AGRIBANK 2020 QUARTERLY REPORT
SEPTEMBER 30, 2020

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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 2019 Annual Report.

AgriBank is part of the customer-owned, nationwide Farm Credit 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. AgriBank and those Associations comprise the AgriBank District. 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 2019 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.

COVID-19 Pandemic

The spread of COVID-19 has created a global public-health crisis that has adversely impacted the worldwide economy, temporarily decreased liquidity in fixed income markets in March and April, significantly increased unemployment levels, and disrupted global supply and demand chains. Although production agriculture has fared better than expected during the third quarter of 2020 in part due to government ad-hoc support programs, uncertainties about the pace of economic recovery remain as COVID-19 cases continue to rise.

When the significance of the COVID-19 situation became apparent, AgriBank and District Associations implemented our respective Business Continuity Plans (BCP). In March and April, operations transitioned to alternative work environments. Beginning in June, operations at certain Associations began transitioning back to in-office on a location-by-location basis in accordance with each entity's Business Continuity Plan. At their discretion, a very limited number of AgriBank employees were able to return to the office in October with permission from senior leaders and agreed-upon safety protocols. The timing of the ultimate transition back to the AgriBank offices for the remaining staff is dependent on established metrics monitored by the BCP team and will be done in a manner designed to minimize risk to employees and the operations of our business functions. To date, the transition to alternative work environments has occurred without significant issues. Collectively, our business continuity responses have allowed us to continue to serve our mission. The remote work environment has maintained the health of our employees and allowed uninterrupted business functions. We are supporting District Associations as they continue to work with farmer-borrowers to offer appropriate solutions to meet their liquidity needs, which may include loan modifications for those borrowers impacted by the COVID-19 pandemic. We have not had any significant changes to our internal controls over financial reporting due to working remotely.

The overall impact of the COVID-19 pandemic on U.S. agriculture will depend on the severity and duration of the outbreak, the continued response by federal and local governments, and levels of commodity prices, among many other factors. To date, the global pandemic has not resulted in a material adverse financial impact to the AgriBank or District Combined Financial Statements. The extent to which the pandemic ultimately impacts our business, results of operations and financial condition, including regulatory capital and liquidity ratios and other regulatory requirements, will depend on future developments that are highly uncertain and cannot be predicted. Overall, agriculture will adjust, providing an “essential service” to the U.S. and global consumer.

Additional information regarding the impact of the COVID-19 pandemic in relation to our economic conditions, loan portfolio funding and liquidity can be found in the following sections.

Financial Overview

Net income increased $126.8 million, or 28.0 percent, to $579.7 million for the nine months ended September 30, 2020, compared to the same period of the prior year. The increase in net income was primarily due to increased non-interest income and, to a lesser extent, increased net interest income. The increase in non-interest income was mainly attributable to increased fees resulting from refinancing activity at District Associations. Net interest income increased due to higher total loan volume, including an increase in the retail loan portfolio, which yields higher spreads, compared to the prior year.

The return on assets (ROA) ratio of 64 basis points year-to-date is above our 50 basis point target. We expect this elevated ROA level to decrease through December 2020; however, we do expect our full-year results to exceed our target ROA.

Loan portfolio credit quality remained strong with 99.1 percent of our total loan portfolio in the acceptable category and reflects the overall financial strength of District Associations and their underlying portfolios of retail loans. Credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) increased to 92.7 percent acceptable as of September 30, 2020, compared to 90.1 percent acceptable at December 31, 2019. The improvement in acceptable percentage is primarily the result of the purchase of approximately $2.3 billion of loans from certain District Associations, largely categorized in the real estate sector. While credit quality is currently strong, negative economic trends could impact borrowers and may result in changes to credit quality in our loan portfolio. See the Loan Portfolio section below for additional discussion about how the COVID-19 pandemic and other factors may impact our loan portfolio performance.

Strong capital levels ensure we are well-positioned to manage the cyclical characteristic of the agricultural market, as well as the challenges and uncertainty of the overall economic environment. 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 slow for 2020 due to the impacts of the COVID-19 pandemic. U.S. GDP is forecasted to contract 4.0 percent in 2020, as both consumer and investment spending decline. We expect consumer spending will decline due to an increase in the unemployment rate caused by widespread layoffs, especially in the service sector, while investment spending will decline as businesses conserve cash to withstand the economic contraction. In addition, overall exports are expected to decline as the global economy contracts and trade slows.

In reaction to the impacts of the global pandemic, the Federal Open Market Committee (FOMC) of the Federal Reserve has lowered the federal funds rate by 150 basis points in 2020 to achieve a target range of zero to 0.25 percent. The Federal Reserve has also announced an unprecedented monetary stimulus package, including an open-ended commitment to purchase assets under its quantitative easing measures. The Federal Reserve has lowered some regulatory standards to ease liquidity strains on financial institutions. The actions taken by the Federal Reserve are intended to provide support for critical market functioning and to add liquidity to debt markets. These actions also help support the flow of credit to employers, consumers, businesses and municipalities. Refer to the Funding, Liquidity and Shareholders' Equity section for additional information about our access to funding.

Comments from FOMC members suggest that the FOMC will maintain an accommodative policy until it becomes clear that the U.S. economy has fully recovered from the impacts of the pandemic. With the lowering of the federal funds rate in 2020, the U.S. Treasury yield curve has shifted lower. Economists expect U.S. Treasury bond yields to remain low through the end of 2020 with the two-year and 10-year rates at approximately 0.20 and 0.75 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 2019 Annual Report).

Agricultural Conditions

Overview
The U.S. agricultural condition outlook remains uncertain due to the COVID-19 pandemic; however, the outlook has improved dramatically from earlier in the year. The September 2, 2020 U.S. Department of Agriculture's Economic Research Service (USDA-ERS) Farm Income and Wealth Statistics forecast update calls for net farm income to increase in 2020 for the fourth consecutive year to $102.7 billion, up $19.0 billion, or 22.7 percent, compared to 2019. If realized, the 2020 forecast would mark the highest net farm income level since 2013 in nominal terms, and would surpass the 20-year average inflation-adjusted net farm income level by $12.5 billion, or 13.8 percent. Most of the increase in the 2020 net farm income forecast is expected to come from a substantial rise in direct government payments, which are forecast to increase $14.7 billion, or 65.7 percent, to $37.2 billion, an inflation-adjusted record high. Increases in the value of crop production are forecast to offset the decline in the value of animals and animal product production. Production expenses are forecast to decline $1.5 billion, or 0.7 percent, in 2020. A rebound of planted acreage is expected to support an increase in fertilizer expenses, while fuel, livestock and poultry purchases are forecast to be lower due to price pressure from the pandemic.

The U.S. farm balance sheet forecast indicates a fractional increase in sector equity in nominal terms for 2020. Aggregate farm sector equity for year-end 2020 is forecast at $2.7 trillion, a modest $18.5 billion increase, 0.7

percent, from 2019. Most of the increase in 2020 asset values is expected to come from higher valuations on farm real estate and buildings along with a modest increase in farm financial assets. Farm sector debt is forecast to increase by $15.2 billion, driven by increases in real estate debt. On a real-dollar basis (inflation-adjusted), farm sector equity is forecast to decline in 2020 for the third-consecutive year and fall for the fifth time in the past six years. However, with the 2020 farm sector debt-to-asset ratio forecast near 14.0 percent, it would still be well below the 22.2 percent 1985 peak, as land values remain steady.

USDA is projecting an increase of corn and soybean production in 2020 following the abnormally wet 2019 planting and growing seasons, that reduced production. The COVID-19 pandemic sent crop prices lower early in 2020; however, some recovery in the economy, crop production issues in China, increasing export sales, the smaller than expected 2020/2021 beginning stocks, and a lower South American production prospect due to La Niña conditions have supported a rise in U.S. corn and soybean prices in late summer and early fall. These supportive factors have significantly raised USDA crop price forecasts since August. The higher price expectation along with strong government direct payments in 2020 should support favorable returns for many crop operations.

The animal agriculture sector continues to face many challenges; however, animal and animal product prices have largely recovered as processing rates improved, and with customers' embrace of drive-thru, curbside and food delivery services for restaurants. Government COVID-19 mitigation payments and the food box purchase program have also eased the pandemic's impact on producers. USDA expects mixed, but generally steady to higher, animal and animal protein prices in 2021; however, rising feed costs and declining direct government payments to the sector could challenge margins for many producers.

In addition to elevated direct government payments, producers have been adjusting to the normalization of crop prices near the long-term price trends in recent years. 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. Those who have been most effectively able to realize cost and marketing efficiencies and preserve working capital are most likely to weather the shifting economic environment.

Industry Conditions

We assess the outlook for commodities with the largest concentrations in our Districtwide portfolio. These outlooks are for the industry in general, and individual producers may perform better or worse than the industry as a whole.

The global reach of COVID-19 has had widespread consequences for all commodities. Outlook ratings for all commodities are subject to rapid changes in future quarters as the impact of the COVID-19 pandemic continues to evolve and government support levels become better known.

Corn, Soybeans, Wheat
The COVID-19 pandemic pressured corn prices lower via the decline in gasoline and ethanol consumption, and, to a lesser extent, due to lower feed and residual use potential early in 2020. After a sharp decline in ethanol production early in the pandemic, ethanol production has largely recovered, which, along with the downward adjustment to the 2019/2020 corn ending stocks estimate and a reduced corn production expectation versus earlier forecasts in 2020, has supported a recovery in corn prices. Soybean prices remain significantly influenced by exports, particularly to China. Strong export bookings paired with the lower supply forecast have driven upward revisions to the USDA soybean price forecast, which are now expected to reach a six-year high. As a result, we have changed our outlook for the corn and soybean industries in the third quarter of 2020 from

Negative to Neutral-to-Negative. We have not changed our outlook for wheat from Negative due to historically large ending inventories and minimal government direct payments.

