AGRIBANK 2018 ANNUAL REPORT

ADVANCING TOGETHER

FUNDING AND FINANCIAL SOLUTIONS, TODAY AND TOMORROW

AgriBank
FARM CREDIT BANK

AGRIBANK EMPLOYEES

Committed to Rural Communities and Agriculture

AgriBank has added Culture & Human Capital as one of our four Areas of Strategic Focus for 2019-2023, joining Capital Efficiency, Operational Strength and Client Service. The addition of Culture & Human Capital affirms that employees are mission-critical to the Bank's ability to deliver on its role to expertly and reliably obtain funds and prudently provide funding and financial solutions to AgriBank District Associations.

As a tribute to their hard work and dedication, the AgriBank 2018 Annual Report exclusively features farm photos that employees submitted to our latest annual staff photo contest. AgriBank employees have close ties or devotion to rural America. Many grew up on, commute from or still have relatives living on family farms. While Farm Credit supports farms, ranches and agribusinesses of all sizes, our employees tend to capture images reminiscent of the traditional family farm.

Thank you, AgriBank employees, for demonstrating your passion for rural communities and agriculture—and Farm Credit.

AgriBank and SunStream Business Services

2018 EMPLOYEE PHOTO CONTEST

Winners selected by employees.

1ST PLACE
Laura Kemmerer,
Senior HR Specialist

2ND PLACE
Angie Bierwerth,
Administrative Services Manager

3RD PLACE
Steve Jensen, President,
SunStream Business Services

Front cover photo: **Carol Rice,** Executive Assistant to the CEO

Back cover photo: **Dave Berdahl,** Manager Balance Sheet Management

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WHO WE ARE

AgriBank expertly and reliably obtains funds and prudently provides funding and financial solutions to Farm Credit Associations.

Photo: Bill Christianson, Senior Financial Analyst, SunStream Business Services

About AgriBank

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. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. For more information, visit www.AgriBank.com.

AgriBank
FARM CREDIT BANK

About Farm Credit

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. It has been fulfilling its mission of helping rural America grow and thrive for more than a century with the capital necessary to support businesses' success and by financing vital infrastructure and communication services. For more information, visit www.FarmCredit.com.

FARM CREDIT

Copies of AgriBank's annual and quarterly reports and the annual and quarterly unaudited reports of the combined AgriBank, FCB and District Associations are available free of charge upon request to:

AgriBank, FCB | 30 E. 7th St., Suite 1600 | St. Paul, MN 55101-4914 | (651) 282-8800 | financialreporting@agribank.com

The reports are also available through AgriBank's website at www.AgriBank.com. The quarterly reports are available approximately 40 days following the end of each calendar quarter and the Annual Report is available approximately 75 days following the end of the year.

DEAR SHAREHOLDERS

Left: Jeff Swanhorst
Chief Executive Officer, AgriBank

Right: Matt Walther
Chair, AgriBank

In her 1913 novel, "O Pioneers!", American author Willa Cather addressed a concept most farmers today likely can relate to: stewardship. "We come and go, but the land will always be here," she wrote. "Those people who love and understand it are the only ones who really own it—for a while."

Just as farmers care for their land, we take a stewardship approach to leading AgriBank. Directors and executives come and go, but the Bank has succeeded for more than 100 years. During our time at the helm, in every decision we make, we consider whether it will help strengthen AgriBank for decades to come for the benefit of our customers, the 14 Farm Credit Associations that together own AgriBank and comprise the AgriBank District. Embracing this long-term view is how AgriBank, the Associations and Farm Credit have been advancing together over several generations in our collective mission to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

AgriBank has experienced significant change the past several years as we have embraced our Funding Bank Model. We are grateful to Bill Thone, our longtime general counsel who came out of retirement in August 2016 as CEO to guide us through our transformation before re-retiring in March 2018. CEO Jeff Swanhorst, who, as chief credit officer, was a member of the Executive Leadership Team, is continuing to lead AgriBank along the well-defined path we've charted—to expertly and reliably obtain funds and prudently provide funding and financial solutions to Associations. AgriBank's new leadership team is in place, and they are committed to continuing forward on this clear path.

We launched our Funding Bank Model several years ago as an outcome of District strategic planning. Our course has been deliberate, thoughtful and methodical. Now that the management transition has been completed, we have arrived where we intended and as we said we would do. We have a committed, experienced and talented team in place at every level of the organization, as well as a dedicated Board of Directors. We have turned our attention to perfecting how we execute our role to support District Associations. It is a cooperative effort—the board, management, employees, Associations and other Farm Credit System partners collaborating, ultimately, to support the people who feed the world.

Our continued financial discipline enables us to keep the cost of funding as low as possible for District Associations.

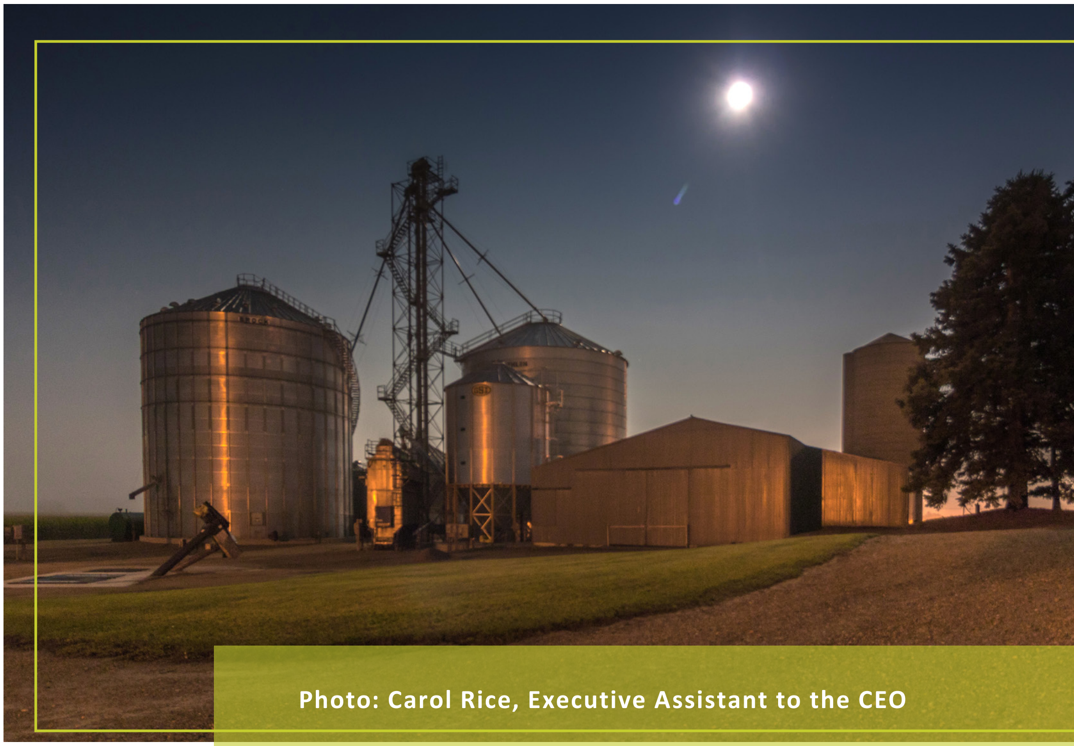


Photo: Carol Rice, Executive Assistant to the CEO

Financial Results

During the past several years, we have gone through significant organizational changes. AgriBank employees have done a tremendous job keeping their eyes on the needs of our customer/owners. The proof can be found in key financial measures that reflect our strong performance in 2018.

- AgriBank returned nearly $557 million in earnings to our owners in the form of cash patronage refunds—$49 million higher than the previous year.
- AgriBank net income increased over the prior year and remained strong at $577.6 million as we exceeded our targeted return on assets (ROA) of 50 basis points; actual ROA was 55 basis points. District net income increased nearly 11.0 percent to $2.1 billion, driven by continued strong net interest income.
- AgriBank net operating rate decreased to 6.1 basis points from 7.0 basis points in 2017, reflecting our disciplined approach to operating expenses and reduced Farm Credit System insurance expense.
- AgriBank credit quality remained strong, with AgriBank nonadverse loans at 99.5 percent and District nonadverse loans at 95.1 percent, reflecting disciplined underwriting combined with the adequate liquidity and strong equity positions of many borrowers.
- AgriBank loan volume increased 4.9 percent from the previous year to $92.7 billion, reflecting growth in wholesale loans to District Associations. District loan volume increased 5.1 percent from the previous year to $107.6 billion, driven by District Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit and financial services.
- Shareholders' equity increased 4.4 percent to $5.9 billion for AgriBank and increased 6.4 percent to $23.5 billion for the District, positioning the Bank and District Associations to navigate through the current environment.

AgriBank regularly meets with third parties that assess AgriBank along with other Farm Credit institutions. In their latest reports, the top three credit rating agencies continued to recognize AgriBank's financial strength and the importance of our mission to finance U.S. agriculture by affirming their strong ratings with stable outlooks (Fitch, AA-; Moody's, Aa3; Standard & Poor's, AA-). Our continued financial discipline enables us to keep the cost of funding as low as possible for District Associations.

A key challenge pressuring future AgriBank performance—and that of District Associations, farmers and ranchers, and the

District Associations remain in an excellent position to work with borrowers through these challenging times.

Photo: Dave Berdahl, Manager Balance Sheet Management

entire agriculture industry—is the seemingly ongoing political and economic uncertainty and volatility. Trade policies, in particular, directly impact commodity prices, which in turn affect producers and their lenders. The 2018 Farm Bill (and the proposed United States-Mexico-Canada Agreement, if ratified) likely will bring some degree of certainty and stability. Uncertainty regarding other highly significant agriculture trading partners continues. Many sectors of production agriculture continue to face substantial headwinds to their profitability, and producers have been adjusting operating costs to contend with lower commodity prices for several years running. District Associations remain in an excellent position to work with borrowers through these challenging times.

Funding Bank Model

Over the past several years, we have taken several significant steps to focus our activities on funding.

First, we restructured our management team. Through a measured and thoughtful process, the board and management determined AgriBank needed three key functional areas:

- **Finance**—to expertly and reliably obtain and distribute funds on the most competitive terms possible
- **Credit**—to prudently provide funding and financial solutions to District Associations
- **Support**—to ensure the funding and lending areas excel in their roles, and that AgriBank and the District remain strong and viable

Second, we prepared to spin off technology and other business services outside our core functions. On January 1, 2018, we launched SunStream Business Services as a division of AgriBank to provide those services to the Bank and District Associations. The AgriBank board and management are committed to the long-term strategy of operating SunStream as a separate service entity, and the Farm Credit Administration (FCA) has been conducting a thorough review of the service corporation charter application for SunStream.

We continue to believe the formation of SunStream will fulfill a District goal to keep pace with technology changes and manage rising costs. This goal includes positioning technology and other services for possible future collaboration with

Photo: Barbara Molitor, Executive Administrative Assistant

Fully embracing the Funding Bank Model provides plenty of opportunity to create new ways to do what we do even better.

other Farm Credit System providers to achieve even greater economies of scale.

Fully embracing the Funding Bank Model provides plenty of opportunity to create new ways to do what we do even better. Two recent initiatives—the ProPartners Asset Pool Program and Treasury Workstation—offer cases in point.

ProPartners, which AgriBank became directly involved with in December 2018, is a stellar example of the role AgriBank plays by prudently providing funding and financial solutions to Associations. ProPartners is a lending program that has been operated collaboratively by several Farm Credit Associations, both inside and outside the AgriBank District, for many years. The ProPartners program consists of retail loans to agricultural producers to finance the purchase of crop inputs from suppliers across the United States. The Association participants of ProPartners sell their participation interests in these loans to AgriBank and will, at the discretion of the board, receive patronage from the earnings on these loan participation sales.

ProPartners will continue to allow Farm Credit to economically and efficiently serve this segment of agriculture, including most major input suppliers in the United States. The program, which had approximately $1.2 billion in assets sold to AgriBank in December 2018, will improve capital efficiency, increase operating efficiency, and provide for improved future ownership flexibility of the participating Farm Credit institutions.

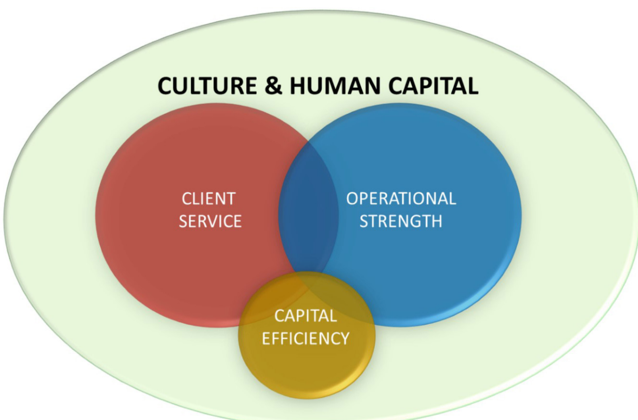
Treasury Workstation, launched in January 2019, is an accounting, cash management and liquidity forecasting system that provides greater efficiency and precision to our management of Bank investments, debt, derivatives and cash. It combines several systems that Finance uses to record and track all of the investments and debt held by AgriBank. It also allows for all the cash movement within AgriBank, the Associations and their clients in a real-time environment so the AgriBank Treasury team can invest excess cash as soon as possible.

Treasury Workstation replaced a legacy system with newer technology and more streamlined processing. As an added benefit, the new system will enable AgriBank to help Associations with investment accounting and give them access to this center of excellence in processing and reporting in future years.

Areas of Strategic Focus

Executing our business model involves a great deal of day-to-day blocking and tackling to create a highly efficient and effective funding structure. It also requires a strategic approach that relies on targeted input and engagement from key stakeholders, especially District Associations.

As a result of our strategic planning process and consistent with our model, we have identified four Areas of Strategic Focus for 2019–2023. The three Areas of Strategic Focus from 2018, Capital Efficiency, Operational Strength and Client Service, are built upon the foundation of a fourth area of focus added in 2019, Culture & Human Capital. Culture & Human Capital affirms that employees are mission-critical to the Bank. It also reflects evidence that strong employee engagement drives strong financial results.



Following are key objectives of our four Areas of Strategic Focus:

Culture & Human Capital

- Actively managing our human capital with a focus on treating our employees as highly valued professionals
- Creating an intentional culture

Client Service

- Treating relationship management as an enterprise-wide responsibility
- Regularly interacting with Associations to understand their business challenges and strategies to ensure we deliver solutions and services that align with them
- Listening to address Association needs and concerns in a respectful and timely manner, and considering the broader needs of all District Associations

Operational Strength

- Well-executed and controlled operations
- Expertly and reliably delivering products and services every day
- Balanced credit risk management and supervisory oversight

Capital Efficiency

- Continuing to explore opportunities to optimize capital within the District and System

These focus areas are more than just words. Each has underlying documented action items and ties to employee and organizational performance metrics.

Governance Design

Effective governance is critical to shaping, implementing and monitoring our strategy. In 2017, the AgriBank board launched a project to re-examine its structure and ensure it continues to equitably represent the Bank's 14 Association owners. The project encompassed director eligibility, board structure, nominating committee procedures and director election procedures. After months of careful consideration by Association representatives and the AgriBank Governance Committee, in January 2019 the board adopted new AgriBank bylaws and transition plans. The board will develop other governing documents later this year. We are on track to implement director election changes in 2019 for the 2020 election cycle. Thank you to everyone who provided input and feedback to help us get to the right place on governance design.

