COBANK DISTRICT

2019 FINANCIAL INFORMATION

COBANK

District Financial Information

CoBank, ACB and Affiliated Associations

Introduction and District Overview

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

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

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. The Associations are not authorized by the Farm Credit Act to participate directly in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of December 31, 2019, we have 21 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

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

CoBank and its affiliated Associations operate under a debtor-creditor relationship evidenced by a General Financing Agreement (GFA) entered into separately with each Association. The GFA sets forth the business relationship between us and each Association and also references certain requirements contained in the Farm Credit Act and FCA regulations. The Associations' respective boards of directors are expected to establish and monitor the necessary policies and procedures to comply with all FCA regulations. In all other respects, the lending relationship with the Associations is substantially similar to that with our other borrowers.

We make loans to the Associations, which, in turn, make loans to their eligible borrowers. We have senior secured interests in substantially all of the Associations' assets, which extend to the underlying collateral of the Associations' loans to their customers. Loans outstanding to our affiliated Associations totaled $49.6 billion at December 31, 2019. During 2019, $153.6 billion of advances on loans were made to our affiliated Associations and repayments totaled $149.8 billion.

We have no direct access to Association capital. Our bylaws permit our Board of Directors to set the required level of Association investment in the Bank within a range of 4 to 6 percent of the one-year historical average of Association borrowings. In 2019, the required investment level was 4 percent. There are no capital sharing agreements between us and our affiliated Associations.

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

District Financial Information

CoBank, ACB and Affiliated Associations

Financial Highlights

($ in Thousands)

As of December 31,	2019	2018	2017
Total Loans	**$ 119,995,001**	$ 115,149,430	$ 109,377,684
Less: Allowance for Loan Losses	**985,645**	930,771	884,027
Net Loans	**119,009,356**	114,218,659	108,493,657
Total Assets	**157,191,842**	150,603,941	140,234,801
Total Shareholders' Equity	**20,998,810**	19,512,722	18,432,074

Year Ended December 31,	2019	2018	2017
Net Interest Income	**$ 3,088,557**	$ 2,998,945	$ 2,866,786
Provision for Loan Losses	**92,580**	83,165	69,021
Net Fee Income	**143,606**	142,912	143,221
Net Income	**2,105,254**	2,147,012	1,968,447
Net Interest Margin	**2.08 %**	2.12 %	2.12 %
Net Charge-offs / Average Loans	**0.02**	0.05	0.04
Return on Average Assets	**1.40**	1.50	1.44
Return on Average Total Shareholders' Equity	**10.18**	11.29	10.87
Operating Expense / Net Interest Income and Noninterest Income	**34.60**	32.21	34.91
Average Loans	**$ 115,482,843**	$ 111,212,068	$ 106,014,065
Average Earning Assets	**148,271,053**	141,390,337	134,996,293
Average Assets	**150,456,985**	143,153,285	136,719,937

District Financial Information

CoBank, ACB and Affiliated Associations

Management's Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 4 percent to $115.5 billion in 2019 compared to $111.2 billion in 2018. The increase in average loan volume primarily reflected growth in real estate mortgage, production and intermediate-term, agribusiness processing and marketing, and communication loans.

District net income decreased to $2.105 billion in 2019, as compared to $2.147 billion in 2018. The decrease in District earnings primarily resulted from an increase in operating expenses, a decrease in noninterest income and a higher provision for loan losses. These items were partially offset by an increase in net interest income and a lower provision for income taxes in 2019.

District net interest income increased 3 percent to $3.089 billion in 2019 from $2.999 billion in 2018. The increase in net interest income was primarily driven by growth in average loan volume. The District's overall net interest margin was 2.08 percent in 2019, compared to 2.12 percent in 2018. The reduction in net interest margin in 2019 primarily reflected lower earnings on balance sheet positioning at CoBank and lower overall loan spreads somewhat offset by increased earnings on invested capital.

The District recorded a provision for loan losses of $92.6 million in 2019, compared to $83.2 million in 2018. CoBank recorded a provision for loan losses of $57.0 million in 2019 compared to $66.0 million in 2018. The 2019 provision for loan losses at CoBank largely reflected deterioration in credit quality in agribusiness lending in addition to growth in average loan volume. The Associations recorded a net combined provision for loan losses of $35.6 million in 2019, compared to a net combined provision of $17.2 million in 2018. The net combined 2019 and 2018 provisions for loan losses at the Associations were primarily due to provisions recorded at several Associations resulting from deterioration in credit quality and other concerns causing stress to specific industries.

District noninterest income decreased $62.7 million to $380.7 million in 2019 from $443.4 million in 2018. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The decrease in noninterest income resulted largely from a $48.2 million decrease in gains on sales of investment securities at CoBank during 2019 compared to 2018. In addition, a lower level of returned excess insurance funds from the Farm Credit System Insurance Corporation (Insurance Corporation) related to the Farm Credit Insurance Fund (Insurance Fund) also contributed to the decrease in noninterest income. Excess insurance funds of $27.0 million and $69.5 million were returned by the Insurance Corporation during the years ended December 31, 2019 and 2018, respectively. When the Insurance Fund exceeds the statutory 2 percent secure base amount (SBA), the Insurance Corporation is required to reduce premiums and may return excess amounts. The Insurance Fund began both 2019 and 2018 above the SBA. Partially offsetting these decreases to noninterest income was a $21.9 million increase in patronage income received from other System institutions on participations sold by CoBank and certain Associations as well as higher levels of patronage paid by System institutions.

Total District operating expenses increased 8 percent to $1.201 billion in 2019 from $1.109 billion in 2018. Higher operating expenses included an increase in employee compensation expense of $47.0 million to $670.7 million during 2019 compared to $623.7 million in 2018. The increase in employee compensation expense was driven by annual merit increases, a higher overall number of employees, compensation expenses related to lease originations that are no longer deferred and amortized under the new lease accounting standard and a reduction in compensation reimbursements in CoBank's digital banking activities. Purchased services increased by $19.0 million primarily due to strategic initiatives at several Associations and enhancement of data and enterprise information management capabilities at the Bank. Information services expense increased $10.0 million during the year primarily due to greater expenditures at CoBank and certain Associations to enhance service offerings and technology platforms. General and administrative expenses increased $4.7 million in 2019 compared to 2018. General and administrative expenses include contributions and other support provided to civic, charitable and other organizations that benefit the residents, communities and industries we serve in rural America.