Cattle Feedlots

The COVID-19 pandemic created volatility in weekly slaughter capacity during the spring of 2020 due to plant managers' needs to address human health issues, resulting in slower run rates or even temporary closures for cleaning. Since May, cattle marketing has returned to near year-ago levels as slaughter plants have returned to normal operations. Due to the global pandemic, losses are anticipated due to declining exports and domestic demand, most notably a decline in demand for high-value beef cuts typically consumed in fine-dining restaurants. The supply of cattle on feed remains ample. Based on these factors, we changed our outlook for the cattle feedlots industry in the first quarter of 2020 from Neutral-to-Negative to Negative, and this rating remains appropriate as of the third quarter of 2020.

Cow-Calf

The cow-calf industry is typically supported by ongoing demand from the beef feedlot and packing industries. Due to demand disruption early during the COVID-19 pandemic, fed cattle slaughter declined, which created a negative ripple effect through the supply chain from feedlots to cow-calf producers. Increased cattle placements during the summer months have improved prices; however, modest beef cattle liquidations caused by drought conditions, particularly in the western half of the U.S., may hinder feeder cattle prices in the short term. Overall, negative earnings are anticipated for the majority of cow-calf producers. Based on these factors, we changed our outlook for the cow-calf industry in the first quarter of 2020 from Neutral to Negative, and this rating remains appropriate as of the third quarter of 2020.

Dairy

The dairy market has been especially volatile during 2020. Due to the highly perishable nature of milk and biological requirement for dairy cows to be milked daily, the impacts of the global pandemic quickly caused a supply/demand mismatch for the dairy market. Milk prices decreased early during the COVID-19 pandemic as a result of the lack of milk storage, drop in demand and inflexibility of supply chains. Many milk handlers incentivized producers to reduce production as a result, while significant government dairy purchases caused some dairy products supplies to quickly tighten. The rapid reversal in the dairy market dynamics with production declining, food service demand rebounding and large government purchases supported an all-time record high spot block cheese price for June, and a rapid recovery to profitable milk prices. Supply tightness also supported gains in butter prices, while milk futures into early 2021 are implying breakeven-to-profitable margins for most producers.

Due to the negative impacts of the COVID-19 pandemic on dairy demand and pricing, we changed our outlook for the Dairy industry in the first quarter of 2020 from Neutral-to-Negative to Negative. Given a rebound in prices and profit opportunities, we changed our outlook back to Neutral-to-Negative as of the second quarter of 2020, and this rating remains appropriate as of the third quarter of 2020.

Pork

Hog prices and cash margins have fallen in 2020 due to demand disruption from the COVID-19 pandemic. Many producers have strong financial profiles heading into a period of anticipated losses. However, the pork industry remains volatile as uncertainty exists surrounding the impacts of the pandemic, African swine fever and global trade. As a result, we changed our outlook for the pork industry in the first quarter of 2020 from Neutral to Negative, and this rating remains appropriate as of the third quarter of 2020.

Timber

Many lumber mills and processors are currently reporting record profits due to tight lumber inventories, strong demand from home improvement retailers, and steady to improving demand for housing, which have resulted in strong lumber prices in middle to late 2020. Housing starts dropped early in the COVID-19 pandemic given high unemployment and the resulting financial hardships, but have since improved due to record-low conventional 30-year mortgage rates and increased demand. Given high unemployment and uncertainty surrounding the length and severity of the current pandemic's economic impacts, we changed our outlook for the timber industry in the first quarter of 2020 from Neutral to Neutral-to-Negative. Given the current profitable environment for timber processors, balanced by the expectation that lumber pricing and profits are likely to return to historical norms by early to mid-2021 as inventory levels normalize, we have changed our outlook in the third quarter of 2020 from Neutral-to-Negative to Positive-to-Neutral.

Poultry
The poultry industry outlook consists of a weighted average outlook for broilers, turkeys and eggs, with the broiler industry comprising the largest share of District poultry volume. While the broiler industry saw a temporary surge in retail sales in March and April due to the COVID-19 pandemic, it is currently faced with oversupply and weak prices due to a reduction in food service demand. Based on weakness in the broiler industry, volatility in egg markets, and stable industry dynamics for turkeys, we changed our overall outlook for the poultry industry in the first quarter of 2020 from Neutral to Negative, and this rating remains appropriate as of the third quarter of 2020.

Land Values

Land values generally move at a slower pace than current events; therefore, the impacts of the COVID-19 pandemic and the continued uncertainty of commodity prices and ultimately net farm income could at some point put pressure on overall land values. Land values within the District have remained mostly stable due in large part to continued low interest rates, limited inventory of land for sale, stock market volatility, and improved net farm income. Land values within the District should remain mostly stable through the remainder of 2020 and into 2021.

AgriBank conducts an annual benchmark survey, completed by certified real estate appraisers. The benchmark farms represent the lending footprint of the Associations throughout the District. The District's 2020 benchmark survey showed an overall range of changes for the regional benchmark farm values from -3.0 percent to +9.8 percent over the 12-month period ending June 30, 2020. The overall average regional value change was +1.8 percent. Regional benchmark values have generally remained stable within the District. The regional benchmarks with the largest increase and decrease were related to sales availability and overall market activity.

The Federal Reserve Banks of Chicago, Kansas City and Minneapolis reported on the change in farmland values from the end of the second quarter 2019 to the end of the second quarter 2020 in their respective districts. The Federal Reserve district reports indicated changes in overall farmland values ranging from an increase of 0.4 percent to 4.0 percent.

The USDA conducts its land survey annually based on a survey of agricultural producers across the United States. Results of the August 2020 survey specific to the AgriBank District indicated a slight increase of 0.1 percent in overall farm real estate values and no change in overall cropland values.

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 85.0 percent of appraised value, AgriBank's underwriting guidance generally recommends lending up to no more than 65.0 percent of appraised value at origination. Many District Associations have implemented risk management practices that incorporate loan-to-appraised value thresholds below the 65.0 percent level. When land values began increasing at a rapid pace several years ago, several District Associations imposed lending caps per acre based on the land's sustainable income-producing capacity. These proactive lending practices reduce the impact on District loan portfolios if land values materially decline.

Loan Portfolio

Components of Loans

(in thousands)	**September 30, 2020**	December 31, 2019
Accrual loans:		
Wholesale loans	**$94,729,793**	$89,068,140
Retail loans:		
Real estate mortgage	**4,535,430**	3,112,079
Production and intermediate-term	**6,605,747**	5,257,970
Loans to other financing institutions (OFIs)	**606,068**	631,037
Other	**589,116**	171,025
Total retail loans	**12,336,361**	9,172,111
Nonaccrual loans	**66,474**	57,772
Total loans	**$107,132,628**	$98,298,023

The other category was composed of rural residential real estate and agribusiness loans.

Loans totaled $107.1 billion at September 30, 2020, an increase of $8.8 billion from December 31, 2019. Within total loans, growth in wholesale loans were driven by a rise in real estate mortgage volume at District Associations as lower interest rates have stimulated growth through the third quarter 2020. Also contributing to the overall increase in wholesale loans were draws on agribusiness and production and intermediate-term loans in capital markets portfolios at District Associations resulting in increased funds disbursed to borrowers to help meet liquidity needs due to the current economic environment. Retail loans increased, primarily driven by purchases of participation interests of approximately $2.3 billion of loans from certain District Associations as part of our asset pool programs. The loans purchased were primarily in the real estate sector and were partially offset by scheduled pay downs. Production and intermediate-term loan growth, primarily related to the crop input financing portfolio, also contributed to the increase in retail loans.

While overall credit quality remains strong, supported by prices, yields, and government payments, the medium to longer-term impacts of the global pandemic on agricultural industries and commodity prices may result in increases to adverse credit quality and related provision for credit losses across the District. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong even as some District Associations may experience further declines in their retail credit quality in the future. The government assistance programs may also have resulted in a delay of credit quality impacts from the current economic environment. Each District Association has allowances for loan losses, earnings and capital that absorb their credit losses before their losses would impact our wholesale loans.

The credit quality of our total loan portfolio remained strong at 99.1 percent in the acceptable category at September 30, 2020, compared to 97.9 percent at December 31, 2019. As of September 30, 2020, one of AgriBank's wholesale loans was classified as other assets especially mentioned (special mention), and the remaining wholesale portfolio was classified as acceptable. Wholesale loans classified as acceptable as of September 30, 2020 included a $1.2 billion loan upgraded from special mention in April 2020. Adversely classified loans were 0.4 percent at September 30, 2020, compared to 0.5 percent at December 31, 2019. Credit quality of our retail loan portfolio increased to 92.7 percent acceptable as of September 30, 2020, compared to 90.1 percent acceptable at December 31, 2019. Credit quality of the retail portfolio was positively impacted by participation purchases in high-quality assets through the third quarter of 2020. While currently strong, negative economic trends could impact borrowers and may result in changes to credit quality in our loan portfolio.

From April 2020 through September 2020, one District Association was subject to a risk premium on its wholesale loan, prior to successfully completing the earn-back requirements in accordance with the general financing agreement. No District Association was subject to a risk premium during 2019.