As part of our continuous efforts to improve governance, in 2018 the board began working with a governance consultant, the National Association of Corporate Directors (NACD). The board is working with NACD consultants on board self-evaluation, individual director evaluations, and strengthening board operations, and will continue to work with them on an ongoing basis on those and other initiatives.

System Leadership

Even as we have managed through internal changes, AgriBank has continued to provide leadership across the Farm Credit System on behalf of the District.

For example, AgriBank has taken an active role, along with other Farm Credit Banks and District Associations, to address dual capitalization and achieve greater capital efficiency across the System. We are participating in significant ongoing activities with other System entities and the Farm Credit Administration to address this issue.

AgriBank directors and management also carry out leadership roles on key System boards, committees and workgroups. For example, Matt Walther serves on the Board of Directors of the Federal Farm Credit Banks Funding Corporation, and Jeff Swanhorst was recently elected to the board. The Funding Corporation plays a key role in our success by issuing and marketing debt securities that fund the four Banks of the Farm Credit System and ultimately fund the System's loans, leases and operations. See the accompanying sidebar for a sampling of additional AgriBank leadership roles in System organizations.

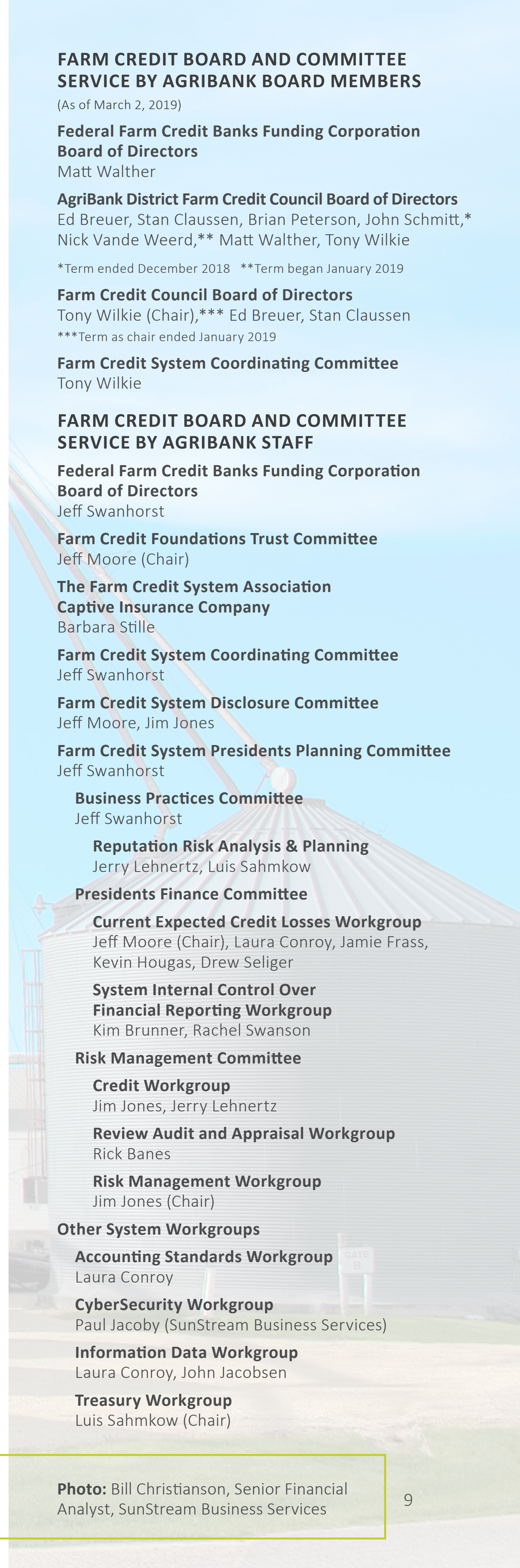
Advancing Together

In 2017, we laid the groundwork for our Funding Bank Model. In 2018, we fully implemented the model. In 2019 and beyond, we will continue to collaborate with key stakeholders to implement and refine how we deliver funding and financial solutions to District Associations so they continue to be the preferred lenders of choice in their local marketplaces, today and tomorrow.

To District Associations, thank you for your continued confidence in and support of AgriBank. To other stockholders and bondholders, thank you for investing in Farm Credit and, by extension, rural communities and agriculture. To AgriBank employees and other System partners, thank you for your hard work and dedication—you are key to our continued strength, stability and success. Through our collective stewardship, AgriBank is well-positioned to do our part to provide a stable source of credit to farmers, ranchers and other borrowers for years to come.

Matthew D. Walther
Chair, AgriBank, FCB

Jeffrey R. Swanhorst
CEO, AgriBank, FCB



FARM CREDIT BOARD AND COMMITTEE SERVICE BY AGRIBANK BOARD MEMBERS

(As of March 2, 2019)

Federal Farm Credit Banks Funding Corporation Board of Directors
Matt Walther

AgriBank District Farm Credit Council Board of Directors
Ed Breuer, Stan Claussen, Brian Peterson, John Schmitt,* Nick Vande Weerd,** Matt Walther, Tony Wilkie

*Term ended December 2018 **Term began January 2019

Farm Credit Council Board of Directors
Tony Wilkie (Chair),*** Ed Breuer, Stan Claussen
***Term as chair ended January 2019

Farm Credit System Coordinating Committee
Tony Wilkie

FARM CREDIT BOARD AND COMMITTEE SERVICE BY AGRIBANK STAFF

Federal Farm Credit Banks Funding Corporation Board of Directors
Jeff Swanhorst

Farm Credit Foundations Trust Committee
Jeff Moore (Chair)

The Farm Credit System Association Captive Insurance Company
Barbara Stille

Farm Credit System Coordinating Committee
Jeff Swanhorst

Farm Credit System Disclosure Committee
Jeff Moore, Jim Jones

Farm Credit System Presidents Planning Committee
Jeff Swanhorst

Business Practices Committee
Jeff Swanhorst

Reputation Risk Analysis & Planning
Jerry Lehnertz, Luis Sahmkow

Presidents Finance Committee

Current Expected Credit Losses Workgroup
Jeff Moore (Chair), Laura Conroy, Jamie Frass, Kevin Hougas, Drew Seliger

System Internal Control Over Financial Reporting Workgroup
Kim Brunner, Rachel Swanson

Risk Management Committee

Credit Workgroup
Jim Jones, Jerry Lehnertz

Review Audit and Appraisal Workgroup
Rick Banes

Risk Management Workgroup
Jim Jones (Chair)

Other System Workgroups

Accounting Standards Workgroup
Laura Conroy

CyberSecurity Workgroup
Paul Jacoby (SunStream Business Services)

Information Data Workgroup
Laura Conroy, John Jacobsen

Treasury Workgroup
Luis Sahmkow (Chair)

Photo: Bill Christianson, Senior Financial Analyst, SunStream Business Services

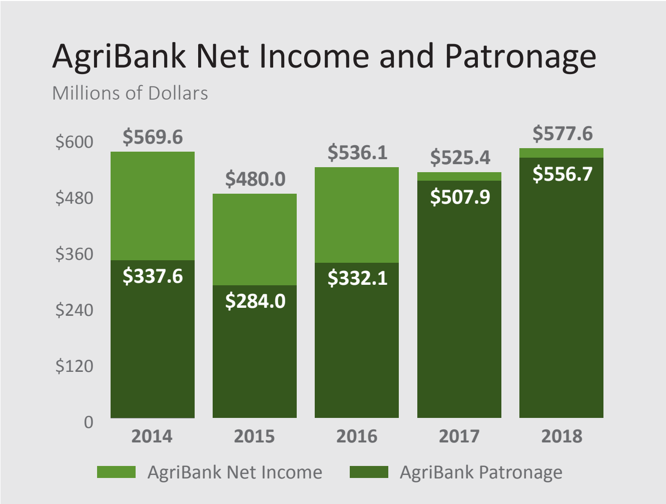
AgriBank reports strong net income, sound credit quality, and robust liquidity and capital.

PERFORMANCE HIGHLIGHTS

Photo: Laura Kemmerer, Senior HR Specialist

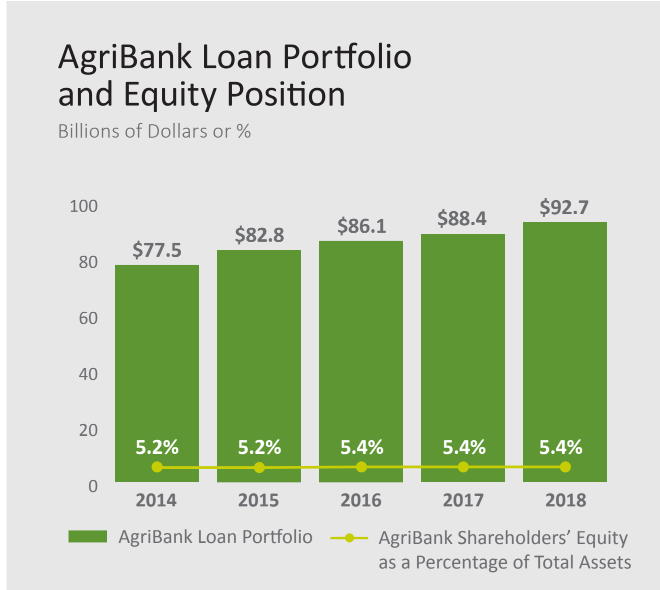
Strong net income generates record patronage refunds

- AgriBank returned $556.7 million in earnings to owners in the form of patronage refunds
- Strong AgriBank net income of $577.6 million driven by strong net interest income, mineral income and a non-recurring Farm Credit System insurance distribution
- Strong AgriBank net income resulted in a return on assets of 55 basis points, exceeding our target of 50 basis points



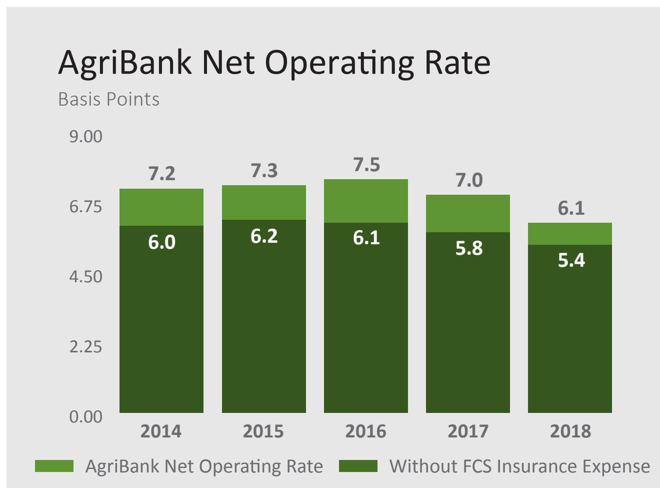
District Association loan growth boosts AgriBank loan portfolio

- AgriBank loan portfolio increased 4.9 percent from the previous year to $92.7 billion with nonadverse credit quality remaining strong at 99.5 percent, reflecting growth in wholesale loans to District Associations
- AgriBank shareholders' equity as a percentage of total assets remained stable at 5.4 percent, reflecting continued robust capital levels
- Driven by District Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit and financial services



Disciplined operations help control expenses

- AgriBank net operating rate decreased 0.9 basis points from previous year
- Reflects disciplined approach to operating expenses while maintaining excellence in operations
- Reflects decreased Farm Credit System insurance expense



Continued District financial strength reflected in strong earnings

- Strong net income for the District at $2.1 billion
- Attributable to strong and steady net interest income and an increase in non-interest income
- Strategic collaborations across the AgriBank District position the District to remain at the forefront of agricultural finance

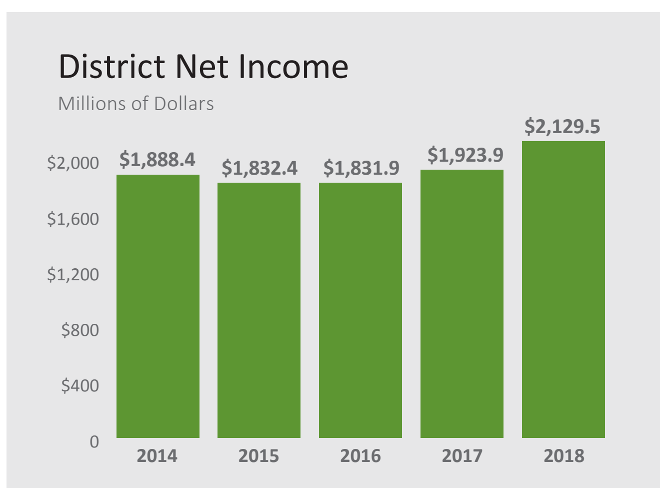
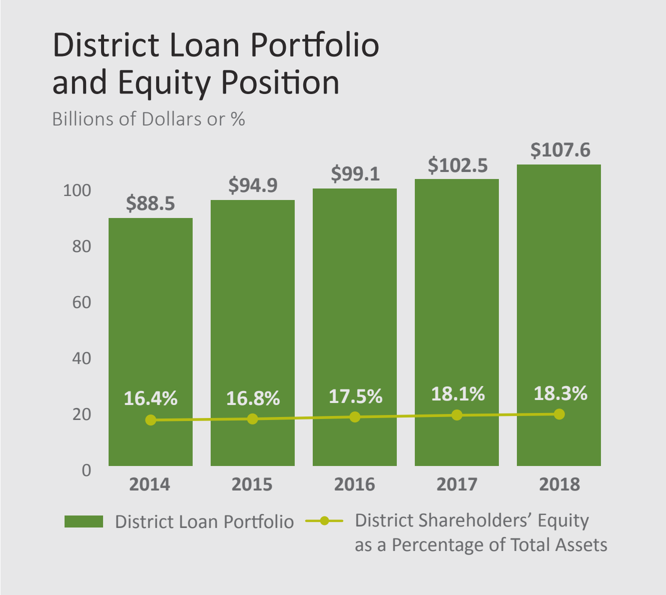


Photo: Thomas Derus, Senior IT Auditor

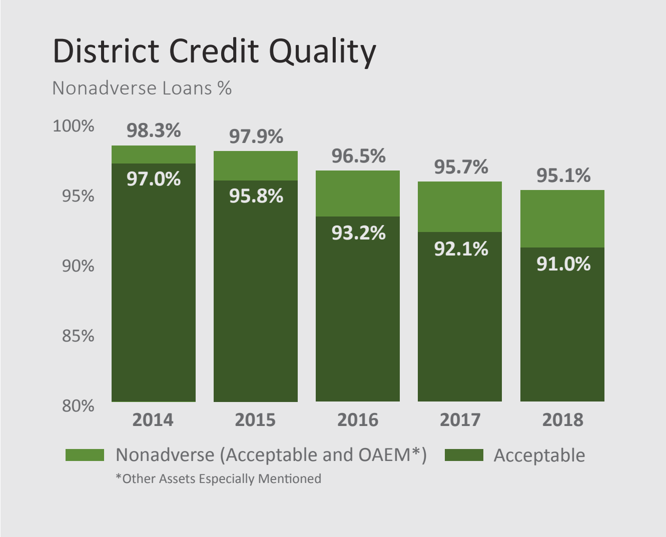
Customers/owners benefit from prudent leveraging of District capital

- District loan portfolio increased 5.1 percent from the previous year to $107.6 billion, driven by Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- District shareholders' equity as a percentage of total assets increased 1.1 percent from the previous year to 18.3 percent, reflecting continued robust capital levels
- District Associations are well-positioned to continue navigating through the current environment



District credit quality has moderated but remains strong

- District portfolio had 95.1 percent nonadverse loans, which represent the highest quality assets (acceptable and OAEM), down slightly from 95.7 percent in 2017
- Credit quality remains strong despite continued low net farm income and uncertain economic conditions
- Favorable credit quality of District loan portfolio reflects disciplined underwriting combined with the strong equity positions of many borrowers



BOARD OF DIRECTORS

Back row (left to right): Tim Rowe, Richard Price, Ed Breuer, Nick Vande Weerd, Matt Walther (Chair), Keri Votruba (Vice Chair), Dick Davidson, Tony Wilkie, Dale Crawford, Stan Claussen, John Schmitt, Ernie Diggs, Dan Shaw, Leon Westbrock, Brian Peterson

Front row (left to right): George Stebbins, Natalie Laackman, Christine Crumbaugh, Joseph M. Busuttil

EXECUTIVE LEADERSHIP TEAM

Jeff Swanhorst, *Chief Executive Officer*

Jim Jones, *Chief Credit Officer*

Jeff Moore, *Chief Financial Officer*

Barb Stille, *Chief Administrative Officer and General Counsel*

John Grace, *Chief Risk Officer*

DISTRICT ASSOCIATIONS

Farm Credit Associations provide farmers with the capital they need to make their businesses successful.

