

COBANK DISTRICT

2018 FINANCIAL INFORMATION

CoBANK®

District Financial Information

CoBank, ACB and Affiliated Associations

Introduction and District Overview

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

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

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. The Associations are not authorized by the Farm Credit Act to participate directly in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of December 31, 2018, we have 22 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. As authorized by the FCA, the financial information of affiliated Associations is not included in the consolidated financial statements presented in CoBank's 2018 Annual Report to Shareholders (the Annual Report). However, the FCA authorizes CoBank to present combined Bank and Association financial information in a separate report. Beginning in 2018, we enhanced our separate report of combined Bank and Association financial information to include additional information around the allowance for loan losses, investments, employee benefit plans including pensions and other postretirement benefits, and selected information for individual Associations.

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

We make loans to the Associations, which, in turn, make loans to their eligible borrowers. We have senior secured interests in substantially all of the Associations' assets, which extend to the underlying collateral of the Associations' loans to their customers. Loans outstanding to our affiliated Associations totaled $45.8 billion at December 31, 2018. During 2018, $120.2 billion of advances on loans were made to our affiliated Associations and repayments totaled $117.6 billion.

We have no direct access to Association capital. Our bylaws permit our Board of Directors to set the target equity level for Association investment in the Bank within a range of 4 to 6 percent of the one-year historical average of Association borrowings. In 2018, the required investment level was 4 percent. There are no capital sharing agreements between us and our affiliated Associations.

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

District Financial Information
CoBank, ACB and Affiliated Associations

Financial Highlights

($ in Thousands)

As of December 31,	2018	2017	2016
Total Loans	**$ 115,149,430**	$ 109,377,684	$ 104,778,598
Less: Allowance for Loan Losses	**930,771**	884,027	855,319
Net Loans	**114,218,659**	108,493,657	103,923,279
Total Assets	**150,603,941**	140,234,801	136,536,716
Total Shareholders' Equity	**19,512,722**	18,432,074	17,339,280

Year Ended December 31,	2018	2017	2016
Net Interest Income	**$ 2,998,945**	$ 2,866,786	$ 2,750,262
Provision for Loan Losses	**83,165**	69,021	112,397
Net Fee Income	**142,912**	143,221	138,713
Net Income	**2,147,012**	1,968,447	1,697,810
Net Interest Margin	**2.12 %**	2.12 %	2.14 %
Net Charge-offs / Average Loans	**0.05**	0.04	0.02
Return on Average Assets	**1.50**	1.44	1.29
Return on Average Total Shareholders' Equity	**11.29**	10.87	9.87
Operating Expense / Net Interest Income and Noninterest Income	**32.21**	34.91	35.42
Average Loans	**$ 111,212,068**	$ 106,014,065	$ 101,163,012
Average Earning Assets	**141,390,337**	134,996,293	128,754,803
Average Assets	**143,153,285**	136,719,937	131,180,853

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

District average loan volume increased 5 percent to $111.2 billion in 2018 compared to $106.0 billion in 2017. The increase in average loan volume primarily reflected growth in agribusiness, real estate mortgage, production and intermediate term and agriculture export finance loans.

District net income grew to $2.147 billion in 2018, as compared to $1.968 billion in 2017. The increase in earnings primarily resulted from increases in noninterest income and net interest income somewhat offset by higher provisions for income taxes and loan losses. The increase in noninterest income was largely due to a return of excess insurance funds from the Farm Credit System Insurance Corporation (Insurance Corporation) as well as a higher level of gains on the sale of investment securities and lower losses on early extinguishments of debt at CoBank.

District net interest income increased 5 percent to $2.999 billion in 2018 from $2.867 billion in 2017. The increase in net interest income was primarily driven by growth in average loan volume. The District's overall net interest margin was 2.12 percent in 2018, unchanged from 2017. Net interest margin primarily reflected increased earnings on invested capital as well as a higher level of lending to grain and farm supply customers in CoBank's agribusiness operating segment. These favorable items were offset by the impact of lower overall loan spreads, reflective of continued strong competition for the business of customers, and lower fair value accretion income at CoBank.

The District recorded a provision for loan losses of $83.2 million in 2018, compared to $69.0 million in 2017. CoBank recorded a provision for loan losses of $66.0 million in 2018 compared to $42.0 million in 2017. The 2018 provision at CoBank largely reflected increases in specific reserves associated with a small number of customers and growth in average loan volume. The Associations recorded a net combined provision for loan losses of $17.2 million in 2018, compared to a net combined provision of $27.0 million in 2017. The net combined 2018 and 2017 provision for loan losses at the Associations were primarily due to provisions recorded at several Associations resulting from deterioration in credit quality and other concerns causing stress to specific industries.