Components of Risk Assets

(in thousands)	**September 30, 2020**	December 31, 2019
Nonaccrual loans	**$66,474**	$57,772
Accruing restructured loans	**3,627**	3,969
Accruing loans 90 days or more past due	**23,780**	2,951
Total risk loans	**93,881**	64,692
Other property owned	**351**	437
Total risk assets	**$94,232**	$65,129
As a percent of retail loans		
Risk loans	**0.75 %**	0.69 %
Nonaccrual loans	**0.53 %**	0.62 %
Delinquencies	**0.68 %**	1.06 %
As a percent of total loans		
Risk loans	**0.09 %**	0.07 %
Nonaccrual loans	**0.06 %**	0.06 %
Delinquencies	**0.08 %**	0.10 %

Note: Accruing loans include accrued interest receivable.

The Farm Credit Administration issued an informational memorandum on accounting for reporting troubled debt restructurings (TDRs) for customers affected by the COVID-19 pandemic. Pursuant to this guidance, borrowers experiencing short-term economic difficulties arising from the pandemic and who receive loan modifications, including payment deferrals, fee waivers or other extensions of repayment terms are not required to be accounted for and reported as TDRs. This guidance covers the period beginning March 1, 2020, and ending on December 31, 2020, or 60 days after termination of the COVID-19 national emergency, whichever is earlier. Typically, loans modified due to the global pandemic are not considered risk loans. These modifications have not had a significant impact on our financial statements at September 30, 2020.

Risk assets remain at acceptable levels, and total risk loans as a percentage of total loans remains within our established risk management guidelines. The impact of the COVID-19 pandemic, while unknown, may result in increased risk loans, adverse credit quality and delinquencies. Risk loans are primarily concentrated in the production and intermediate-term sector, including loans in our crop input financing portfolio, and real estate mortgage sector. 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 financing portfolio is significantly mitigated by credit enhancements, including guarantees with third parties that are in a strong financial position. At September 30, 2020, 56.2 percent of nonaccrual loans were current as to principal and interest, compared to 56.0 percent at December 31, 2019.

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

Allowance Coverage Ratios

	September 30, 2020	December 31, 2019
Allowance as a percentage of:		
Loans	**0.04 %**	0.03 %
Retail loans	**0.33 %**	0.35 %
Nonaccrual loans	**61.86 %**	55.54 %
Total risk loans	**43.80 %**	49.60 %
Adverse assets to capital and allowance for loan losses	**6.96 %**	8.51 %

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, 2020, the allowance increased $9.0 million, compared to December 31, 2019. Approximately one-third of this increase was related to current economic impacts related to the COVID-19 pandemic on various agricultural industries.

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

The System access to the debt capital markets is critical to support its mission of providing credit to farmers, ranchers and other eligible borrowers. For most of the nine months ended September 30, 2020, investor demand for Systemwide Debt Securities remained favorable. Late in the first quarter of 2020, our ability to issue certain types of long-term debt securities was limited as a result of the impact of the COVID-19 pandemic. Subsequently, the market for Systemwide Debt Securities normalized over the course of the second quarter. Since then, we have had a reliable and substantial ability to issue long-term debt securities as investor demand is favorable.

In response to tight funding markets caused by the COVID-19 pandemic, AgriBank operated under the Contingency Funding Plan from March through May 2020. As a result, we increased investments and cash holdings by over $2.0 billion, resulting in higher days of liquidity. We collaborated with Associations to manage new loan pricing and conversions, and implemented a funding premium into our pricing across different maturities. These combined actions allowed us to maintain our match funding strategy for new assets priced through this period. During March, we suspended calling and replacing debt that was in-the-money to reduce new issuance and preserve dealer and investor interest in term funding. Since late May, conditions in the debt capital markets have normalized and we have been able to issue all types, terms, amounts and call/refinance debt at lower credit spreads to U.S. Treasuries.

Despite the volatile market in March, there has been limited impact to the liquidity of our investment portfolio during the nine months ended September 30, 2020. The portfolio remained liquid, and unrealized losses resulting from temporary market factors in March reversed in the second quarter as investment market values increased due to a reduction in market volatility and credit spreads. Further, the value of the portfolio has increased due to the change in mix of investments in the portfolio, predominantly driven by a significant increase in U.S. Treasuries. Based on our analysis, no investments are other than temporarily impaired at this time. Overall, market mechanisms are functioning well, but demand and supply imbalances continue to influence some segments.

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, 2020, we had sufficient liquidity to fund all debt maturing within 168 days. At September 30, 2020, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals. AgriBank increased its days coverage during the first quarter and continues to operate at higher levels to mitigate the potential impact of continued volatility.

Total shareholders' equity at September 30, 2020 was $6.6 billion, a $418.0 million increase from December 31, 2019. This increase was driven primarily by net income and net stock issuances reduced by cash patronage distributions declared, consistent with AgriBank's capital plan. Due to the addition of participants in the crop input financing pool, we retired Class F Common Stock of $6.9 million during third quarter 2020 with prior approval from FCA. Simultaneously, we issued Class F Common Stock that more than offset the retirement.

Our capital plan was amended effective May 1, 2020 to lower our capital ratio targets in response to adjustments made by the regulator to the thresholds utilized in determining the financial health of System Banks and Associations. Most notably, our non-risk-weighted tier 1 leverage ratio was lowered to a target of 5.15 percent, with at least 1.80 percent in unallocated retained earnings and equivalents. Our amended capital plan continues to reflect strong risk-based regulatory capital measures while optimizing the non-risk-based tier 1 leverage ratio.

At September 30, 2020, 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.

Results of Operations

Net income for the nine months ended September 30, 2020 was $579.7 million, a 28.0 percent increase, compared to $452.9 million for the same period in 2019. ROA of 64 basis points through the nine months ended September 30, 2020, remained above AgriBank's 50 basis point target and was primarily driven by fee income and higher net interest income resulting from the sharp decline in interest rates. We expect this elevated ROA level to decrease through the remainder of the year; however, we do expect our full-year results to exceed our target ROA.

Changes in Significant Components of Net Income

(in thousands) **For the nine months ended September 30,**	**2020**	2019	Increase (decrease) in Net Income
Net interest income	**$548,192**	$496,449	$51,743
Provision for credit losses	**9,000**	8,000	(1,000)
Non-interest income	**152,739**	67,210	85,529
Non-interest expense	**112,195**	102,742	(9,453)
Net income	**$579,736**	$452,917	$126,819

Net interest income

Changes in Net Interest Income

(in thousands)

For the nine months ended September 30,	**2020 vs 2019**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$197,511**	**$(623,428)**	**$(425,917)**
Investments	**26,430**	**(147,406)**	**(120,976)**
Total interest income	**223,941**	**(770,834)**	**(546,893)**
Interest expense:			
Systemwide debt securities and other	**(169,235)**	**767,871**	**598,636**
Net change in net interest income	**$54,706**	**$(2,963)**	**$51,743**

Net interest income increased through the third quarter of 2020 primarily due to higher total loan volume, including an increase in the retail loan portfolio, which yields higher spreads, compared to the prior year. Our performance in the first half of 2020, including the impact of our funding actions, allowed us to reduce the spread on our wholesale loans effective for the second half of the year, which partially offset the increase in net interest income. Net interest income was impacted by a variety of actions including substantial bond call activity during the nine months ended September 30, 2020. The positive impact of calling bonds on interest expense outweighed the impact from increased loan refinancing activity on interest income over the same time period. In addition, interest expense on variable-rate debt declined faster than the assets funded by this debt as many floating-rate indexes significantly and rapidly declined in March 2020. Additionally, an increase in spreads earned on our investment portfolio also contributed to the increased net interest income. Significant growth in long-term fixed rate loans during 2020 has also contributed to an increase to net interest income from the structure of funding.

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,	**2020**			2019		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	**$91,759,317**	**1.95 %**	**$1,343,233**	$84,876,668	2.81 %	$1,780,837
Retail accrual loans	**10,443,333**	**4.00 %**	**313,276**	8,582,464	4.65 %	298,629
Retail nonaccrual loans	**63,452**	**11.27 %**	**5,369**	60,521	18.40 %	8,329
Investment securities and federal funds	**17,488,737**	**1.33 %**	**174,099**	15,952,582	2.47 %	295,074
Total earning assets	**119,754,839**	**2.04 %**	**1,835,977**	109,472,235	2.91 %	2,382,869
Interest bearing liabilities	**114,005,759**	**1.51 %**	**1,287,785**	103,950,872	2.43 %	1,886,420
Interest rate spread	**$5,749,080**	**0.53 %**		$5,521,363	0.48 %	
Impact of equity financing		**0.08 %**			0.13 %	
Net interest margin		**0.61 %**			0.61 %	
Net interest income			**$548,192**			$496,449

Net interest margin, for the nine months ended September 30, 2020, remained flat compared to the same period of the prior year. This year-over-year result was primarily driven by the widening of interest rate spreads due to the structure of our funding, but offset by a decline in the impact of equity financing compared to the same period of the prior year. The benefit of equity financing is reduced in a lower interest rate environment. Equity financing represents the benefit of non-interest bearing funding.

Non-interest income and expense

The significant increase in non-interest income for the nine months ended September 30, 2020, compared to the same period of the prior year, was primarily driven by increased fees resulting from conversion activity. Association retail loan conversions picked up as interest rates decreased during the first half of the year, and continued through the third quarter, resulting in increased fee income through nine months of 2020.