Photo: Laura Kemmerer, Senior HR Specialist

AgriBank supports the following 14 Farm Credit Associations that serve rural communities and agriculture in 15 states. Under our cooperative structure, the farmers, ranchers and agribusinesses Farm Credit serves own these local Associations, which in turn are the primary customer/owners of AgriBank.

AgCountry Farm Credit Services, ACA
1900 44th St. S.
Fargo, ND 58108
(701) 282-9494
www.agcountry.com

AgHeritage Farm Credit Services, ACA
119 E. Third St., Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590
(844) 426-6733
www.compeer.com

Delta Agricultural Credit Association
118 E. Speedway
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditil.com

Farm Credit Mid-America, ACA
1601 UPS Drive
Louisville, KY 40223
(502) 420-3700
www.e-farmcredit.com

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.farmcreditmidsouth.com

Farm Credit Services of America, ACA
5015 S. 118th St.
Omaha, NE 68137
(402) 348-3333
www.fcsamerica.com

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554
(701) 663-6487
www.farmcreditmandan.com

Farm Credit Services of North Dakota, ACA
3100 10th St. S.W.
Minot, ND 58702
(701) 852-1265
www.farmcreditnd.com

Farm Credit Services of Western Arkansas, ACA
3115 W. 2nd Court
Russellville, AR 72801
(479) 968-1434
www.myaglender.com

Farm Credit Southeast Missouri, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.farmcreditsemo.com

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com

Five-Year Summary of Selected Financial Data

AgriBank, FCB

(in thousands)

As of December 31,	2018	2017	2016	2015	2014
Statement of Condition Data					
Loans	**$92,716,701**	$88,374,923	$86,078,402	$82,819,652	$77,546,155
Allowance for loan losses	**25,571**	26,047	21,282	18,076	12,520
Net loans	**92,691,130**	88,348,876	86,057,120	82,801,576	77,533,635
Investment securities	**13,997,742**	14,386,455	14,897,252	14,262,883	14,294,777
Other assets	**3,082,812**	1,809,394	1,608,924	2,442,375	2,564,039
Total assets	**$109,771,684**	$104,544,725	$102,563,296	$99,506,834	$94,392,451
Obligations with maturities of one year or less	**$33,345,735**	$33,274,235	$34,735,054	$31,555,565	$28,137,696
Subordinated notes with maturities greater than one year	**--**	--	--	498,283	497,899
Other obligations with maturities greater than one year	**70,538,184**	65,628,608	62,342,139	62,278,870	60,840,811
Total liabilities	**103,883,919**	98,902,843	97,077,193	94,332,718	89,476,406
Perpetual preferred stock	**250,000**	250,000	250,000	250,000	250,000
Capital stock and participation certificates	**2,551,085**	2,345,655	2,183,701	2,063,343	1,944,292
Allocated Surplus	**191**	--	--	--	--
Unallocated surplus	**3,136,359**	3,132,653	3,132,432	2,945,638	2,766,818
Accumulated other comprehensive loss	**(49,870)**	(86,426)	(80,030)	(84,865)	(45,065)
Total shareholders' equity	**5,887,765**	5,641,882	5,486,103	5,174,116	4,916,045
Total liabilities and shareholders' equity	**$109,771,684**	$104,544,725	$102,563,296	$99,506,834	$94,392,451
For the year ended December 31,	**2018**	2017	2016	2015	2014
Statement of Income Data					
Net interest income	**$590,726**	$587,884	$574,475	$520,002	$525,033
Provision for loan losses	**5,500**	8,500	6,500	7,500	3,500
Other expenses (income), net	**7,587**	54,026	31,910	32,529	(48,115)
Net income	**$577,639**	$525,358	$536,065	$479,973	$569,648
Key Financial Ratios					
For the Year					
Return on average assets	**0.55%**	0.51%	0.53%	0.51%	0.64%
Return on average shareholders' equity	**9.94%**	9.32%	10.12%	9.52%	11.74%
Net interest income as a percentage of average earning assets	**0.56%**	0.58%	0.58%	0.56%	0.60%
Net charge-offs as a percentage of average loans	**0.01%**	0.00%	0.00%	0.00%	0.00%
At Year End					
Shareholders' equity as a percentage of total assets	**5.36%**	5.40%	5.35%	5.20%	5.21%
Allowance for loan losses as a percentage of loans	**0.03%**	0.03%	0.02%	0.02%	0.02%
Debt to shareholders' equity (:1)	**17.5**	17.4	17.6	18.1	18.1
Capital ratios effective beginning January 1, 2017:					
Common equity tier 1 capital ratio	**17.7%**	18.2%	n/a	n/a	n/a
Tier 1 capital ratio	**18.5%**	19.0%	n/a	n/a	n/a
Total capital ratio	**18.6%**	19.1%	n/a	n/a	n/a
Tier 1 leverage ratio	**5.5%**	5.6%	n/a	n/a	n/a
UREE leverage ratio	**3.0%**	3.2%	n/a	n/a	n/a
Permanent capital ratio	**18.5%**	19.0%	n/a	n/a	n/a
Capital ratios effective prior to 2017:					
Permanent capital ratio	**n/a**	n/a	20.6%	20.8%	20.8%
Total surplus	**n/a**	n/a	17.2%	17.9%	18.1%
Core surplus	**n/a**	n/a	12.6%	12.1%	11.8%
Net collateral ratio	**n/a**	n/a	105.5%	105.8%	105.9%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$556,554**	$507,949	$332,083	$283,965	$337,599
Allocated surplus	**191**	--	--	--	--
Total patronage distributions	**$556,745**	$507,949	$332,083	$283,965	$337,599
Preferred stock dividends	**$17,188**	$17,188	$17,188	$17,188	$17,188

Management's Discussion and Analysis

AgriBank, FCB

The following commentary reviews the financial condition and results of operations of AgriBank, FCB (AgriBank, the Bank, we, us, our) and provides additional specific information. The accompanying Financial Statements and Notes to the Financial Statements also contain important information about our financial condition and results of operations.

Chief Executive Officer Transition

In March 2018, Jeffrey R. Swanhorst was named as chief executive officer (CEO) of AgriBank effective April 2, 2018. Previously as chief credit officer, Mr. Swanhorst was responsible for all AgriBank credit functions and served on various System committees. Retiring CEO William J. Thone remained with AgriBank through June 30, 2018 on a consulting basis to ensure a smooth leadership transition.

The Farm Credit System

The Farm Credit System (the System) provides loans, leases and financial services to farmers, ranchers, farmer-owned cooperatives, other agribusinesses and rural homebuyers across all 50 U.S. states and Puerto Rico. This focus on rural communities and agriculture is the reason Farm Credit was established over 100 years ago, and the System has been delivering on that mission ever since.

While the System has a national footprint, lenders are local – as of January 1, 2019, 69 independently owned and operated Farm Credit Associations provide services in local communities. Each local Farm Credit Association is a cooperative that is owned by its local members and has employees and a board of directors who have a deep understanding of agriculture in their area. This expertise enables them to understand the industry sectors they finance and provide an unparalleled level of knowledge and service to customer/owners.

Combined, Farm Credit organizations provide over $260 billion in loans, leases and related services, which is more than 40 percent of the credit needed by U.S. agriculture. This capital helps over 550,000 customer/owners buy or lease land and equipment, build facilities, purchase inventory, export products, operate farms and businesses, and much more. Farm Credit also offers cash management services, crop insurance, credit life insurance and other financial services. Farm Credit also finances agricultural cooperatives and communications, electric, power and water providers that deliver essential infrastructure services to maintain vibrant rural communities.

Farm Credit Associations receive funding through one of four regional Banks, including AgriBank. System entities have specific lending authorities within their chartered territories. Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System Banks. These bonds are insured by the Farm Credit System Insurance Corporation (FCSIC or the Insurance Corporation). System Banks and Associations are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

The Farm Credit System 2018 Annual Information Statement, issued by the Funding Corporation, includes additional information about the System, its funding activities and its combined financial results. You can obtain a copy of that report by contacting the Funding Corporation or visiting www.farmcreditfunding.com.

AgriBank

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 the District Associations are collectively referred to as the AgriBank District. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

Our primary purpose, established by the board and management, is to expertly and reliably obtain funds and prudently provide funding and financial solutions to District Associations. Prudent lending standards and unwavering attention to risk management have resulted in a strong balance sheet. This balance sheet facilitates ongoing access to the financial markets, offering funding in the form of loan products with a wide variety of maturities, repricing and repayment options to District Associations. District Associations share in the positive benefits of a strong funding Bank through consistent access to capital, a broad array of financial products they use to serve their customer/owners and an appropriate return on their investment through patronage distributions.

During 2016, District Associations and AgriBank conducted research related to repositioning many business services offered by AgriBank into a separate entity jointly owned by AgriBank and participating Associations. The long-term strategic objective of this initiative is to increase scale, improve operating efficiency and enhance technology and business services. The proposed service entity will be named SunStream Business Services (SunStream). An application to form the service entity was submitted to the FCA for approval in May 2017, and the FCA continues its due diligence on the charter request.

On December 1, 2018, we purchased a 100 percent participation interest in all outstanding loans associated with ProPartners Financial (ProPartners), totaling $1.2 billion, and will purchase a 100 percent participation interest in all new loans originated after the initial participation date. ProPartners is a lending program of retail loans to agricultural producers to finance the purchase of crop inputs from suppliers across the United States. While many Association participants are within the AgriBank District, ProPartners has been operated collaboratively by several Farm Credit Associations, both inside and outside the District, for many years. Beginning December 2018, the Association participants of ProPartners sell their participation interests in these loans to AgriBank and will, at the discretion of the AgriBank board, receive patronage from the earnings on these loan participation sales. The program will improve capital efficiency, increase operating efficiency, and provide for improved future ownership flexibility of participating Farm Credit institutions.

Risk Management

Risk is inherent in our business, necessitating that sound risk management practices be a fundamental component of our operations. Some of the major types of risk in our business are:

- Credit risk is the risk of loss arising from a borrower or counterparty failing to perform on an obligation.
- Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition.
- Liquidity risk is the risk of loss arising from the inability to timely meet operating and funding needs without incurring excessive costs.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, errors by employees or external events.
- Reputation risk is the risk of loss resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities.

These and other risks, and the methods we use to manage them, are discussed throughout this Annual Report.

Our prudent and disciplined approach to risk management includes a formal enterprise risk management structure established to identify emerging risks and evaluate risk implications of the decisions and actions of AgriBank and others. The goals of enterprise risk management are to:

- Effectively assess, prioritize, monitor and report key organizational risks, enhancing our ability to achieve our business objectives
- Embed a risk-aware culture and risk appetite throughout AgriBank
- Identify and implement strategies to mitigate risk where appropriate
- Ensure we are adequately compensated for the risks that we take

Our board oversees risk management by adopting policies to guide the organization's risk governance framework and by monitoring performance against established risk limits. As the first line of defense, management establishes controls to guide the day-to-day risk management activities of the organization within the risk limits and framework approved by our board. The various risk, controls and compliance oversight functions established by management are the second line of defense. We maintain an independent internal audit function as the third line of defense to monitor risk management and policy compliance to assure that management control functions are operating within the board-approved policies. The Director of Internal Audit reports to the board through the Audit Committee. Our board, through various committees, monitors this risk framework. This structure and board oversight promote effective risk management of all risks and foster the establishment and maintenance of an effective risk culture throughout the Bank. To enhance financial reporting governance and internal controls, we apply policies and procedures that mirror the material provisions of the Sarbanes-Oxley Act of 2002, including section 404, *Management Assessment of Internal Control over Financial Reporting*.

Forward-Looking Information

This Annual Report includes, and our representations may from time to time make, projections regarding financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services and assumptions underlying these projections and statements. These projections and statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, business strategy, competitive strengths, goals, market and industry developments and the growth of our businesses and operations. The words "anticipate," "believe," "estimate," "expect," "intend," "outlook" and similar expressions, as they relate to AgriBank or its management, are intended to identify forward-looking statements. Such statements reflect the current views of AgriBank with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or our outlook may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report, including without limitation, the information under "Management's Discussion and Analysis" identifies important factors that could cause such differences, including but not limited to a change in the U.S. agricultural economy, overall economic conditions, changes in market rates of interest, and the effect of new legislation or government regulations or directives. Many risks and uncertainties are beyond our control including, but are not limited to:

- Political (including trade policies), legal, regulatory, financial markets and economic conditions and developments in the United States and abroad
- Economic fluctuations in the agricultural, international and farm-related business sectors
- Weather-related, disease and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate and liquidity risk inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other than temporary impairment and fair value measurements
- Industry outlooks for agricultural conditions
- Outlook for the gas and oil industry
- Changes in interest rate benchmarks utilized in our lending, derivative and funding contracts

Refer to additional discussion in the Risk Factors section at the end of this report.

Financial Overview

AgriBank's financial strength is evidenced by our financial performance in 2018. This strength translates into lasting value for our customer/owners and reflects our commitment to the Farm Credit mission to support rural communities and agriculture. Our financial results reflect our focus on the Funding Bank Model, which optimizes Bank profitability and capital and maintains a District view of success rooted in cooperative principles.

We continue to follow our financial framework, which focuses on operational strength and disciplined cost management combined with appropriate levels of income and capital consistent with our inherent risk. Under this framework, our 2018 return on assets ratio was 55 basis points, in excess of our 50 basis point target. Net income was $577.6 million, an increase of 10.0 percent from the prior year.

Net interest income increased 0.5 percent to $590.7 million, primarily due to increased wholesale loan volume and related income.