District income tax expense decreased $32.6 million to $70.9 million in 2019 from $103.5 million in 2018. The income tax expense at the District predominantly relates to CoBank as a substantial majority of the business activities at Associations are exempt from federal income tax. The provisions for income taxes in both periods were impacted by non-recurring adjustments. The 2019 provision for income taxes included a $30.2 million favorable adjustment reflecting amendments to CoBank's 2015 through 2017 federal and state tax returns to realize the benefit of certain equipment leasing transactions. The 2019 provision for income taxes also contained a net benefit of $6.2 million primarily resulting from a change in methodology related to state income tax rates. The 2018 provision for income taxes included a $15.8 million tax benefit which resulted from a change in accounting estimate to reflect the full effects of the enactment of federal tax legislation in late 2017. Excluding these non-recurring adjustments, the District provision for income taxes decreased $12.0 million in 2019 compared to 2018 primarily reflecting a lower level of pre-tax income.

Loan Portfolio

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

($ in Thousands)

District Loans by Loan Type

December 31,	2019	2018	2017
Real Estate Mortgage	**$ 35,996,091**	$ 34,116,612	$ 32,344,144
Nonaffiliated Associations	**4,936,794**	4,932,121	4,859,323
Production and Intermediate-term	**17,918,614**	16,242,017	15,306,715
Agribusiness:			
Loans to Cooperatives	**15,382,653**	15,379,249	14,565,105
Processing and Marketing	**9,823,770**	8,873,455	8,179,923
Farm Related Businesses	**2,055,529**	1,840,623	1,600,016
Communications	**4,462,820**	3,948,778	4,086,271
Rural Power	**16,457,334**	16,991,058	16,658,551
Water/Wastewater	**1,956,484**	2,033,851	1,767,950
Agricultural Export Finance	**6,208,574**	6,138,278	5,268,391
Rural Residential Real Estate	**680,001**	767,197	848,362
Lease Receivables	**3,984,289**	3,742,895	3,761,678
Other	**132,048**	143,296	131,255
Total	**$ 119,995,001**	$ 115,149,430	$ 109,377,684

District loan volume increased $4.9 billion to $120.0 billion at December 31, 2019, compared to $115.1 billion at December 31, 2018. The increase was primarily driven by increases in real estate mortgage, production and intermediate-term, agribusiness processing and marketing, and communication loans, partially offset by a decrease in rural power loans. The increase in real estate mortgage loans was primarily a result of existing association customers and new originations in the fruits, nuts and vegetables, forestry products, field crops and cattle industries. The increase in production and intermediate-term loans was primarily due to increases across various Associations relating to advances on existing facilities in the dairy, cattle, fruits, nuts and vegetables, and forestry products industries.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. Credit risk in the District's loan portfolio is spread broadly among customers, industries and geographic territory. The District serves a diversified spectrum of borrowers up and down the agricultural value chain. Association retail loans in the District loan portfolio are concentrated in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. CoBank's retail loan portfolio extends across the United States, with moderate levels of concentration in the Midwest region of the country and in the grain marketing, farm supply, dairy, and electric distribution sectors.

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

Distribution by Primary Business / Commodity

December 31,	2019	2018	2017
Fruits, Nuts and Vegetables	**16 %**	15 %	15 %
Farm Supply, Grain and Marketing	**13**	14	13
Dairy	**9**	9	9
Electric Distribution	**6**	7	8
Cattle	**6**	6	6
Forest Products	**6**	6	6
Agricultural Export Finance	**5**	5	5
Field Crops Except Grains	**4**	4	4
Nonaffiliated Associations	**4**	4	4
Livestock, Fish and Poultry	**4**	4	4
Farm Related Business Services	**4**	4	3
Generation and Transmission	**3**	3	3
Leasing	**3**	3	3
Rural Home	**2**	2	2
Local Telephone Exchange Carriers	**1**	1	2
Nursery, Greenhouse	**1**	1	1
Other	**13**	12	12
Total	**100 %**	100 %	100 %

Geographic Distribution

December 31,	2019	2018	2017
California	**22 %**	22 %	22 %
Kansas	**6**	6	6
Texas	**6**	6	6
New York	**5**	5	4
Washington	**4**	4	4
Colorado	**3**	3	3
Idaho	**3**	3	3
Oklahoma	**3**	3	3
Oregon	**3**	3	3
Illinois	**3**	3	2
Minnesota	**2**	2	3
Iowa	**2**	2	2
Other (less than 2 percent each for the current year)	**33**	33	34
Total States	**95 %**	95 %	95 %
Latin America	**2**	2	2
Europe, Middle East and Africa	**1**	1	1
Other International	**2**	2	2
Total International	**5 %**	5 %	5 %
Total	**100 %**	100 %	100 %

Loan Quality

One credit quality indicator utilized by the Bank and Associations is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table presents loans, classified by management at the various District entities pursuant to the FCA's Uniform Loan Classification System, as a percent of total loans and accrued interest.

District Loan Quality

December 31,	2019	2018	2017
Acceptable	**93.59 %**	94.22 %	94.35 %
Special Mention	**3.52**	2.97	3.20
Substandard	**2.87**	2.80	2.44
Doubtful	**0.02**	0.01	0.01
Loss	**-**	-	-
Total	**100.00 %**	100.00 %	100.00 %

While overall loan quality within the District remains favorable, certain entities within the District experienced credit quality deterioration in 2019. Special Mention loans and accrued interest increased to 3.52 percent of total loans and accrued interest at December 31, 2019 from 2.97 percent at December 31, 2018. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percent of total loans and accrued interest was 2.89 percent at December 31, 2019, compared to 2.81 percent at December 31, 2018. These increases were driven by deterioration in credit quality primarily impacting agribusiness, production and intermediate-term, as well as rural power loans.