Mineral income was significantly impacted by low oil and gas prices through the third quarter 2020. During the same period of the prior year, rising oil and gas prices resulted in increased mineral income, but was partially offset by the reversal of mark-to-market gains recorded on certain economic hedges. We anticipate mineral royalty income will produce less income compared to the prior year due to the impact of economic uncertainty from the COVID-19 pandemic and its effect on oil and gas markets.

Additionally, offsetting the increase in non-interest income were debt extinguishment costs classified as non-interest expense.

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 unlikely LIBOR will continue to be quoted after 2021.

We have financial instruments that reference LIBOR, including some 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.

At this time, it remains uncertain when LIBOR will cease to be available or if SOFR will become the reference rate 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.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, AgriBank has developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders.

LIBOR-Indexed Variable Rate Financial Instruments

(in thousands)

As of September 30, 2020

Year of Maturity	2020	2021	2022 and After	Total
Assets				
Loans	**$2,485**	**$42,164**	**$131,533**	**$176,182**
Investments	**100,014**	**150,013**	**2,210,794**	**2,460,821**
Total	**$102,499**	**$192,177**	**$2,342,327**	**$2,637,003**
Liabilities				
Bonds	**$3,790,915**	**$8,069,116**	**$—**	**$11,860,031**
Shareholders' equity				
Preferred stock[1]	**$—**	**$—**	**$250,000**	**$250,000**

[1]The preferred stock is redeemable in whole or in part, at our option, quarterly beginning January 1, 2024. Dividends accrue at a fixed annual rate of 6.875 percent from the date of issuance through December 31, 2023, and beginning January 1, 2024 will accrue at an annual rate equal to three-month United States Dollar LIBOR rate, reset quarterly, plus 4.225 percent. Refer to Note 6 of our Annual Report for additional information about the preferred stock.

(in millions)

Year of Termination	2020	2021	2022 and After	Total
Derivatives (notional amount)	$325	$1,675	$3,078	**$5,078**

Beginning in 2020, as advantageous opportunities arose, we started terminating certain LIBOR-indexed swaps to begin lowering our exposure to LIBOR instruments. Additionally, we started entering into SOFR-indexed swaps during the third quarter of 2020.

Our exposure to loans indexed to LIBOR does not include wholesale loans, as they are not directly indexed to LIBOR. However, the wholesale pricing terms are generally matched to the District Associations' retail portfolios, which contain loans indexed to LIBOR. As such, the wholesale loans are partially funded by LIBOR-indexed bonds. LIBOR-indexed bonds are also used to fund a portion of our administered variable-rate loans to Associations and in turn, their customers.

Variable Rate Bonds by Interest Rate Index

(in thousands)	**September 30, 2020**	December 31, 2019
LIBOR	**$11,860,031**	$20,499,138
SOFR	**17,064,098**	7,255,641
Other[1]	**20,369,320**	19,349,305
Total	**$49,293,449**	$47,104,084

[1] Other primarily includes bonds indexed to fed funds effective rate, 3 month T-Bill, or prime rate.

Other Matters

Our approval is required for significant structural changes at District Associations, including, but not limited to, merger, acquisition, liquidation or re-affiliation to another Farm Credit District. Delta, ACA has notified AgriBank it is exploring various strategic initiatives that may impact its structure. AgriBank continues to work with Delta to obtain further information regarding the status of these strategic initiatives.

The Farm Credit Administration (FCA) provided regulatory approval for the formation of the corporation SunStream Business Services (SunStream) under Section 4.25 of the Farm Credit Act. Effective April 1, 2020, SunStream is owned by AgriBank and certain District Associations and provides services to its owners and certain other Farm Credit institutions. SunStream's 81 employees, formerly AgriBank employees, are located at the organization's headquarters in St. Paul, Minn. At formation, AgriBank's investment in SunStream was $5.6 million and was contributed in the form of net assets, resulting in a net gain of $1.5 million. Additionally, AgriBank expects approximately $16 million of reduced business services income annually and a reduction in operating expenses of approximately $15 million annually, resulting in a net income impact of less than $1 million.

Certification

The undersigned have reviewed the September 30, 2020 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 9, 2020

Jeffrey R. Swanhorst
Chief Executive Officer
AgriBank, FCB
November 9, 2020

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
November 9, 2020

Statements of Condition

AgriBank, FCB

(unaudited)

(in thousands)	**September 30, 2020**	December 31, 2019
Assets		
Loans	**$107,132,628**	$98,298,023
Allowance for loan losses	**41,124**	32,089
Net loans	**107,091,504**	98,265,934
Investment securities	**18,229,943**	14,368,158
Cash	**397,154**	675,780
Federal funds	**698,500**	1,050,000
Accrued interest receivable	**535,377**	727,636
Derivative assets	**13,013**	2,768
Allocated prepaid pension costs	**52,047**	48,455
Cash collateral posted with counterparties	**74,914**	48,488
Other assets	**83,835**	44,851
Total assets	**$127,176,287**	$115,232,070
Liabilities		
Bonds and notes	**$119,919,400**	$108,326,832
Accrued interest payable	**274,694**	407,865
Derivative liabilities	**99,956**	48,583
Patronage payable and other payables	**259,084**	241,776
Other liabilities	**22,750**	24,621
Total liabilities	**120,575,884**	109,049,677
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**3,262,207**	2,871,767
Allocated retained earnings	**585**	227
Unallocated retained earnings	**3,204,687**	3,138,311
Accumulated other comprehensive loss	**(117,076)**	(77,912)
Total shareholders' equity	**6,600,403**	6,182,393
Total liabilities and shareholders' equity	**$127,176,287**	$115,232,070

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,	**2020**	2019	**2020**	2019
Interest income				
Loans	**$477,359**	$702,361	**$1,661,878**	$2,087,795
Investment securities	**38,583**	94,510	**174,099**	295,074
Total interest income	**515,942**	796,871	**1,835,977**	2,382,869
Interest expense	**357,199**	623,025	**1,287,785**	1,886,420
Net interest income	**158,743**	173,846	**548,192**	496,449
Provision for credit losses	**2,000**	3,000	**9,000**	8,000
Net interest income after provision for credit losses	**156,743**	170,846	**539,192**	488,449
Non-interest income				
Mineral income	**6,534**	13,262	**26,256**	38,609
Business services income	**1,634**	5,266	**9,636**	16,672
Loan prepayment and fee income	**33,249**	12,542	**112,756**	17,396
Allocated Insurance Reserve Accounts income	**—**	—	**2,344**	2,391
Miscellaneous income and other non-interest gains (losses), net	**(1,292)**	(882)	**1,747**	(7,858)
Total non-interest income	**40,125**	30,188	**152,739**	67,210
Non-interest expense				
Salaries and employee benefits	**6,779**	9,001	**23,454**	27,080
Other operating expenses	**10,684**	11,271	**32,457**	32,322
Loan servicing and other expenses	**14,917**	12,832	**41,830**	37,212
Farm Credit System insurance expense	**3,443**	2,108	**7,555**	6,128
Loss on debt extinguishment	**6,899**	—	**6,899**	—
Total non-interest expense	**42,722**	35,212	**112,195**	102,742
Net income	**$154,146**	$165,822	**$579,736**	$452,917
Other comprehensive income (loss)				
Not-other-than-temporarily-impaired investments	**(6,908)**	12,090	**110,657**	90,612
Derivatives and hedging activity	**16,674**	(49,327)	**(149,932)**	(155,525)
Employee benefit plan activity	**37**	27	**111**	81
Total other comprehensive income (loss)	**9,803**	(37,210)	**(39,164)**	(64,832)
Comprehensive Income	**$163,949**	$128,612	**$540,572**	$388,085

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, 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)
Cash and stock patronage		201,849		(412,113)		(210,264)
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
Balance at December 31, 2019	$250,000	$2,871,767	$227	$3,138,311	$(77,912)	$6,182,393
Net income				**579,736**		**579,736**
Other comprehensive loss					**(39,164)**	**(39,164)**
Redemption of retained earnings allocated under patronage program			**(64)**			**(64)**
Cash patronage				**(500,047)**		**(500,047)**
Retained earnings allocated under patronage program			**422**	**(422)**		**—**
Perpetual preferred stock dividends				**(12,891)**		**(12,891)**
Capital stock/participation certificates issued		**530,829**				**530,829**
Capital stock/participation certificates retired		**(140,389)**				**(140,389)**
Balance at September 30, 2020	**$250,000**	**$3,262,207**	**$585**	**$3,204,687**	**$(117,076)**	**$6,600,403**