Noninterest income increased $151.9 million to $443.4 million in 2018 from $291.5 million in 2017. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The increase in noninterest income resulted largely from the return of $69.5 million in excess insurance funds from the Farm Credit System Insurance Corporation (Insurance Corporation) related to the Farm Credit Insurance Fund (Insurance Fund). When the Insurance Fund exceeds the statutory 2 percent secure base amount (SBA), the Insurance Corporation is required to reduce premiums and may return excess amounts. The Insurance Fund began 2018 above the SBA. In the first quarter of 2018, the Insurance Corporation approved the distribution of the excess amounts and such amounts were distributed to System entities in March. The increase in noninterest income was also driven by a higher level of gains recognized on the sale of investment securities. In 2018, CoBank sold investment securities with a combined book value of $1.8 billion for gains totaling $49.1 million. During 2017, CoBank sold investment securities with a combined book value of $1.6 billion for gains totaling $9.4 million. Losses on early extinguishments of debt, net of prepayment income, decreased $25.4 million during 2018 compared to 2017. While it is the Bank's general practice to extinguish debt to offset the current and prospective impact of prepayments in the loan and investment portfolios, the availability in the market of similarly-tenored debt, coupled with the timing of prepayments, do not always allow us to fully offset the impact of prepayments. Patronage income, which represents patronage received from other System institutions on loan participations sold by CoBank and two other Associations, increased $13.0 million in 2018 compared to 2017.

Total District operating expenses increased 1 percent to $1.109 billion in 2018 from $1.103 billion in 2017. Higher operating expenses included an increase in employee compensation expense of $18.2 million to $623.7 million during 2018 driven by annual merit increases and a higher overall number of employees in 2018 compared to 2017. These increases were somewhat offset by a change in the classification of certain components of pension expenses to other operating expenses due to accounting guidance which was adopted in 2018. The increase in other operating expenses of $16.7 million was primarily due to this reclassification. Information technology expense increased $7.6 million in 2018 compared to 2017 primarily due to greater expenditures at CoBank and certain Associations to enhance service offerings, technology platforms and digital banking capabilities. Occupancy and equipment expenses increased $6.7 million in 2018 compared to 2017 due to higher costs relating to improvements and maintenance at certain Associations. Purchased services increased by $6.1 million in 2018 compared to 2017 primarily due to a higher level of legal, professional and consulting fees. General and administrative expenses increased $3.8 million in 2018 compared to 2017. General and administrative expenses include contributions and other support provided to civic, charitable and other organizations that benefit the residents, communities and industries we serve in rural America. These items were largely offset by a decrease in Farm Credit

Insurance Fund (Insurance Fund) premium expense of $53.0 million in 2018 compared to 2017. The decrease is due to the impact of lower premium rates partially offset by higher levels of insured debt obligations to fund growth in loan volume. Insurance Fund premium rates are set by the Insurance Corporation and were 9 basis points of adjusted insured debt obligations for 2018 compared to 15 basis points for 2017. The Insurance Corporation announced a premium rate of 9 basis points of average outstanding adjusted insured debt obligations for the first half of 2019. Changes in the premium rate generally result from increases or decreases in the overall level of System assets and related debt obligations, the amount of assets in the Insurance Fund and the Insurance Corporation's growth projections of these balances.

Income tax expense increased $85.3 million to $103.5 million in 2018 from $18.2 million in 2017. The income tax expense at the District predominantly relates to CoBank as a substantial majority of the business activities at Associations are exempt from federal income tax. The increase in income tax expense was primarily due to the benefit of $142.3 million in net deferred tax adjustments recorded at CoBank in 2017 which resulted from the enactment of legislation commonly known as the Tax Cuts and Jobs Act of 2017 (TCJA) which, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning in 2018. In accordance with accounting principles generally accepted in the United States of America (GAAP), the change to the lower corporate tax rate led to a remeasurement of deferred tax liabilities and deferred tax assets in the period of enactment (2017). The 2018 provision for income taxes at CoBank also included a $15.8 million tax benefit which resulted from a change in accounting estimate reflecting the full effects of the enactment of this tax legislation. Excluding the impact of these adjustments related to the new tax legislation, the District provision for income taxes decreased to $119.3 million in 2018 compared to $160.5 million in 2017 which primarily resulted from the reduction in the federal corporate tax rate.

Loan Portfolio

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

($ in Thousands)

District Loans by Loan Type

December 31,	2018	2017	2016
Real Estate Mortgage	**$ 34,116,612**	$ 32,344,144	$ 30,616,520
Nonaffiliated Associations	**4,932,121**	4,859,323	4,523,774
Production and Intermediate-term	**16,242,017**	15,306,715	14,620,321
Agribusiness:			
Loans to Cooperatives	**15,379,249**	14,565,105	12,791,227
Processing and Marketing Operations	**8,873,455**	8,179,923	8,866,980
Farm Related Businesses	**1,840,623**	1,600,016	1,599,249
Communications	**3,948,778**	4,086,271	3,837,402
Rural Power	**16,991,058**	16,658,551	16,553,489
Water/Wastewater	**2,033,851**	1,767,950	1,657,205
Agricultural Export Finance	**6,138,278**	5,268,391	5,154,302
Rural Residential Real Estate	**767,197**	848,362	906,596
Lease Receivables	**3,742,895**	3,761,678	3,537,075
Other	**143,296**	131,255	114,458
Total	**$ 115,149,430**	$ 109,377,684	$ 104,778,598

District loan volume increased $5.7 billion to $115.1 billion at December 31, 2018, compared to $109.4 billion at December 31, 2017. The increase was primarily due to an increase in real estate mortgage loans driven by growth at several Associations as well as a greater level of agribusiness loan volume at CoBank. The increase in agribusiness loan volume was primarily due to higher levels of seasonal financing at many grain and farm supply cooperatives resulting from greater levels of grain ownership. Production and intermediate-term loans contributed to the increase in loan volume driven by growth in Association lending in several industries, including dairy, cattle/beef production and nursery. Higher loan volume also included an increase in agricultural export finance loan volume at CoBank.