At December 31, 2019, Special Mention loans included a CoBank participation in a $470.9 million wholesale loan made by Farm Credit Bank of Texas to one of its affiliated Associations. Pursuant to regulatory requirements, wholesale loans are classified using the same credit rating methodology as is used with commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the downgrade reflects certain material internal control weaknesses at that Association, as a result of the collateralization and other mitigants described above, no losses are anticipated related to that wholesale loan. As of December 31, 2019, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any wholesale loans to Associations.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled $728.8 million as of December 31, 2019 compared to $761.8 million at December 31, 2018. Nonaccrual loans at CoBank improved by $85.6 million while nonaccrual loans at Associations increased by $37.4 million primarily due to the addition of several real estate mortgage and production and intermediate-term loans to nonaccrual status during 2019. Accruing restructured loans increased by $3.5 million to $36.5 million in 2019 primarily due to an increase in real estate mortgage loans. Total accruing loans 90 days or more past due totaled $19.3 million at December 31, 2019, compared to $13.5 million at December 31, 2018. Nonperforming assets represented 0.61 percent of total District loan volume and other property owned at December 31, 2019, compared to 0.66 percent at December 31, 2018. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.55 percent of total loans at December 31, 2019 compared to 0.62 percent of total loans at December 31, 2018.

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

($ in Thousands)

Nonperforming Assets December 31,	2019	2018	2017
Nonaccrual Loans:			
Real Estate Mortgage	**$ 230,581**	$ 187,334	$ 227,649
Production and Intermediate-term	**151,335**	129,866	100,681
Agribusiness	**224,854**	314,010	141,838
Communications	**-**	9,507	10,639
Agricultural Export Finance	**-**	-	4,091
Rural Power	**19,368**	28,656	23,218
Rural Residential Real Estate	**3,545**	4,226	2,013
Lease Receivables	**31,067**	37,216	43,755
Other	**1,838**	-	-
Total Nonaccrual Loans	**662,588**	710,815	553,884
Accruing Restructured Loans:			
Real Estate Mortgage	**24,482**	19,568	19,607
Production and Intermediate-term	**10,806**	10,832	18,700
Agribusiness	**-**	489	21
Rural Residential Real Estate	**1,190**	2,056	2,174
Total Accruing Restructured Loans	**36,478**	32,945	40,502
Accruing Loans 90 Days or More Past Due:			
Real Estate Mortgage	**8,685**	8,857	1,723
Production and Intermediate-term	**4,410**	2,983	1,416
Agribusiness	**3,643**	771	3,526
Rural Power	**1,377**	-	-
Rural Residential Real Estate	**-**	-	723
Lease Receivables	**1,138**	914	670
Total Accruing Loans 90 Days or More Past Due	**19,253**	13,525	8,058
Total Nonperforming Loans	**718,319**	757,285	602,444
Other Property Owned	**10,470**	4,534	12,062
Total Nonperforming Assets	**$ 728,789**	$ 761,819	$ 614,506
Nonaccrual Loans as a Percentage of Total Loans	**0.55 %**	0.62 %	0.51 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	**0.61**	0.66	0.56
Nonperforming Assets as a Percentage of Capital	**3.47**	3.90	3.33

District Financial Information
CoBank, ACB and Affiliated Associations

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

($ in Thousands)

Aging of Past Due Loans

	December 31, 2019					
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 77,397	$ 70,921	$ 148,318	$ 36,301,625	$ 36,449,943	$ 8,685
Nonaffiliated Associations	2	-	2	4,946,229	4,946,231	-
Production and Intermediate-term	94,186	- 48,591	142,777	17,919,755	18,062,532	4,410
Agribusiness	6,742	40,515	47,257	27,319,144	27,366,401	3,643
Communications	30,086	-	30,086	4,440,806	4,470,892	-
Rural Power	-	14,944	14,944	16,506,579	16,521,523	1,377
Water/Waste Water	1,272	-	1,272	1,964,563	1,965,835	-
Agricultural Export Finance	-	-	-	6,232,305	6,232,305	-
Rural Residential Real Estate	3,317	1,381	4,698	677,409	682,107	-
Lease Receivables	16,150	8,218	24,368	3,960,912	3,985,280	1,138
Other	-	-	-	132,364	132,364	-
Total	$ 229,152	$ 184,570	$ 413,722	$ 120,401,691	$ 120,815,413	$ 19,253

($ in Thousands)

Aging of Past Due Loans

	December 31, 2018					
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 111,912	$ 92,524	$ 204,436	$ 34,334,133	$ 34,538,569	$ 8,857
Nonaffiliated Associations	1	-	1	4,944,254	4,944,255	-
Production and Intermediate-term	74,252	62,167	136,419	16,239,422	16,375,841	2,983
Agribusiness	12,518	8,030	20,548	26,185,768	26,206,316	771
Communications	-	-	-	3,957,618	3,957,618	-
Rural Power	1,024	21,522	22,546	17,036,355	17,058,901	-
Water/Waste Water	1	-	1	2,043,552	2,043,553	-
Agricultural Export Finance	-	-	-	6,164,788	6,164,788	-
Rural Residential Real Estate	4,616	1,993	6,609	762,959	769,568	-
Lease Receivables	14,787	7,592	22,379	3,721,380	3,743,759	914
Other	-	-	-	143,711	143,711	-
Total	$ 219,111	$ 193,828	$ 412,939	$ 115,533,940	$ 115,946,879	$ 13,525

($ in Thousands)

Aging of Past Due Loans

	December 31, 2017					
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 64,345	$ 80,065	$ 144,410	$ 32,559,239	$ 32,703,649	$ 1,723
Nonaffiliated Associations	-	-	-	4,867,557	4,867,557	-
Production and Intermediate-term	51,053	62,384	113,437	15,306,173	15,419,610	1,416
Agribusiness	7,062	12,639	19,701	24,417,410	24,437,111	3,526
Communications	2	-	2	4,099,011	4,099,013	-
Rural Power	-	-	-	16,730,893	16,730,893	-
Water/Waste Water	-	-	-	1,778,048	1,778,048	-
Agricultural Export Finance	-	-	-	5,283,839	5,283,839	-
Rural Residential Real Estate	6,856	1,377	8,233	842,857	851,090	723
Lease Receivables	41,406	7,591	48,997	3,713,481	3,762,478	670
Other	79	-	79	131,497	131,576	-
Total	$ 170,803	$ 164,056	$ 334,859	$ 109,730,005	$ 110,064,864	$ 8,058

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled $131.4 million at December 31, 2019.