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,	2020	2019
Cash flows from operating activities		
Net income	**$579,736**	$452,917
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**2,098**	3,149
Provision for credit losses	**9,000**	8,000
Amortization of discounts on investments, net	**(40,627)**	(104,089)
Amortization of discounts on debt and deferred debt issuance costs, net	**82,798**	62,441
Loss on derivative activities, net	**3,060**	6,534
Loss on debt extinguishment	**6,899**	—
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(1,355,855)**	(1,798,163)
Increase in other assets	**(45,156)**	(13,051)
(Decrease) increase in accrued interest payable	**(133,171)**	24,630
(Decrease) increase in other liabilities	**(1,855)**	5,590
Net cash used in operating activities	**(893,073)**	(1,352,042)
Cash flows from investing activities		
Increase in loans, net	**(7,286,456)**	(1,285,652)
Purchases of investment securities	**(12,961,282)**	(3,565,301)
Proceeds from maturing investment securities	**9,250,781**	3,129,691
Other investing activities, net	**(271)**	(1,617)
Net cash used in investing activities	**(10,997,228)**	(1,722,879)
Cash flows from financing activities		
Bonds and notes issued	**171,169,551**	169,724,858
Bonds and notes retired	**(159,669,274)**	(166,593,204)
Increase in cash collateral posted with counterparties, net	**(28,002)**	(32,341)
Decrease in cash collateral posted by counterparties	**—**	(1,970)
Variation margin paid on cleared derivatives, net	**(107,694)**	(66,556)
Patronage distributions paid	**(481,955)**	(396,222)
Preferred stock dividends paid	**(12,891)**	(12,891)
Capital stock/participation certificates issued, net	**390,440**	54,707
Net cash provided by financing activities	**11,260,175**	2,676,381
Net decrease in cash and federal funds	**(630,126)**	(398,540)
Cash and federal funds at beginning of period	**1,725,780**	2,243,975
Cash and federal funds at end of period	**$1,095,654**	$1,845,435

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

Supplemental Statements of Cash Flows Information

AgriBank, FCB

(unaudited)

(in thousands)

For the nine months ended September 30,	2020	2019
Supplemental non-cash investing and financing activities		
Increase in shareholders' equity from investment securities	**$110,657**	$90,612
Interest capitalized to loan principal	**1,548,114**	1,743,577
Patronage and preferred stock dividends accrued	**224,623**	295,780
Supplemental non-cash fair value changes related to hedging activities		
Decrease in derivative assets and liabilities, net	**$150,398**	$140,219
Increase in bonds from derivative activity	**2,594**	21,842
Decrease in shareholders' equity from cash flow derivatives	**(149,932)**	(155,527)
Supplemental Information		
Interest paid	**$1,338,158**	$1,799,349

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, 2020, the District had 14 Agricultural Credit Associations (ACAs). 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, 2019 are contained in the 2019 Annual Report. There have been no significant changes in our accounting policies since December 31, 2019, except as described in the Recently Issued or Adopted Accounting Pronouncements. These unaudited third quarter 2020 Financial Statements should be read in conjunction with the Annual Report. The results for the nine months ended September 30, 2020 do not necessarily indicate the results to be expected for the year ended December 31, 2020.

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.

Certain amounts in prior year's Financial Statements have been reclassified to conform to current year presentation.

The Financial Statements include the accounts of AgriBank. The Financial Statements do not include the assets, obligations, or results of operations of District Associations or service corporations. AgriBank operates as a single segment for reporting purposes. SunStream Business Services (SunStream) results of operations are included in the Financial Statements through March 31, 2020, during which time it operated as a division of AgriBank. Effective April 1, 2020, SunStream Business Services began operating as separate service corporation, under Section 4.25 of the Farm Credit Act, and is owned by AgriBank and certain District Associations. The separation of SunStream did not have a material impact on the Financial Statements.

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 August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13 "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This guidance was effective for public business entities for our first quarter of 2020 and early adoption was permitted.	The guidance removes, adds and modifies certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.	We adopted the portions of this guidance relevant to our business during 2019 and removed certain fair value disclosures as permitted by the guidance. The remaining disclosure changes are for Level 3 financial instruments measured at fair value on a recurring basis, of which we have none for any period presented.
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 was effective for public business entities for our first quarter of 2020 and early adoption was 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 adopted this guidance on January 1, 2020. As this guidance will be applied prospectively, it has not had, nor do we expect it to have, a material impact on our financial condition, results of operations, cash flows and financial statement disclosures.
In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform, Topic 848." The guidance is effective for all entities as of March 12, 2020 through December 31, 2022.	The amendments in this update provide optional guidance for a limited time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting.	We adopted this standard effective March 12, 2020. The standard applies to certain derivatives contracts we hold, and we expect to apply the expedients provided for in this standard as we transition from LIBOR as a reference rate. To date, the adoption of this standard has not had an impact on our financial statements.
In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law.	Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs.	We have adopted this relief for qualifying loan modifications. However, due to the limited number of retail loans carried by AgriBank, modifications related to the COVID-19 pandemic have been minimal.
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 year end 2020 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 have reviewed the accounting standard. Based on our review and analysis, we will modify certain employee benefit plan related disclosures in the 2020 Annual Report. We have no plans to early adopt this guidance.
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. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	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 expect to adopt the standard as of January 1, 2023. 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 is effective the same as the effective dates and transition requirements in Update 2016-13 as amended.	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 the adoption of ASU 2016-13 as amended.

NOTE 2

Loans and Allowance for Loan Losses

Loans by Type

	September 30, 2020		December 31, 2019	
(in thousands)	**Amount**	**%**	Amount	%
Wholesale loans	**$94,729,793**	**88.4 %**	$89,068,140	90.6 %
Retail loans:				
Real estate mortgage	**4,549,357**	**4.2 %**	3,127,501	3.2 %
Production and intermediate-term	**6,657,917**	**6.2 %**	5,300,260	5.5 %
Loans to other financing institutions (OFIs)	**606,068**	**0.6 %**	631,037	0.6 %
Other	**589,493**	**0.6 %**	171,085	0.1 %
Total retail loans	**12,402,835**	**11.6 %**	9,229,883	9.4 %
Total loans	**$107,132,628**	**100.0 %**	$98,298,023	100.0 %

The Other category is composed of rural residential real estate and agribusiness 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, 2020**	December 31, 2019
Real estate mortgage	**$4,549,344**	$3,127,441
Production and intermediate-term	**6,657,917**	5,300,260
Other	**589,493**	171,085
Total loans	**$11,796,754**	$8,598,786

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, 2020	**Acceptable**		**Special mention**		**Substandard/Doubtful**		**Total**	
Wholesale loans	**$95,047,221**	**100.0 %**	**$44,761**	**0.0 %**	**$—**	**— %**	**$95,091,982**	**100.0 %**
Retail loans:								
Real estate mortgage	**4,289,796**	**93.3 %**	**130,044**	**2.8 %**	**177,343**	**3.9 %**	**4,597,183**	**100.0 %**
Production and intermediate-term	**6,224,851**	**92.2 %**	**250,597**	**3.7 %**	**279,996**	**4.1 %**	**6,755,444**	**100.0 %**
Loans to OFIs	**540,871**	**88.9 %**	**67,479**	**11.1 %**	**—**	**— %**	**608,350**	**100.0 %**
Other	**586,246**	**99.1 %**	**366**	**0.1 %**	**4,606**	**0.8 %**	**591,218**	**100.0 %**
Total retail loans	**11,641,764**	**92.7 %**	**448,486**	**3.6 %**	**461,945**	**3.7 %**	**12,552,195**	**100.0 %**
Total loans	**$106,688,985**	**99.1 %**	**$493,247**	**0.5 %**	**$461,945**	**0.4 %**	**$107,644,177**	**100.0 %**

(in thousands)

As of December 31, 2019	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$88,445,340	98.7 %	$1,189,927	1.3 %	$—	— %	$89,635,267	100.0 %
Retail loans:								
Real estate mortgage	2,810,434	88.7 %	136,260	4.3 %	222,573	7.0 %	3,169,267	100.0 %
Production and intermediate-term	4,879,008	90.5 %	210,817	3.9 %	301,125	5.6 %	5,390,950	100.0 %
Loans to OFIs	580,093	91.4 %	54,624	8.6 %	—	— %	634,717	100.0 %
Other	166,591	96.9 %	613	0.4 %	4,611	2.7 %	171,815	100.0 %
Total retail loans	8,436,126	90.1 %	402,314	4.3 %	528,309	5.6 %	9,366,749	100.0 %
Total loans	$96,881,466	97.9 %	$1,592,241	1.6 %	$528,309	0.5 %	$99,002,016	100.0 %

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as loss at September 30, 2020 or December 31, 2019.

Aging Analysis of Loans

(in thousands) **As of September 30, 2020**	**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	**$—**	**$—**	**$—**	**$95,091,982**	**$95,091,982**	**$—**
Retail loans:						
Real estate mortgage	**9,636**	**5,251**	**14,887**	**4,582,296**	**4,597,183**	**60**
Production and intermediate-term	**26,818**	**43,204**	**70,022**	**6,685,422**	**6,755,444**	**23,652**
Loans to OFIs	**2**	**—**	**2**	**608,348**	**608,350**	**—**
Other	**334**	**68**	**402**	**590,816**	**591,218**	**68**
Total retail loans	**36,790**	**48,523**	**85,313**	**12,466,882**	**12,552,195**	**23,780**
Total loans	**$36,790**	**$48,523**	**$85,313**	**$107,558,864**	**$107,644,177**	**$23,780**

(in thousands) As of December 31, 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	$—	$—	$—	$89,635,267	$89,635,267	$—
Retail loans:						
Real estate mortgage	16,636	6,584	23,220	3,146,047	3,169,267	—
Production and intermediate-term	58,582	17,128	75,710	5,315,240	5,390,950	2,951
Loans to OFIs	—	—	—	634,717	634,717	—
Other	495	29	524	171,291	171,815	—
Total retail loans	75,713	23,741	99,454	9,267,295	9,366,749	2,951
Total loans	$75,713	$23,741	$99,454	$98,902,562	$99,002,016	$2,951

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, 2020**	December 31, 2019
Nonaccrual loans:		
Current as to principal and interest	**$37,389**	$32,364
Past due	**29,085**	25,408
Total nonaccrual loans	**66,474**	57,772
Accruing restructured loans	**3,627**	3,969
Accruing loans 90 days or more past due	**23,780**	2,951
Total risk loans	**$93,881**	$64,692
Volume with specific reserves	**$44,456**	$33,756
Volume without specific reserves	**49,425**	30,936
Total risk loans	**$93,881**	$64,692
Specific reserves	**$10,116**	$5,065

Note: Accruing loans include accrued interest receivable.