Portfolio Diversification

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

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

Distribution by Primary Business / Commodity

December 31,	2018	2017	2016
Fruits, Nuts and Vegetables	**15 %**	15 %	14 %
Farm Supply, Grain and Marketing	**14**	13	12
Dairy	**9**	9	9
Electric Distribution	**7**	8	8
Cattle	**6**	6	6
Forest Products	**6**	6	6
Agricultural Export Finance	**5**	5	5
Field Crops Except Grains	**4**	4	5
Nonaffiliated Associations	**4**	4	4
Livestock, Fish and Poultry	**4**	4	4
Farm Related Business Services	**4**	3	4
Generation and Transmission	**3**	3	4
Leasing	**3**	3	3
Rural Home	**2**	2	2
Local Telephone Exchange Carriers	**1**	2	1
Nursery, Greenhouse	**1**	1	1
Other	**12**	12	12
Total	**100 %**	100 %	100 %

Geographic Distribution

December 31,	2018	2017	2016
California	**22 %**	22 %	22 %
Kansas	**6**	6	6
Texas	**6**	6	6
New York	**5**	4	4
Washington	**4**	4	4
Colorado	**3**	3	4
Idaho	**3**	3	3
Oklahoma	**3**	3	3
Oregon	**3**	3	3
Illinois	**3**	2	2
Minnesota	**2**	3	2
Iowa	**2**	2	2
Other (less than 2 percent each for the current year)	**33**	34	34
Total States	**95 %**	95 %	95 %
Latin America	**2**	2	2
Europe, Middle East and Africa	**1**	1	1
Other International	**2**	2	2
Total International	**5 %**	5 %	5 %
Total	**100 %**	100 %	100 %

Loan Quality

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

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

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

District Loan Quality

December 31,	2018	2017	2016
Acceptable	**94.22 %**	94.35 %	95.31 %
Special Mention	**2.97**	3.20	2.67
Substandard	**2.80**	2.44	2.00
Doubtful	**0.01**	0.01	0.02
Loss	**-**	-	-
Total	**100.00 %**	100.00 %	100.00 %

While overall loan quality within the District remains favorable, certain entities within the District experienced credit quality deterioration in 2018 resulting from commodity price volatility and stress in specific industries. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percent of total loans was 2.81 percent at December 31, 2018, compared to 2.45 percent at December 31, 2017. This increase was driven by deterioration in credit quality primarily impacting agribusiness, real estate mortgage, production and intermediate-term loans as well as energy loans.

At December 31, 2018, Special Mention loans included a CoBank participation in a $471.2 million wholesale loan made by Farm Credit Bank of Texas to one of its affiliated Associations. Pursuant to regulatory requirements, wholesale loans are classified using the same credit rating methodology as is used with commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the downgrade reflects certain material internal control weaknesses at that Association, as a result of the collateralization and other mitigants described above, no losses are anticipated related to that wholesale loan. As of December 31, 2018, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any wholesale loans to Associations.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled $761.8 million as of December 31, 2018 compared to $614.5 million at December 31, 2017. Nonaccrual loans increased by $156.9 million during 2018 driven by a $79.5 million increase at CoBank resulting from credit quality deterioration impacting a small number of agribusiness and rural power customers, somewhat offset by payoff activity related to several agribusiness borrowers. Nonaccrual loans at Associations increased by $77.4 million primarily due to the addition of several agribusiness and production and intermediate-term loans, somewhat offset by payoff activity primarily related to real estate mortgage loans. Accruing restructured loans decreased by $7.6 million to $32.9 million in 2018 primarily due to payoff activity at two Associations. Total accruing loans 90 days or more past due totaled $13.5 million at December 31, 2018, compared to $8.1 million at December 31, 2017. Nonperforming assets represented 0.66 percent of total District loan volume and other property owned at December 31, 2018, compared to 0.56 percent at December 31, 2017. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.62 percent of total loans at December 31, 2018 compared to 0.51 percent of total loans at December 31, 2017.

