Directors, died unexpectedly on October 22, 2019.

A rancher and crop farmer from Hemingford, Nebraska, Keri devoted many years of service to AgriBank and Farm Credit. He joined the AgriBank board in 2004 and was elected as chair for the second time in 2019. He also had been serving as a director of the Federal Agricultural Mortgage Corporation (Farmer Mac). A long-time Farm Credit member, Keri previously served on the boards of the Region 801 Production Credit Association and Farm Credit Services of America.

We are grateful for Keri's dedication to our mission of supporting rural communities and agriculture.

Copies of Quarterly and Annual Reports are available upon request by contacting AgriBank, FCB, 30 E. 7th Street, Suite 1600, St. Paul, MN 55101 or by calling (651) 282-8800. Reports are also available at www.AgriBank.com.

Management's Discussion and Analysis

AgriBank, FCB

(Unaudited)

The following commentary is a review of the financial condition and results of operations of AgriBank, FCB (AgriBank or the Bank). This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and the 2018 Annual Report.

AgriBank is part of the customer-owned, nationwide Farm Credit System (System). Under Farm Credit's cooperative structure, AgriBank is primarily owned by 14 local Farm Credit Associations, which provide financial products and services to rural communities and agriculture. AgriBank obtains funds and provides funding and financial solutions to those Associations. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

Forward-Looking Information

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2018 Annual Report. AgriBank undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Overview

Net income increased $18.6 million, or 4.3 percent, to $452.9 million for the nine months ended September 30, 2019, compared to the same period of the prior year. The increase in net income was primarily due to higher net interest income mainly attributable to increased interest rates earned on loans and investment securities and growth in loan volume. Higher net interest income was substantially offset by increased interest rates paid on debt and growth in debt volume. Further offsetting the impact of greater net interest income were mark-to-market losses recorded on certain economic hedges, a decrease in mineral income, and a decrease in distribution from the Farm Credit System Insurance Corporation (FCSIC).

Return on assets ratio of 55 basis points for the nine months ended September 30, 2019, was above our 50 basis point target.

Loan portfolio credit quality remained strong with 97.9 percent of our total loan portfolio in the acceptable category. As of September 30, 2019, two of AgriBank's wholesale loans were classified as other assets

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Front cover photo: Carol Rice, former Executive Assistant to the CEO
Back cover photo: Dave Berdahl, Manager Balance Sheet Management

especially mentioned (special mention), and the remaining wholesale portfolio was classified as acceptable. Credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) was 90.4 percent acceptable as of September 30, 2019, comparable to 90.7 percent acceptable at December 31, 2018.

Robust capital levels ensure we are well-positioned to manage the cyclicality that is characteristic of the agricultural market. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to advance at a moderate pace with forecasted growth of 2.3 percent in 2019 and 1.7 percent in 2020. U.S. economic growth should continue to be driven by consumer and investment spending. Consumer spending has remained strong due to consumer confidence, which remains at elevated levels. Investment spending has grown in 2019, but at a slower pace than in 2018. In addition, slower export growth due to the effects of the ongoing trade dispute with China, has moderated economic growth in 2019.

The Federal Open Market Committee (FOMC) of the Federal Reserve has lowered the federal funds rate a total of 75 basis points (bp) during 2019 to achieve a target range of 1.50 to 1.75 percent. Comments from some FOMC members have shown an openness to lower the federal funds rate further in order to prolong the economic expansion, if inflation remains subdued. The consensus forecast of economists suggests that the FOMC is unlikely to lower the federal funds rate further in 2019, but the consensus forecast suggests that the FOMC may lower the federal funds rate further in 2020. With the lowering of the federal funds rate in 2019, the U.S. Treasury yield curve is no longer inverted (an inverted yield-curve occurs when long-term debts have a lower yield as compared with short-term debts), as it was for much of the year. Economists expect U.S. Treasury bond rates to remain mostly unchanged through the end of 2019 with the 2-year and 10-year rates around 1.55 and 1.65 percent, respectively.

We manage interest rate risk consistent with policies established by the AgriBank Board of Directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section of the 2018 Annual Report).

Agricultural Conditions

On August 30, 2019, the U.S. Department of Agriculture's Economic Research Service (USDA-ERS) revised its 2018 and 2019 net farm income forecasts significantly higher from the previous March 6, 2019 forecast. Net farm income for 2018 is estimated at $84.0 billion - up $6.3 billion, or 8.1 percent, from 2017, while 2019 is forecast to narrowly surpass the $88.0 billion level, a $4.0 billion, or 4.8 percent, increase from 2018. Both 2018 and 2019 cash expense levels were revised down roughly $19 billion from the March 6, 2019 USDA-ERS farm financial release, putting them near the $312 billion level for the third consecutive year. The overall year-over-year increase in net farm income is primarily driven by direct government payments (including the addition of the 2019 Market Facilitation Program (MFP)) and farm-related income, notably commodity insurance indemnities. These increases are projected to more than offset the $2.4 billion decline in cash receipts from crops and livestock, a downward adjustment to the value of inventory and a modest increase in expenses for 2019. Despite increased projected net cash farm income (net cash farm income excludes accrual based items like depreciation expense and inventory changes, which are included in net farm income calculations), U.S. farm sector working capital has declined in recent years, and further declines are projected to continue for the remainder of 2019, perpetuated by diminished crop and livestock values and growing short-term debt. USDA-ERS forecasts a 2019 U.S. farm sector working capital level of $56.9 billion, down $13.1 billion, or 18.7 percent, from 2018 and well below recent years; however, that is a notable improvement from the initial $38.0 billion March 6, 2019 forecast.

The solid U.S. economy does provide demand support for agricultural commodities; however, trade disputes and the associated impacts remain the primary risk factor for U.S. agricultural commodities. Pork and soybeans have been hit particularly hard by trade disputes, but another iteration of the MFP in 2019 has eased some of the pain caused. The historically wet 2019 spring has also presented challenges for crop production. Prevented plant acreage (land that could not be planted due to the effects of poor weather) reached a record high in 2019, and did so by a large margin. That impact will be partially mitigated by crop insurance as well as additional marginal payments on land under the MFP and the disaster aid package. The continual proliferation of African Swine Fever (ASF) in Asia, remains a key concern for U.S. agriculture. Chinese domestic pork prices have surged higher in recent months and U.S. pork exports to China have increased despite facing stiff import tariffs. However, U.S. pork shipments to China have fallen short of many participants expectations which has failed to support the high cash hog prices that the futures market was pricing in earlier in the year. Longer-term, ASF still provides tremendous upside price potential for U.S. pork as Chinese (and global) stocks tighten further.

Conversely, the Chinese ASF outbreak is bearish for global soybean demand which will spill over to other crops over time as production adjustments are made. Spot dairy margins have improved notably from the depressed levels in 2018 and early 2019. Retroactive Dairy Margin Coverage payments, MFP payments on milk, and MFP crop payments are also providing some relief for dairies; however, the dairy market remains very challenged. Milk futures generally look breakeven or better, and all animal agricultural sectors continue to benefit from the lower feed cost environment experienced over the past five years.

Producers who are able to realize cost and marketing efficiencies are most likely to weather the current low price environment. Optimal input usage, adoption of cost-saving technologies, and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Updated Industry Conditions

The following are industry conditions for which we have updated our outlook since December 31, 2018. For further analysis of industry conditions that have not experienced a change in outlook since December 31, 2018, refer to the Agricultural Conditions section of Management’s Discussion and Analysis of the 2018 Annual Report.

Even though we have not changed our outlook for the pork and soybean industries, the continual proliferation of ASF in Europe and East Asia, particularly in China, has potential consequences for these markets. Generally, the ASF situation may result in support to U.S. animal protein producers and decreased Chinese demand for U.S. soybeans.

Cattle Feedlots
Operators experienced increased feed costs related to increased corn prices combined with increased supply of cattle on feed and decreased export demand during 2019. These conditions will pressure margins in the remainder of the year. As a result we have changed our outlook for the cattle feedlots industry to Neutral-to-Negative from Neutral.

Dairy
Many in the industry were operating at or below breakeven in 2018, but margins have improved to breakeven or slightly positive. This is expected to continue based on current futures prices. Risk mitigation programs offered by the USDA could help support production in 2019. The revised dairy margin program should offer more margin support for smaller dairy producers. However, production increases, both domestically and internationally, will continue to place pressure on milk and milk-product prices. As a result we have changed our outlook for the dairy industry to Neutral-to-Negative from Negative.

Timber
This industry was lowered from positive-to-neutral to neutral due to anemic housing starts on potential impact on demand for forest products earlier in 2019. Recent housing activity has been more positive with housing starts in August 2019 up 6.6% from August 2018 and 12.3%.

Land Values
The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The District's most recent real estate market value survey based on the 12-month period ending June 30, 2019 indicated that the District real estate value changes ranged from a negative 5.1 percent to positive 9.8 percent. Land values in the District are expected to remain stable or soften over the next year, primarily due to anticipated continued low levels of net farm income in 2019 and beyond. The areas with increases were mostly due to supply and demand of real estate and the limited number of land sales to which provided support for prices. The areas with decreases were mostly concentrated in corn and soybean areas, with continued low commodity prices and low net farm income in those sectors.

The Federal Reserve Banks of Minneapolis, Chicago, Kansas City and St. Louis reported on the change in farmland values from the end of the second quarter 2018 to the end of the second quarter 2019 in their respective districts. These Federal Reserve district reports indicated changes in overall farmland values ranging from a decrease of 1.7 percent to an increase of 2.6 percent.