Non-interest income increased 62.0 percent to $119.3 million, primarily attributable to increased mineral income and income from commodity options serving as an economic hedge to volatility in our mineral income. Additionally, we received a non-recurring distribution from the FCSIC in 2018; no similar distribution was made in the prior year.

Refer to the Results of Operations section for further discussion.

Total loans were $92.7 billion at December 31, 2018, a 4.9 percent increase from the prior year, primarily attributable to an increase in wholesale loans and to a lesser extent an increase in production and intermediate term loans. Throughout 2018, District Associations experienced loan growth in the real estate mortgage and agribusiness sectors. Additionally, seasonal operating line usage increased wholesale volume in December, driven by borrower tax-planning strategies. Wholesale growth was significantly offset by our purchase of $1.2 billion of participation interests associated with ProPartners.

Our loan portfolio credit quality remained strong at 98.0 percent acceptable under the FCA's Uniform Classification System at December 31, 2018, compared to 99.5 percent at December 31, 2017. This strong credit quality reflects the overall strength of District Associations and their underlying portfolios of retail loans, which they pledge as collateral on their wholesale lines of credit with us. As of December 31, 2018, one of AgriBank's wholesale loans was classified as other assets especially mentioned (special mention), and the remaining wholesale portfolio was classified as acceptable. While remaining strong, the credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) decreased to 90.7 percent acceptable at December 31, 2018, compared to 95.1 percent acceptable as of December 31, 2017. The decrease in retail credit quality was primarily due to our purchase of ProPartners loans, a portion of which were classified in categories other than acceptable. However, the risk in the ProPartners portfolio is mitigated by significant credit enhancements, including guarantees with third parties that are in strong financial position.

Refer to the Loan Portfolio section for further discussion.

Total capital was $5.9 billion as of December 31, 2018, an increase of $245.9 million compared to December 31, 2017. This increase was primarily from net income and net stock issued, substantially offset by patronage distributions declared. We optimize capital by first retaining what we need to meet our capital targets and distributing the remainder as patronage. Our capital reflects strong risk-based regulatory capital measures while optimizing the non-risk-based regulatory capital measure to maintain a targeted tier 1 leverage ratio.

Refer to the Shareholders' Equity section for further discussion.

Economic Conditions

Interest Rate Environment

U.S. economic activity is expected to continue advancing at a moderate pace and the U.S. economy is forecasted to grow 2.5 percent in 2019 and 1.9 percent in 2020. U.S. economic growth should continue to be driven by consumer and investment spending. Consumer spending has remained strong due to consumer confidence, which despite declining recently, remains at elevated levels. Investment spending is expected to increase in 2019, but at a somewhat slower pace than 2018. In addition, slower export growth due to the effects of the ongoing trade disputes with China, is expected to moderate economic growth in 2019.

The Federal Open Market Committee (FOMC) of the Federal Reserve continues to move forward with the process of normalizing the level of interest rates and continues to gradually wind down its balance sheet. After the 25 basis point (bp) rate increase in December 2018, the target range for the federal funds rate stands at 2.25 to 2.50 percent. The path for the federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, the Federal Reserve believes that it can be patient with future interest rate hikes. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate with two 25 bp interest rate hikes in 2019 to a target range of 2.75 to 3.00 percent. The U.S. Treasury yield curve has flattened due to the Federal Reserve's increases to short term rates and due to a decline in inflation expectations, which has pushed long-term rates lower. Economists expect U.S. Treasury rates to move only slightly higher by the end of 2019 with the 2-year and 10-year rates approaching 2.94 and 3.10 percent, respectively.

Regulators in the U.S. and worldwide have expressed their desire to phase out London Inter-bank Offered Rate (LIBOR), and other inter-bank offered rates, by the end of 2021. They have indicated that the reliability and stability of LIBOR as a benchmark rate after 2021 cannot be assured. As a result, industry workgroups, including the Federal Reserve Bank of New York's Alternative Reference Rates Committee, have begun preparing for the phase-out, including publishing and promoting alternative benchmark reference rates as well as coordinating the development of best practices across the various markets where LIBOR is currently used.

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, process for monitoring regulatory and industry developments as well as communication to stakeholders.

We manage interest rate risk consistent with policies established by the board of directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to the Interest Rate Risk Management section). While many factors can impact our net interest income, management expects that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

Agricultural Conditions

The U.S. Department of Agriculture's Economic Research Service has forecasted U.S. net farm income for 2018 to decrease $9.1 billion, or 12.1 percent to $66.3 billion from the latest 2017 estimate of $75.4 billion. The decline in the forecasted 2018 net farm income forecast is largely driven by increased expenses, primarily due to increases in production, labor costs and interest expense. Additionally, the impacts of tariffs and the strengthening U.S. dollar throughout 2018 has effectively increased the price on export goods, reducing demand and overall net farm income.

Overall, net cash farm income is projected to decline $8.5 billion in 2018 when compared to 2017. Rising expenses have more than offset higher crop cash receipts and higher direct government payments with the implementation of the USDA Market Facilitation Program (MFP). U.S. farm sector working capital has declined in recent years and is expected to continue to be pressured in 2019, perpetuated by diminished levels of cash and other short-term assets, sustained low commodity prices and growing short-term debt.

While 2018 net farm income and working capital are expected to decline, a healthy U.S. economy is expected to support domestic demand for most agricultural commodities in the foreseeable future. The primary area of risk will remain the export component of the demand for U.S. agricultural commodities, with a stronger dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the United States are projected to remain at elevated supply levels resulting from a combination of factors, including overall excellent crop conditions, tariffs and strong harvests in recent years. In addition to cash crops, pork and dairy are heavily dependent upon exports and most susceptible to foreign trade-related disruptions. The risk in the export component of the demand for U.S. agricultural commodities has been minimally mitigated by MFP assistance to producers impacted by retaliatory tariffs. Additionally, the revised Dairy Margin Protection Program in the Farm Bill and the new Dairy Revenue Protection Program will provide added support for dairy farmers.

Despite feed costs remaining low, animal protein categories are facing similar demand-related challenges due to ample and growing supplies and tariffs from China and other major importing countries. The impact of tariffs is especially impactful to pork producers, as roughly one-fifth of domestically produced pork is exported.

Producers who are able to realize cost-of-production efficiencies and market their farm products effectively are most likely to adapt to the current price environment. Optimal input usage, adoption of cost-saving technologies, negotiating adjustments to various business arrangements such as rental cost of agricultural real estate, and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Land Values
The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations. The District's most recent real estate market value survey based on the 12-month period ending June 30, 2018 indicated that the District real estate value changes ranged from a negative 6.5 percent to positive 12.5 percent. Land value increases continue to be most common in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, modest declines in values were concentrated primarily in areas of corn, soybean and wheat production.

The Federal Reserve Banks of Minneapolis, Chicago, Kansas City and St. Louis reported on the change in farmland values from the end of the third quarter 2017 to the end of the third quarter 2018 in their respective districts. These Federal Reserve district reports indicated overall farmland values ranging from a decrease of 1.6 percent to an increase of 2.5 percent.

The USDA 2018 land value survey, based primarily on agricultural producer opinions, indicated farmland values and cropland values in the AgriBank District increased 1.4 percent and 0.2 percent, respectively, compared to 2017 survey results. Land values in the District are expected to remain stable or soften over the next year, primarily due to anticipated continued low levels of net farm income in 2019 and beyond and expected interest rate increases.

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

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 categories for the outlook are defined as follows:

- Positive – Industry participants are generally profitable with margins above historic norms. Credit quality for borrowers in this segment is expected to improve or remain very strong.
- Positive-to-Neutral – Industry participants are generally profitable with margins at or above historic norms. Credit quality for borrowers in this segment is expected to be maintained with moderate levels of improvement.
- Neutral – Industry participants are generally profitable, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for borrowers in this segment is generally expected to be maintained.

- Neutral-to-Negative – Industry participants are profitable or operating at break-even levels, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale, or fail to manage risk or operate efficiently. Credit quality for most borrowers in this segment is expected to be maintained; however, a portion will be subject to downgrades.
- Negative – Industry participants are operating at break-even or loss levels, with participants experiencing financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for many borrowers is expected to be downgraded if negative market conditions persist.

AgriBank Outlook for Commodities in the Next 12 Months

As of December 31,	2018	2017	2016
Corn	**Negative**	Negative	Negative
Soybeans	**Negative**	Neutral	Neutral
Wheat	**Negative**	Negative	Negative
Cow-Calf	**Neutral**	Neutral	Neutral
Cattle Feedlots	**Neutral**	Neutral	Neutral
Dairy	**Negative**	Neutral-to-Negative	Neutral
Pork	**Neutral**	Neutral	Neutral
Timber	**Positive-to-Neutral**	Positive-to-Neutral	Positive-to-Neutral
Poultry	**Neutral**	Neutral	Neutral

Corn

The February 2019 USDA World Agricultural Supply and Demand Estimates (WASDE) report projected higher prices with an increase of 7.1 percent to $3.60 per bushel for the average corn price for the 2018-2019 marketing year. Planted and harvested acreage, as well as U.S. corn production, decreased to 14.4 billion bushels, or 1.3 percent, in 2018 compared to a record 14.6 billion bushel harvest in 2017. Similarly, the 2018/19 stocks-to-use ratio is projected to decline for the second straight year, falling four points below the 2016/17 recent high. While inventory expectations have declined somewhat due to reduced yield estimates in the current year, large domestic and global inventories are expected to result in a continued low commodity price environment. Many producers of major annual field crops continue to make reductions in their cost per bushel of production due to the expectation of continued low commodity prices over the next several years.

Soybeans

The February 2019 WASDE projects a decrease in price of 7.8 percent to $8.60 per bushel for the average soybean price for the 2018-2019 marketing year. This low average price is primarily due to the ending stocks-to-use ratio outlook making a new 30-year record high. The heavy ending stocks outlook is due to the combination of ample planted acreage and high yields, but more notably, the trade dispute with China which has substantially lowered exports.

Wheat

The February 2019 WASDE reflects a price increase of 9.1 percent to $5.15 per bushel for the average wheat price for the 2018-2019 marketing year. Despite an increase in planted acreage in 2018 compared to the prior year, it remains far below the historical average, driving the increase in price. While the higher price per bushel may benefit some producers, the cost of production is expected to contribute to continued low net farm income and potentially negative margins warranting a continued negative outlook.

Cow-Calf

USDA estimates the July1, 2018 U.S. beef cow herd increased 1.0 percent compared to the prior year and the expansion is nearing its peak as cows expected to calve in 2019 are estimated to decline slightly, resulting in the cow-calf segment transitioning from expansion to stabilization. Credit quality for the majority of AgriBank District's cow-calf portfolio is expected to remain stable through 2019.

Cattle Feedlots

The February 2019 WASDE report projected a slight increase in the average steer price for 2019, up 1.2 percent to $118.50/cwt compared to the 2018 average steer price. The increase in price has been driven by domestic consumption increases coupled with increasing exports. Beef demand is expected to remain strong both domestically and globally throughout 2019, resulting in continued stability in the industry over the next year.

Dairy

The February 2019 WASDE report projected slight improvement in the average Class III milk prices of 3.0 percent to $15.05/cwt for 2019 due to modest herd contraction and slowing milk production growth. An increase in global supply and tariffs from China and other major importing countries are further contributing to pressure on the Class III milk prices and ultimately producer margins. Producers in the industry have been operating at poor margins in 2018 and this is expected to continue in 2019. Due to these factors, the industry outlook has been downgraded from neutral-to-negative to negative.

Pork

The February 2019 WASDE report projected a decline in price of 7.5 percent to $42.50/cwt in 2019 primarily due to increased production as a result of improvement in production practices, genetics and expansion as well as current issues in world trade among the United States' largest pork export markets of China, Mexico, and Japan. Operating margins are expected to be near break-even as declines in prices are expected to be offset by continued low feed costs. Producers' use of risk management is common across the industry and may affect individual producers' profits. Many pork producers maintain a strong financial profile, with strong working capital at this time.

Timber

Housing starts remain strong although slightly lower than the robust levels at the end of 2017. The average sales price for a new home has decreased slightly from the end of 2017, potentially signaling a slowdown in demand. Interest rates have increased but remain favorable with conventional mortgages near historic lows. Consumer confidence has declined compared to the prior year and may be attributable to the recently ended government shutdown and concern about the negative impacts of tariffs on the U.S. economy. Softwood saw log prices are expected to remain strong due to sustained economic growth in the U.S. and globally.

Poultry

The February 2019 WASDE report reflects average egg prices decreasing 8.8 percent to 125.5 cents/dozen in 2019. Strong domestic demand and reduced supplies of conventional eggs resulted in substantially higher prices and overall profitability early in 2018. The industry's movement into a better supply and demand balance is expected to support egg prices and producer margins for the next 12 months.

The February 2019 WASDE report projected price increases of 6.6 percent to 85.5 cents/pound for turkeys and declines of 0.8 percent to 97.0 cents/pound for broilers. Efforts to reduce turkey production in early 2018 contributed to the modestly higher prices late in the year. Demand for broilers remains high and exports to Mexico are up notably due to substitution of broiler meat for pork, which is currently facing tariffs. The low cost structure combined with the financial strength of broiler and turkey producers support a neutral outlook for the poultry industry.

Loan Portfolio

Components of Loans

(in thousands) As of December 31,	**2018**	2017	2016	2015	2014
Accrual loans:					
Wholesale loans	**$83,806,569**	$79,960,907	$78,300,557	$74,697,131	$69,523,490
Retail loans:					
Real estate mortgage	**$3,491,298**	$3,910,060	$3,436,953	$3,832,879	$3,955,879
Production and intermediate-term	**4,676,849**	3,710,514	3,600,231	3,425,439	3,186,391
Loans to other financial institutions (OFIs)	**549,113**	593,677	577,505	685,083	665,574
Other	**138,725**	146,727	109,305	135,726	177,023
Total retail loans	**8,855,985**	8,360,978	7,723,994	8,079,127	7,984,867
Nonaccrual loans	**54,147**	53,038	53,851	43,394	37,798
Total loans	**$92,716,701**	$88,374,923	$86,078,402	$82,819,652	$77,546,155

The Other category is comprised of agribusiness, communications and rural residential real estate loans.

Our lending to District Associations accounts for 90.4 percent of our loan portfolio at December 31, 2018. Wholesale loans directly reflect the retail marketplace activities at District Associations, which are funded through their wholesale lines of credit with AgriBank. Loan growth at District Associations was primarily in the real estate mortgage and agribusiness sectors.

Consistent with prior years, wholesale loans increased temporarily in December, followed by corresponding repayments in January, as District Associations' borrowers increased their operating lines to purchase the next year's production inputs, primarily for tax-planning strategies. Wholesale loans exhibit some seasonality, reflecting the patterns of operating needs of crop producers on operating loans made by District Associations. Operating loans are normally at their lowest levels following harvesting and selling of crops and increase in the spring and throughout the growing season as producers fund operating needs. The degree of seasonality exhibited by the wholesale loan portfolio is diminished as District Associations' retail portfolios experience growth in real estate mortgage, agribusiness and part-time farmer loans.

Retail loans increased compared to 2017, primarily due to the purchase of loan participations associated with ProPartners. We had $1.1 billion of these participation interests outstanding at December 31, 2018.