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

($ in Thousands)

Nonperforming Assets			
December 31,	**2018**	**2017**	**2016**
Nonaccrual Loans:			
Real Estate Mortgage	**$ 187,334**	$ 227,649	$ 246,832
Production and Intermediate-term	**129,866**	100,681	89,060
Agribusiness	**314,010**	141,838	138,356
Communications	**9,507**	10,639	-
Agricultural Export Finance	**-**	4,091	-
Rural Power	**28,656**	23,218	-
Rural Residential Real Estate	**4,226**	2,013	3,531
Lease Receivables	**37,216**	43,755	44,329
Total Nonaccrual Loans	**710,815**	553,884	522,108
Accruing Restructured Loans:			
Real Estate Mortgage	**19,568**	19,607	27,886
Production and Intermediate-term	**10,832**	18,700	20,883
Agribusiness	**489**	21	-
Communications	**-**	-	45,144
Rural Residential Real Estate	**2,056**	2,174	2,351
Total Accruing Restructured Loans	**32,945**	40,502	96,264
Accruing Loans 90 Days or More Past Due:			
Real Estate Mortgage	**8,857**	1,723	5,185
Production and Intermediate-term	**2,983**	1,416	1,778
Agribusiness	**771**	3,526	210
Rural Residential Real Estate	**-**	723	-
Lease Receivables	**914**	670	804
Total Accruing Loans 90 Days or More Past Due	**13,525**	8,058	7,977
Total Nonperforming Loans	**757,285**	602,444	626,349
Other Property Owned	**4,534**	12,062	11,332
Total Nonperforming Assets	**$ 761,819**	$ 614,506	$ 637,681
Nonaccrual Loans as a Percentage of Total Loans	**0.62 %**	0.51 %	0.50 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	**0.66**	0.56	0.61
Nonperforming Assets as a Percentage of Capital	**3.90**	3.33	3.68

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

($ in Thousands)

Aging of Past Due Loans

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

($ in Thousands)

Aging of Past Due Loans

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

($ in Thousands)

Aging of Past Due Loans

December 31, 2016	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 87,240	$ 134,852	$ 222,092	$ 30,706,743	$ 30,928,835	$ 5,185
Nonaffiliated Associations	-	-	-	4,528,507	4,528,507	-
Production and Intermediate-term	55,008	54,510	109,518	14,610,072	14,719,590	1,778
Agribusiness	8,308	15,635	23,943	23,309,496	23,333,439	210
Communications	-	-	-	3,848,157	3,848,157	-
Rural Power	-	-	-	16,624,010	16,624,010	-
Water/Waste Water	-	-	-	1,666,042	1,666,042	-
Agricultural Export Finance	-	-	-	5,168,136	5,168,136	-
Rural Residential Real Estate	6,623	1,168	7,791	901,741	909,532	-
Lease Receivables	18,922	8,452	27,374	3,510,200	3,537,574	804
Other	-	-	-	114,696	114,696	-
Total	$ 176,101	$ 214,617	$ 390,718	$ 104,987,800	$ 105,378,518	$ 7,977

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled $120.8 million at December 31, 2018.

Although aggregated in the District's combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at December 31, 2018 totaled $930.8 million compared to $884.0 million at December 31, 2017. Changes in the allowance included an overall provision for loan losses of $83.2 million, which is described on page 3, net charge-offs of $50.2 million, and a $13.8 million net transfer from the reserve for unfunded commitments. Gross charge-offs in 2018 were $58.0 million, of which $35.7 million related to several CoBank agribusiness and leasing customers which experienced financial distress in 2018. The remaining $22.3 million primarily related to charge-offs recorded across various Associations.

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

District Financial Information

CoBank, ACB and Affiliated Associations

($ in Thousands)

Changes in Allowance for Loan Losses

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

District Financial Information

CoBank, ACB and Affiliated Associations

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
December 31, 2017											
Allowance for Loan Losses:											
Beginning Balance	$ 125,268	$ -	$ 156,333	$ 336,588	$ 40,564	$ 124,026	$ 11,724	$ 14,216	$ 4,497	$ 42,103	$ 855,319
Charge-offs	(2,594)	-	(8,957)	(35,117)	-	-	-	-	(220)	(2,258)	(49,146)
Recoveries	610	-	3,105	905	45	308	-	420	35	512	5,940
Provision for Loan Losses/ (Loan Loss Reversal)	8,322	-	21,391	34,793	8,778	(13,017)	(196)	1,681	(637)	7,906	69,021
Transfers from (to) Reserve for Unfunded Commitments	(2,511)	-	896	6,117	827	810	82	94	-	-	6,315
Association Merger Impact	(1,244)	-	(1,771)	(283)	(25)	(85)	(4)	(8)	(2)	-	(3,422)
Ending Balance	$ 127,851	$ -	$ 170,997	$ 343,003	$ 50,189	$ 112,042	$ 11,606	$ 16,403	$ 3,673	$ 48,263	$ 884,027
Allowance for Credit Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 14,921	$ -	$ 20,529	$ 26,745	$ 4,700	$ 3,600	$ -	$ 1,000	$ 70	$ 3,793	$ 75,358
Collectively Evaluated for Impairment	112,930	-	150,468	316,258	45,489	108,442	11,606	15,403	3,603	44,470	808,669
Total	$ 127,851	$ -	$ 170,997	$ 343,003	$ 50,189	$ 112,042	$ 11,606	$ 16,403	$ 3,673	$ 48,263	$ 884,027
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 320,317	$ 4,867,557	$ 147,022	$ 156,704	$ 11,177	$ 23,643	$ 20	$ 4,303	$ 4,485	$ 136,358	$ 5,671,586
Collectively Evaluated for Impairment	32,383,332	-	15,272,588	24,280,407	4,087,836	16,707,250	1,778,028	5,279,536	846,605	3,757,696	104,393,278
Total	$32,703,649	$ 4,867,557	$15,419,610	$24,437,111	$ 4,099,013	$16,730,893	$ 1,778,048	$ 5,283,839	$ 851,090	$3,894,054	$110,064,864