The USDA land value survey, is conducted annually and is based on a survey of agricultural producers across the United States. Results of the 2019 survey specific to the AgriBank District indicated increases of 0.8 percent and 0.5 percent in overall farm real estate values and overall cropland values, respectively.

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans. Although Farm Credit Administration (FCA) regulations allow real estate mortgage loans of up to 85 percent of appraised value, AgriBank's underwriting guidance generally lending to no more than 65 percent at origination. Many District Associations have implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65 percent level. In addition, many District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk.

Loan Portfolio

Components of Loans

(in thousands)	**September 30, 2019**	December 31, 2018
Accrual loans:		
Wholesale loans	**$86,597,784**	$83,806,569
Retail loans:		
Real estate mortgage	**$3,026,494**	$3,491,298
Production and intermediate-term	**5,307,138**	4,676,849
Loans to other financial institutions (OFIs)	**589,356**	549,113
Other	**158,236**	138,725
Total retail loans	**9,081,224**	8,855,985
Nonaccrual loans	**63,371**	54,147
Total loans	**$95,742,379**	$92,716,701

The Other category is composed of agribusiness and rural residential real estate loans.

Loans totaled $95.7 billion at September 30, 2019, an increase of $3.0 billion from December 31, 2018. Within total loans, increased wholesale loans were driven by draws by District Associations, primarily to fund agribusiness and real estate mortgage volume.

The credit quality of our total loan portfolio remained strong with 97.9 percent classified as acceptable at September 30, 2019, comparable to 98.0 percent at December 31, 2018. Adversely classified loans were 0.5 percent at both September 30, 2019 and December 31, 2018. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong, even as some District Associations experience further gradual declines in their retail credit quality. Each District Association has allowances for loan losses, earnings and capital that absorb their credit losses before their losses would impact our wholesale loans. Credit quality of our retail loan portfolio was 90.4 percent acceptable as of September 30, 2019, comparable to 90.7 percent acceptable at December 31, 2018.

One Association with an outstanding wholesale loan of $43.8 million was in default of the General Financing Agreement with AgriBank as of October 11, 2019 due to certain lending limit violations and failure to create sufficient controls to prevent such violations. The default was cured as of October 28, 2019, as a result of actions taken by the Association as prescribed in the notice of default. Collection of the full wholesale loan amount due is expected in accordance with the contractual terms and no allowance has been recorded for the loan.

Components of Risk Assets

(in thousands)	September 30, 2019	December 31, 2018
Nonaccrual loans	**$63,371**	$54,147
Accruing restructured loans	**4,002**	3,819
Accruing loans 90 days or more past due	**20,585**	863
Total risk loans	**87,958**	58,829
Other property owned	**493**	566
Total risk assets	**$88,451**	$59,395
Risk loans as a % of total retail loans	**0.95%**	0.65%
Nonaccrual loans as a % of total retail loans	**0.68%**	0.60%
Delinquencies as a % of total retail loans	**0.85%**	0.82%
Risk loans as a % of total loans	**0.09%**	0.06%
Nonaccrual loans as a % of total loans	**0.07%**	0.06%
Delinquencies as a % of total loans	**0.08%**	0.08%

Note: Accruing loans include accrued interest receivable.

Risk assets remain at acceptable levels, and total risk loans as a percentage of total loans remains well within our established risk management guidelines. Risk loans are primarily concentrated in the production and intermediate-term sectors, including certain loans in our crop input portfolio and real estate mortgages. Risk loans increased primarily due to loans in our crop input loan portfolio in accruing 90 days or more past due. However, the risk in the crop input portfolio is mitigated by significant credit enhancements, including guarantees with third parties that are in a strong financial position. At September 30, 2019, 50.3 percent of nonaccrual loans were current as to principal and interest, compared to 51.8 percent at December 31, 2018.

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

Allowance Coverage Ratios

	September 30, 2019	December 31, 2018
Allowance as a percentage of:		
Loans	**0.03%**	0.03%
Retail loans	**0.33%**	0.28%
Nonaccrual loans	**47.45%**	47.23%
Total risk loans	**34.19%**	43.47%
Adverse assets to capital and allowance for loan losses	**7.84%**	7.90%

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. As of September 30, 2019, the allowance increased $4.5

million, compared to December 31, 2018. This reflects $8.0 million of provision for loan losses during the nine months ended September 30, 2019, partially offset by $3.5 million in net charge-offs.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the nine months ended September 30, 2019, investor demand for Systemwide Debt Securities remained favorable.

We also maintain a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets.

Our liquidity policy and FCA regulations require maintaining minimum liquidity on a continuous basis of 120 days and 90 days, respectively. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. As of September 30, 2019, we had sufficient liquidity to fund all debt maturing within 149 days. At September 30, 2019, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Total shareholders' equity at September 30, 2019 was $6.1 billion, a $220.9 million increase from December 31, 2018. The increase was primarily driven by net income, which was substantially offset by patronage accrued. Other comprehensive losses primarily resulting from unrealized losses on cash flow hedges further offset increased net income during the nine months ended September 30, 2019.

At September 30, 2019, we exceeded the regulatory minimum capital ratios. Refer to the Additional Regulatory Information section as well as Note 4 in the accompanying Financial Statements for further discussion of capital ratios.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority, which regulates 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. We have exposure to LIBOR, including in financial instruments that reference LIBOR that mature after 2021.

Our exposure arises from loans that are made to borrowers and Associations, investment securities, Systemwide Debt Securities, preferred stock and our derivative transactions. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments we hold. The LIBOR transition could result in paying higher interest rates on our current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments we hold that reference LIBOR, and increase the costs of or affect our ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that we cannot successfully transition our LIBOR-based financial instruments 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.

We will continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks.

At this time, we are unable to predict whether or when LIBOR will cease to be available or if the Secured Overnight Funding Rate (SOFR) will become the benchmark to replace LIBOR. Because we engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on us, District Associations, other Farm Credit Institutions, borrowers, investors, and counterparties.

Results of Operations

Net income for the nine months ended September 30, 2019 was $452.9 million, a 4.3 percent increase, compared to $434.3 million for the same period in 2018. Return on assets ratio through the nine months ended September 30, 2019 of 55 basis points remained above AgriBank's 50 basis point target.

Changes in Significant Components of Net Income

(in thousands) **For the nine months ended September 30,**	**2019**	2018	Increase in Net Income
Net interest income	**$496,449**	$443,650	$52,799
Provision for loan losses	**8,000**	2,500	(5,500)
Non-interest income	**67,210**	86,183	(18,973)
Non-interest expense	**102,742**	93,035	(9,707)
Net income	**$452,917**	$434,298	$18,619

Net interest income

Changes in Net Interest Income

(in thousands) **For the nine months ended September 30,**	**2019 vs 2018**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$106,765**	**$269,168**	**$375,933**
Investments	**4,521**	**63,997**	**68,518**
Total interest income	**111,286**	**333,165**	**444,451**
Interest expense:			
Systemwide debt securities and other	**(84,501)**	**(307,151)**	**(391,652)**
Net change in net interest income	**$26,785**	**$26,014**	**$52,799**

The increase in net interest income was attributable to contributions from both higher interest rates earned on loans and investments, and growth in loan volume. The change in interest income was substantially offset by increased interest expense due to both higher interest expense paid on Systemwide debt and, to a lesser degree, growth in volume of Systemwide debt.

Information regarding the year-to-date average daily balances (ADBs) and annualized average rates earned and paid on our portfolio follows:

(in thousands) **For the nine months ended September 30,**	**2019**			2018		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	**$84,876,668**	**2.81%**	**$1,780,837**	$80,342,644	2.43%	$1,461,581
Retail accrual loans	**8,582,464**	**4.65%**	**298,629**	7,986,045	4.13%	246,571
Retail nonaccrual loans	**60,521**	**18.40%**	**8,329**	55,262	8.98%	3,710
Investment securities and federal funds	**15,952,582**	**2.47%**	**295,074**	15,645,977	1.94%	226,556
Total earning assets	**109,472,235**	**2.91%**	**2,382,869**	104,029,928	2.49%	1,938,418
Interest bearing liabilities	**103,950,872**	**2.43%**	**1,886,420**	98,568,035	2.03%	1,494,768
Interest rate spread	**$5,521,363**	**0.48%**		$5,461,893	0.46%	
Impact of equity financing		**0.13%**			0.11%	
Net interest margin		**0.61%**			0.57%	
Net interest income			**$496,449**			$443,650

Net interest margin for the nine months ended September 30, 2019, increased 4 basis points compared to the same period of the prior year. This increase was primarily driven by the retail crop input financing portfolio added in late 2018, increased rates charged on the wholesale loan portfolio and equity financing. Equity financing represents the benefit of funding a portion of our interest earning assets with capital and was higher due to generally higher interest rates year-over-year. These increases were partially offset by reduced funding benefit compared to the same period of the prior year primarily due to increased debt expense relative to loan income. There has been a substantial decline in rates during the second and third quarters of 2019 creating increased call activity. However, the flattening and temporary inversion of the yield curve has partially offset the impact of these activities, resulting in an overall funding benefit decline year-over-year.

The increase in the rate earned on retail nonaccrual loans for the nine months ended September 30, 2019, was primarily driven by the timing of payments received on those credits, compared to the same period of the prior year.