Although aggregated in the District's combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at December 31, 2019 totaled $985.6 million compared to $930.8 million at December 31, 2018. Changes in the allowance included an overall provision for loan losses of $92.6 million, which is described on page 3, net charge-offs of $24.1 million, and a $12.2 million net transfer to the reserve for unfunded commitments.

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

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
December 31, 2019											
Allowance for Loan Losses:											
Beginning Balance	$ 126,347	$ -	$ 174,805	$ 369,193	$ 55,768	$ 119,415	$ 13,657	$ 18,441	$ 3,032	$ 50,113	$ 930,771
Charge-offs	(743)	-	(13,399)	(4,974)	-	(7,500)	-	-	(1)	(4,031)	(30,648)
Recoveries	1,047	-	2,152	1,486	315	300	-	102	17	1,123	6,542
Provision for Loan Losses/										-	
(Loan Loss Reversal)	4,340	-	42,229	33,440	(16,131)	20,331	1,214	2,575	(610)	5,192	92,580
Transfers from (to) Reserve for										-	
Unfunded Commitments	(3,000)	-	(1,782)	(10,897)	292	2,777	297	118	-	(5)	(12,200)
Association Combination Impact, Net	(919)	-	(481)	-	-	-	-	-	-	-	(1,400)
Ending Balance	$ 127,072	$ -	$ 203,524	$ 388,248	$ 40,244	$ 135,323	$ 15,168	$ 21,236	$ 2,438	$ 52,392	$ 985,645
Allowance for Credit Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 1,120	$ -	$ 13,031	$ 56,783	$ -	$ 14,497	$ -	$ -	$ -	$ 3,899	$ 89,330
Collectively Evaluated for Impairment	125,952	-	190,492	331,465	40,244	120,826	15,168	21,237	2,438	48,493	896,315
Total	$ 127,072	$ -	$ 203,523	$ 388,248	$ 40,244	$ 135,323	$ 15,168	$ 21,237	$ 2,438	$ 52,392	$ 985,645
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 294,727	$ 4,946,231	$ 176,472	$ 231,450	$ 313	$ 19,615	$ 12	$ 124	$ 4,885	$ 136,548	$ 5,810,377
Collectively Evaluated for Impairment	36,155,216	-	17,886,060	27,134,951	4,470,579	16,501,908	1,965,823	6,232,181	677,222	3,981,096	115,005,036
Total	$ 36,449,943	$ 4,946,231	$ 18,062,532	$ 27,366,401	$ 4,470,892	$ 16,521,523	$ 1,965,835	$ 6,232,305	$ 682,107	$ 4,117,644	$ 120,815,413

District Financial Information
CoBank, ACB and Affiliated Associations

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
December 31, 2018											
Allowance for Loan Losses:											
Beginning Balance	$ 127,851	$ -	$ 170,997	$ 343,003	$ 50,189	$ 112,042	$ 11,606	$ 16,403	$ 3,673	$ 48,263	$ 884,027
Charge-offs	(6,109)	-	(14,218)	(28,046)	-	(2,135)	-	-	(50)	(7,431)	(57,989)
Recoveries	1,955	-	3,391	1,598	52	201	-	117	136	368	7,818
Provision for Loan Losses/ (Loan Loss Reversal)	601	-	14,011	48,400	4,966	3,663	1,416	1,924	(727)	8,911	83,165
Transfers from (to) Reserve for Unfunded Commitments	2,049	-	624	4,238	561	5,644	635	(3)	-	2	13,750
Association Merger Impact	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	$ 126,347	$ -	$ 174,805	$ 369,193	$ 55,768	$ 119,415	$ 13,657	$ 18,441	$ 3,032	$ 50,113	$ 930,771
Allowance for Credit Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 1,866	$ -	$ 18,240	$ 67,399	$ 4,700	$ 18,097	$ -	$ -	$ 11	$ 3,484	$ 113,797
Collectively Evaluated for Impairment	124,481	-	156,565	301,794	51,068	101,318	13,657	18,441	3,021	46,629	816,974
Total	$ 126,347	$ -	$ 174,805	$ 369,193	$ 55,768	$ 119,415	$ 13,657	$ 18,441	$ 3,032	$ 50,113	$ 930,771
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 259,998	$ 4,944,255	$ 158,061	$ 323,143	$ 9,917	$ 28,981	$ 15	$ 162	$ 6,479	$ 146,703	$ 5,877,714
Collectively Evaluated for Impairment	34,278,571	-	16,217,780	25,883,173	3,947,701	17,029,920	2,043,538	6,164,626	763,089	3,740,767	110,069,165
Total	$ 34,538,569	$ 4,944,255	$ 16,375,841	$ 26,206,316	$ 3,957,618	$ 17,058,901	$ 2,043,553	$ 6,164,788	$ 769,568	$ 3,887,470	$ 115,946,879

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
December 31, 2017											
Allowance for Loan Losses:											
Beginning Balance	$ 125,268	$ -	$ 156,333	$ 336,588	$ 40,564	$ 124,026	$ 11,724	$ 14,216	$ 4,497	$ 42,103	$ 855,319
Charge-offs	(2,594)	-	(8,957)	(35,117)	-	-	-	-	(220)	(2,258)	(49,146)
Recoveries	610	-	3,105	905	45	308	-	420	35	512	5,940
Provision for Loan Losses/ (Loan Loss Reversal)	8,322	-	21,391		8,778	(13,017)	(196)	1,681	(637)	7,906	69,021
Transfers from (to) Reserve for Unfunded Commitments	(2,511)	-	896	6,117	827	810	82	94	-	-	6,315
Association Merger Impact	(1,244)	-	(1,771)	(283)	(25)	(85)	(4)	(8)	(2)	-	(3,422)
Ending Balance	$ 127,851	$ -	$ 170,997	$ 343,003	$ 50,189	$ 112,042	$ 11,606	$ 16,403	$ 3,673	$ 48,263	$ 884,027
Allowance for Credit Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 14,921	$ -	$ 20,529	$ 26,745	$ 4,700	$ 3,600	$ -	$ 1,000	$ 70	$ 3,793	$ 75,358
Collectively Evaluated for Impairment	112,930	-	150,468	316,258	45,489	108,442	11,606	15,403	3,603	44,470	808,669
Total	$ 127,851	$ -	$ 170,997	$ 343,003	$ 50,189	$ 112,042	$ 11,606	$ 16,403	$ 3,673	$ 48,263	$ 884,027
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 320,317	$ 4,867,557	$ 147,022	$ 156,704	$ 11,177	$ 23,643	$ 20	$ 4,303	$ 4,485	$ 136,358	$ 5,671,586
Collectively Evaluated for Impairment	32,383,332	-	15,272,588	24,280,407	4,087,836	16,707,250	1,778,028	5,279,536	846,605	3,757,696	104,393,278
Total	$ 32,703,649	$ 4,867,557	$ 15,419,610	$ 24,437,111	$ 4,099,013	$ 16,730,893	$ 1,778,048	$ 5,283,839	$ 851,090	$ 3,894,054	$ 110,064,864