District Financial Information

CoBank, ACB and Affiliated Associations

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water/ Wastewater	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
December 31, 2016											
Allowance for Loan Losses:											
Beginning Balance	$ 105,155	$ -	$ 129,219	$ 271,873	$ 53,345	$ 121,405	$ 10,646	$ 11,293	$ 5,666	$ 36,920	$ 745,522
Charge-offs	(1,274)	-	(18,000)	(4,980)	(324)	-	-	-	(265)	(2,614)	(27,457)
Recoveries	804	-	4,388	1,619	1,135	847	-	54	3	299	9,149
Provision for Loan Losses/ (Loan Loss Reversal)	15,146	-	39,551	57,965	(13,827)	2,831	1,180	2,960	(907)	7,498	112,397
Transfers from (to) Reserve for Unfunded Commitments	5,999	-	1,519	10,113	235	(1,057)	(102)	(91)	-	-	16,616
Association Merger Impact	(562)	-	(344)	(2)	-	-	-	-	-	-	(908)
Ending Balance	$ 125,268	$ -	$ 156,333	$ 336,588	$ 40,564	$ 124,026	$ 11,724	$ 14,216	$ 4,497	$ 42,103	$ 855,319
Allowance for Credit Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 18,288	$ -	$ 20,069	$ 17,281	$ -	$ -	$ -	$ -	$ 331	$ 4,920	$ 60,889
Collectively Evaluated for Impairment	106,980	-	136,264	319,307	40,564	124,026	11,724	14,216	4,166	37,183	794,430
Total	$ 125,268	$ -	$ 156,333	$ 336,588	$ 40,564	$ 124,026	$ 11,724	$ 14,216	$ 4,497	$ 42,103	$ 855,319
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 365,992	$ 4,528,507	$ 142,098	$ 153,569	$ 2,003	$ 563	$ 26	$ 281	$ 6,223	$ 116,213	$ 5,315,475
Collectively Evaluated for Impairment	30,562,843	-	14,577,492	23,179,870	3,846,154	16,623,447	1,666,016	5,167,855	903,309	3,536,057	100,063,043
Total	$30,928,835	$ 4,528,507	$14,719,590	$23,333,439	$ 3,848,157	$16,624,010	$ 1,666,042	$ 5,168,136	$ 909,532	$3,652,270	$105,378,518

Investment Portfolio

As the funding bank for the District, CoBank is responsible for meeting the District's funding and liquidity needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the District also maintains a secondary source of liquidity through a high credit quality investment portfolio and other short-term liquid assets which are primarily held at the Bank. All of CoBank's investment securities are classified as "available for sale". Refer to the Annual Report for additional description of the types of investments held by the Bank and related yield information and maturities. Associations have regulatory authority to enter into certain investments that carry an explicit government guarantee and certain other securities. As of December 31, 2018, 2017 and 2016, Associations held mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation which are classified as "held to maturity".

($ in Millions)

Investment Information

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
CoBank Investments	**$ 31,594**	**$ 35**	**$ (337)**	**$ 31,292**
Association Investments	**14**	**-**	**-**	**14**
Total	**$ 31,608**	**$ 35**	**$ (337)**	**$ 31,306**
December 31, 2017				
CoBank Investments	$ 27,024	$ 76	$ (230)	$ 26,870
Association Investments	110	1	-	111
Total	$ 27,134	$ 77	$ (230)	$ 26,981
December 31, 2016				
CoBank Investments	$ 27,786	$ 149	$ (170)	$ 27,765
Association Investments	136	2	-	138
Total	$ 27,922	$ 151	$ (170)	$ 27,903

District Capital Resources

Combined District shareholders' equity at December 31, 2018 totaled $19.5 billion, a net increase of $1.1 billion as compared to $18.4 billion at December 31, 2017. The increase primarily resulted from District net income of $2.147 billion and an increase in common stock of $86.1 million. These factors were partially offset by accrued patronage of $936.8 million as well as an increase in accumulated other comprehensive loss of $123.2 million and preferred stock dividends of $98.4 million.

On April 8, 2016, CoBank issued $375.0 million of Series I non-cumulative perpetual preferred stock. Dividends on Series I preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable semi-annually at a fixed annual rate equal to 6.25 percent from the date of issuance up to, but excluding, October 1, 2026. Thereafter, dividends will accrue at an annual rate equal to the 3-month USD LIBOR plus 4.66 percent and will be payable quarterly.