We also participate with certain District Associations in asset pool programs, which are designed to effectively leverage existing District capital. We purchase 90 percent participation interests in certain high-quality, real estate and consumer mortgage loans from participating District Associations under these programs. We purchased asset pool loan participations of $90.4 million, $1.0 billion and $83.2 million during 2018, 2017 and 2016. We had $3.0 billion, $3.4 billion and $2.8 billion of these participation interests outstanding at December 31, 2018, 2017 and 2016, respectively.

We also participate in the AgDirect program where we purchase a 100 percent participation interest in agricultural equipment financing transactions. At December 31, 2018, seven District Associations and eight Associations from outside the AgriBank District participate in the AgDirect Program. AgFirst, FCB, one of three Farm Credit Banks, also participates in the AgDirect program. We had $3.5 billion, $3.5 billion and $3.4 billion of these participation interests outstanding at December 31, 2018, 2017 and 2016, respectively.

Our retail portfolio also includes loan participations primarily purchased from District Associations in support of their portfolio management, generally related to District Associations' borrower concentration limits.

Refer to the Shareholders' Equity – AgriBank Patronage Programs and Dividend Distributions section for discussion related to patronage programs and Note 7 of the accompanying Financial Statements for information related to stock investment requirements.

Portfolio Diversification

The wholesale loans are used by District Associations to fund their retail loan portfolios. Each District Association has unique commodity and geographic credit portfolio concentrations. The table below illustrates commodity and geographic distribution of the District's $107.6 billion loan portfolio as of December 31, 2018.

District Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**44%**	Iowa	**11%**
Cattle	**9%**	Illinois	**9%**
Dairy	**7%**	Minnesota	**8%**
Investor real estate	**7%**	Nebraska	**8%**
Food products	**6%**	Indiana	**6%**
Other	**27%**	Michigan	**6%**
Total	**100%**	Wisconsin	**6%**
		South Dakota	**6%**
		Ohio	**5%**
		Other	**35%**
		Total	**100%**

Other commodities consist primarily of loans in the pork, timber, poultry, rural residential real estate, and grain marketing and farm supply sectors, none of which represented more than 5 percent of the District loan portfolio. Other states consist primarily of loans in Missouri, North Dakota, Tennessee, Arkansas and Kentucky, none of which represented more than 5 percent of the District loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

While the District has concentrations in crops, these crops represent staple commodities of agriculture – corn, soybeans and wheat. To some extent, there is further concentration in crops related to the investor real estate sector, as these loans are typically made for the purchase of land that is rented for crop production. However, the concentration in crops is geographically diverse, with multiple states being significant producers of these important commodities. While the commodity distribution represents the primary commodity of the borrower, many of the crop producers may also have livestock operations or other forms of diversification.

While these concentrations represent a proportionate maximum potential credit risk, as it relates to the wholesale loans, a substantial portion of the underlying District Associations' lending activities are collateralized. Generally, collateral levels are significantly higher than the book value of the loan, and many District Associations' direct exposure (and, therefore, AgriBank's indirect exposure) to credit loss associated with lending is reduced accordingly. Refer to the Credit Risk Management section for additional information.

Certain District Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers are typically more susceptible to changes in the general economy, and the condition of the general economy will influence the credit quality of these segments of the portfolio. Credit quality in these sectors has remained strong as of December 31, 2018, 2017 and 2016.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. During 2018, certain grain and livestock producers across the District experienced additional financial stress as a result of continued low net farm income. We expect commodity prices to remain consistent with recent history, which will require producers to closely manage costs to be profitable.

The table below illustrates commodity and geographic diversification of our $8.9 billion retail portfolio as of December 31, 2018.

AgriBank Retail Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**60%**	Illinois	**15%**
Cattle	**9%**	Minnesota	**14%**
Dairy	**7%**	Wisconsin	**9%**
Loans to OFIs	**6%**	Iowa	**8%**
Investor real estate	**4%**	Nebraska	**6%**
Other	**14%**	Michigan	**5%**
Total	**100%**	Other	**43%**
		Total	**100%**

Other commodities consist primarily of loans in the pork, poultry, timber, rural residential real estate and food products sectors, none of which represented more than 5 percent of AgriBank's retail loan portfolio. Other states consist primarily of loans in Indiana, South Dakota, Ohio, Missouri, North Dakota, California and Arkansas, none of which represented more than 5 percent of AgriBank's retail loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

Portfolio Maturities

As of December 31, 2018, all wholesale loan agreements matured in 36 months or less. Wholesale loan pricing is match funded to District Associations' retail portfolios, a significant portion of which have both maturities and repricing terms longer than the loans in the wholesale portfolio.

Contractual Maturities of Loans

(in thousands) **As of December 31, 2018**	**One Year or Less**	**Over One through Five Years**	**Over Five Years**	**Total**
Wholesale loans	**$10,444,497**	**$73,362,072**	**$ --**	**$83,806,569**
Retail loans:				
Real estate mortgage	**$653,286**	**$1,473,917**	**$1,380,388**	**$3,507,591**
Production and intermediate-term	**1,686,378**	**2,633,563**	**394,727**	**4,714,668**
Loans to OFIs	**123,627**	**387,687**	**37,799**	**549,113**
Other	**54,871**	**49,767**	**34,122**	**138,760**
Total retail loans	**2,518,162**	**4,544,934**	**1,847,036**	**8,910,132**
Total loans	**$12,962,659**	**$77,907,006**	**$1,847,036**	**$92,716,701**
Total of loans due after one year with:				
Fixed interest rates				**$2,203,385**
Variable and adjustable interest rates				**$77,550,657**

Credit Risk Management

We are authorized to make loans to District Associations and OFIs, and to buy participation interests in eligible loans as specified under the Farm Credit Act. As a result, our loan portfolio is concentrated in rural communities and the agricultural industry. Earnings, loan growth and credit quality of our loan portfolio can be affected significantly by the general state of the economy, primarily as it affects agriculture and users of agricultural products.

We actively manage our credit risk through various policies and standards, including our Loan Committee reviewing significant loan transactions. Our underwriting standards include analysis of five credit factors: repayment capacity, capital position, collateral, management ability and loan terms. These standards vary by agricultural industry and are updated to reflect current market conditions.

The credit quality of our loan portfolio has been consistently strong over the past three-year period, with 98.0 percent of our portfolio in the acceptable category at December 31, 2018, compared to 99.5 and 99.6 percent at December 31, 2017 and 2016, respectively. Acceptable loans represent the highest quality and are expected to be fully collectible. As most of our loans are wholesale loans, we expect our credit quality will remain very strong, even when District Associations experience declines in their retail credit quality. While these are individually large credits, numerous individual credits comprise District

Associations' underlying portfolios. District Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans.

The credit quality of our retail portfolio remains strong with acceptable and special mention at 90.7 percent and 4.1 percent, respectively. Substandard and doubtful loans, collectively called adverse loans, are retail loans we have identified as showing some credit weakness outside our credit standards. We have seen credit quality decline in 2018, with both special mention and adverse retail loan volume increasing with the purchase of the ProPartners portfolio. The credit quality of this portfolio shows a higher level of special mention and adversely classified loans due to stress in the crop sector. However, while the credit classification reflects the likelihood that these loans will experience stress or other credit weakness, many of these loans include significant credit enhancements including guarantees with third parties that are in strong financial positions. We believe these credit enhancements significantly mitigate our potential losses on these loans. While adverse loan volume has increased, there has not been a significant increase in risk loans, which represent the most severely stressed of the adversely classified loans. Refer to the Risk Assets and Retail Credit Risk Management sections for further discussion.

Percentage of Adverse Loans by Commodity

As of December 31,	**2018**	2017	2016
District retail portfolio:			
Dairy	**7.5%**	5.0%	3.2%
Cattle	**7.1%**	6.2%	4.8%
Crops	**6.2%**	5.3%	4.7%
Other	**2.9%**	2.7%	1.9%
Total	**4.9%**	4.3%	3.5%

As of December 31,	**2018**	2017	2016
AgriBank retail portfolio:			
Crops	**6.5%**	2.6%	2.7%
Cattle	**3.8%**	3.1%	2.7%
Dairy	**3.4%**	2.4%	2.1%
Other	**2.9%**	2.5%	2.0%
Total	**5.2%**	2.6%	2.4%

Overall, we expect District credit quality to remain at acceptable levels in 2019, despite increased adverse credit quality over the past three years. Agriculture is a cyclical industry. Due to continued low net farm income levels throughout the past three years, primarily driven by low commodity prices, and the addition of disruptive trade policy during 2018, the downturn in credit quality has worsened within many sectors of the District's retail portfolio and has impacted retail borrower working capital. Given continued projected low net farm income and the product mix within this retail portfolio, adverse credit quality and related allowance for loan losses and provision for loan losses may continue to increase.

A substantial portion of the retail loan portfolio is collateralized, which reduces the District's exposure to credit losses. Collateral held varies, but may include real estate, equipment, inventory, livestock and income-producing properties and, in the case of wholesale loans, substantially all assets of District Associations. An estimate of credit risk exposure is considered in the allowance for loan losses. Additionally, credit policies reduce credit risk, with emphasis placed on repayment capacity rather than exclusively on the underlying collateral. The District has an internally maintained database that uses market data to estimate market values of collateral for a significant portion of the District's real estate mortgage portfolio. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, the underwriting standards at District Associations generally limit lending to 65 percent at origination. Some District Associations have risk management practices that incorporate loan-to-appraised value limits below these thresholds. In addition, most District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk. In addition to sound underwriting standards, the District also has hold restrictions to limit the District's credit exposure of any one borrower.

Wholesale Credit Risk Management

Wholesale loans to District Associations represent the majority of our loan portfolio. The financial strength of District Associations directly impacts the credit quality of our portfolio.

Select Information on AgriBank District Associations

(in thousands) **As of December 31, 2018**	**Wholesale Loan Amount**	**% of Wholesale Portfolio**	**Total Assets**	**Total Allowance and Capital**	**Total Regulatory Capital Ratio**	**Risk Loans[1] as a % of Total Loans**	**Return on Assets**
Farm Credit Services of America	$23,812,109	28.4%	$29,849,270	$5,654,323	16.6%	0.7%	2.2%
Farm Credit Mid-America	18,294,059	21.8%	23,360,540	4,811,352	21.4%	1.5%	1.7%
Compeer Financial[2]	16,751,490	20.0%	20,754,237	3,661,907	15.6%	0.7%	2.0%
GreenStone Farm Credit Services	7,072,973	8.4%	8,919,310	1,756,141	17.3%	1.2%	2.1%
AgCountry Farm Credit Services[2]	5,823,252	6.9%	7,641,186	1,720,992	18.5%	0.5%	2.3%
Farm Credit Illinois	3,387,272	4.0%	4,415,663	980,348	19.2%	0.2%	1.7%
FCS Financial	3,330,133	4.0%	4,253,888	875,142	18.8%	0.2%	2.0%
Farm Credit Services of Western Arkansas	1,060,829	1.3%	1,371,468	289,845	20.6%	0.9%	1.9%
AgHeritage Farm Credit Services	1,058,397	1.3%	1,374,324	304,406	18.8%	0.8%	2.1%
Farm Credit Services of North Dakota	979,366	1.2%	1,287,386	298,702	18.9%	0.7%	2.0%
Farm Credit Services of Mandan	940,592	1.1%	1,210,549	257,511	16.9%	0.2%	2.1%
Farm Credit Midsouth	714,589	0.9%	950,792	224,104	20.1%	1.2%	2.0%
Farm Credit Southeast Missouri	540,118	0.6%	705,473	152,810	20.1%	0.3%	2.3%
Delta Agricultural Credit Association	41,390	0.1%	51,547	9,675	21.5%	0.7%	1.2%
Total	$83,806,569	100.0%	$106,145,633	$20,997,258			
District Association weighted average ratios					18.0%	0.9%	2.0%

[1]Risk loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

[2]Loan amounts do not include fair value adjustments due to merger.

The previous chart illustrates that wholesale credit risk is concentrated in a number of individually large loans to District Associations. Significant deterioration in a single wholesale loan could have a material adverse effect on our financial condition. This concentrated credit risk is substantially offset by the composition of the underlying collateral, which is made up of many diversified retail loans and other assets. Credit risk on wholesale loans is also reduced by the strong financial condition of District Associations.

At December 31, 2018, all but one of AgriBank's wholesale loans were classified as acceptable. One Association loan of $1.1 billion was downgraded to special mention as of December 31, 2018 based upon non-financial weaknesses at the Association. Repayment is not deemed at risk, as credit quality, capital and earnings remain strong and above regulatory and General Financing Agreement (GFA) covenants. Substantially all assets of the District Associations are pledged as collateral for their respective wholesale loans. The earnings, capital and loan loss reserves of the Associations provide a buffer against losses in their retail portfolios. Currently, collection of the full wholesale loan amounts due is expected from all District Associations in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for any wholesale loans.

AgriBank's wholesale credit risk mitigation is primarily through the GFAs, which cover those matters reasonably related to the debtor/creditor relationship between the District Associations and AgriBank. We use various additional mechanisms to mitigate wholesale credit risk, including a robust wholesale credit underwriting process, wholesale loan collateral monitoring function, and review of Association-provided reports. Additionally, we maintain and periodically update the AgriBank Underwriting Guide (AUG), which is available to Associations via our District intranet site. The objective of the AUG is to communicate guidance to address lending requirements and underwriting criteria needed to support our wholesale lending relationships with Associations. Regarding the individual performance of District Associations, we internally generate multiple reports on the financial position, performance and loan portfolio performance of each District Association. These reports are produced monthly, quarterly, semi-annually or annually. We also conduct an annual stress test, which evaluates the impact of different severe scenarios on the Bank, District and individual Associations.

Disciplined credit administration and servicing reduce credit risk on the wholesale portfolio. The GFA underlying each wholesale lending relationship contains typical commercial lending provisions, including advance rates based on the quality of pledged assets and financial performance covenants. Additional provisions include:

- A pledge of substantially all an Association's assets as collateral for the loan.
- A risk score calculated based on a District Association's profitability, credit quality, capital adequacy and asset classification correlation. A risk premium of up to 30 basis points is added to base pricing if a District Association's risk score falls below established levels. The risk score calculation has been revised, effective January 1, 2019, to more closely align with the Contractual Interbank Performance Agreement (CIPA) score. Refer to Note 10 of the accompanying Financial Statements for additional information related to the CIPA. Additionally, default interest rate provisions exist should the loan go into default.
- A requirement that retail loans originated by a District Association over an established dollar amount, as well as all loans to a District Association's board members and employees and AgriBank board members, are approved by AgriBank's Credit Department in order to be eligible for inclusion in a District Association's borrowing base.
- A requirement that the District Association adopt and operate in accordance with policies, procedures and underwriting standards reasonably deemed necessary for satisfactory credit and credit administration. The criteria to be considered in determining whether credit and credit administration are satisfactory are set out in the AUG.

As of December 31, 2018, no District Association was declared in default of any GFA covenants. One District Association paid a risk premium in 2018 and 2017. This risk premium did not have a material impact on our financial statements. No District Association paid a risk premium in 2016. Effective January 1, 2019, no District Association is paying a risk premium.