Investment Portfolio

As the funding bank for the District, CoBank is responsible for meeting the District's funding and liquidity needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the District also maintains a secondary source of liquidity through a high credit quality investment portfolio and other short-term liquid assets which are primarily held at the Bank. All of CoBank's investment securities are classified as "available for sale". Refer to the Annual Report for additional description of the types of investments held by the Bank and related yield information and maturities.

Associations have regulatory authority to enter into certain investments that carry an explicit government guarantee and certain other securities. As of December 31, 2019, Association investments included U.S. Treasury debt securities classified as "available-for-sale" and mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) classified as "held to maturity". As of December 31, 2018 and 2017, Association investments included Farmer Mac mortgage-backed securities only and were classified as "held to maturity".

($ in Millions)

Investment Information

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
CoBank Investments	**$ 32,159**	**$ 318**	**$ (51)**	**$ 32,426**
Association Investments	**25**	**-**	**-**	**25**
Total	**$ 32,184**	**$ 318**	**$ (51)**	**$ 32,451**
December 31, 2018				
CoBank Investments	$ 31,594	$ 35	$ (337)	$ 31,292
Association Investments	14	-	-	14
Total	$ 31,608	$ 35	$ (337)	$ 31,306
December 31, 2017				
CoBank Investments	$ 27,024	$ 76	$ (230)	$ 26,870
Association Investments	110	1	-	111
Total	$ 27,134	$ 77	$ (230)	$ 26,981

District Capital Resources

Combined District shareholders' equity at December 31, 2019 totaled $21.0 billion, a net increase of $1.5 billion as compared to $19.5 billion at December 31, 2018. The increase primarily resulted from District net income of $2.105 billion, a decrease in accumulated other comprehensive loss of $391.9 million and an increase in common stock of $74.3 million. These factors were partially offset by accrued patronage of $989.1 million and preferred stock dividends of $99.5 million.

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

($ in Thousands)

Accumulated Other Comprehensive Loss

December 31,	2019	2018	2017
Unrealized Gains (Losses) on Investment Securities	**$ 232,924**	$ (271,242)	$ (121,149)
Net Pension Adjustment	**(423,024)**	(348,563)	(351,097)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	**(63,443)**	(25,614)	(49,981)
Accumulated Other Comprehensive Loss	**$ (253,543)**	$ (645,419)	$ (522,227)

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

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

Regulatory Capital Requirements and Ratios

December 31,				2019		2018		2017	
Ratio	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer*	CoBank	District Associations	CoBank	District Associations	Bank	District Associations
Risk Adjusted:									
Common equity tier 1 (CET1) capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)(1)	4.5%	7.0%	**12.70%**	**13.40 - 25.89%**	12.38%	14.00 - 28.58%	11.67%	13.33 - 29.45%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	**14.83%**	**13.40 - 25.89%**	14.57%	14.00 - 28.58%	13.97%	13.33 - 29.45%
Total capital ratio	Tier 1 Capital, allowance for loan losses(2), common cooperative equities(3) and term preferred stock and subordinated debt(4)	8.0%	10.5%	**15.86%**	**13.60 - 26.42%**	15.58%	14.38 - 29.84%	15.24%	13.95 - 30.70%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	**14.95%**	**13.91 - 26.06%**	14.69%	14.14 - 32.30%	14.29%	14.30 - 33.32%
Non-risk adjusted:									
Tier 1 leverage ratio**	Tier 1 Capital	4.0%	5.0%	**7.51%**	**14.49 - 24.57%**	7.53%	14.51 - 27.47%	7.26%	14.37 - 27.50%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	**3.24%**	**15.67 - 26.40%**	3.19%	16.64 - 27.09%	2.96%	15.99 - 27.10%

* The capital conservation buffer was phased in over three years, and reached its full value of 2.5 percent at December 31, 2019.

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

(1) Equities outstanding 7 or more years

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

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

(4) Debt and equities outstanding 5 or more years

As depicted in the table above, at December 31, 2019, 2018, and 2017, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios and any required buffers. Although aggregated in the District's condensed financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations. CoBank has no direct access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Employee Benefit Plans

CoBank and each of its affiliated Associations have employer-funded qualified defined benefit pension plans all of which are closed to new participants.

CoBank, Farm Credit East, ACA and Yankee Farm Credit, ACA have a noncontributory plan which covers CoBank and Farm Credit East, ACA employees hired prior to January 1, 2007 and Yankee Farm Credit, ACA employees hired prior to October 1, 1997. This multiemployer plan is referred to as the CoBank Defined Benefit Pension Plan. Depending on the date of hire, benefits are determined either by a formula based on years of service and final average pay, or by the accumulation of a cash balance with interest credits and contribution credits based on years of service and eligible compensation.

CoBank also has noncontributory, unfunded nonqualified supplemental executive retirement plans (SERPs) covering certain senior officers and specified other senior managers. In addition, CoBank has a noncontributory, unfunded nonqualified executive retirement plan (ERP) covering certain former senior officers. CoBank holds assets in trust accounts related to the SERPs and ERP; however, such funds remain Bank assets and are not included as plan assets in the accompanying disclosures.

CoBank, Farm Credit East, ACA and Yankee Farm Credit, ACA also provide eligible retirees with other postretirement benefits (OPEB), which primarily include access to health care benefits. This multiemployer plan is collectively referred to as the CoBank OPEB. Most participants pay the full premiums associated with these postretirement health care benefits. Premiums are adjusted annually.