For the nine months ended September 30,	**2020**	2019
Income on accrual risk loans	**$1,148**	$942
Income on nonaccrual loans	**5,369**	8,328
Total income on risk loans	**$6,517**	$9,270
Average risk loans	**$89,593**	$79,354

Risk Loans by Type

(in thousands)	**September 30, 2020**	December 31, 2019
Nonaccrual loans:		
Real estate mortgage	**$13,926**	$15,421
Production and intermediate-term	**52,170**	42,291
Other	**378**	60
Total nonaccrual loans	**$66,474**	$57,772
Accruing restructured loans:		
Real estate mortgage	**3,575**	3,927
Production and intermediate-term	**—**	42
Other	**52**	—
Total accruing restructured loans	**$3,627**	$3,969
Accruing loans 90 days or more past due:		
Real estate mortgage	**60**	—
Production and intermediate-term	**23,652**	2,951
Other	**68**	—
Total accruing loans 90 days or more past due	**$23,780**	$2,951
Total risk loans	**$93,881**	$64,692

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at September 30, 2020 or December 31, 2019.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

	As of September 30, 2020			For the nine months ended September 30, 2020	
(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	$2,901	$3,475	$1,114	$2,746	$—
Production and intermediate-term	41,525	43,800	8,991	38,253	—
Other	30	39	11	31	—
Total	$44,456	$47,314	$10,116	$41,030	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$14,660	$22,372	$—	$16,193	$2,173
Production and intermediate-term	34,297	48,417	—	32,200	4,344
Other	468	561	—	170	—
Total	$49,425	$71,350	$—	$48,563	$6,517
Total impaired loans:					
Real estate mortgage	$17,561	$25,847	$1,114	$18,939	$2,173
Production and intermediate-term	75,822	92,217	8,991	70,453	4,344
Other	498	600	11	201	—
Total	$93,881	$118,664	$10,116	$89,593	$6,517

(in thousands)	As of December 31, 2019 Recorded Investment[(1)]	Unpaid Principal Balance[(2)]	Related Allowance	For the nine months ended September 30, 2019 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,410	$2,953	$851	$2,438	$—
Production and intermediate-term	31,314	33,551	4,201	25,895	—
Other	32	40	13	34	—
Total	$33,756	$36,544	$5,065	$28,367	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$16,938	$27,067	$—	$18,044	$5,196
Production and intermediate-term	13,970	33,139	—	32,930	4,074
Other	28	124	—	13	—
Total	$30,936	$60,330	$—	$50,987	$9,270
Total impaired loans:					
Real estate mortgage	$19,348	$30,020	$851	$20,482	$5,196
Production and intermediate-term	45,284	66,690	4,201	58,825	4,074
Other	60	164	13	47	—
Total	$64,692	$96,874	$5,065	$79,354	$9,270

(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 material loan commitments to borrowers whose loans were at risk as of September 30, 2020 or December 31, 2019.

Troubled Debt Restructurings

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession when a borrower is experiencing financial difficulties. There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered TDRs. All risk loans, including TDRs, are analyzed within our allowance for loan losses. Modifications may include interest rate reduction below market, deferral of principal, interest compromise, principal compromise or extension of maturity. Our loans classified as TDRs and activity on these loans were not material during the nine months ended September 30, 2020 or 2019. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the nine months ended September 30,	**2020**	2019
Balance at beginning of period	**$32,089**	$25,571
Provision for loan losses	**9,000**	8,000
Charge-offs	**(4,956)**	(5,042)
Recoveries	**4,991**	1,540
Balance at end of period	**$41,124**	$30,069

The “Provision for credit losses” in the Statements of Comprehensive Income includes a provision for loan losses as presented in the previous chart, as well as a provision for unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded. Due to the funding of certain commitments during the year, there was no remaining provision for unfunded commitments for the nine months ended September 30, 2020.

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, 2019	**$—**	**$1,992**	**$29,187**	**$404**	**$506**	**$32,089**
Provision for (reversal of) loan losses	**—**	**43**	**8,636**	**(24)**	**345**	**9,000**
Charge-offs	**—**	**(25)**	**(4,929)**	**—**	**(2)**	**(4,956)**
Recoveries	**—**	**123**	**4,866**	**—**	**2**	**4,991**
Balance as of September 30, 2020	**$—**	**$2,133**	**$37,760**	**$380**	**$851**	**$41,124**
As of September 30, 2020						
Ending balance: individually evaluated for impairment	**$—**	**$1,114**	**$8,991**	**$—**	**$11**	**$10,116**
Ending balance: collectively evaluated for impairment	**$—**	**$1,019**	**$28,769**	**$380**	**$840**	**$31,008**
Recorded investments in loans outstanding:						
Ending balance as of September 30, 2020	**$95,091,982**	**$4,597,183**	**$6,755,444**	**$608,350**	**$591,218**	**$107,644,177**
Ending balance for loans individually evaluated for impairment	**$95,091,982**	**$17,561**	**$75,822**	**$—**	**$498**	**$95,185,863**
Ending balance for loans collectively evaluated for impairment	**$—**	**$4,579,622**	**$6,679,622**	**$608,350**	**$590,720**	**$12,458,314**

(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
Provision for (reversal of) 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 December 31, 2019						
Ending balance: individually evaluated for impairment	$—	$851	$4,201	$—	$13	$5,065
Ending balance: collectively evaluated for impairment	$—	$1,141	$24,986	$404	$493	$27,024
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2019	$89,635,267	$3,169,267	$5,390,950	$634,717	$171,815	$99,002,016
Ending balance for loans individually evaluated for impairment	$89,635,267	$19,348	$45,284	$—	$60	$89,699,959
Ending balance for loans collectively evaluated for impairment	$—	$3,149,919	$5,345,666	$634,717	$171,755	$9,302,057

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, 2020**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Commercial paper and other	**$5,465,264**	**$515**	**$47**	**$5,465,732**	**0.4%**
U.S. Treasury securities	**6,771,364**	**42,700**	**126**	**6,813,938**	**1.5%**
Mortgage-backed securities	**5,253,586**	**63,009**	**2,682**	**5,313,913**	**1.5%**
Asset-backed securities	**627,062**	**9,306**	**8**	**636,360**	**2.6%**
Total	**$18,117,276**	**$115,530**	**$2,863**	**$18,229,943**	**1.3%**

(in thousands) As of December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper and other	$5,849,521	$660	$39	$5,850,142	1.9%
U.S. Treasury securities	2,800,780	16,833	1,413	2,816,200	2.3%
Mortgage-backed securities	5,063,806	9,162	28,508	5,044,460	2.4%
Asset-backed securities	652,041	5,493	178	657,356	2.9%
Total	$14,366,148	$32,148	$30,138	$14,368,158	2.3%

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

Contractual Maturities of AFS Investment Securities

	Year of Maturity				
(in thousands) **As of September 30, 2020**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Commercial paper and other	**$5,465,732**	**$—**	**$—**	**$—**	**$5,465,732**
U.S. Treasury securities	**4,474,840**	**2,339,098**	**—**	**—**	**6,813,938**
Mortgage-backed securities	**—**	**25,551**	**629,566**	**4,658,796**	**5,313,913**
Asset-backed securities	**—**	**636,360**	**—**	**—**	**636,360**
Total	**$9,940,572**	**$3,001,009**	**$629,566**	**$4,658,796**	**$18,229,943**
Weighted average yield	**0.9 %**	**1.8 %**	**2.0 %**	**1.4 %**	**1.3 %**

The expected average life is 0.9 years for asset-backed securities and 2.5 years for mortgage-backed securities at September 30, 2020. 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:

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of September 30, 2020	**Value**	**Losses**	**Value**	**Losses**
Commercial paper and other	**$1,144,431**	**$46**	**$49,999**	**$1**
U.S. Treasury securities	**2,407,210**	**126**	**—**	**—**
Mortgage-backed securities	**252,371**	**375**	**1,144,918**	**2,307**
Asset-backed securities	**11,630**	**8**	**—**	**—**
Total	**$3,815,642**	**$555**	**$1,194,917**	**$2,308**

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of December 31, 2019	Value	Losses	Value	Losses
Commercial paper and other	$1,121,444	$39	$—	$—
U.S. Treasury securities	259,634	1,352	115,095	61
Mortgage-backed securities	1,566,035	6,190	2,417,078	22,318
Asset-backed securities	137,660	178	—	—
Total	$3,084,773	$7,759	$2,532,173	$22,379

There were no AFS investment securities sold during the nine months ended September 30, 2020 or 2019.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. We have determined no securities were in an OTTI loss position at September 30, 2020 or at December 31, 2019.

There was no OTTI activity during the nine months ended September 30, 2020 or 2019.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

	September 30, 2020	December 31, 2019	**Regulatory Minimums**	**Capital Conservation Buffer**	**Total**
Risk-adjusted:					
Common equity tier 1 capital ratio	**17.1 %**	17.1 %	4.5 %	2.5 %	7.0 %
Tier 1 capital ratio	**17.7 %**	17.8 %	6.0 %	2.5 %	8.5 %
Total capital ratio	**17.8 %**	17.9 %	8.0 %	2.5 %	10.5 %
Permanent capital ratio	**17.8 %**	17.8 %	7.0 %	— %	7.0 %
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.4 %**	5.5 %	4.0 %	1.0 %	5.0 %
UREE[1] leverage ratio	**2.6 %**	3.0 %	1.5 %	— %	1.5 %

[1]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 $148 thousand and $181 thousand were included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of September 30, 2020 and December 31, 2019, respectively.