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

($ in Thousands)

Accumulated Other Comprehensive Loss

December 31,	2018	2017	2016
Unrealized Losses on Investment Securities	**$ (271,242)**	$ (121,149)	$ (13,054)
Net Pension Adjustment	**(348,563)**	(351,097)	(369,209)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	**(25,614)**	(49,981)	(37,707)
Accumulated Other Comprehensive Loss	**$ (645,419)**	$ (522,227)	$ (419,970)

The increase in the District's total accumulated other comprehensive loss in 2018 primarily relates to the increase in net unrealized losses on investment securities at CoBank driven by market interest rate changes. Also contributing to the increased loss was the reclassification of certain stranded tax effects totaling $26.8 million. New U.S. tax laws resulting from TCJA were enacted in late 2017. Among other things, the TCJA reduced the federal corporate tax rate from 35 percent to 21 percent. In accordance with accounting principles generally accepted in the United States of America (GAAP), the change to a lower corporate tax rate led to a remeasurement of deferred tax liabilities and deferred tax assets in the period of enactment (2017). For deferred tax amounts originally recorded in accumulated other comprehensive income/(loss), this remeasurement resulted in a disproportionate effect of $26.8 million for the District which remained "stranded" in accumulated other comprehensive loss as of December 31, 2017. In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The new guidance provides entities the option to reclassify the stranded tax effects of the TCJA from accumulated other comprehensive income/(loss) to retained earnings. For all entities, this guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The District elected to early adopt this guidance, as permitted by the standard. As a result, the stranded tax effect was reclassified at the beginning of 2018 resulting in increases to accumulated other comprehensive loss and retained earnings of $26.8 million.

In 2018, CoBank made a special cash patronage distribution of $96.2 million to customer-owners. The distribution reflects CoBank's plan to share the benefits of recently enacted federal tax reform legislation with eligible borrowers and other key stakeholders, along with earnings from significant nonrecurring items in 2018. The distribution was incremental to regular patronage distributions that CoBank typically makes in March of each year.

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

Regulatory Capital Requirements and Ratios

December 31,				2018		2017	
Ratio	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer*	CoBank	District Associations	CoBank	District Associations
Risk Adjusted:							
Common equity tier 1 (CET1) capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5%	7.0%	12.38%	14.00 - 28.58%	11.67%	13.33 - 29.45%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	14.57%	14.00 - 28.58%	13.97%	13.33 - 29.45%
Total capital ratio	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0%	10.5%	15.58%	14.38 - 29.84%	15.24%	13.95 - 30.70%
Permanent capital ratio[5]	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	14.69%	14.14 - 32.30%	14.29%	14.30 - 33.32%
Non-risk adjusted:							
Tier 1 leverage ratio**	Tier 1 Capital	4.0%	5.0%	7.53%	14.51 - 27.47%	7.26%	14.37 - 27.50%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	3.19%	16.64 - 27.09%	2.96%	15.99 - 27.10%

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

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

(1) Equities outstanding 7 or more years

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

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

(4) Debt and equities outstanding 5 or more years

(5) As of December 31, 2016, the permanent capital ratio was 15.47% at CoBank and the ratio ranged from 14.26-36.60% at the District Associations.

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

Employee Benefit Plans

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

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

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

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

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

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

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

The following tables provide a summary of the changes in the plans' benefit obligations and fair values of assets over the three-year period ended December 31, 2018, as well as a statement of funded status as of December 31 of each year.

($ in Thousands)

Retirement Plans

	CoBank[1]	Eleventh[2]	Ninth[2]	Northwest[2]	Total
December 31, 2018					
Projected benefit obligation	**$ 510,570**	**$ 275,913**	**$ 293,898**	**$ 79,245**	**$ 1,159,626**
Fair value of plan assets	**441,294**	**192,013**	**204,893**	**70,297**	**908,497**
Unfunded status	**(69,276)**	**(83,900)**	**(89,005)**	**(8,948)**	**(251,129)**
Accumulated benefit obligation	**$ 473,732**	**$ 259,293**	**$ 260,254**	**$ 78,344**	**$ 1,071,623**
Assumptions used to determine benefit obligations:					
Discount rate	**4.45%**	**4.35%**	**4.40%**	**4.26%**	
Rate of compensation increase	**3.60%**	**5.50%**	**5.00%**	**4.50%**	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	**6.00%**	**6.75%**	**6.75%**	**6.75%**	
December 31, 2017					
Projected benefit obligation	$ 540,271	$ 298,124	$ 311,173	$ 87,094	$ 1,236,662
Fair value of plan assets	456,795	200,691	208,016	77,071	942,573
Unfunded status	(83,476)	(97,433)	(103,157)	(10,023)	(294,089)
Accumulated benefit obligation	$ 496,088	$ 273,896	$ 267,499	$ 85,601	$ 1,123,084
Assumptions used to determine benefit obligations:					
Discount rate	3.75%	3.68%	3.72%	3.59%	
Rate of compensation increase	3.60%	5.50%	5.00%	4.50%	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	6.00%	6.75%	6.75%	6.75%	
December 31, 2016					
Projected benefit obligation	$ 504,569	$ 283,917	$ 279,663	$ 86,764	$ 1,154,913
Fair value of plan assets	400,743	172,216	175,574	71,256	819,789
Unfunded status	(103,826)	(111,701)	(104,089)	(15,508)	(335,124)
Accumulated benefit obligation	$ 456,575	$ 259,780	$ 233,214	$ 84,959	$ 1,034,528
Assumptions used to determine benefit obligations:					
Discount rate	4.30%	4.22%	4.30%	4.06%	
Rate of compensation increase	4.75%	5.50%	5.00%	4.50%	
Assumption used to determine net periodic benefit cost:					
Expected long-term rate of return	6.63%	7.25%	7.25%	7.25%	

(1) Includes the multiemployer-funded qualified CoBank Defined Benefit Pension Plan and unfunded nonqualified CoBank SERPs and ERP.