Certain of CoBank's affiliated Associations participate in defined benefit pension plans of former districts of U.S. AgBank, FCB (AgBank). The Ninth Farm Credit District Pension Plan (Ninth Retirement Plan) is a defined benefit pension plan covering eligible employees of the former AgBank, AgVantis, Inc. and Associations in the former Ninth Farm Credit District (Ninth District Associations). The Ninth Retirement Plan is classified as a single-employer plan from a legal and tax perspective. It is noncontributory and is based on compensation and years of service. It was closed to new employees on January 1, 2007. All participants are subject to the same benefits under the same determinations and there are no carve-outs for any individual/Association employer. The Ninth District Associations also participate in an unfunded OPEB Plan where all the employers are jointly and severally liable. Certain Ninth District Associations participate in a Pension Restoration Plan (non-qualified pension plan) with unfunded liabilities that are legally attributed and unique to a specific entity.

The Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Retirement Plan) is a defined benefit pension plan covering eligible employees of the former Western Farm Credit Bank and the Production Credit Associations, Federal Land Credit Associations, and Associations of the former Eleventh Farm Credit District (Eleventh District Associations). The Eleventh Retirement Plan is also classified as a single-employer plan from a legal and tax perspective. It is noncontributory and is based on compensation and years of service. It was closed to new employees on December 31, 1997. Similar to the Ninth Retirement Plan, all participants are subject to the same benefits under the same determinations and there are no carve outs for any individual/Association employer. There is also an OPEB Plan for the Eleventh District Associations where all employers are jointly and severally liable. Certain Eleventh District Associations participate in a Pension Restoration Plan (non-qualified pension plan) with unfunded liabilities that are legally attributed and unique to a specific entity.

The Northwest Farm Credit Foundations Retirement Plan (Northwest Retirement Plan) is a noncontributory defined benefit pension plan covering eligible employees of the former Farm Credit Bank of Spokane and Northwest Farm Credit Services, ACA. Employees eligible to participate in the Northwest Retirement Plan are those employees who had completed five years of service or attained age 45 as of January 1, 1995, and who elected not to participate in the money purchase component of the AgAmerica District Savings Plan. The Northwest Retirement Plan was closed to new employees on January 1, 1995. Certain Northwest Farm Credit Services, ACA employees participate in a Pension Restoration Plan (non-qualified pension plan) with unfunded liabilities.

The following table provides a summary of the changes in the plans' benefit obligations and fair values of assets over the three-year period ended December 31, 2019, as well as a statement of funded status as of December 31 of each year.

($ in Thousands)

Retirement Plans

	CoBank[1]	Eleventh[2]	Ninth[2]	Northwest[2]	Total
December 31, 2019					
Projected benefit obligation	**$ 589,131**	**$ 321,203**	**$ 357,437**	**$ 87,156**	**$ 1,354,927**
Fair value of plan assets	**489,358**	**228,392**	**252,510**	**76,941**	**1,047,201**
Unfunded status	**(99,773)**	**(92,811)**	**(104,927)**	**(10,215)**	**(307,726)**
Accumulated benefit obligation	**$ 543,751**	**$ 309,735**	**$ 327,139**	**$ 86,408**	**$ 1,267,033**
Assumptions used to determine benefit obligations:					
Discount rate	**3.29%**	**3.21%**	**3.27%**	**3.11%**	
Rate of compensation increase	**3.60%**	**3.50 - 5.50%**	**3.50 - 5.50%**	**3.50%**	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	**5.94%**	**6.00%**	**6.25%**	**5.25%**	
December 31, 2018					
Projected benefit obligation	$ 510,570	$ 275,913	$ 293,898	$ 79,245	$ 1,159,626
Fair value of plan assets	441,294	192,013	204,893	70,297	908,497
Unfunded status	(69,276)	(83,900)	(89,005)	(8,948)	(251,129)
Accumulated benefit obligation	$ 473,732	$ 259,293	$ 260,254	$ 78,344	$ 1,071,623
Assumptions used to determine benefit obligations:					
Discount rate	4.45%	4.35%	4.40%	4.26%	
Rate of compensation increase	3.60%	5.50%	5.00%	4.50%	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	6.00%	6.75%	6.75%	6.75%	
December 31, 2017					
Projected benefit obligation	$ 540,271	$ 298,124	$ 311,173	$ 87,094	$ 1,236,662
Fair value of plan assets	456,795	200,691	208,016	77,071	942,573
Unfunded status	(83,476)	(97,433)	(103,157)	(10,023)	(294,089)
Accumulated benefit obligation	$ 496,088	$ 273,896	$ 267,499	$ 85,601	$ 1,123,084
Assumptions used to determine benefit obligations:					
Discount rate	3.75%	3.68%	3.72%	3.59%	
Rate of compensation increase	3.60%	5.50%	5.00%	4.50%	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	6.00%	6.75%	6.75%	6.75%	

(1) Includes the multiemployer-funded qualified CoBank and Farm Credit Leasing Defined Benefit Pension Plans and unfunded nonqualified CoBank SERPs and ERP.

(2) Includes the respective funded qualified Defined Benefit Pension Plan and corresponding unfunded nonqualified Pension Restoration Plan.

($ in Thousands)

Other Postretirement Benefits

	CoBank	Eleventh	Ninth	Northwest[(1)]	Total
December 31, 2019					
Projected benefit obligation	**$ 2,702**	**$ 3,365**	**$ 1,383**	**$ -**	**$ 7,450**
Fair value of plan assets	**-**	**-**	**-**	**-**	**-**
Unfunded status	**(2,702)**	**(3,365)**	**(1,383)**	**-**	**(7,450)**
Assumptions used to determine benefit obligations:					
Discount rate	**3.30%**	**3.31%**	**2.81%**	**-**	
December 31, 2018					
Projected benefit obligation	$ 3,568	$ 3,239	$ 1,382	$ -	$ 8,189
Fair value of plan assets	-	-	-	-	-
Unfunded status	(3,568)	(3,239)	(1,382)	-	(8,189)
Assumptions used to determine benefit obligations:					
Discount rate	4.45%	4.43%	4.02%	-	
December 31, 2017					
Projected benefit obligation	$ 3,853	$ 3,172	$ 1,621	$ -	$ 8,646
Fair value of plan assets	-	-	-	-	-
Unfunded status	(3,853)	(3,172)	(1,621)	-	(8,646)
Assumptions used to determine benefit obligations:					
Discount rate	3.75%	3.73%	3.36%	-	

(1) Northwest Farm Credit Services, ACA does not have an OPEB plan.