Our pricing of wholesale loans is governed by a GFA with each District Association. The components of the wholesale interest rate include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity and Bank profit
- A risk premium component, if applicable

Certain factors may impact wholesale interest rates, including market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

Retail Credit Risk Management

Our retail portfolio management policies include maximum exposure limits by individual borrowers based on probabilities of default, commodity and lead lender. The asset pool portfolios are primarily composed of participation interests in high-quality real estate and consumer mortgage loans that conform to criteria set forth in the respective program agreements. Individual loan participation balances held in the asset pool portfolios are less than $10 million and, in most cases, less than $5 million. The AgDirect program portfolio is comprised of numerous participation interests in retail equipment financing contracts that have individual loan balances of generally less than $500 thousand. Loan participations purchased under the AgDirect program are primarily underwritten based on standardized credit scoring. The ProPartners program portfolio is composed of numerous participation interests in loans exclusively used for purchasing crop inputs from suppliers that have individual loan commitments of generally less than $250 thousand. Loan participations purchased under the ProPartners program are primarily underwritten based on standardized credit scoring. Many of these loans include significant credit enhancements including guarantees with third parties that are in strong financial position. The remainder of the credits in our portfolio tend to be large and complex; we do not use standardized credit scoring on those participations. Our remaining retail portfolio is primarily comprised of participations purchased from Associations, the majority of which are greater than $5 million. We routinely monitor exceptions to underwriting standards and compliance with all portfolio management policies and guidelines.

Our concentrations in the 10 largest retail customers at December 31, 2018 (excluding OFIs) totaled $278.7 million. All of these 10 largest customers' loans were in accrual status and all were classified as acceptable.

10 Largest Retail Customers

As of December 31,	2018
% of total retail loans	**3.1%**
% of total loans	**0.3%**
Concentration by commodity	
Dairy	**33.6%**
Poultry	**28.2%**
Pork	**24.2%**
Timber	**11.3%**

Risk Assets

Risk assets are composed of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due (collectively, risk loans) and other property owned.

Components of Risk Assets

(in thousands)

As of December 31,	**2018**	2017	2016	2015	2014
Nonaccrual loans	**$54,147**	$53,038	$53,851	$43,394	$37,798
Accruing restructured loans	**3,819**	4,588	3,800	4,429	17,210
Accruing loans 90 days or more past due	**863**	8	378	1,240	277
Total risk loans	**58,829**	57,634	58,029	49,063	55,285
Other property owned	**566**	78	349	565	1,822
Total risk assets	**$59,395**	$57,712	$58,378	$49,628	$57,107
Risk loans as a % of total retail loans	**0.65%**	0.68%	0.75%	0.60%	0.69%
Nonaccrual loans as a % of total retail loans	**0.60%**	0.63%	0.69%	0.53%	0.47%
Delinquencies as a % of total retail loans	**0.82%**	0.56%	0.63%	0.78%	0.34%
Risk loans as a % of total loans	**0.06%**	0.07%	0.07%	0.06%	0.07%
Nonaccrual loans as a % of total loans	**0.06%**	0.06%	0.06%	0.05%	0.05%
Delinquencies as a % of total loans	**0.08%**	0.05%	0.06%	0.08%	0.03%

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Risk assets over the past five years have primarily been concentrated in the production and intermediate-term and real estate mortgage sectors. Although overall equity positions remain strong, the prolonged downturn in the current environment has impacted working capital for many producers. Further stress due to trade issues or other market forces would likely increase risk assets in future years.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. At December 31, 2018, 51.8 percent of nonaccrual loans were current as to principal and interest.

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, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent 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. We believe the allowance for loan losses is reasonable in relation to the risk in the portfolio at December 31, 2018.

Allowance for Loan Losses by Loan Category

(in thousands)	2018		2017		2016		2015		2014	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$2,093**	**8.2%**	$2,298	8.8%	$1,874	8.8%	$1,928	10.7%	$2,003	16.0%
Production and intermediate term	**22,724**	**88.9%**	22,711	87.2%	18,930	89.0%	15,381	85.0%	9,710	77.5%
Loans to OFIs	**474**	**1.9%**	425	1.7%	220	1.0%	278	1.5%	235	1.9%
Other	**280**	**1.0%**	613	2.3%	258	1.2%	489	2.8%	572	4.6%
Total allowance for loan losses	**$25,571**	**100.0%**	$26,047	100.0%	$21,282	100.0%	$18,076	100.0%	$12,520	100.0%

With most of our loan portfolio composed of wholesale loans, the inherent risk in the portfolio is significantly reduced by adequate allowances, strong earnings and capital positions at District Associations. We have not recorded a provision for loan loss, charge-off or recovery on a wholesale loan for any period presented.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually, and all other loans by grouping them into loan segments sharing similar risk characteristics. These loan segments include asset pool program loans, AgDirect program loans, ProPartners program loans and all other retail loans. We use a combination of estimated probability of default and estimated loss given default assumptions to estimate losses these loan segments. These estimated losses may be adjusted for relevant current environmental factors. These factors may vary by the different segments, reflecting the risk characteristics of each segment. As these factors change, earnings are impacted. For all loans analyzed individually, we record a specific allowance, if appropriate, to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral.

AgriBank's retail loan portfolio is primarily made up of participated credits from District Associations and other Associations within the System. Generally, we review and follow the lead lender's credit analysis and recommendations regarding specific reserves and charge-offs on risk loans, unless our individual analysis and knowledge of the exposure supports an alternative conclusion.

Allowance Coverage Ratios

As of December 31,	**2018**	2017	2016
Allowance as a percentage of:			
Loans	**0.03%**	0.03%	0.02%
Retail loans	**0.28%**	0.31%	0.27%
Nonaccrual loans	**47.23%**	49.11%	39.52%
Total risk loans	**43.47%**	45.19%	36.67%
Adverse assets to capital and allowance for loan losses	**7.90%**	3.90%	3.49%

Allowance for Loan Losses Activity

(in thousands)

For the year ended December 31,	2018	2017	2016	2015	2014
Balance at beginning of year	**$26,047**	$21,282	$18,076	$12,520	$10,100
Charge-offs:					
Real estate mortgage	**(118)**	(1,104)	(881)	(155)	(331)
Production and intermediate term	**(6,992)**	(3,874)	(3,430)	(3,846)	(1,860)
Other	**(2)**	(10)	(57)	(1)	(9)
Total charge-offs	**(7,112)**	(4,988)	(4,368)	(4,002)	(2,200)
Recoveries:					
Real estate mortgage	**667**	13	227	131	510
Production and intermediate term	**452**	1,231	839	1,919	596
Other	**17**	9	8	8	14
Total recoveries	**1,136**	1,253	1,074	2,058	1,120
Net charge-offs	**(5,976)**	(3,735)	(3,294)	(1,944)	(1,080)
Provision for loan losses	**5,500**	8,500	6,500	7,500	3,500
Balance at end of year	**$25,571**	$26,047	$21,282	$18,076	$12,520
Net charge-offs as a % of average loans	**0.01%**	0.00%	0.00%	0.00%	0.00%

Our allowance for loan losses decreased $476 thousand during the year ended December 31, 2018. Provision for loan losses in 2018, 2017 and 2016 reflects the credit quality of our retail loan portfolio. The net charge-offs in 2018, 2017 and 2016 were primarily related to various loans in the production and intermediate-term sector.

Refer to the Results of Operations – Provision for Loan Losses section for further discussion of provision for loan loss changes.

Investment Portfolio and Liquidity

Liquidity Risk Management

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the year ended December 31, 2018, investor demand for System-wide Debt Securities remained favorable.

We also maintain a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. We manage liquidity for our operating and debt repayment needs by forecasting and anticipating seasonal demands, as well as through managing debt maturities. We manage short-term liquidity needs by maintaining maturing investments and cash balances of at least $500 million on hand each day to meet cash management and loan disbursement needs in the normal course of business.

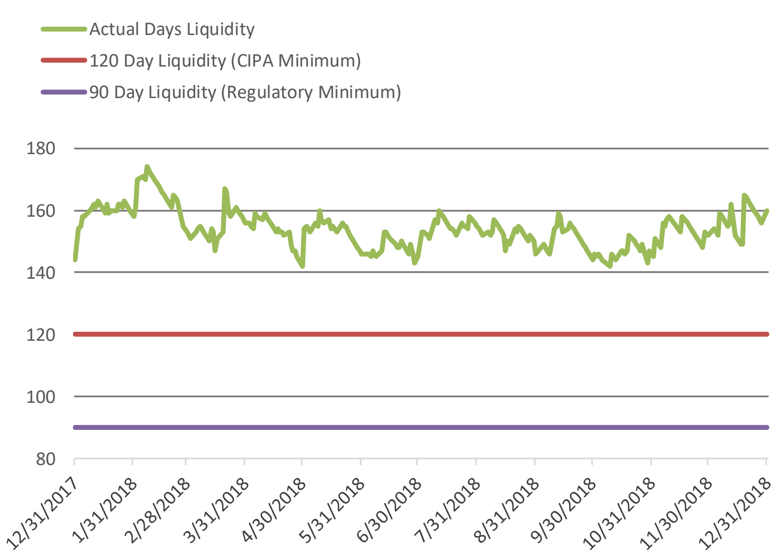
We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity and asset-backed securities (ABS). At December 31, 2018, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

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. During 2018, we had a liquidity operating target between 135 and 185 days. As of December 31, 2018, we had sufficient liquidity to fund all debt maturing within 160 days.

Cumulative Debt Maturities

(in thousands) **As of December 31, 2018**	**Bonds and Notes** **Amount**
Maturing in:	
15 days	**$2,743,885**
45 days	**5,871,489**
90 days	**10,229,829**
120 days	**12,706,607**
One year	**32,585,160**
One to five years	**81,856,699**
Five to ten years	**95,313,986**
More than ten years	**103,123,344**

Twelve Month Liquidity History



We maintain a contingency funding plan (CFP) that helps inform our operating and funding needs and addresses actions we would consider in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. In addition, the Funding Corporation, on behalf of the System Banks, may also incur other obligations, such as federal funds purchased, that would be the joint and several obligations of the System Banks and would be insured by the Insurance Corporation to the extent funds are available in the Insurance Fund. We size our investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted $500 million buffer.

Investment Securities

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

Composition of Investment Securities

(in thousands)

As of December 31,	2018	2017	2016
Mortgage-backed securities:			
Government collateralized mortgage obligations	**$3,293,195**	$3,251,868	$2,722,396
Agency collateralized mortgage obligations	**2,244,712**	2,677,128	2,707,901
Agency pass through	**70,205**	92,139	125,462
Total mortgage-backed securities	**5,608,112**	6,021,135	5,555,759
Commercial paper and other	**5,342,171**	5,220,678	4,786,782
U.S. Treasury securities	**2,822,639**	2,917,400	3,811,798
Asset-backed securities:			
Automobile	**202,921**	191,250	656,400
Equipment	**21,899**	35,992	86,513
Total asset-backed securities	**224,820**	227,242	742,913
Total	**$13,997,742**	$14,386,455	$14,897,252

Our ALCO and Counterparty Risk Committee oversee the credit risk in our investment portfolio. We manage investment portfolio credit risk by investing only in securities that are liquid, of high quality and whose risks are well understood. Under regulations effective as of December 31, 2018, all securities must meet eligibility requirements as permitted by FCA regulations including certain credit ratings as assigned by one or more Nationally Recognized Statistical Rating Organizations at time of purchase. Refer to the Investments Securities Eligibility section for additional information regarding the new investment regulation effective January 1, 2019.

Fair Value of Eligible Investment Securities by Credit Rating

(in thousands)	Eligible			
As of December 31, 2018	**AAA/Aaa**	**A1/P1/F1**	**Split Rated (1)**	**Total**
Mortgage-backed securities	**$ --**	**$ --**	**$5,608,112**	**$5,608,112**
Commercial paper and other	**--**	**3,643,059**	**1,699,112**	**5,342,171**
U.S. Treasury securities	**--**	**--**	**2,822,639**	**2,822,639**
Asset-backed securities	**224,820**	**--**	**--**	**224,820**
Total	**$224,820**	**$3,643,059**	**$10,129,863**	**$13,997,742**

(1)Investments that received the highest credit rating from at least one rating organization.

Holdings of split-rated securities are related to U.S. government securities. At December 31, 2018, we held no ineligible securities.

We evaluate all investment securities in an unrealized loss position for other-than-temporary impairment (OTTI) on a quarterly basis. We continually evaluate our assumptions used in estimating fair value and impairment and adjust those assumptions as appropriate. As a result of our evaluations, we did not hold any OTTI investment securities at December 31, 2018, 2017 or 2016, and we did not record any impairment losses during the years ended December 31, 2018, 2017 or 2016.

Refer to Note 4 of the accompanying Financial Statements for further discussion on impairment losses.

Refer to the Results of Operations section for further discussion on prior years' sales of AFS investment securities.

Shareholders' Equity

We believe a sound capital position is critical to long-term financial stability, and we are committed to long-term capital optimization within the AgriBank District. Capital management under our capital plan supports adequate capital protection to absorb adversity and support our mission over the long term. Our capital reflects strong risk-based regulatory capital measures while optimizing the non-risk-based regulatory capital measure to maintain a targeted tier 1 leverage ratio.

Total shareholders' equity was $5.9 billion, $5.6 billion and $5.5 billion at December 31, 2018, 2017 and 2016, respectively. Total shareholders' equity increased $245.9 million in 2018, primarily attributable to net income and net stock issued, substantially offset by patronage distributions declared.

Select Capital Ratios **As of December 31,**	**Regulatory minimums and buffer**	**2018**	2017	2016
Shareholders' equity to assets		**5.4%**	5.4%	5.4%
Surplus and allowance to risk loans (:1)		**53.8**	54.8	54.3
Surplus to total shareholders' equity		**53.3%**	55.5%	57.1%
Tier 1 capital ratio	8.5%	**18.5%**	19.0%	n/a
Tier 1 leverage ratio	5.0%	**5.5%**	5.6%	n/a

We have $250 million of Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock) outstanding. Dividends on the Series A Preferred Stock, if declared by our board in its sole discretion, are non-cumulative and are payable quarterly in arrears.

Capital Plan and Regulatory Requirements

FCA regulatory capital requirements for System Banks and Associations consist of risk-based ratios, including common equity tier 1 capital, tier 1 capital, and total capital. The requirements also include the non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents (UREE). The permanent capital ratio excludes allocated investments held by Associations in excess of the AgriBank capital requirement. Capital requirements also include capital conservation buffers. We exceeded all regulatory capital requirements in 2018 and 2017, including the capital conservation buffers. We were also in compliance with the minimum required capital ratios as of December 31, 2016.

Strong earnings, retail participation programs and stock investments have allowed us to maintain strong regulatory capital ratios while efficiently leveraging existing Bank capital for the benefit of District

Associations. The various retail participation programs leverage our strong risk-adjusted capital position while strengthening our non-risk-adjusted tier 1 leverage and unallocated retained earnings and equivalents ratios.

We maintain a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and our mission over the long term. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk, and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of our board.