Provision for loan losses

The provision for loan losses increased during 2019 compared to the same period of the prior year, primarily due to additional reserves related to our retail crop input financing portfolio and, to a lesser extent, ongoing economic challenges impacting our other retail credits.

Non-interest income

The decrease in non-interest income was primarily due to mark-to-market losses recorded on certain economic hedges and decreased mineral income during the nine months ended 2019. These economic hedges, related to our mineral income, were initiated and increased in value during the fourth quarter of 2018, when oil prices decreased; however, as oil prices rebounded during 2019, the value decreased resulting in losses for the nine months ended September 30, 2019, partially offsetting overall gains. Refer to Note 8 for additional information about derivatives and hedging.

Additionally, we received an Allocated Insurance Reserve Accounts (AIRAs) distribution from the FCSIC during the first quarter of 2019, which was significantly less than the distribution received in 2018. The AIRAs were established by the FCSIC when premiums collected increased the level of the insurance fund beyond the required secured base amount of 2 percent of insured debt. Refer to the AgriBank 2018 Annual Report for additional information about the FCSIC. The overall decrease in non-interest income was partially offset by increased fee income primarily related to conversion activity prompted by lower levels of interest rates.

Non-interest expense

The increase in non-interest expense was primarily due to increased servicing fees paid related mainly to a retail crop input financing portfolio added during late 2018.

Investment Securities Eligibility

The new FCA regulation governing the eligibility of investment securities for System Banks and Associations went into effect January 1, 2019. We have updated our policies, procedures and other documentation to ensure compliance with this new regulation. Refer to our 2018 Annual Report for additional information about this new regulation.

Certification

The undersigned have reviewed the September 30, 2019 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of our knowledge and belief.

Richard H. Davidson
Chair of the Board*
AgriBank, FCB
November 8, 2019

Jeffrey R. Swanhorst
Chief Executive Officer
AgriBank, FCB
November 8, 2019

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
November 8, 2019

*On November 5, 2019, The Board elected Richard H. Davidson to Chair of the Board following the unexpected passing of Keri Votruba, who was Chair of the Board.

Statements of Condition

AgriBank, FCB

(unaudited) (in thousands)	September 30 2019	December 31 2018
Assets		
Loans	**$95,742,379**	$92,716,701
Allowance for loan losses	**30,069**	25,571
Net loans	**95,712,310**	92,691,130
Investment securities	**14,628,054**	13,997,742
Cash	**327,635**	545,875
Federal funds	**1,517,800**	1,698,100
Accrued interest receivable	**761,622**	707,036
Derivative assets	**4,039**	29,981
Allocated prepaid pension costs	**46,322**	42,796
Cash collateral posted with counterparties	**60,564**	24,198
Other assets	**46,240**	34,826
Total assets	**$113,104,586**	$109,771,684
Liabilities		
Bonds and notes	**$106,339,281**	$103,123,344
Accrued interest payable	**430,414**	405,784
Derivative liabilities	**71,621**	14,584
Cash collateral posted by counterparties	**--**	5,231
Accounts payable and other payables	**129,362**	316,543
Other liabilities	**25,234**	18,433
Total liabilities	**106,995,912**	103,883,919
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**2,807,641**	2,551,085
Allocated retained earnings	**277**	191
Unallocated retained earnings	**3,165,458**	3,136,359
Accumulated other comprehensive loss	**(114,702)**	(49,870)
Total shareholders' equity	**6,108,674**	5,887,765
Total liabilities and shareholders' equity	**$113,104,586**	$109,771,684

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

Statements of Comprehensive Income

AgriBank, FCB

(unaudited)

(in thousands)	Three months		Nine months	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Interest income				
Loans	**$702,361**	$606,579	**$2,087,795**	$1,711,862
Investment securities	**94,510**	83,950	**295,074**	226,556
Total interest income	**796,871**	690,529	**2,382,869**	1,938,418
Interest expense	**623,025**	545,283	**1,886,420**	1,494,768
Net interest income	**173,846**	145,246	**496,449**	443,650
Provision for loan losses	**3,000**	1,500	**8,000**	2,500
Net interest income after provision for loan losses	**170,846**	143,746	**488,449**	441,150
Non-interest income				
Mineral income	**13,262**	17,790	**38,609**	49,227
Business services income	**5,266**	5,549	**16,672**	16,885
Loan prepayment and fee income	**12,542**	6,989	**17,396**	10,229
Allocated Insurance Reserve Accounts income	**--**	--	**2,391**	9,302
Miscellaneous income and other gains (losses), net	**(882)**	(21)	**(7,858)**	540
Total non-interest income	**30,188**	30,307	**67,210**	86,183
Non-interest expense				
Salaries and employee benefits	**9,001**	9,019	**27,080**	27,909
Other operating expenses	**11,271**	10,152	**32,322**	29,897
Loan servicing and other fees paid to District Associations	**12,832**	9,714	**37,212**	29,562
Farm Credit System insurance expense	**2,108**	1,855	**6,128**	5,667
Total non-interest expense	**35,212**	30,740	**102,742**	93,035
Net income	**$165,822**	$143,313	**$452,917**	$434,298
Other comprehensive (loss) income				
Not-other-than-temporarily-impaired investments	**$12,090**	$(15,890)	**$90,612**	$(50,302)
Derivatives and hedging activity	**(49,327)**	23,543	**(155,525)**	105,540
Employee benefit plan activity	**27**	32	**81**	96
Total other comprehensive (loss) income	**(37,210)**	7,685	**(64,832)**	55,334
Comprehensive income	**$128,612**	$150,998	**$388,085**	$489,632

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(unaudited) (in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Allocated Retained Earnings	Unallocated Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2017	$250,000	$2,345,655	$ --	$3,132,653	$(86,426)	$5,641,882
Net income				434,298		434,298
Other comprehensive income					55,334	55,334
Patronage				(294,348)		(294,348)
Retained earnings allocated under patronage program			171	(171)		--
Perpetual preferred stock dividends				(12,891)		(12,891)
Capital stock/participation certificates issued		44,479				44,479
Capital stock/participation certificates retired		(13,832)				(13,832)
Balance at September 30, 2018	$250,000	$2,376,302	$171	$3,259,541	$(31,092)	$5,854,922
Balance at December 31, 2018	$250,000	$2,551,085	$191	$3,136,359	$(49,870)	$5,887,765
Net income				**452,917**		**452,917**
Other comprehensive loss					**(64,832)**	**(64,832)**
Redemption of retained earnings allocated under patronage program			**(69)**			**(69)**
Patronage accrued		**201,850**		**(412,113)**		**(210,263)**
Retained earnings allocated under patronage program			**155**	**(155)**		**--**
Perpetual preferred stock dividends				**(12,891)**		**(12,891)**
Cumulative effect of change in accounting principle				**1,341**		**1,341**
Capital stock/participation certificates issued		**54,707**				**54,707**
Balance at September 30, 2019	**$250,000**	**$2,807,641**	**$277**	**$3,165,458**	**$(114,702)**	**$6,108,674**

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

Statements of Cash Flows

AgriBank, FCB

(unaudited)
(in thousands)

For the nine months ended September 30,	2019	2018
Cash flows from operating activities		
Net income	**$452,917**	$434,298
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**3,149**	2,348
Provision for loan losses	**8,000**	2,500
Amortization of discounts on investments, net	**(104,089)**	(68,024)
Amortization of discounts on debt and deferred debt issuance costs, net	**62,441**	50,525
Loss on derivative activities, net	**6,534**	7,113
Insurance refund related to FCS Financial Assistance Corporation stock	**--**	(3,376)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(1,798,163)**	(1,482,124)
(Increase) decrease in other assets	**(13,051)**	48,123
Increase in accrued interest payable	**24,630**	110,868
Increase in other liabilities	**5,590**	2,306
Net cash used in operating activities	**(1,352,042)**	(895,443)
Cash flows from investing activities		
Increase in loans, net	**(1,285,652)**	(1,767,332)
Proceeds from sales of other property owned	**114**	30
Purchases of investment securities	**(3,565,301)**	(2,759,307)
Proceeds from maturing investment securities	**3,129,691**	2,682,536
Purchases of premises and equipment, net	**(1,731)**	(2,221)
Proceeds from insurance refund related to FCS Financial Assistance Corporation stock	**--**	3,376
Net cash used in investing activities	**(1,722,879)**	(1,842,918)
Cash flows from financing activities		
Bonds and notes issued	**169,724,858**	158,388,274
Bonds and notes retired	**(166,593,204)**	(155,395,476)
(Increase) decrease in cash collateral posted with counterparties, net	**(32,341)**	9,638
(Decrease) increase in cash collateral posted by counterparties, net	**(1,970)**	9,750
Variation margin (paid) received on cleared derivatives, net	**(66,556)**	37,120
Patronage distributions paid	**(396,222)**	(390,500)
Preferred stock dividends paid	**(12,891)**	(12,891)
Capital stock/participation certificates issued, net	**54,707**	30,647
Net cash provided by financing activities	**2,676,381**	2,676,562
Net decrease in cash and federal funds	**(398,540)**	(61,799)
Cash and federal funds at beginning of period	**2,243,975**	1,145,899
Cash and federal funds at end of period	**$1,845,435**	$1,084,100
Supplemental non-cash investing and financing activities		
Increase (decrease) in shareholders' equity from investment securities	**$90,612**	$(50,302)
Interest capitalized to loan principal	**1,743,577**	1,354,231
Patronage and preferred stock dividends accrued	**295,780**	112,850
Supplemental non-cash fair value changes related to hedging activities		
Decrease (increase) in derivative assets and liabilities, net	**$140,219**	$(105,539)
Increase (decrease) in bonds from derivative activity	**21,842**	(11,695)
(Decrease) increase in shareholders' equity from cash flow derivatives	**(155,527)**	105,540
Supplemental Information		
Interest paid	**$1,799,349**	$1,326,955

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

Notes to Financial Statements

AgriBank, FCB

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. At September 30, 2019, the District had 14 Agricultural Credit Associations (ACA). Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

A description of our organization and operation, significant accounting policies followed, financial condition and results of operations as of and for the year ended December 31, 2018 are contained in the 2018 Annual Report. There have been no significant changes in our accounting policies since December 31, 2018, except as described in the Recently Issued Accounting Pronouncements. These unaudited third quarter 2019 Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2019 do not necessarily indicate the results to be expected for the year ended December 31, 2019.