Association Mergers, Combinations and Other Matters

Litigation

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

Association Mergers and Combinations

Effective January 1, 2017, two of our affiliated Associations, Farm Credit of Southwest Kansas, ACA, and American AgCredit, ACA, merged and are doing business as American AgCredit, ACA.

Effective October 1, 2017, one of our affiliated Associations, Farm Credit of Ness City, FLCA (Ness City), merged into another of our affiliated Associations, High Plains Farm Credit, ACA (High Plains).

Effective July 1, 2019, the net assets of Farm Credit Services of Hawaii, ACA were sold to American AgCredit, ACA pursuant to an Agreement and Plan of Combination.

Future of LIBOR

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

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

The following table presents the District LIBOR-indexed financial instruments by contractual maturity.

LIBOR-Indexed Financial Instruments at December 31, 2019 ($ in Millions)

	Due in 2020	Due in 2021	Due in 2022 and After	Total
Commercial Loans [(1)]	$ 16,451	$ 5,115	$ 23,727	$ 45,293
Investment Securities	-	245	4,174	4,419
Debt	29,930	18,970	1,846	50,746
Derivatives (Notional Amounts)	5,451	6,869	26,014	38,334
Preferred Stock [(2)]	-	-	1,300	1,300

(1) Represents District combined loans after elimination of the direct note between CoBank and its Affiliated associations.

(2) Represents CoBank's non-cumulative perpetual preferred stock with a fixed-to-floating rate dividend feature indexed to 3-month USD LIBOR, and does not have a contractual maturity date. Includes $225 million of CoBank preferred stock that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of December 31, 2019. Dividends on an additional $400 million, $300 million and $375 million of CoBank preferred stock convert from a fixed rate to 3-month USD LIBOR plus a spread in 2022, 2025, and 2026, respectively. There is no Association preferred stock indexed to LIBOR.

In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR and the Federal Reserve Bank of New York began publishing SOFR in April of 2018. As of December 31, 2019, CoBank had $150 million in SOFR-indexed investment securities and $200 million in SOFR-indexed debt.

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

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

On September 5, 2019, the Financial Accounting Standards Board issued a proposed accounting standards update (ASU), "Reference Rate Reform (Topic 848)", to ease the potential burden in recognizing the effects of the LIBOR transition in accounting and financial reporting. The proposal would simplify the accounting evaluation of a contract modification and allow for that modification to be considered a continuation of the contract for accounting purposes. This accounting relief could be applied to loans, investments, debt, derivatives or any other type of contracts affected by the LIBOR transition. With respect to hedge accounting, the proposal would also simplify the assessment of hedge effectiveness and allow hedging relationships affected by reference rate reform to continue, as opposed to de-designated or terminated. The proposed accounting relief for the LIBOR transition could be applied up until January 1, 2023. The public comment period on this proposed ASU ended on October 7, 2019.

System institutions in the District continue to analyze potential risks associated with the LIBOR transition, including financial, market, accounting, operational, legal, tax, reputational and compliance risks. At this time, it is not known whether LIBOR will cease to be available or if the SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Because System institutions in the District routinely engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on those institutions, their borrowers, investors, customers and counterparties.

Other Regulatory Matters

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

District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets
(unaudited)

($ in Thousands)

As of December 31,	2019	2018	2017
Assets			
Total Loans	**$ 119,995,001**	$ 115,149,430	$ 109,377,684
Less: Allowance for Loan Losses	**985,645**	930,771	884,027
Net Loans	**119,009,356**	114,218,659	108,493,657
Cash and Cash Equivalents	**1,217,737**	1,654,814	1,548,892
Federal Funds Sold and Other Overnight Funds	**1,810,000**	1,300,000	1,035,000
Investment Securities	**32,451,412**	31,305,903	26,980,570
Interest Rate Swaps and Other Financial Instruments	**379,833**	243,233	171,148
Accrued Interest Receivable and Other Assets	**2,323,504**	1,881,332	2,005,534
Total Assets	**$ 157,191,842**	$ 150,603,941	$ 140,234,801
Liabilities			
Bonds and Notes	**$ 133,101,632**	$ 128,504,636	$ 119,386,740
Interest Rate Swaps and Other Financial Instruments	**247,003**	152,206	86,732
Reserve for Unfunded Commitments	**131,437**	120,837	134,587
Accrued Interest Payable and Other Liabilities	**2,712,960**	2,313,540	2,194,668
Total Liabilities	**136,193,032**	131,091,219	121,802,727
Shareholders' Equity			
Preferred Stock Issued by Bank	**1,500,000**	1,500,000	1,500,000
Preferred Stock Issued by Associations	**501,587**	511,747	532,649
Common Stock	**1,701,655**	1,627,379	1,541,275
Paid In Capital	**1,346,166**	1,319,232	1,319,232
Unallocated Retained Earnings	**16,202,945**	15,199,783	14,061,145
Accumulated Other Comprehensive Loss	**(253,543)**	(645,419)	(522,227)
Total Shareholders' Equity	**20,998,810**	19,512,722	18,432,074
Total Liabilities and Shareholders' Equity	**$ 157,191,842**	$ 150,603,941	$ 140,234,801

District Financial Information

CoBank, ACB and Affiliated Associations

Condensed Combined Statements of Income

(unaudited)

($ in Thousands)