2019 Business Plan - Capital Ratio Targets

	Target	Regulatory Minimum	Regulatory Minimum plus buffer
Tier 1 leverage ratio	**5.5% with at least 2.0% in UREE**	**4.0% with 1.5% UREE**	**5.0% with 1.5% UREE**
Common equity tier 1 capital ratio	**No lower than 7.5%**	**4.5%**	**7.0%***
Tier 1 capital ratio	**No lower than 9.0%**	**6.0%**	**8.5%***
Total capital ratio	**No lower than 11.0%**	**8.0%**	**10.5%***
Permanent capital ratio	**No lower than 10.0%**	**7.0%**	**n/a**

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

As part of our business plan, we model economic capital requirements and perform stress testing for AgriBank. In addition, we model economic capital requirements for District Associations. Economic capital measures total enterprise risk looking at credit, interest rate and operational risk.

AgriBank Patronage Programs and Dividend Distributions

All patronage and dividend payments are at the sole discretion of the board and are determined based on actual financial results, projections and long-term capital goals. Fundamental to our capital plan, we will first retain sufficient current period earnings to meet our capital targets and then distribute any remaining earnings as cash patronage. We may pay patronage in the form of stock on the earnings we retain, unless it is needed to meet our UREE target. Patronage distributions are primarily in the form of patronage of our earnings to our wholesale customers. Additionally, patronage distributions may be in the form of patronage of earnings on our various pool programs to participating pool program participants.

Patronage

(in thousands)

For the year ended December 31,	2018	2017	2016
Wholesale patronage	**$455,670**	$422,882	$245,254
Pool program patronage	**101,075**	85,067	86,829
Total patronage	**$556,745**	$507,949	$332,083
Wholesale patronage in basis points	**54.1**	52.1	31.0

In 2018 and 2017, the wholesale bank earnings patronage rate was targeted to equal 100 percent of net income after preferred stock dividends and pool patronage, subject to the capital needs of AgriBank. In

2016, the patronage rate was targeted to equal 50 percent of net income after preferred stock dividends and pool patronage.

During the third quarter of 2018, we began declaring patronage on certain patronage pools in the form of allocated surplus. Allocated surplus is eligible to be declared for redemption in future years and is not included in total regulatory capital.

In addition to patronage to our members, our board declared perpetual preferred stock dividends of $17.2 million during each of 2018, 2017 and 2016.

Refer to Note 7 of the accompanying Financial Statements for additional information about Shareholders' Equity.

Accumulated Other Comprehensive Loss

Our derivative portfolio includes certain derivatives designated as cash flow hedges. Unrealized gains and losses on the effective portion of cash flow hedges are reported as a separate component of shareholders' equity. Unrealized gains and losses are reclassified into earnings when the hedged interest payments affect earnings. The majority of cash flow derivatives are hedging rising long-term interest rates.

Due to increasing interest rates over the past several years, the fair value of certain cash flow derivatives increased, resulting in $44.1 million of other comprehensive income for the year ended December 31, 2018 compared to $7.0 million and $47.3 million in 2017 and 2016, respectively.

Our investment portfolio is held primarily for liquidity purposes; accordingly, it is considered available-for-sale and is carried at fair value. Unrealized gains and losses on investment securities that are not OTTI are reported as a separate component of shareholders' equity. Unrealized gains and losses related to the non-credit component of OTTI investment securities are also reported as a separate component of shareholders' equity; however, we held no OTTI securities at any time during the years ended December 31, 2018 or 2017.

Other comprehensive loss on AFS investment securities totaled $7.7 million, $12.3 million and $42.4 million for the year ended December 31, 2018, 2017 and 2016, respectively, primarily driven by increases in interest rates and sales of AFS investment securities during 2016.

Results of Operations

Return on assets ratio of 55 basis points in 2018 was in excess of our 50 basis point target. Our targeted return on assets ratio is a key part of our Bank financial framework which optimizes Bank earnings and capital combined with a focus on operational strength and disciplined cost management. Net income increased $52.3 million, or 10.0 percent, for the year ended December 31, 2018 primarily driven by non-interest income.

Profitability Information

(in thousands)			
For the year ended December 31,	**2018**	2017	2016
Net income	**$577,639**	$525,358	$536,065
Return on average assets	**0.55%**	0.51%	0.53%
Return on average shareholders' equity	**9.94%**	9.32%	10.12%

Changes in Significant Components of Net Income

(in thousands) **For the year ended December 31,**	**2018**	2017	2016	Increase in Net Income	Prior Year Increase (Decrease) in Net Income
Net interest income	**$590,726**	$587,884	$574,475	$2,842	$13,409
Provision for loan losses	**5,500**	8,500	6,500	3,000	(2,000)
Non-interest income	**119,313**	73,640	96,768	45,673	(23,128)
Non-interest expense	**126,900**	127,666	128,678	766	1,012
Net income	**$577,639**	$525,358	$536,065	$52,281	$(10,707)

Net Interest Income

Changes in Net Interest Income

(in thousands) **For the year ended December 31,**	**2018 vs 2017**			2017 vs 2016		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Interest income:						
Loans	**$69,820**	**$406,238**	**$476,058**	$44,273	$221,817	$266,090
Investments	**5,348**	**112,864**	**118,212**	(6,555)	60,538	53,983
Total interest income	**75,168**	**519,102**	**594,270**	37,718	282,355	320,073
Interest expense:						
Systemwide debt securities and other	**(54,841)**	**(536,587)**	**(591,428)**	(18,244)	(288,420)	(306,664)
Net change in net interest income	**$20,327**	**$(17,485)**	**$2,842**	$19,474	$(6,065)	$13,409

The slight increase in net interest income was primarily attributable to loan volume, which was almost entirely offset by the net impact of increased interest rates. Higher interest rates in 2018 have led to increased interest expense on Systemwide Debt Securities, which was significantly offset by increased interest income from our wholesale loans to District Associations and OFIs and, to a lesser extent, investments.

Information regarding the average daily balances (ADB), average rates earned and components of net interest income (NII) on our portfolio follows:

(in thousands)

For the year ended December 31,	**2018**		
	ADB	**Rate**	**NII**
Interest earning assets:			
Wholesale loans	**$81,152,468**	**2.49%**	**$2,019,619**
Retail accrual loans	**8,018,395**	**4.21%**	**337,970**
Retail nonaccrual loans	**54,844**	**8.33%**	**4,569**
Investment securities and federal funds	**15,692,005**	**2.04%**	**320,074**
Total earning assets	**104,917,712**	**2.56%**	**2,682,232**
Interest bearing liabilities	**99,452,963**	**2.10%**	**2,091,506**
Interest rate spread	**$5,464,749**	**0.46%**	
Impact of equity financing		**0.10%**	
Net interest margin		**0.56%**	
Net interest income			**$590,726**

(in thousands)

For the year ended December 31,	2017		
	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$78,139,934	2.02%	$1,580,159
Retail accrual loans	7,875,648	3.84%	302,141
Retail nonaccrual loans	53,958	7.04%	3,800
Investment securities and federal funds	15,249,477	1.32%	201,862
Total earning assets	$101,319,017	2.06%	$2,087,962
Interest bearing liabilities	96,066,906	1.56%	1,500,078
Interest rate spread	$5,252,111	0.50%	
Impact of equity financing		0.08%	
Net interest margin		0.58%	
Net interest income			$587,884

(in thousands)

For the year ended December 31,	2016		
	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$75,875,427	1.75%	$1,328,649
Retail accrual loans	7,785,799	3.68%	287,234
Retail nonaccrual loans	50,331	8.18%	4,127
Investment securities and federal funds	15,929,217	0.93%	147,879
Total earning assets	$99,640,774	1.77%	$1,767,889
Interest bearing liabilities	94,647,671	1.26%	1,193,414
Interest rate spread	$4,993,103	0.51%	
Impact of equity financing		0.07%	
Net interest margin		0.58%	
Net interest income			$574,475

Net interest margin for the year ended December 31, 2018, decreased 2 basis points compared to the same period of the prior year. Equity financing represents the benefit of non-interest bearing funding and increased compared to the prior year due to higher equity volume and higher interest rates. The benefit of equity financing is greater when interest rates are higher as this equity funds assets earning a higher interest rate rather than being funded by debt. Interest rate spread declined 4 basis points for the year ended December 31, 2018 compared to the same period of the prior year. As anticipated, the positive contribution from funding actions has declined due to the current interest rate environment. We estimate funding actions contributed 13 basis points to the interest rate spread in 2018, compared to 16 and 18 basis points in 2017 and 2016, respectively.

Changes in loans are further discussed in the Loan Portfolio section of this report.

Provision for Loan Losses

The year-over-year volatility in provision for loan losses can be impacted by a single loan or borrower. As our retail portfolio has grown and credit quality has declined, we have seen corresponding provision for loan losses. The provision for loan losses in 2018 primarily reflected the credit quality within the production and intermediate term sector.

Refer to the discussion of the allowance for loan losses in the Loan Portfolio – Allowance for Loan Losses section of this report.

Non-interest Income

Components of Non-Interest Income

(in thousands)

For the year ended December 31,	**2018**	2017	2016
Mineral income	**$67,185**	$45,795	$36,351
Business services income	**22,187**	19,647	17,020
Loan prepayment and fee income	**11,318**	7,907	31,958
Allocated Insurance Reserve Accounts income	**9,302**	--	--
Miscellaneous income and other gains, net	**9,321**	291	11,439
Total	**$119,313**	$73,640	$96,768

Mineral income was earned primarily from royalties received on mineral rights, predominantly in the Williston Basin in western North Dakota. Oil and gas prices remained at higher levels throughout much of 2018 compared to 2017 and 2016 resulting in higher income. Increased mineral leasing activity during 2018 further contributed to mineral income. Additionally, we implemented the use of derivatives as a risk management tool for our mineral income. The fair value of these commodity put options generated income of $9.5 million (classified as “Miscellaneous income and other gains, net”) due to falling oil prices during the fourth quarter of 2018. Changes in the fair value of these contracts will be dependent on oil prices during 2019, as well as the passage of time, and may result in the reversal of some or all of these gains in 2019.

Business services income primarily includes revenue from District Associations for services provided by the Bank. We continue to collaborate with District Associations to provide cost-effective business services.

Loan prepayment and fee income reflects prepayment and conversion fees recognized as a result of refinancing activity, primarily related to funding our wholesale lending. The majority of our loan prepayment and fee income is recorded when District Association retail loans financed through our wholesale loan volume prepay or convert and the District Association is assessed a wholesale fee. Interest rates increased throughout 2018 and 2017 compared to 2016, resulting in slower prepayment and conversion activity in District Associations' retail portfolios.

Contributing further to the increase in non-interest income was the Allocated Insurance Reserve Accounts (AIRAs) distribution received from the FCSIC during the first quarter of 2018. The AIRAs were established by the FCSIC when premiums collected increased the level of the insurance fund beyond the required secured base amount of 2 percent of insured debt. No similar distribution was received during 2017 or 2016.

In 2016, miscellaneous income and other gains were primarily due to non-recurring net gains, and were related to the sales of certain AFS investment securities that no longer met earnings or capital usage targets. The majority of these sales were home-equity ABS and non-agency MBS securities and, during 2016, all remaining securities in these categories were sold. There were no investment sales during 2018 or 2017. Refer to Note 4 of the accompanying Financial Statements for further discussion.

Non-interest Expense

Components of Non-interest Expense

(in thousands)

For the year ended December 31,	**2018**	2017	2016
Salaries and employee benefits	**$37,113**	$40,206	$39,297
Other operating expenses:			
Purchased services	**10,790**	9,750	9,675
Occupancy and equipment	**12,879**	12,437	12,304
Examination expense	**6,207**	5,663	5,330
Farm Credit Council	**2,448**	3,587	3,007
Other	**9,483**	6,438	7,754
Loan servicing and other fees paid to District Associations	**40,376**	37,226	37,408
Farm Credit System insurance expense	**7,604**	12,359	13,903
Total	**$126,900**	$127,666	$128,678

Farm Credit System insurance expense is directly impacted by the premium rate we are assessed. Premiums were 9 basis points in 2018 compared to 15 basis points in 2017 and 16 basis points for the first half and 18 basis points for the second half of 2016. The Insurance Corporation has announced premiums will remain at 9 basis points for 2019. The Insurance Corporation Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Select Quarterly Financial Information

(in thousands) **2018**	**First**	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$144,748**	**$153,657**	**$145,246**	**$147,075**	**$590,726**
Provision for loan losses	**--**	**1,000**	**1,500**	**3,000**	**5,500**
Other (income) expense, net	**(1,249)**	**7,669**	**433**	**734**	**7,587**
Net income	**$145,997**	**$144,988**	**$143,313**	**$143,341**	**$577,639**

2017	First	Second	Third	Fourth	Total
Net interest income	$143,071	$149,760	$150,632	$144,421	$587,884
Provision for loan losses	2,000	1,000	3,500	2,000	8,500
Other expense, net	11,523	10,758	14,902	16,843	54,026
Net income	$129,548	$138,002	$132,230	$125,578	$525,358

The AIRAs distribution received from the FCSIC during the first quarter of 2018 resulted in other income, net for the quarter.

Interest Rate Risk Management

Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition. Interest rate risk arises primarily from funding fixed rate loans that can be prepaid, adjustable rate loans with interest rate caps and decisions related to the investment of our equity. We manage substantially all of the District's interest rate risk. Our ability to effectively manage interest rate risk relies on our ability to issue debt with terms and structures that match our asset terms and structures. Because a substantial portion of those assets are prepayable, we issue a significant amount of callable debt. We also use derivatives to manage interest rate risk and reduce our funding costs.

We manage exposure to changes in interest rates under policies established by our board and limits established by our ALCO. Policies and limits regulate maximum exposure to net interest income and economic value of equity changes for specified changes in market interest rates. A full analysis of interest rate risk is completed monthly. Through these analyses, appropriate funding strategies are developed to manage the sensitivity of net interest income and economic value of equity to changes in interest rates.

Our primary techniques used to analyze interest rate risk are:

- Interest rate gap analysis, which compares the amount of interest-sensitive assets to interest-sensitive liabilities repricing in selected time periods under various interest rate and prepayment assumptions.
- Net interest income sensitivity analysis, which projects net interest income in each of the next three years given various rate scenarios.
- Economic value of equity sensitivity analysis, which estimates the economic value of assets, liabilities and equity given various rate scenarios.

The assumptions used in our analyses are monitored routinely and adjusted as necessary. Assumptions about loan prepayment behavior are the most significant to the results. Prepayment speeds are estimated as a function of rate levels, age and seasoning. We monitor and track prepayment history and consider adjustments to our assumed prepayment speeds based on our historical observed experience. We use third-party prepayment models for MBS investments.

Interest Rate Gap Analysis

The following table is based on the known repricing dates of certain assets and liabilities and the assumed or estimated repricing dates of others under an implied forward rate scenario. Prepayment estimates for loans are calculated using our standard prepayment assumptions. Callable debt is shown at the first call date it is expected to be exercised given implied forward rates. Various assets and liabilities may not reprice according to the assumptions and estimates used. The analysis provides a static view of our interest rate sensitivity position and does not capture the dynamics of an evolving balance sheet, interest rate and spread changes in different interest rate environments, and the active role of asset and liability management.