The accompanying Financial Statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the financial services industry. The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Statements include the accounts of AgriBank. The Financial Statements do not include the assets, obligations, or results of operations of District Associations. AgriBank operates as a single segment for reporting purposes.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business:

Standard and effective date	Description	Adoption status and financial statement impact
In February 2016, the FASB issued ASU 2016-02 "Leases." In July 2018, the FASB issued ASU 2018-11 “Leases (Topic 842): Targeted Improvements.” The guidance was effective for our first quarter of 2019.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. Upon adoption, a liability for lease obligations and a corresponding right-of-use asset is recognized on the Statements of Condition for all lease arrangements spanning more than 12 months. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact on our financial condition, results of operations, and financial statement disclosures, and had no impact on our cash flows.
In August 2017, the FASB issued ASU 2017-12 “Targeted Improvements to Accounting for Hedging Activities.” This guidance was effective for our first quarter of 2019.	The guidance better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing.	We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact to our results of operations as all derivative gains and losses, for which hedge accounting is applied, are now recognized in interest expense on the Statements of Comprehensive Income. We modified certain derivative-related financial statement disclosures. The adoption of this guidance did not impact our Statements of Financial Condition or Statements of Cash Flows.
In October 2018, the FASB issued ASU 2018-16 “Derivatives and Hedging (Topic 815).” This guidance was effective for our first quarter of 2019.	The amendments in this update permit the Overnight Index Swap (OIS) rate based on Secured Overnight Financing Rate (SOFR) as a U.S. benchmark interest rate. Including the OIS rate based on SOFR as an eligible benchmark interest rate during the early stages of the marketplace transition will facilitate the London Inter-bank Offered Rate (LIBOR) to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes.	Based on our review and analysis, this updated guidance is likely to impact our interest rate derivative contracts as future contracts will likely utilize the OIS rate based on SOFR. Further, existing contracts with expiration dates after the LIBOR phase-out date may be impacted by this updated guidance. We are currently unable to estimate the impact on our financial statements.

Standard and effective date	Description	Adoption status and financial statement impact
In August 2018, the FASB issued ASU 2018-13 “Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This guidance is effective for public business entities for our first quarter of 2020 and early adoption is permitted.	The guidance removes, adds and modifies certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.	Based on our review and analysis, we have, and expect to, modify certain fair value related disclosures. We adopted a portion of this guidance and removed certain fair value disclosures as permitted by the guidance. We have no plans to early adopt the remaining guidance.
In August 2018, the FASB issued ASU 2018-15 “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract.” This guidance is effective for public business entities for our first quarter of 2020 and early adoption is permitted.	The guidance clarifies that implementation costs incurred in a hosting arrangement that is a service contract should be accounted for in the same manner as implementation costs incurred to develop or obtain internal-use software.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, this new guidance will not have a material impact on our financial condition, results of operations, cash flows and financial statement disclosures.
In August 2018, the FASB issued ASU 2018-14 “Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. This guidance is effective for public business entities for our first quarter of 2021 and early adoption is permitted.	The guidance removes and adds certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, we expect to modify certain employee benefit plan related disclosures.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance is effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021 and early adoption is permitted. On October 16, 2019 the FASB voted to defer effective dates for various standards for certain entities, which includes ASU 2016-13.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We have determined we qualify for the delay in the required adoption date for this standard. We are evaluating the deferral and have not yet determined if we will early adopt the standard. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

Standard and effective date	Description	Adoption status and financial statement impact
In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." The guidance on Topic 825 shares the effective dates and transition requirements in Update 2016-13.	The FASB decided to issue a separate Update for improvements to Updates 2016-01, 2016-13, and 2017-12 to increase stakeholders' awareness of the amendments and to expedite improvements to the Codification. The amendments in this Update are intended to improve the Codification or correcting its unintended application. The items addressed in the amendments generally are not expected to have a significant effect on current accounting practice or to create a significant administrative cost for most entities.	We are in the process of reviewing the accounting standard relative to our financial statements. Based on our preliminary review and analysis, certain parts of the update related to ASU 2016-13 may have an immaterial impact on our financial statements. We intend to adopt the portion of the guidance relevant to us concurrent with adoption of ASU 2016-13.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

	September 30, 2019		December 31, 2018	
(in thousands)	**Amount**	**%**	Amount	%
Wholesale loans	**$86,597,784**	**90.5%**	$83,806,569	90.4%
Retail loans:				
Real estate mortgage	**3,042,820**	**3.2%**	3,507,591	3.8%
Production and intermediate-term	**5,354,121**	**5.6%**	4,714,668	5.1%
Loans to other financial institutions (OFIs)	**589,356**	**0.6%**	549,113	0.6%
Other	**158,298**	**0.1%**	138,760	0.1%
Total retail loans	**9,144,595**	**9.5%**	8,910,132	9.6%
Total loans	**$95,742,379**	**100.0%**	$92,716,701	100.0%

The Other category is composed of agribusiness and rural residential real estate loans.

Participations

We may purchase participations from and sell participations to others, primarily District Associations. We had no purchases outside the System in the periods presented. We did not have any participation interests sold in the periods presented.

Retail Loan Participations Purchased

(in thousands)	**September 30, 2019**	December 31, 2018
Real estate mortgage	**$3,042,737**	$3,507,474
Production and intermediate-term	**5,354,121**	4,714,668
Other	**158,298**	138,760
Total loans	**$8,555,156**	$8,360,902

Portfolio Performance

The primary credit quality indicator we use is the Farm Credit Administration (FCA) Uniform Loan Classification System, which categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probability of default ratings.
- Other Assets Especially Mentioned (special mention) – are currently collectible, but exhibit some potential weakness. These assets involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan
- Doubtful – assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible

Credit Quality of Loans

(in thousands)

As of September 30, 2019	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$86,024,697**	**98.7%**	**$1,168,335**	**1.3%**	**$ --**	**--**	**$87,193,032**	**100.0%**
Retail loans:								
Real estate mortgage	**2,855,647**	**92.4%**	**105,721**	**3.4%**	**128,044**	**4.1%**	**3,089,412**	**100.0%**
Production and intermediate-term	**4,867,600**	**89.3%**	**231,804**	**4.3%**	**348,077**	**6.4%**	**5,447,481**	**100.0%**
Loans to OFIs	**520,144**	**87.7%**	**72,928**	**12.3%**	**--**	**--**	**593,072**	**100.0%**
Other	**153,774**	**96.8%**	**463**	**0.3%**	**4,663**	**2.9%**	**158,900**	**100.0%**
Total retail loans	**8,397,165**	**90.4%**	**410,916**	**4.4%**	**480,784**	**5.2%**	**9,288,865**	**100.0%**
Total loans	**$94,421,862**	**97.9%**	**$1,579,251**	**1.6%**	**$480,784**	**0.5%**	**$96,481,897**	**100.0%**

(in thousands)

As of December 31, 2018	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$83,296,237	98.7%	$1,068,364	1.3%	$ --	--	$84,364,601	100.0%
Retail loans:								
Real estate mortgage	3,295,294	92.8%	124,113	3.5%	130,336	3.7%	3,549,743	100.0%
Production and intermediate-term	4,313,582	90.0%	149,625	3.1%	331,225	6.9%	4,794,432	100.0%
Loans to OFIs	453,415	82.0%	99,318	18.0%	--	--	552,733	100.0%
Other	134,131	96.4%	275	0.2%	4,774	3.4%	139,180	100.0%
Total retail loans	8,196,422	90.7%	373,331	4.1%	466,335	5.2%	9,036,088	100.0%
Total loans	$91,492,659	98.0%	$1,441,695	1.5%	$466,335	0.5%	$93,400,689	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as loss at September 30, 2019 or December 31, 2018.