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,	**2020**	2019	**2020**	2019
Net periodic benefit cost:				
Service cost	**$19,318**	$18,877	**$158**	$163
Interest cost	**30,794**	38,793	**436**	587
Expected return on plan assets	**(49,930)**	(51,504)	**—**	—
Amortization of prior service credit	**(2,254)**	(2,173)	**—**	—
Amortization of net loss (gain)	**38,122**	27,491	**(911)**	(1,139)
Net periodic benefit cost	**$36,050**	$31,484	**$(317)**	$(389)

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 7 in the 2019 Annual Report for a more complete description of the Employee Benefit Plans.

For the nine months ended September 30, 2020, District employers have contributed $72.0 million to fund pension benefits. District employers anticipate contributing an additional $23.0 million to fund pension benefits in 2020. 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 percent 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. On November 13, 2019, the court issued a scheduling order for a bench trial to start on June 1, 2020. On March 25, 2020, the court issued an order postponing the trial date. On October 20, 2020, the court issued an order setting February 22, 2021, as a new trial start date and ordered the parties to engage in mediation before trial. 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, 2020 was $309.1 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 11 in the 2019 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 2019 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 Value
As of September 30, 2020	**Level 1**	**Level 2**	**Level 3**	
Assets:				
Federal funds	**$—**	**$698,500**	**$—**	**$698,500**
Investments available-for-sale:				
Mortgage-backed securities	**—**	**5,313,913**	**—**	**5,313,913**
Commercial paper and other	**—**	**5,465,732**	**—**	**5,465,732**
U.S. Treasury securities	**—**	**6,813,938**	**—**	**6,813,938**
Asset-backed securities	**—**	**636,360**	**—**	**636,360**
Total investments available-for-sale	**—**	**18,229,943**	**—**	**18,229,943**
Cash collateral posted with counterparties	**74,914**	**—**	**—**	**74,914**
Derivative assets	**—**	**13,013**	**—**	**13,013**
Total assets	**$74,914**	**$18,941,456**	**$—**	**$19,016,370**
Liabilities:				
Derivative liabilities	**$—**	**$99,956**	**$—**	**$99,956**
Total liabilities	**$—**	**$99,956**	**$—**	**$99,956**

(in thousands)	Fair Value Measurement Using			Total Fair Value
As of December 31, 2019	Level 1	Level 2	Level 3	
Assets:				
Federal funds	$—	$1,050,000	$—	$1,050,000
AgriBank investments available-for-sale:				
Mortgage-backed securities	—	5,044,460	—	5,044,460
Commercial paper and other	—	5,850,142	—	5,850,142
U.S. Treasury securities	—	2,816,200	—	2,816,200
Asset-backed securities	—	657,356	—	657,356
Total investments available-for-sale	—	14,368,158	—	14,368,158
Cash collateral posted with counterparties	48,488	—	—	48,488
Derivative assets	—	2,768	—	2,768
Total assets	$48,488	$15,420,926	$—	$15,469,414
Liabilities:				
Derivative liabilities	$—	$48,583	$—	$48,583
Total liabilities	$—	$48,583	$—	$48,583

We had no level 3 assets measured at fair value on a recurring basis at any time during the nine months ended September 30, 2020 or the year ended December 31, 2019.

Non-Recurring Measurements

We had $36.1 million and $30.1 million of impaired loans measured at fair value on a non-recurring basis at September 30, 2020 and December 31, 2019, respectively.

Other Financial Instrument Measurements

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

(in thousands) **As of September 30, 2020**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$397,154**	**$397,154**	**$—**	**$—**	**$397,154**
Net loans	**107,057,164**	**—**	**—**	**108,981,026**	**108,981,026**
Total assets	**$107,454,318**	**$397,154**	**$—**	**$108,981,026**	**$109,378,180**
Liabilities:					
Bonds and notes	**$119,919,400**	**$—**	**$—**	**$121,358,340**	**$121,358,340**
Total liabilities	**$119,919,400**	**$—**	**$—**	**$121,358,340**	**$121,358,340**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$—**	**$—**	**$(1,275)**	**$(1,275)**

(in thousands) As of December 31, 2019	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$675,780	$675,780	$—	$—	$675,780
Net loans	98,237,243	—	—	99,198,110	99,198,110
Total assets	$98,913,023	$675,780	$—	$99,198,110	$99,873,890
Liabilities:					
Bonds and notes	$108,326,832	$—	$—	$108,833,328	$108,833,328
Total liabilities	$108,326,832	$—	$—	$108,833,328	$108,833,328
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$—	$—	$(1,199)	$(1,199)

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 12 of the 2019 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 facilitate 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 may utilize commodity derivative instruments to manage mineral income volatility. We may purchase commodity put options to protect against a decline in oil prices, which could significantly impact our mineral income. We had no commodity derivative instruments outstanding during the period ending September 30, 2020.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swap	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
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
As of December 31, 2019	$1,251	$2,304	$2,300	$156	$6,011
Additions	**1,205**	**—**	**—**	**—**	**1,205**
Terminations	**—**	**(598)**	**—**	**—**	**(598)**
Maturities/amortization	**(626)**	**(107)**	**(300)**	**(7)**	**(1,040)**
As of September 30, 2020	**$1,830**	**$1,599**	**$2,000**	**$149**	**$5,578**

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; however, there is a risk of our nonperformance under the terms of the derivative transaction.

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, 2020, 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, 2020**	December 31, 2019
Notional amount	**$2,698,766**	$3,431,357
Cash collateral posted with counterparties	**$53,560**	$19,300

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, 2020**	December 31, 2019
Notional Amount	**$2,878,766**	$2,580,357
Initial margin posted with counterparties	**21,354**	27,612
Additional margin posted with counterparties	**—**	1,576
Total margin posted with counterparties, net	**$21,354**	$29,188

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 included in the "Interest expense" line item on the Statements of Comprehensive Income and recognized in current earnings.

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.

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 non-interest gains (losses), 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, 2020		December 31, 2019	
(in thousands)	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$5,956**	**$40**	$3,863	$151
Pay-fixed swaps	**—**	**185,848**	3,770	78,050
Floating-for-floating swaps	**—**	**3,081**	—	4,237
Total derivatives designated as hedging instruments	**5,956**	**188,969**	7,633	82,438
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**—**	**11,136**	1,803	1,353
Other derivative products	**13,068**	**—**	2,364	832
Total derivatives not designated as hedging instruments	**13,068**	**11,136**	4,167	2,185
Credit valuation adjustments	**(55)**	**—**	(81)	—
Total gross amounts of derivatives	**$18,969**	**$200,105**	$11,719	$84,623
Gross amounts offset in Statements of Condition	**(5,956)**	**(5,956)**	(8,951)	(8,951)
Variation margin settled	**—**	**(94,193)**	—	(27,089)
Net amounts in Statements of Condition	**$13,013**	**$99,956**	$2,768	$48,583

(in thousands)	**September 30, 2020**	December 31, 2019
Derivative assets, net	**$13,013**	$2,768
Derivative liabilities, net	**(99,956)**	(48,583)
Accrued interest payable on derivatives, net	**(4,853)**	(1,417)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted with counterparties	**74,914**	48,488
Net exposure amounts	**$(16,882)**	$1,256

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 credit worthiness 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.

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, $32.0 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, 2020**	**Amount of (Loss) Gain Recognized in OCI on Derivatives**	**Amount of Loss Reclassified from AOCI into Income**
Pay-fixed swaps	**$(170,333)**	**$(19,245)**
Floating-for-floating swaps	**282**	**(874)**
Total	**$(170,051)**	**$(20,119)**

(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

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, 2020.

(in thousands)	Miscellaneous income and other non-interest gains (losses), net		Interest expense	
For the nine months ended September 30,	**2020**	2019	**2020**	2019
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:	**$1,747**	$(7,858)	**$1,287,785**	$1,886,420
Asset and Liability Management Positions				
Fair value hedges:				
Interest rate derivatives	**—**	—	**(2,230)**	(22,622)
Bonds and notes	**—**	—	**2,594**	21,842
Cash flow hedges:				
Interest rate derivatives	**—**	—	**20,119**	(2,275)
Economic hedges:				
Interest rate derivatives	**(51)**	745	**—**	—
Commodity derivatives	**—**	(8,058)	**—**	—

Note: We do not exclude components from effectiveness testing for fair value or cash flow hedges. We reclassified gains or losses into earnings as a result of the discontinuance of certain cash flow hedges during the nine months ended September 30, 2020. No gains or losses were reclassified into earnings as a result of the discontinuance of cash flow hedges during the same period of the prior year.