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

($ in Thousands)

Other Postretirement Benefits

	CoBank	Eleventh	Ninth	Northwest[1]	Total
December 31, 2018					
Projected benefit obligation	**$ 3,568**	**$ 3,239**	**$ 1,382**	**$ -**	**$ 8,189**
Fair value of plan assets	**-**	**-**	**-**	**-**	**-**
Unfunded status	**(3,568)**	**(3,239)**	**(1,382)**	**-**	**(8,189)**
Assumptions used to determine benefit obligations:					
Discount rate	**4.45%**	**4.43%**	**4.02%**	**-**	
December 31, 2017					
Projected benefit obligation	$ 3,853	$ 3,172	$ 1,621	$ -	$ 8,646
Fair value of plan assets	-	-	-	-	-
Unfunded status	(3,853)	(3,172)	(1,621)	-	(8,646)
Assumptions used to determine benefit obligations:					
Discount rate	3.75%	3.73%	3.36%	-	
December 31, 2016					
Projected benefit obligation	$ 4,036	$ 6,527	$ 1,670	$ -	$ 12,233
Fair value of plan assets	-	-	-	-	-
Unfunded status	(4,036)	(6,527)	(1,670)	-	(12,233)
Assumptions used to determine benefit obligations:					
Discount rate	4.30% [2]	4.28%	3.70%	-	

[1] Northwest Farm Credit Services, ACA does not have an OPEB plan.

[2] The discount rate used to determine benefit obligations for Farm Credit East, ACA and Yankee Farm Credit, ACA was 4.10% for the plan year ended December 31, 2016.

Association Mergers and Other Matters

Effective January 1, 2016, two affiliated Associations, Farm Credit Services of East Central Oklahoma, ACA, and Chisholm Trail Farm Credit, ACA, merged to form Oklahoma AgCredit, ACA.

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

Effective January 1, 2017, two of our affiliated Associations, Farm Credit of Southwest Kansas, ACA, and American AgCredit, ACA, merged and are doing business as American AgCredit, ACA. During 2016, these two entities operated under a joint management agreement pursuant to which the President and Chief Executive Officer (CEO) of American AgCredit, ACA, served as the CEO of both Associations.

Effective October 1, 2017, one of our affiliated Associations, Farm Credit of Ness City, FLCA (Ness City), merged into another of our affiliated Associations, High Plains Farm Credit, ACA (High Plains). During 2017, the two entities operated under a joint management agreement pursuant to which the CEO, Chief Financial Officer and Chief Credit Officer of High Plains jointly served in these positions for Ness City.

District Financial Information

CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets

(unaudited)

($ in Thousands)

As of December 31,		2018		2017		2016
Assets						
Total Loans	**$**	**115,149,430**	$	109,377,684	$	104,778,598
Less: Allowance for Loan Losses		**930,771**		884,027		855,319
Net Loans		**114,218,659**		108,493,657		103,923,279
Cash and Cash Equivalents		**1,654,814**		1,548,892		1,877,756
Federal Funds Sold and Other Overnight Funds		**1,300,000**		1,035,000		750,000
Investment Securities		**31,305,903**		26,980,570		27,903,362
Interest Rate Swaps and Other Financial Instruments		**243,233**		171,148		204,434
Accrued Interest Receivable and Other Assets		**1,881,332**		2,005,534		1,877,885
Total Assets	**$**	**150,603,941**	$	140,234,801	$	136,536,716
Liabilities						
Bonds and Notes	**$**	**128,504,636**	$	119,386,740	$	116,071,661
Subordinated Debt		**-**		-		498,820
Interest Rate Swaps and Other Financial Instruments		**152,206**		86,732		162,413
Reserve for Unfunded Commitments		**120,837**		134,587		141,539
Accrued Interest Payable and Other Liabilities		**2,313,540**		2,194,668		2,323,003
Total Liabilities		**131,091,219**		121,802,727		119,197,436
Shareholders' Equity						
Preferred Stock Issued by Bank		**1,500,000**		1,500,000		1,500,000
Preferred Stock Issued by Associations		**511,747**		532,649		518,113
Common Stock		**1,627,379**		1,541,275		1,458,138
Paid In Capital		**1,319,232**		1,319,232		1,083,693
Unallocated Retained Earnings		**15,199,783**		14,061,145		13,199,306
Accumulated Other Comprehensive Loss		**(645,419)**		(522,227)		(419,970)
Total Shareholders' Equity		**19,512,722**		18,432,074		17,339,280
Total Liabilities and Shareholders' Equity	**$**	**150,603,941**	$	140,234,801	$	136,536,716

District Financial Information

CoBank, ACB and Affiliated Associations

Condensed Combined Statements of Income

(unaudited)

($ in Thousands)