Year Ended December 31,	2019	2018	2017
Interest Income			
Loans	**$ 5,387,718**	$ 4,921,954	$ 4,074,363
Investment Securities, Federal Funds Sold and Other Overnight Funds	**781,427**	687,141	543,983
Total Interest Income	**6,169,145**	5,609,095	4,618,346
Interest Expense	**3,080,588**	2,610,150	1,751,560
Net Interest Income	**3,088,557**	2,998,945	2,866,786
Provision for Loan Losses	**92,580**	83,165	69,021
Net Interest Income After Provision for Loan Losses	**2,995,977**	2,915,780	2,797,765
Noninterest Income			
Net Fee Income	**143,606**	142,912	143,221
Patronage Income	**98,543**	76,685	63,695
Prepayment Income	**15,942**	17,201	18,877
Losses on Early Extinguishment of Debt	**(16,619)**	(15,021)	(42,089)
Gains on Sale of Investment Securities	**892**	49,074	9,387
Return of Excess Insurance Funds	**27,004**	69,504	-
Other, Net	**111,299**	103,083	98,360
Total Noninterest Income	**380,667**	443,438	291,451
Operating Expenses			
Employee Compensation	**670,703**	623,745	605,572
General and Administrative	**84,413**	79,715	75,951
Information Services	**91,009**	81,053	73,470
Insurance Fund Premium	**92,169**	88,673	141,633
Farm Credit System Related	**32,915**	31,182	31,078
Occupancy and Equipment	**75,615**	73,884	67,153
Purchased Services	**87,003**	67,984	61,923
Other	**66,691**	62,465	45,796
Total Operating Expenses	**1,200,518**	1,108,701	1,102,576
Income Before Income Taxes	**2,176,126**	2,250,517	1,986,640
Provision for Income Taxes	**70,872**	103,505	18,193
Net Income	**$ 2,105,254**	$ 2,147,012	$ 1,968,447

District Financial Information

CoBank, ACB and Affiliated Associations

Select Information on District Associations

($ in Thousands)

As of December 31, 2019	Wholesale Loans	% of Wholesale Loans	Total Assets	Total Regulatory Capital	Total Regulatory Capital Ratio	Non-performing Loans as a % of Total Loans	Return on Average Assets
American AgCredit, ACA	$ 10,073,496	20.41 %	$ 12,663,422	$ 1,732,018	13.60 %	0.51 %	1.75 %
Northwest Farm Credit Services, ACA	9,621,514	19.49	12,773,847	2,370,904	18.60	0.66	2.41
Farm Credit West, ACA	8,425,528	17.07	11,239,626	1,663,668	15.00	1.23	2.40
Farm Credit East, ACA	6,036,822	12.23	7,749,606	1,430,247	18.63	0.60	2.50
Yosemite Farm Credit, ACA	2,742,483	5.56	3,383,879	462,133	14.17	0.84	1.98
Frontier Farm Credit, ACA	1,657,976	3.36	2,173,512	418,435	18.95	0.75	2.18
Farm Credit of New Mexico, ACA	1,506,805	3.05	1,960,950	379,308	21.82	2.17	1.63
Golden State Farm Credit, ACA	1,381,204	2.80	1,760,589	277,945	15.60	0.25	1.90
Oklahoma AgCredit, ACA	1,177,945	2.39	1,484,739	248,439	17.30	0.64	1.71
High Plains Farm Credit, ACA	1,047,349	2.12	1,341,989	206,744	16.28	0.40	2.13
Fresno-Madera Farm Credit, ACA	949,759	1.92	1,305,936	246,166	17.35	1.16	1.82
Western AgCredit, ACA	910,024	1.84	1,165,432	195,005	16.35	1.57	2.33
Farm Credit of Southern Colorado, ACA	823,615	1.67	1,108,100	229,022	20.70	1.14	1.30
Farm Credit Western Oklahoma, ACA	754,430	1.53	940,840	142,772	17.23	0.12	1.35
Premier Farm Credit, ACA	569,628	1.15	762,550	151,333	19.45	0.12	1.98
Yankee Farm Credit, ACA	449,522	0.91	579,864	99,009	19.53	1.20	2.36
Farm Credit Services of Colusa-Glenn, ACA	343,907	0.70	487,949	105,537	20.27	- (1)	2.15
Farm Credit of Western Kansas, ACA	288,053	0.58	396,324	86,134	22.51	0.29	2.02
Idaho AgCredit, ACA	235,672	0.48	305,272	51,077	18.02	0.76	1.61
AgPreference, ACA	198,687	0.40	255,846	44,922	22.38	0.87	0.95
Farm Credit of Enid, ACA	167,933	0.34	233,702	57,067	26.42	1.29	1.18

(1) Represents less than 0.01 percent

Association Information

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

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

Farm Credit East, ACA
240 South Road
Enfield, CT 06082
860-741-4380
www.farmcrediteast.com

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

Farm Credit of New Mexico, ACA
5651 Balloon Fiesta Parkway NE
Albuquerque, NM 87113
505-884-1048
www.farmcreditnm.com

Farm Credit of Southern Colorado, ACA
5110 Edison Avenue
Colorado Springs, CO 80915
719-570-1087
www.aglending.com

Farm Credit of Western Kansas, ACA
1190 S Range Avenue
Colby, KS 67701-3503
785-462-6714
www.fcwk.com

Farm Credit of Western Oklahoma, ACA
3302 Williams Avenue
Woodward, OK 73801
580-256-3465
www.fcwestok.com

Farm Credit Services of Colusa-Glenn, ACA
605 Jay Street
Colusa, CA 95932
530-458-4978
www.fcscolusaglenn.com

Farm Credit West, ACA
3755 Atherton Road
Rocklin, CA 95765
916-780-1166
www.farmcreditwest.com

Fresno-Madera Farm Credit, ACA
4635 West Spruce Avenue
Fresno, CA 93794-3069
559-277-7000
www.fmfarmcredit.com

Frontier Farm Credit, ACA
5015 South 118 Street
Omaha, NE 68137
785-776-7144
www.frontierfarmcredit.com

Golden State Farm Credit, ACA
1580 Ellis Street
Kingsburg, CA 93631
530-895-8698
www.gsfarmcredit.com

High Plains Farm Credit, ACA
605 Main Street
Larned, KS 67550-0067
620-285-6978
www.highplainsfarmcredit.com

District Financial Information
CoBank, ACB and Affiliated Associations

Idaho AgCredit, ACA
188 West Judicial Street
Blackfoot, ID 83221-0985
208-785-1510
www.idahoagcredit.com

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

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

Premier Farm Credit, ACA
202 Poplar Street
Sterling, CO 80751-1785
970-522-5295
www.premieraca.com

Western AgCredit, ACA
10980 South Jordan Gateway
South Jordan, UT 84095-0850
801-571-9200
www.westernagcredit.com

Yankee Farm Credit, ACA
289 Hurricane Lane Suite #202
Williston, VT 05495-0467
802-879-4700
www.yankeefarmcredit.com

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

COBANK

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