Aging Analysis of Loans

(in thousands) As of September 30, 2019	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	Accruing Loans 90 Days or More Past Due
Wholesale loans	$ --	$ --	$ --	$87,193,032	$87,193,032	$ --
Retail loans:						
Real estate mortgage	5,066	8,059	13,125	3,076,287	3,089,412	241
Production and intermediate-term	25,136	39,806	64,942	5,382,539	5,447,481	20,344
Loans to OFIs	--	--	--	593,072	593,072	--
Other	769	33	802	158,098	158,900	--
Total retail loans	30,971	47,898	78,869	9,209,996	9,288,865	20,585
Total loans	$30,971	$47,898	$78,869	$96,403,028	$96,481,897	$20,585

(in thousands) As of December 31, 2018	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	Accruing loans 90 Days of More Past Due
Wholesale loans	$ --	$ --	$ --	$84,364,601	$84,364,601	$ --
Retail loans:						
Real estate mortgage	9,847	6,229	16,076	3,533,667	3,549,743	--
Production and intermediate-term	42,741	15,191	57,932	4,736,500	4,794,432	863
Loans to OFIs	--	--	--	552,733	552,733	--
Other	362	--	362	138,818	139,180	--
Total retail loans	52,950	21,420	74,370	8,961,718	9,036,088	863
Total loans	$52,950	$21,420	$74,370	$93,326,319	$93,400,689	$863

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands)	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Current as to principal and interest	$31,854	$28,033
Past due	31,517	26,114
Total nonaccrual loans	63,371	54,147
Accruing restructured loans	4,002	3,819
Accruing loans 90 days or more past due	20,585	863
Total risk loans	$87,958	$58,829
Volume with specific reserves	$32,132	$32,648
Volume without specific reserves	55,826	26,181
Total risk loans	$87,958	$58,829
Specific reserves	$3,914	$6,911

Note: Accruing loans include accrued interest receivable.

For the nine months ended September 30,	2019	2018
Income on accrual risk loans	**$942**	$192
Income on nonaccrual loans	**8,328**	3,710
Total income on risk loans	**$9,270**	$3,902
Average risk loans	**$79,354**	$60,835

Risk Loans by Type

(in thousands)	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	**$16,325**	$16,293
Production and intermediate-term	**46,984**	37,819
Other	**62**	35
Total nonaccrual loans	**$63,371**	$54,147
Accruing restructured loans:		
Real estate mortgage	**$3,960**	$3,819
Production and intermediate-term	**42**	--
Total accruing restructured loans	**$4,002**	$3,819
Accruing loans 90 days or more past due:		
Real estate mortgage	**$241**	$ --
Production and intermediate-term	**20,344**	863
Total accruing loans 90 days or more past due	**$20,585**	$863
Total risk loans	**$87,958**	$58,829

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at September 30, 2019 or December 31, 2018.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

	As of September 30, 2019			For the nine months ended September 30, 2019	
(in thousands)	Recorded Investment[(1)]	Unpaid Principal Balance[(2)]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,443	$2,957	$868	$2,438	$ --
Production and intermediate-term	29,656	31,559	3,032	25,895	--
Other	33	40	14	34	--
Total	$32,132	$34,556	$3,914	$28,367	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$18,083	$28,004	$ --	$18,044	$5,196
Production and intermediate-term	37,714	52,416	--	32,930	4,074
Other	29	162	--	13	--
Total	$55,826	$80,582	$ --	$50,987	$9,270
Total impaired loans:					
Real estate mortgage	$20,526	$30,961	$868	$20,482	$5,196
Production and intermediate-term	67,370	83,975	3,032	58,825	4,074
Other	62	202	14	47	--
Total	$87,958	$115,138	$3,914	$79,354	$9,270

(in thousands)	As of December 31, 2018 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the nine months ended September 30, 2018 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,740	$3,101	$743	$3,089	$ --
Production and intermediate-term	29,873	31,634	6,152	29,072	--
Other	35	41	16	56	--
Total	$32,648	$34,776	$6,911	$32,217	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$17,372	$28,148	$ --	$20,316	$3,065
Production and intermediate-term	8,809	27,220	--	8,282	836
Other	-	177	--	20	1
Total	$26,181	$55,545	$ --	$28,618	$3,902
Total impaired loans:					
Real estate mortgage	$20,112	$31,249	$743	$23,405	$3,065
Production and intermediate-term	38,682	58,854	6,152	37,354	836
Other	35	218	16	76	1
Total	$58,829	$90,321	$6,911	$60,835	$3,902

(1) The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.
(2) Unpaid principal balance represents the contractual principal balance of the loan.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans as of September 30, 2019.

Troubled Debt Restructurings

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses. The primary types of modifications are extension of maturity or interest rate reduction below market. Our loans classified as TDRs and activity on these loans were not material during the nine months ended September 30, 2019 or 2018. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2019.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the nine months ended September 30,	**2019**	2018
Balance at beginning of period	**$25,571**	$26,047
Provision for loan losses	**8,000**	2,500
Charge-offs	**(5,042)**	(3,850)
Recoveries	**1,540**	847
Balance at end of period	**$30,069**	$25,544

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

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2018	$ --	$2,093	$22,724	$474	$280	$25,571
(Reversal of) provision for loan losses	--	(382)	8,354	(39)	67	8,000
Charge-offs	--	--	(5,041)	--	(1)	(5,042)
Recoveries	--	512	1,024	--	4	1,540
Balance as of September 30, 2019	$ --	$2,223	$27,061	$435	$350	$30,069
As of September 30, 2019:						
Ending balance: individually evaluated for impairment	$ --	$868	$3,032	$ --	$14	$3,914
Ending balance: collectively evaluated for impairment	$ --	$1,355	$24,029	$435	$336	$26,155
Recorded investments in loans outstanding:						
Ending balance as of September 30, 2019	$87,193,032	$3,089,412	$5,447,481	$593,072	$158,900	$96,481,897
Ending balance for loans individually evaluated for impairment	$87,193,032	$20,526	$67,370	$ --	$62	$87,280,990
Ending balance for loans collectively evaluated for impairment	$ --	$3,068,886	$5,380,111	$593,072	$158,838	$9,200,907

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2017	$ --	$2,298	$22,711	$425	$613	$26,047
Provision for (reversal of) loan losses	--	274	2,284	(34)	(24)	2,500
Charge-offs	--	(518)	(3,330)	--	(2)	(3,850)
Recoveries	--	233	600	--	14	847
Balance as of September 30, 2018	$ --	$2,287	$22,265	$391	$601	$25,544
As of December 31, 2018:						
Ending balance: individually evaluated for impairment	$ --	$743	$6,152	$ --	$16	$6,911
Ending balance: collectively evaluated for impairment	$ --	$1,350	$16,572	$474	$264	$18,660
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2018	$84,364,601	$3,549,743	$4,794,432	$552,733	$139,180	$93,400,689
Ending balance for loans individually evaluated for impairment	$84,364,601	$20,112	$38,682	$ --	$35	$84,423,430
Ending balance for loans collectively evaluated for impairment	$ --	$3,529,631	$4,755,750	$552,733	$139,145	$8,977,259

Note: Accruing loans include accrued interest receivable.

NOTE 3

Investment Securities

All investment securities are classified as available-for-sale (AFS).

Investment Securities

AFS Investment Securities

(in thousands) **As of September 30, 2019**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,063,549**	**$10,392**	**$24,719**	**$5,049,222**	**2.4%**
Commercial paper and other	**6,017,317**	**758**	**55**	**6,018,020**	**2.3%**
U.S. Treasury securities	**2,986,920**	**16,959**	**1,768**	**3,002,111**	**2.2%**
Asset-backed securities	**552,513**	**6,211**	**23**	**558,701**	**2.9%**
Total	**$14,620,299**	**$34,320**	**$26,565**	**$14,628,054**	**2.4%**

(in thousands) As of December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,680,151	$7,596	$79,635	$5,608,112	2.2%
Commercial paper and other	5,342,331	289	449	5,342,171	2.7%
U.S. Treasury securities	2,834,099	1,014	12,474	2,822,639	1.5%
Asset-backed securities	224,021	840	41	224,820	3.1%
Total	$14,080,602	$9,739	$92,599	$13,997,742	2.2%

Commercial paper and other is primarily corporate commercial paper and certificates of deposit.

Contractual Maturities of AFS Investment Securities

	Year of Maturity				
(in thousands) **As of September 30, 2019**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Mortgage-backed securities	**$40**	**$9,998**	**$828,659**	**$4,210,525**	**$5,049,222**
Commercial paper and other	**6,018,020**	**--**	**--**	**--**	**6,018,020**
U.S. Treasury securities	**1,340,902**	**1,661,209**	**--**	**--**	**3,002,111**
Asset-backed securities	**--**	**558,701**	**--**	**--**	**558,701**
Total	**$7,358,962**	**$2,229,908**	**$828,659**	**$4,210,525**	**$14,628,054**
Weighted average yield	**2.3%**	**2.5%**	**2.0%**	**2.5%**	**2.4%**

The expected average life is 1.4 years for asset-backed securities (ABS) and 3.2 years for mortgage-backed securities (MBS) at September 30, 2019. Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

A summary of the investment securities in an unrealized loss position presented by the length of time that the securities have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months		More than 12 months	
As of September 30, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	**$1,386,916**	**$3,407**	**$2,508,284**	**$21,312**
Commercial paper and other	**1,547,109**	**55**	**--**	**--**
U.S. Treasury securities	**410,352**	**1,320**	**255,960**	**448**
Asset-backed securities	**48,921**	**23**	**--**	**--**
Total	**$3,393,298**	**$4,805**	**$2,764,244**	**$21,760**

(in thousands)	Less than 12 months		More than 12 months	
As of December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$977,756	$2,424	$3,199,680	$77,211
Commercial paper and other	3,040,106	449	--	--
U.S. Treasury securities	562,322	1,386	1,689,148	11,088
Asset-backed securities	17,969	31	9,035	10
Total	$4,598,153	$4,290	$4,897,863	$88,309

There were no AFS investment securities sold during the nine months ended September 30, 2019 or 2018.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. We have determined no securities were in an OTTI position at September 30, 2019 or at December 31, 2018.