Year Ended December 31,	2018	2017	2016
Interest Income			
Loans	**$ 4,921,954**	$ 4,074,363	$ 3,555,419
Investment Securities, Federal Funds Sold and Other Overnight Funds	**687,141**	543,983	442,725
Total Interest Income	**5,609,095**	4,618,346	3,998,144
Interest Expense	**2,610,150**	1,751,560	1,247,882
Net Interest Income	**2,998,945**	2,866,786	2,750,262
Provision for Loan Losses	**83,165**	69,021	112,397
Net Interest Income After Provision for Loan Losses	**2,915,780**	2,797,765	2,637,865
Noninterest Income			
Net Fee Income	**142,912**	143,221	138,713
Patronage Income	**76,685**	63,695	56,608
Prepayment Income	**17,201**	18,877	34,184
Losses on Early Extinguishment of Debt	**(15,021)**	(42,089)	(34,197)
Gains on Sale of Investment Securities	**49,074**	9,387	4,617
Return of Excess Insurance Funds	**69,504**	-	-
Other, Net	**103,083**	98,360	106,206
Total Noninterest Income	**443,438**	291,451	306,131
Operating Expenses			
Employee Compensation	**623,745**	605,572	583,251
General and Administrative	**79,715**	75,951	71,894
Information Technology	**81,053**	73,470	64,406
Insurance Fund Premium	**88,673**	141,633	153,395
Farm Credit System Related	**31,182**	31,078	28,745
Occupancy and Equipment	**73,884**	67,153	64,842
Purchased Services	**67,984**	61,923	59,396
Other	**62,465**	45,796	56,496
Total Operating Expenses	**1,108,701**	1,102,576	1,082,425
Income Before Income Taxes	**2,250,517**	1,986,640	1,861,571
Provision for Income Taxes	**103,505**	18,193	163,761
Net Income	**$ 2,147,012**	$ 1,968,447	$ 1,697,810

District Financial Information

CoBank, ACB and Affiliated Associations

Select Information on District Associations

($ in Thousands)

As of December 31, 2018	Wholesale Loans	% of Wholesale Loans	Total Assets	Total Regulatory Capital	Total Regulatory Capital Ratio	Non-performing Loans as a % of Total Loans	Return on Average Assets
Northwest Farm Credit Services, ACA	$ 8,988,496	19.71 %	$ 11,986,831	$ 2,247,388	18.46 %	0.81 %	2.61 %
American AgCredit, ACA	8,483,258	18.61	10,913,995	1,677,685	14.94	0.49	1.68
Farm Credit West, ACA	7,938,376	17.42	10,614,770	1,544,001	14.66	1.13	2.44
Farm Credit East, ACA	5,652,794	12.40	7,263,426	1,349,098	18.92	0.72	2.54
Yosemite Farm Credit, ACA	2,596,308	5.70	3,186,434	435,632	14.38	0.90	2.20
Frontier Farm Credit, ACA	1,636,637	3.59	2,112,907	389,643	18.00	0.56	2.28
Farm Credit of New Mexico, ACA	1,380,121	3.03	1,825,772	362,939	22.16	0.99	1.66
Golden State Farm Credit, ACA	1,257,970	2.76	1,615,234	264,615	16.35	0.24	1.99
Oklahoma AgCredit, ACA	1,071,365	2.35	1,360,685	234,829	17.74	0.56	1.77
Fresno-Madera Farm Credit, ACA	973,528	2.14	1,326,326	237,988	17.40	0.93	1.62
High Plains Farm Credit, ACA	975,591	2.14	1,243,136	195,218	16.31	0.19	2.35
Farm Credit of Southern Colorado, ACA	828,109	1.82	1,102,797	221,160	19.94	1.09	1.50
Western AgCredit, ACA	857,411	1.88	1,088,491	177,745	16.14	0.96	2.52
Farm Credit Western Oklahoma, ACA	685,114	1.50	862,211	137,090	17.73	0.13	1.53
Premier Farm Credit, ACA	545,185	1.20	727,446	143,230	18.87	0.48	2.03
Yankee Farm Credit, ACA	434,086	0.95	552,644	94,347	19.70	1.68	2.47
Farm Credit Services of Colusa-Glenn, ACA	296,588	0.65	437,117	101,477	21.40	-	2.13
Farm Credit of Western Kansas, ACA	277,110	0.61	381,841	82,338	22.97	0.10	1.96
Idaho AgCredit, ACA	244,694	0.54	311,011	48,980	17.46	0.89	1.88
AgPreference, ACA	222,324	0.49	277,289	43,235	20.55	2.75	1.27
Farm Credit of Enid, ACA	174,591	0.38	238,591	54,899	25.14	0.73	1.29
Farm Credit Sercices of Hawaii, ACA	58,778	0.13	88,630	23,712	29.84	2.15	0.50

Association Information

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

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

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

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

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

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

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

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

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

Farm Credit Services of Hawaii, ACA
99-860 Iwaena St., Suite A
Honolulu HI 96701
808-836-8009
www.hawaiifarmcredit.com

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

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

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

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

District Financial Information

CoBank, ACB and Affiliated Associations

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

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

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

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

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

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

Yankee Farm Credit, ACA
289 Hurricane Lane Suite #102
Williston, VT 05495-0467
802-879-4700
www.yankeefarmcredit.com

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

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