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):

	Carrying Amount of the Hedged Item		Cumulative Fair Value Adjustment Included in the Carrying Amount of the Hedged Item	
(in thousands)	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Line Item on the Statements of Condition				
Bonds and notes	**$1,835,644**	$1,254,282	**$6,046**	$3,451

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 Income (Loss)

(in thousands)	Not-other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
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 income (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)
Balance at December 31, 2019	$2,010	$(78,520)	$(1,402)	$(77,912)
Other comprehensive income (loss) before reclassifications	**110,657**	**(170,051)**	**—**	**(59,394)**
Amounts reclassified from accumulated other comprehensive income (loss)	**—**	**20,119**	**111**	**20,230**
Net other comprehensive income (loss)	**110,657**	**(149,932)**	**111**	**(39,164)**
Balance at September 30, 2020	**$112,667**	**$(228,452)**	**$(1,291)**	**$(117,076)**

The derivatives and hedging activity and employee benefit plans activity reclassified from AOCI is included in "Interest expense" and "Miscellaneous income and other non-interest gains (losses), net" respectively, on the Statements of Comprehensive Income.

NOTE 10

Subsequent Events

We have evaluated subsequent events through November 9, 2020, which is the date the Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in the Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.

NOTE 11

AgriBank and District Associations

The accompanying Financial Statements exclude financial information of District Associations. AgriBank and District Associations are collectively referred to as the “District.” We separately publish certain unaudited combined AgriBank District financial information, including a condensed statement of condition and statement of income, which can be found on our website at www.AgriBank.com.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)

Regulatory Capital Disclosures

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 2019 Annual Report, which includes additional qualitative disclosures. Unless otherwise noted, there have been no material changes to the qualitative disclosures contained in the 2019 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 2020 Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	42
Capital Structure	Regulatory capital components	43
Capital Adequacy	Risk-weighted assets Regulatory capital ratios	44
Capital Buffers	Quantitative disclosures	44
Credit Risk	Summary of exposures Geographic distribution Additional industry and counterparty distribution Contractual maturity Impaired loans and allowance for credit losses	45-46
Counterparty Credit Risk-Related Exposures	Counterparty exposures	46-47
Credit Risk Mitigation	Exposures with reduced capital requirements	47
Securitization	Securitization exposures	47
Equities	Equity exposures	48
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	48

Scope of Application

As of September 30, 2020, 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 6 of the 2019 Annual Report for a description of capital structure.

Regulatory Capital Structure

(in thousands) **As of September 30, 2020**	**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	**1,740,689**
Allocated equities:	
Allocated stock subject to retirement	**1,453,215**
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	**3,292,575**
Paid-in capital	**—**
Regulatory adjustments and deductions made to CET1	**(10,891)**
Total CET1	**$6,475,614**
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	**$6,725,614**
Total Capital	
Common Cooperative Equities not included in CET1	**$—**
Subordinated debt	**—**
Allowance for loan losses and reserves for commitments	**39,573**
Regulatory adjustments and deductions made to total capital	**—**
Total tier 2 capital	**39,573**
Total Capital	**$6,765,187**

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands)

As of September 30, 2020	
Exposures to:	
Sovereign entities	**$—**
Foreign bank entities	**374,869**
Government-sponsored enterprises[(1)]	**20,014,962**
Depository institutions and credit unions[(2)]	**224,967**
Public sector entities	**—**
Corporate, including borrower loans	**15,660,139**
Residential mortgage	**704,393**
Past due and nonaccrual	**4,397**
Securitization exposures	**849,050**
Cleared transactions	**121**
Unsettled transactions	**—**
All other assets	**98,526**
Deductions:	
Regulatory adjustments and deductions made to CET1	**10,891**
Regulatory adjustments and deductions made to AT1[(3)]	**—**
Regulatory adjustments and deductions made to T2[(4)]	**—**
Total standardized risk-weighted assets	**$37,920,533**

[(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, 2020, 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, as regulatorily calculated, was $681.7 million as of September 30, 2020.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of September 30, 2020	Calculated Buffer
Common equity tier 1 capital ratio	4.5 %	2.5 %	**17.1 %**	**12.6 %**
Tier 1 capital ratio	6.0 %	2.5 %	**17.7 %**	**11.7 %**
Total capital ratio	8.0 %	2.5 %	**17.8 %**	**9.8 %**
Capital conservation buffer				**9.8 %**
Tier 1 leverage ratio	4.0 %	1.0 %	**5.4 %**	**1.4 %**
Leverage buffer				**1.4 %**

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, 2020. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type. All impaired loans, past due loans and allowance are within our retail portfolio. The retail portfolio is substantially concentrated in our chartered territory and has not changed significantly since December 31, 2019.

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, 2020**	End of Period	3-month Average Daily Balance
Loans	**$107,132,628**	**$105,864,126**
Investments	**18,928,443**	**18,137,606**
Loan commitments	**20,361,800**	**20,672,136**
Letters of credit	**88,352**	**92,824**

Credit Exposures - Derivatives

(in thousands)	End of Period		3-month Average Daily Balance	
As of September 30, 2020	Notional Amount	Net Liability Exposure	Notional Amount	Net Liability Exposure
Cleared derivatives	**$2,878,766**	**$(93,098)**	**$2,782,412**	**$(109,042)**
Bilateral derivatives	**2,698,766**	**(92,830)**	**2,736,450**	**(94,966)**

Exposures by Final Contractual Maturity

(in thousands) **As of September 30, 2020**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$19,496,911**	**$75,595,071**	**$—**	**$95,091,982**
Retail loans	**2,551,153**	**4,690,684**	**5,310,358**	**12,552,195**
Investments (including federal funds)	**10,639,071**	**2,967,991**	**5,321,381**	**18,928,443**
Wholesale loan commitments	**2,597,600**	**15,196,614**	**—**	**17,794,214**
Retail loan and other commitments	**1,422,380**	**1,057,425**	**87,781**	**2,567,586**
Cleared derivative notional	**1,280,000**	**895,000**	**703,766**	**2,878,766**
Bilateral derivative notional	**700,000**	**1,020,000**	**978,766**	**2,698,766**

Note: Accruing loans include accrued interest receivable.

Loan and Commitment Geographic Distribution

As of September 30, 2020

Wholesale Portfolio		Retail Portfolio	
Iowa	**11 %**	Illinois	**12 %**
Illinois	**9 %**	Minnesota	**11 %**
Minnesota	**8 %**	Nebraska	**7 %**
Nebraska	**8 %**	Iowa	**7 %**
Indiana	**7 %**	Indiana	**6 %**
Michigan	**6 %**	Tennessee	**6 %**
Wisconsin	**6 %**	Ohio	**6 %**
South Dakota	**5 %**	Wisconsin	**5 %**
Missouri	**5 %**	Other	**40 %**
Ohio	**5 %**		
Other	**30 %**		
Total	**100 %**	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 2019 Annual Report. Current period distribution has not materially changed from December 31, 2019.

Loan and Commitment Commodity Distribution

As of September 30, 2020

Retail Portfolio	
Crops	**59 %**
Loans to OFIs	**10 %**
Cattle	**8 %**
Dairy	**5 %**
Other	**18 %**
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. We had derivative interest rate contracts with a current credit exposure of $19.5 million as of September 30, 2020.

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, 2020**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Conditionally guaranteed		
Loans	**21,225**	**4,245**

We had no commitments that were covered by guarantees during the three months ended September 30, 2020.

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, 2020**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed	**$8,176,226**	**$—**
Conditionally guaranteed	**2,227,523**	**445,505**
Total	**$10,403,749**	**$445,505**

Credit risk in our investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. Credit risk in our investment portfolio primarily exists in investment securities that are not guaranteed by the U.S. government or one of its agencies, which include our certificates of deposit, commercial paper, non-agency mortgage-backed securities and asset-backed securities, all but one of which were of high credit quality and met eligibility requirements as of September 30, 2020.

Securitization

For the three months ended September 30, 2020, we did not hold any off-balance sheet securitization exposures, retain any resecuritization exposures, nor were any securitization exposures deducted from capital.

Securitization Exposures

(3-month average daily balance in thousands) **As of September 30, 2020**	**Exposure**	**Weighted average risk-weight factor**	**Risk-weighted assets**
Gross up risk weight bands:			
100%	**$143,023**	**100%**	**$143,023**
> 100% and < 1,250%	**517,593**	**136%**	**706,027**
1250%	**—**	**1,250%**	**—**
Total risk-weighted securitization assets	**$660,616**	**129%**	**$849,050**

Equities

We are a limited partner in certain Rural Business Investment Companies (RBICs) for various relationship and strategic reasons. These are not publicly traded, and the book value approximates fair value. There have been no sales or liquidations of these investments during the period. As of September 30, 2020, all RBICs were accounted for under the equity method; therefore, no unrealized gains (losses) exist for the exposure. Further, we do not believe any significant latent revaluation gains (losses) exist for these exposures. No RBIC exposures are included in tier 1 or tier 2 capital.

Equity Investments included in Capital Ratios

(in thousands) **As of September 30, 2020**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings**[(1)]
RBIC	**$17,532**	**$6,660**

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

Effective April 1, 2020, we entered into an equity investment in SunStream Business Services (SunStream). The investment in SunStream is accounted for under the equity method. Under the requirements of the capital regulations, this investment is deducted from all 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, 2020, the down scenario is limited to a down 5 basis point change.

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of September 30, 2020	**Down 5**	**Up 100**	**Up 200**
Immediate Change (Shock):			
NII sensitivity	**0.1 %**	**0.1 %**	**(2.3)%**
Board policy	**(15.0)%**		**(15.0)%**
Gradual Change (Ramp):			
NII sensitivity		**0.4 %**	**(0.1)%**

Economic Value of Equity (EVE) Sensitivity Analysis

	Basis Point Interest Rate Change		
As of September 30, 2020	**Down 5**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	**(0.1)%**	**1.1 %**	**(2.4)%**
Board policy	**(12.0)%**		**(12.0)%**