There was no OTTI activity during the nine months ended September 30, 2019 or 2018.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

	September 30, 2019	December 31, 2018	**Regulatory Minimums**	**Capital Conservation Buffer (1)**	**Total**
Risk-adjusted:					
Common equity tier 1 capital ratio	**17.3%**	17.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.0%**	18.5%	6.0%	2.5%	8.5%
Total capital ratio	**18.1%**	18.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.0%**	18.5%	7.0%	0.0%	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.5%**	5.5%	4.0%	1.0%	5.0%
UREE(2) leverage ratio	**3.0%**	3.0%	1.5%	0.0%	1.5%

(1) The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in over three years under the FCA capital requirements. The phase in period ends on December 31, 2019.
(2) Unallocated retained earnings and equivalents

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

Protected participation certificates of $181 thousand are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of September 30, 2019 and December 31, 2018.

NOTE 5

Employee Benefit Plans

We participate in Districtwide employee benefit plans. The funded status of the post-employment benefit plans is recorded at the District level. The components of net periodic benefit cost, other than the service cost component, are included in the line item "Other operating expenses" on the Statements of Comprehensive Income. Service costs are included in the line item "Salaries and employee benefits" on the Statements of Comprehensive Income.

District Components of Net Periodic Benefit Cost

(in thousands)	Pension Benefits		Other Benefits	
For the nine months ended September 30,	**2019**	2018	**2019**	2018
Net periodic benefit cost:				
Service cost	**$18,877**	$22,709	**$163**	$199
Interest cost	**38,793**	34,822	**587**	504
Expected return on plan assets	**(51,504)**	(49,245)	**--**	--
Amortization of prior service credit	**(2,173)**	(2,712)	**--**	--
Amortization of net loss (gain)	**27,491**	37,350	**(1,139)**	(1,283)
Net periodic benefit cost	**$31,484**	$42,924	**$(389)**	($580)

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan covering most of the District. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to Note 8 in the 2018 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2019, District employers have contributed $64.2 million to fund pension benefits. District employers anticipate contributing an additional $29.6 million to fund pension benefits in 2019. The Plan Sponsor Committee of the AgriBank District Retirement Plan determines the funding frequency of the plan. The Nonqualified Pension plan is funded as benefits are paid.

NOTE 6

Commitments and Contingencies

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

On November 11, 2016, Diverse Partners, LP ("Diverse") served AgriBank with an alleged class action lawsuit ("Lawsuit"). Diverse purported to be the beneficial owner of some of the previously issued and redeemed 9.125% Subordinated Notes ("Notes"). The Lawsuit was filed in New York state court. AgriBank removed the Lawsuit to federal court in the Southern District of New York. Diverse asserted a breach of contract claim and a breach of an implied covenant of good faith and fair dealing alleging that AgriBank impermissibly redeemed the Notes. Diverse requested damages in an amount to be determined at trial, reasonable attorneys' fees, and other relief. On July 31, 2018, Diverse filed a second amended complaint adding Troy Bank & Trust ("Troy") as a second named plaintiff (Diverse and Troy collectively "Plaintiffs"). Troy alleged the same claims against AgriBank as Diverse. On August 30, 2018, AgriBank filed an answer to the amended complaint. On February 1, 2019, Plaintiffs filed a motion to certify the class and appoint Plaintiffs as co-class representatives. On March 18, 2019, AgriBank filed a motion opposing Plaintiffs' motion for class certification and appointment as class representatives. On September 11, 2019, the court issued an order denying Plaintiffs' joint motion to certify a class action on behalf of all purchasers of the Notes and to appoint them as co-class representatives. We intend to vigorously defend against these allegations. As of the date of this report, the likelihood of any outcome of the Lawsuit cannot be determined.

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

While we are primarily liable for our portion of Systemwide bonds and notes, we are jointly and severally liable for the Systemwide bonds and notes of the other System Banks. The total bonds and notes of the System at September 30, 2019 was $282.9 billion.

NOTE 7

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities measured at fair value on a recurring and non-recurring basis consist of federal funds, investments available-for-sale, derivative assets and liabilities, impaired loans, other property owned, and collateral assets and liabilities. The fair value is also calculated and disclosed for other financial instruments that are not measured at fair value on the Statements of Condition. These assets and liabilities consist of cash, loans, bonds and notes and commitments to extend credit and letters of credit. Refer to Note 12 in the 2018 Annual Report for descriptions of the valuation methodologies we use for asset and liabilities recorded at fair value on a recurring or non-recurring basis and for estimating fair value for financial instruments not recorded at fair value.

A fair value hierarchy is used for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Refer to Note 2 within the 2018 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of September 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	$ --	$1,517,800	$ --	$1,517,800
Investments available-for-sale:				
Mortgage-backed securities	--	5,049,222	--	5,049,222
Commercial paper and other	--	6,018,020	--	6,018,020
U.S. Treasury securities	--	3,002,111	--	3,002,111
Asset-backed securities	--	558,701	--	558,701
Total investments available-for-sale	--	14,628,054	--	14,628,054
Cash collateral posted with counterparties	60,564	--	--	60,564
Derivative assets	--	4,039	--	4,039
Total assets	$60,564	$16,149,893	$ --	$16,210,457
Liabilities:				
Derivative liabilities	$ --	$71,621	$ --	$71,621
Total liabilities	$ --	$71,621	$ --	$71,621

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2018	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$1,698,100	$ --	$1,698,100
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,608,112	--	5,608,112
Commercial paper and other	--	5,342,171	--	5,342,171
U.S. Treasury securities	--	2,822,639	--	2,822,639
Asset-backed securities	--	224,820	--	224,820
Total investments available-for-sale	--	13,997,742	--	13,997,742
Cash collateral posted with counterparties	24,198	--	--	24,198
Derivative assets	--	29,981	--	29,981
Total assets	$24,198	$15,725,823	$ --	$15,750,021
Liabilities:				
Cash collateral posted by counterparties	$5,231	$ --	$ --	$5,231
Derivative liabilities	--	14,584	--	14,584
Total liabilities	$5,231	$14,584	$ --	$19,815

We had no level 3 assets measured at fair value on a recurring basis at any time during the nine months ended September 30, 2019.

Non-Recurring Measurements

Assets Measured at Fair Value on a Non-recurring Basis

	As of September 30, 2019			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$29,630	$29,630

	As of December 31, 2018			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$27,023	$27,023

Other Financial Instrument Measurements

Financial Instruments Not Measured at Fair Value on the Statements of Condition

(in thousands) **As of September 30, 2019**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	$327,635	$327,635	$ --	$ --	$327,635
Net loans	95,684,092	--	--	96,661,374	96,661,374
Total assets	$96,011,727	$327,635	$ --	$96,661,374	$96,989,009
Liabilities:					
Bonds and notes	$106,339,281	$ --	$ --	$106,877,015	$106,877,015
Total liabilities	$106,339,281	$ --	$ --	$106,877,015	$106,877,015
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(1,111)	$(1,111)

(in thousands) As of December 31, 2018	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$545,875	$545,875	$ --	$ --	$545,875
Net loans	92,665,393	--	--	91,859,428	91,859,428
Total assets	$93,211,268	$545,875	$ --	$91,859,428	$92,405,303
Liabilities:					
Bonds and notes	$103,123,344	$ --	$ --	$102,061,474	$102,061,474
Total liabilities	$103,123,344	$ --	$ --	$102,061,474	$102,061,474
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(1,333)	$(1,333)

NOTE 8

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect net interest margin. As a result of interest rate fluctuations, fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by our gains or losses on the derivative instruments that are linked to fixed-rate liabilities. Another result of interest rate fluctuations is that the interest expense of floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by our gains and losses on the derivative instruments that are linked to these floating-rate liabilities. We consider the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

All of our derivative activities are monitored by the Asset/Liability Committee (ALCO) as part of the Committee's oversight of our asset/liability and treasury functions. ALCO ensures that the Bank's derivative hedging strategies are implemented in line with the board's risk appetite and are incorporated into our overall asset/liability risk-management framework. Refer to Note 13 of the 2018 Annual Report for additional information regarding counterparty risk and our risk mitigation practices.

Interest Rate Risk Management

We primarily enter into derivative transactions, particularly interest rate swaps, to reduce funding costs, improve liquidity and manage interest rate sensitivity. Interest rate swaps allow us to change the characteristics of fixed or floating rate debt we issue by swapping to a synthetic fixed or floating rate lower than those available to us if borrowings were made directly. Under interest rate swap arrangements, we agree with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.

Other Derivative Uses

Other uses for derivatives are as follows:

- We also provide interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.
- We utilize commodity derivative instruments to manage mineral income volatility. We purchase commodity put options to protect against a decline in oil prices, which could significantly impact our mineral income.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2017	$2,617	$2,316	$2,700	$88	$7,721
Additions	200	78	--	8	286
Maturities/amortization	(625)	(51)	(200)	(2)	(877)
As of September 30,2018	$2,192	$2,343	$2,500	$94	$7,129
As of December 31, 2018	$1,922	$2,342	$2,500	$94	$6,858
Additions	**--**	**48**	**--**	**48**	**96**
Maturities/amortization	**(642)**	**(17)**	**(100)**	**(17)**	**(776)**
As of September 30, 2019	**$1,280**	**$2,373**	**$2,400**	**$125**	**$6,178**

Other derivatives consisted of retail customer derivative products.

Credit Risk Management

By using derivative instruments, we are subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, our credit risk equals the net amount due to us. Generally, when the fair value of a derivative contract is positive, we have credit exposure to the counterparty, creating credit risk for us. When the fair value of the derivative contract is negative, we do not have credit exposure.

To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency, and we monitor the credit standing and levels of exposure to individual counterparties. At September 30, 2019, we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring collateral to be posted in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty’s current credit rating.

Bilateral Interest Rate Swaps

(in thousands)	**September 30, 2019**	December 31, 2018
Notional amount	**$3,599,696**	$3,669,654
Cash collateral posted with counterparties	**$26,700**	$5,250
Cash collateral posted by counterparties	**--**	(1,970)
Total collateral posted with counterparties, net	**$26,700**	$3,280

We also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and

FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP.

Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP. Typically, daily variation margin payments are recognized as settlements rather than collateral posted.

Centrally Cleared Interest Rate Swaps

(in thousands)	**September 30, 2019**	December, 31 2018
Notional Amount	**$2,577,536**	$3,188,774
Initial margin posted with counterparties	**$29,840**	$18,948
Additional margin posted with (by) counterparties	**4,025**	(3,261)
Total margin posted with counterparties, net	**$33,865**	$15,687

All margin posted by or with counterparties was in cash. We had no securities posted by counterparties or to counterparties for any period presented.

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. Effective January 1, 2019, we include the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Prior to the implementation of ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities," the gain or loss on derivatives representing hedge components excluded from the assessment of effectiveness were recorded in "Miscellaneous income and other (losses) gains, net" on the Statements of Comprehensive Income.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the gain or loss on the derivative is reported as a component of other comprehensive (loss) income, until earnings are affected by the variability of the cash flows of the hedged transaction. When reclassified to earnings, we include the gain or loss on the derivative in the "Interest expense" line item on the Statements of Comprehensive Income. Prior to the implementation of ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities," the gain or loss on derivatives representing hedge components excluded from the assessment of effectiveness were recorded in "Miscellaneous income and other (losses) gains, net" on the Statements of Comprehensive Income.

Derivatives not Designated as Hedges: For derivatives not designated as a hedging instrument (economic hedges), the related change in fair value is recorded in current period earnings in "Miscellaneous income and other (losses) gains, net" on the Statements of Comprehensive Income.

Financial Statement Impact of Derivatives

The following tables present the gross fair value, offsetting and net exposure amounts of derivative assets and derivative liabilities. The fair value of our derivative contracts are presented as "Derivative assets" and "Derivative liabilities" on the Statements of Condition, and are presented on a net basis for counterparties with master netting agreements.

	September 30, 2019		December 31, 2018	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$5,087**	**$626**	$542	$18,176
Pay-fixed swaps	**44**	**116,945**	55,736	18,478
Floating-for-floating swaps	**--**	**4,620**	--	3,252
Total derivatives designated as hedging instruments	**5,131**	**122,191**	56,278	39,906
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**587**	**2,762**	4,030	118
Other derivative products	**4,239**	**227**	10,827	3,557
Total derivatives not designated as hedging instruments	**4,826**	**2,989**	14,857	3,675
Credit valuation adjustments	**218**	**--**	(309)	--
Total gross amounts of derivatives	**$10,175**	**$125,180**	$70,826	$43,581
Gross amounts offset in Statements of Condition	**(6,136)**	**(6,136)**	(28,997)	(28,997)
Variation margin settled	**--**	**(47,423)**	(11,848)	--
Net amounts in Statements of Condition	**$4,039**	**$71,621**	$29,981	$14,584

(in thousands)	**September 30, 2019**	December 31, 2018
Derivative assets, net	**$4,039**	$29,981
Derivative liabilities, net	**(71,621)**	(14,584)
Accrued interest payable on derivatives, net	**(8,398)**	(1,478)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted by counterparties	**--**	(5,231)
Cash collateral posted with counterparties	**60,564**	24,198
Net exposure amounts	**$(15,416)**	$32,886

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty, and an adjustment for our creditworthiness where the counterparty has exposure to us. The CVA was not material in any of the periods presented. The change in the CVA for the period is included in "Interest expense" on the Statements of Comprehensive Income. Prior to the implementation of ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities," the change in the CVA was included in "Miscellaneous income and other (losses) gains, net" on the Statements of Comprehensive Income.

In relation to our cash flow hedges, the following table presents the amount of other comprehensive income (OCI) recognized on derivatives and the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges. During the next 12 months, $10.8 million of net losses in

AOCI on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

(in thousands) **For the nine months ended September 30, 2019**	**Amount of Loss Recognized in OCI on Derivatives**	**Amount of Gain (Loss) Reclassified from AOCI into Income**
Pay-fixed swaps	**$(150,973)**	**$3,183**
Floating-for-floating swaps	**(2,277)**	**(908)**
Total	**$(153,250)**	**$2,275**

(in thousands) For the nine months ended September 30, 2018	Amount of Gain Recognized in OCI on Derivatives	Amount of Loss Reclassified from AOCI into Income
Pay-fixed swaps	$98,062	$(5,470)
Floating-for-floating swaps	848	(1,160)
Total	$98,910	$(6,630)

The following table shows the effect of fair value and cash flow hedge accounting as well as economic hedges on the Statements of Comprehensive Income for the nine months ended September 30, 2019.

(in thousands) For the nine months ended September 30, 2019	**Miscellaneous Income and Other (Losses) Gains, net**	**Interest Expense**
Total amount of income and expense line items presented in the Statements of Comprehensive Income in which the effects of the fair value, cash flow and economic hedges are recorded:	**$(7,858)**	**$1,886,420**
Asset and Liability Management Positions		
Fair value hedges:		
Interest rate derivatives	**--**	**(22,622)**
Bonds and notes	**--**	**21,842**
Cash flow hedges:		
Interest rate derivatives	**--**	**(2,275)**
Economic hedges:		
Interest rate derivatives	**745**	**--**
Commodity derivatives	**(8,058)**	**--**

Note: AgriBank does not exclude components from effectiveness testing for fair value or cash flow hedges. AgriBank did not reclassify gains or losses into earnings as a result of the discontinuance of cash flow hedges during the the three months ended March 31, 2019.

The following table shows the cumulative hedging adjustment (fair value adjustment) for fair value hedges that are included in the carrying amount of the hedged assets (liabilities):

(in thousands) As of September 30, 2019	**Carrying Amount of the Hedged Item**	**Cumulative Fair Value Adjustment Included in the Carrying Amount of the Hedged Item**
Line Item on the Statements of Condition		
Bonds and notes	**$1,283,917**	**$4,149**

Note: AgriBank did not have any hedging adjustments for discontinued fair value hedges.

NOTE 9

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive Loss

(in thousands)	Not-other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2017	$(75,184)	$(10,119)	$(1,123)	$(86,426)
Other comprehensive (loss) income before reclassifications	(50,302)	98,910	--	48,608
Amounts reclassified from accumulated other comprehensive loss	--	6,630	96	6,726
Net other comprehensive (loss) income	(50,302)	105,540	96	55,334
Balance at September 30, 2018	$(125,486)	$95,421	$(1,027)	$(31,092)
Balance at December 31, 2018	$(82,857)	$34,005	$(1,018)	$(49,870)
Other comprehensive income (loss) before reclassifications	**90,612**	**(153,250)**	**--**	**(62,638)**
Amounts reclassified from accumulated other comprehensive loss	**--**	**(2,275)**	**81**	**(2,194)**
Net other comprehensive income (loss)	**90,612**	**(155,525)**	**81**	**(64,832)**
Balance at September 30, 2019	**$7,755**	**$(121,520)**	**$(937)**	**$(114,702)**

There were no material reclassifications from AOCI in either period ending September 30, 2019 or 2018.

NOTE 10

Subsequent Events

We have evaluated subsequent events through November 8, 2019, which is the date the Financial Statements were available to be issued. One Association with an outstanding wholesale loan of $43.8 million was in default of the General Financing Agreement with AgriBank as of October 11, 2019 due to certain lending limit violations and failure to create sufficient controls to prevent such violations. The default was cured as of October 28, 2019, as a result of actions taken by the Association as prescribed in the notice of default. Collection of the full wholesale loan amount due is expected in accordance with the contractual terms and no allowance has been recorded for the loan. There have been no other material subsequent events that would require recognition in the Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)

The following information contains quarterly regulatory disclosures as required under FCA Regulations 628.62 and 628.63, for risk-adjusted ratios, common equity tier 1, tier 1 capital and total capital ratios. Refer to Note 4 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. These disclosures should be read in conjunction with our 2018 Annual Report, which includes additional qualitative disclosures. Unless otherwise noted, there have been no material changes to the qualitative disclosures contained in the 2018 Annual Report. As required by FCA Regulations, these disclosures, including Regulatory Capital ratios are made available for at least three years and can be accessed in our financial reports at www.AgriBank.com under Investor Relations.

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	Third Quarter 2019 Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	39
Capital Structure	Regulatory capital components	40
Capital Adequacy	Risk-weighted assets Regulatory capital ratios	41
Capital Buffers	Quantitative disclosures	42
Credit Risk	Summary of exposures Geographic distribution Additional industry and counterparty distribution Contractual maturity Impaired loans and allowance for credit losses	42-44
Counterparty Credit Risk-Related Exposures	Counterparty exposures	44
Credit Risk Mitigation	Exposures with reduced capital requirements	45
Securitization	Securitization exposures	45
Equities	Equity exposures	46
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	46

Scope of Application

As of September 30, 2019, the AgriBank District has 14 Agricultural Credit Associations, each of which has wholly owned Farm Land Credit Association and Production Credit Association subsidiaries. AgriBank is primarily owned by these 14 Farm Credit Associations. AgriBank is the primary funding source for all District Associations. AgriBank has no subsidiaries; therefore, the financial statements are only those of AgriBank and are not consolidated with any other entity.

Capital Structure

Refer to Note 4 of the accompanying financial statements and Note 7 of the 2018 Annual Report for a description of capital structure.

Regulatory Capital Structure

(in thousands) **As of September 30, 2019**	**3-month Average Daily Balance**
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	**$26**
Other required member purchased stock	**1,364,069**
Allocated equities:	
Allocated stock subject to retirement	**1,224,990**
Qualified allocated equities subject to retirement	**--**
Nonqualified allocated equities subject to retirement	**--**
Nonqualified allocated equities not subject to retirement	**--**
Unallocated retained earnings as regulatorily prescribed	**3,363,897**
Paid-in capital	**--**
Regulatory adjustments and deductions made to CET1	**(5,419)**
Total CET1	**$5,947,563**
Tier 1 Capital	
Non-cumulative perpetual preferred stock	**$250,000**
Regulatory adjustments and deductions made to tier 1 capital	**--**
Total additional tier 1 capital	**250,000**
Total Tier 1 Capital	**$6,197,563**
Total Capital	
Allowance for loan losses	**$27,935**
Regulatory adjustments and deductions made to total capital	**--**
Total tier 2 capital	**27,935**
Total Capital	**$6,225,498**

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands) **As of September 30, 2019**	
Exposures to:	
Sovereign entities	**$ --**
Foreign bank entities	**300,615**
Government-sponsored enterprises[(1)]	**18,617,395**
Depository insitutions and credit unions[(2)]	**267,483**
Public sector entities	**--**
Corporate, including borrower loans	**14,319,798**
Residential mortgage	**68,217**
Past due and nonaccrual	**3,035**
Securitization exposures	**748,740**
Cleared transactions	**152**
Unsettled transactions	**--**
All other assets	**79,646**
Deductions:	
Regulatory adjustments and deductions made to CET1	**5,419**
Regulatory adjustments and deductions made to AT1[(3)]	**--**
Regulatory adjustments and deductions made to T2[(4)]	**--**
Total standardized risk-weighted assets	**$34,399,662**

[(1)] Includes exposures to Farm Credit System entities

[(2)] Includes exposures to OFIs that are risk-weighted as U.S. depository institutions and credit unions

[(3)] AT1 capital is additional tier 1 capital

[(4)] T2 is tier 2 capital

As of September 30, 2019, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $262.7 million as of September 30, 2019.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of September 30, 2019	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	1.9%	**17.3%**	**12.8%**
Tier 1 capital ratio*	6.0%	1.9%	**18.0%**	**12.0%**
Total capital ratio*	8.0%	1.9%	**18.1%**	**10.1%**
Capital conservation buffer				**10.1%**
Tier 1 leverage ratio	4.0%	1.0%	**5.5%**	**1.5%**
Leverage buffer				**1.5%**

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in over three years under the FCA capital requirements. The phase in period ends on December 31, 2019.

Credit Risk

Refer to Note 2 of the accompanying Financial Statements for amounts of impaired loans with and without related allowance, loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses. Allowance is determined individually by loan or by pool based on homogeneous characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances, for example flooding, drought, etc., that may not otherwise be reflected in the PD and LGD. There was no allowance attributed to a geographic area as of September 30, 2019. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

Refer to the Capital Adequacy and Capital Buffers section for information regarding types of credit risk exposures.

Credit Exposures - Lending and Investments

(in thousands) **As of September 30, 2019**	End of Period	3-month Average Daily Balance
Loans	**$95,742,379**	**$94,998,967**
Investments	**16,145,854**	**15,951,714**
Loan commitments	**23,829,634**	**24,199,340**
Letters of credit	**91,339**	**96,316**

Credit Exposures - Derivatives

(in thousands) **As of September 30, 2019**	End of Period Notional Amount	 Net Liability Exposure	3-month Average Daily Balance Notional Amount	 Net Liability Exposure
Cleared derivatives	**$2,577,536**	**$(51,482)**	**$2,940,039**	**$(48,277)**
Bilateral derivatives	**3,599,696**	**(72,137)**	**3,650,983**	**(66,598)**

Exposures by Final Contractual Maturity

(in thousands) **As of September 30, 2019**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$1,711,305**	**$85,481,727**	**$ --**	**$87,193,032**
Retail loans	**1,124,801**	**4,896,966**	**3,267,098**	**9,288,865**
Investments (including federal funds)	**8,876,761**	**2,212,133**	**5,056,960**	**16,145,854**
Wholesale loan commitments	**99,513**	**21,507,609**	**--**	**21,607,122**
Retail loan and other commitments	**1,506,983**	**645,227**	**70,302**	**2,222,512**
Cleared derivative notional	**659,000**	**1,065,000**	**853,536**	**2,577,536**
Bilateral derivative notional	**604,160**	**1,820,000**	**1,175,536**	**3,599,696**

Note: Accruing loans include accrued interest receivable.

Loan and Commitment Geographic Distribution

As of September 30, 2019			
Wholesale Portfolio*		**Retail Portfolio**	
Iowa	**11%**	Illinois	**14%**
Illinois	**9%**	Minnesota	**14%**
Minnesota	**8%**	Wisconsin	**8%**
Nebraska	**8%**	Nebraska	**8%**
Michigan	**6%**	Iowa	**9%**
Indiana	**6%**	Other	**48%**
Wisconsin	**6%**	Total	**100%**
South Dakota	**6%**		
Ohio	**5%**		
Missouri	**5%**		
Other	**31%**		
Total	**100%**		

*Wholesale loan and commitment portfolio distribution is based on the underlying District Associations' retail portfolios. For additional information regarding the geographic distribution of the retail loans held at District Associations, refer to the Portfolio Diversification section of the 2018 Annual Report. Current period distribution has not materially changed from December 31, 2018.

Loan and Commitment Commodity Distribution

As of September 30, 2019	
Retail Portfolio	
Crops	**60%**
Loans to OFIs	**10%**
Cattle	**7%**
Dairy	**6%**
Other	**17%**
Total	**100%**

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives

We have not entered into any credit default swap agreements to mitigate our credit exposure to counterparties.

Refer to Note 8 of the accompanying Financial Statements for the gross positive fair value of contracts, collateral held and the net unsecured credit exposure.

Current credit exposure is the greater of zero or the fair market value of a derivative contract.

Current Credit Exposure

(in thousands)	As of September 30, 2019
Interest rate contracts	$10,342
Other contracts	628
Total	$10,970

Credit Risk Mitigation Related to Loans

Financial collateral is not used to mitigate credit risk in our loan portfolio.

Loan and Commitment Exposures Covered by Guarantees

(in thousands) **As of September 30, 2019**	3-month Average Daily Balance	Risk-weighted 3-month Average Daily Balance
Conditionally guaranteed		
Loans	$18,756	$3,751
Commitments	49,158	1,966
Total	$67,914	$5,717

Credit Risk Mitigation Related to Investments

Financial collateral is not used to mitigate credit risk in our investment portfolio.

Investment Exposures Covered by Guarantees

(in thousands) **As of September 30, 2019**	3-month Average Daily Balance	Risk-weighted 3-month Average Daily Balance
Unconditionally guaranteed	$6,045,159	$ --
Conditionally guaranteed	4,784,644	656,314
Total	$10,829,803	$656,314

Securitization

Securitization Exposures

(3-month average daily balance in thousands) **As of September 30, 2019**	Exposure	Weighted average risk-weight factor	Risk-weighted assets
Gross up risk weight bands:			
100%	$23,211	100%	$23,211
> 100% and < 1,250%	504,420	144%	725,529
1,250%	--	1,250%	--
Total risk-weighted securitization assets	$527,631	142%	$748,740

Equities

We are a limited partner in certain Rural Business Investment Companies (RBIC) for various relationship and strategic reasons. These investments are not publicly traded, and the book value approximates fair value. There have been no sales or liquidations of these investments during the period.

Equity Investments included in Capital Ratios

(in thousands) **As of September 30, 2019**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings[(1)]**
RBIC	**$17,043**	**$3,992**

[(1)] Retained earnings is included in common equity tier 1, tier 1 and total capital ratios

Interest Rate Risk

Our policies establish a maximum variance from our base case in a plus or minus 200 basis point change in rates, except when the U.S. Treasury three-month rate is below 4 percent, at which time the minus scenario is limited to one-half of the U.S. Treasury three-month rate. Because of the low interest rates at September 30, 2019, the down scenario is limited to a down 91 basis point change.

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of September 30, 2019	**Down 91**	**Up 100**	**Up 200**
Immediate Change (Shock):			
NII sensitivity	**1.2%**	**5.5%**	**5.7%**
Board policy	**(15.0%)**		**(15.0%)**
Gradual Change (Ramp):			
NII sensitivity		**3.5%**	**5.4%**

Economic Value of Equity (EVE) Sensitivity Analysis

	Basis Point Interest Rate Change		
As of September 30, 2019	**Down 91**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	**(2.2%)**	**(2.1%)**	**(6.4%)**
Board policy	**(12.0%)**		**(12.0%)**

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