Interest Rate Gap Position

(in thousands)	Repricing Intervals						
As of December 31, 2018	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Over 5 Years**	**Total**
Earning assets:							
Prepayable loans	$43,377,662	$8,161,769	$6,781,008	$5,672,495	$4,605,362	$19,981,376	$88,579,672
Other loans	343,213	382,743	411,208	745,779	646,842	1,607,244	4,137,029
Investments and federal funds	11,900,356	1,771,462	1,100,939	281,353	217,027	424,705	15,695,842
Total earning assets	$55,621,231	$10,315,974	$8,293,155	$6,699,627	$5,469,231	$22,013,325	$108,412,543
Callable debt	$5,525,345	$5,463,617	$4,313,354	$4,365,028	$3,421,950	$19,624,343	$42,713,637
Other debt	49,979,385	4,163,881	3,003,092	1,029,743	1,072,986	1,160,620	60,409,707
Effect of interest rate swaps and other derivatives	(478,000)	(530,000)	(820,000)	170,000	280,000	1,378,000	--
Total rate-sensitive liabilities	$55,026,730	$9,097,498	$6,496,446	$5,564,771	$4,774,936	$22,162,963	$103,123,344
Interest rate sensitivity gap	$594,501	$1,218,476	$1,796,709	$1,134,856	$694,295	$(149,638)	$5,289,199
Cumulative gap	$594,501	$1,812,977	$3,609,686	$4,744,542	$5,438,837	$5,289,199	
Cumulative gap as a % of earning assets	1.1%	2.7%	4.9%	5.9%	6.3%	4.9%	

Net Interest Income and Economic Value of Equity (EVE) Sensitivity Analysis

The economic value of equity sensitivity analysis provides a static view of our interest rate sensitivity position, commensurate with the interest rate gap analysis. Net interest income projections and sensitivity analysis incorporate assumptions to capture the dynamics of an evolving balance sheet. Policy limits related to interest rate sensitivity assume interest rates for all yield curves change immediately in the same direction and amount (a parallel shock). We also routinely review the impact of a gradual change over one year in interest rates in the same direction and same amount (a parallel ramp). Periodically, we review multi-year net interest income projections and the impact of varying the amount of change in rates at different maturities (a twist, flattening or steepening of the yield curve). 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 December 31, 2018, the down scenario is limited to a down 120 basis point change.

NII Sensitivity Analysis

	Basis Point Interest Rate Change			
As of December 31, 2018	**Down 120**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
NII sensitivity	**(2.1%)**	**(2.1%)**	**0.7%**	**1.1%**
Board policy	**(15.0%)**			**(15.0%)**
Gradual Change (Ramp):				
NII sensitivity			**1.5%**	**2.9%**

EVE Sensitivity Analysis

	Basis Point Interest Rate Change			
As of December 31, 2018	**Down 120**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
EVE sensitivity	**12.9%**	**9.3%**	**(3.0%)**	**(5.1%)**
Board policy	**(12.0%)**			**(12.0%)**

Derivative Financial Instruments

We primarily use derivative financial instruments to reduce funding costs, improve liquidity and manage interest rate risk. We do not hold or issue derivatives for speculative purposes.

Our derivative activities are monitored by our ALCO as part of the committee's oversight of our asset/liability and treasury functions. Our hedging strategies are developed within limits established by the board through our analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into our overall interest rate risk management strategies.

The types and uses of derivatives we primarily utilize are:

Derivative Products	Purpose of the Hedge Transaction	Strategic Impact
Receive-fixed swaps	To protect against the decline in interest rates on floating-rate assets by exchanging the debt's fixed-rate payment for a floating-rate payment.	These transactions enable us to improve liquidity, obtain lower funding cost or to hedge basis risk.
Pay-fixed swaps	To protect against an increase in interest rates by exchanging the debt's floating-rate payment for a fixed-rate payment that matches the cash flows of assets.	These transactions create lower cost synthetic fixed-rate funding, hedge future debt issuance costs or manage interest rate sensitivity.

Floating-for-floating swaps	To protect against large increases in interest rates on floating-rate liabilities by embedding an interest rate cap on the floating-rate payment leg of the swap.	These transactions help us to manage exposure to large increases in interest rates and offset interest rate caps that are embedded within our assets.

We also facilitate interest rate swaps to qualified borrowers of 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.

In the fourth quarter of 2018, we purchased commodity derivative instruments (put options on the price of oil) to mitigate a decline in mineral income in certain circumstances.

By using derivative instruments, we are subject to credit loss exposure. 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.

Derivative Credit Loss Exposure by Credit Rating

(in thousands) **As of December 31, 2018**	**Years to Maturity** **Less Than One Year**	 **One to Five Years**	 **Over Five Years**	**Maturity Distribution Netting**	**Exposure**	**Collateral Pledged**	**Exposure Net of Collateral**
Moody's Credit Rating							
Aa2	**$10,483**	**$2,080**	**$1,599**	**$(900)**	**$13,262**	**$ --**	**$13,262**
Aa3	**--**	**1,026**	**15,638**	**(983)**	**15,681**	**1,970**	**13,711**
A1	**--**	**802**	**--**	**--**	**802**	**--**	**802**
Cleared derivatives	**--**	**--**	**15,495**	**(15,495)**	**--**	**--**	**--**
Total	**$10,483**	**$3,908**	**$32,732**	**$(17,378)**	**$29,745**	**$1,970**	**$27,775**

Derivative credit loss exposure is estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts in a gain position. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty. If the net position within a maturity category with a particular counterparty is a loss, no amount is reported. Maturity distribution netting represents the impact of netting of derivatives in a gain position and derivatives in a loss position for the same counterparty across different maturity categories.

Expected Maturities of Derivative Products and Other Financial Instruments

(in thousands) As of December 31, 2018	2019	2020	2021	2022	2023	2024 and thereafter	Total	Fair Value
Bonds and Notes:								
Fixed rate	$11,243,980	$9,118,723	$7,484,505	$5,944,084	$5,448,099	$21,266,645	$60,506,036	$59,420,301
Average interest rate	1.3%	1.7%	2.0%	2.2%	2.5%	3.0%	2.3%	
Variable rate	21,341,180	19,446,128	1,830,000	--	--	--	42,617,308	42,641,173
Average interest rate	1.9%	2.1%	2.1%	--	--	--	2.0%	
Total bonds and notes	$32,585,160	$28,564,851	$9,314,505	$5,944,084	$5,448,099	$21,266,645	$103,123,344	$102,061,474
Derivative Instruments:								
Receive-fixed swaps								
Notional value	$671,000	$951,000	$250,000	$50,000	$ --	$ --	$1,922,000	$(17,634)
Weighted average receive rate	1.4%	1.7%	2.6%	2.0%	--	--	1.7%	
Weighted average pay rate	2.7%	2.5%	2.5%	2.5%	--	--	2.6%	
Pay-fixed swaps								
Notional value	115,000	104,000	170,000	240,000	280,000	1,432,774	2,341,774	41,170
Weighted average receive rate	2.5%	2.5%	2.5%	2.5%	2.7%	2.7%	2.6%	
Weighted average pay rate	3.3%	3.3%	2.5%	1.9%	2.7%	2.3%	2.4%	
Floating for floating swaps								
Notional value	200,000	300,000	600,000	200,000	650,000	550,000	2,500,000	(3,252)
Weighted average receive rate	2.6%	2.5%	2.5%	2.5%	2.7%	2.7%	2.6%	
Weighted average pay rate	2.6%	2.5%	2.5%	2.5%	2.7%	2.8%	2.6%	
Customer swaps								
Notional value	15,000	4,000	--	20,000	--	54,774	93,774	(3,237)
Weighted average receive rate	1.4%	1.2%	--	2.2%	--	1.6%	1.7%	
Weighted average pay rate	2.6%	2.5%	--	2.5%	--	2.7%	2.6%	
Credit valuation adjustment								(309)
Variation margin settlement								(11,848)
Total derivative instruments [1]	$1,001,000	$1,359,000	$1,020,000	$510,000	$930,000	$2,037,548	$6,857,548	$4,890
Total weighted average rates on swaps:								
Receive rate	1.8%	1.9%	2.5%	2.4%	2.7%	2.7%	2.4%	
Pay rate	2.8%	2.6%	2.5%	2.2%	2.7%	2.4%	2.5%	

[1] Excludes commodity options

The table was prepared based on implied forward variable interest rates as of December 31, 2018 and, accordingly, the actual interest rates to be received or paid will be different to the extent that the variable rates fluctuate from December 31, 2018 implied forward rates.

Derivative instruments are discussed further in Notes 2, 12 and 13 to the accompanying Financial Statements.

Other Risks

Operational Risk
Operational risk represents the risk of loss resulting from our operations. Operational risk includes external reporting, business model, human capital, fraud, business interruption, data and model integrity, security, and corporate governance. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of our objectives. We manage operational risk through established internal control processes and business continuity and disaster recovery plans. We maintain systems of controls with the objectives of providing appropriate transaction authorization and execution, proper system operations, safeguarding of assets and reliability of financial and other data. We have a strong control environment, including an independent audit committee, a code of ethics for senior officers and key financial personnel and an anonymous whistleblower program. We have developed and regularly update comprehensive business continuity and disaster recovery plans and routinely test plans with the goal of ensuring ongoing operations under a variety of adverse scenarios. We maintain sound security infrastructure, which we periodically test. We also provide privacy and cybersecurity awareness training to staff.

We document, test and evaluate internal control over financial reporting (ICFR) to support both the AgriBank and the Farm Credit System-level attestations for ICFR consistent with the requirements of Sarbanes-Oxley Section 404. This effort supports a strong control environment through awareness, documentation and testing of key controls for all significant processes supporting ICFR. In addition, our independent auditor provides an opinion on the effectiveness of our ICFR program.

Reputation Risk
Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities. Such risks include impacts related to investors' perceptions about agriculture, the reliability of the System financial information or business practices by any System institution that may appear to conflict with the System mission. The Farm Credit System has various committees responsible for reviewing business practices and, where appropriate, risk mitigation efforts, as well as providing strategic direction on System reputation management initiatives.

Credit Risk Related to Joint and Several Liability
We have exposure to Systemwide credit risk because we are jointly and severally liable for all Systemwide debt issued. Under joint and several liability, if a System Bank is unable to pay its obligations as they come due, the other Banks in the System would ultimately be called upon to fulfill those obligations. The existence of the Farm Credit Insurance Fund (Insurance Fund), the CIPA and the Market Access Agreement (MAA) help to mitigate this risk. Refer to Note 10 of the accompanying Financial Statements for additional information related to the CIPA and MAA.

The Farm Credit Act established the Insurance Corporation to administer the Insurance Fund. Refer to Note 1 of the accompanying Financial Statements for further information on the Insurance Fund.

Critical Accounting Policies

Our Financial Statements are reported based on accounting principles generally accepted in the United States of America and require that significant judgment be applied to various accounting, reporting and disclosure matters. We use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of significant accounting policies, refer to Note 2 of the accompanying Financial Statements. The following is a summary of certain critical accounting policies:

- Allowance for Loan Losses — The allowance for loan losses is our best estimate of the amount of losses on loans in our portfolio as of the date of the Financial Statements. We determine the allowance for loan losses based on a periodic evaluation of our loan portfolio, which considers loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. Refer to the Loan Portfolio – Allowance for Loan Losses section for further discussion.
- Fair Value Measurements — We apply various valuation methods to assets and liabilities that often involve judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as certain investment securities. However, for those items for which an observable active market does not exist, we utilize significant estimates and assumptions to value such items. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, loss severity rates and third-party prices. The use of different assumptions could produce significantly different results.

Investment Securities Eligibility

In May 2018, the FCA board approved a final rule to revise the requirements governing the eligibility of investment securities for System Banks and Associations. The new regulation is intended to strengthen the eligibility criteria for investments that System Banks purchase and hold. Further, it removes references to and requirements for credit ratings and substitutes other appropriate standards of credit worthiness in compliance with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The regulation was effective January 1, 2019. We have updated our policies, procedures and other documentation to ensure compliance with this new regulation. All of the investment securities we held at December 31, 2018 were allowed to be held pursuant to this new regulation.

Report of Management

AgriBank, FCB

We prepare the Financial Statements of AgriBank, FCB (AgriBank) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Statements, in our opinion, fairly present the financial condition of AgriBank. Other financial information included in the Annual Report is consistent with that in the Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Financial Statements. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2018. The Farm Credit Administration also performs examinations for safety and soundness, as well as compliance with applicable laws and regulations.

The board of directors has overall responsibility for our system of internal control and financial reporting. The board of directors and its Audit Committee consult regularly with us and meet periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the board of directors, which is composed solely of directors who are not officers or employees of AgriBank.

The undersigned certify we have reviewed AgriBank, FCB's December 31, 2018 Annual Report, and it has been prepared in accordance with all applicable statutory and regulatory requirements and the information contained herein is true, accurate and complete to the best of our knowledge and belief. The FCA has authorized AgriBank to replace the regulatory required inclusion of condensed, unaudited district-wide statements of condition and statements of income in the footnotes to the financial statements with a separate document containing the same district-wide financial information.

Matthew D. Walther	Jeffrey R. Swanhorst	Jeffrey L. Moore
Chair of the Board	Chief Executive Officer	Chief Financial Officer
AgriBank, FCB	AgriBank, FCB	AgriBank, FCB

March 2, 2019

Report on Internal Control over Financial Reporting

AgriBank, FCB

AgriBank, FCB's (AgriBank) principal executives and principal financial officers or persons performing similar functions are responsible for establishing and maintaining adequate internal control over financial reporting. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of AgriBank's principal executives and principal financial officers or persons performing similar functions, and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of AgriBank, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of AgriBank and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AgriBank's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AgriBank's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, AgriBank concluded that as of December 31, 2018, the internal control over financial reporting was effective based upon the COSO criteria.

AgriBank's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of AgriBank's internal control over financial reporting as of December 31, 2018.

Jeffrey R. Swanhorst Chief Executive Officer AgriBank, FCB	Jeffrey L. Moore Chief Financial Officer AgriBank, FCB

March 2, 2019

Report of Audit Committee

AgriBank, FCB

The Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the board of Directors of AgriBank, FCB (AgriBank). The Audit Committee oversees the scope of AgriBank's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of AgriBank's system of internal controls and procedures and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for the preparation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America. Additionally, management is responsible for the design and operating effectiveness of internal control over financial reporting for the Financial Statements. PwC is responsible for expressing opinions on the Financial Statements and internal control over financial reporting based on their integrated audits which are performed in accordance with auditing standards of the Public Company Accounting Oversight Board (PCAOB) and in accordance with generally accepted auditing standards in the United States of America. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Financial Statements for the year ended December 31, 2018, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by PCAOB Auditing Standard No. 16, *Communications with Audit Committees*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the board of directors include the audited Financial Statements in the Annual Report for the year ended December 31, 2018.

Natalie Laackman
Audit Committee Chair
AgriBank, FCB

Dale Crawford
Brian Peterson
George Stebbins
Keri Votruba

March 2, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of AgriBank, FCB

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statements of condition of AgriBank, FCB (“the Company”) as of December 31, 2018, 2017, and 2016, and the related statements of comprehensive income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 2017, and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) *Code of Professional Conduct* and the Farm Credit Administration’s independence rules set forth in 12 CFR Part 621, *Accounting and Reporting Requirements*, Subpart E, *Auditor Independence*.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

March 2, 2019

We have served as the Company's auditor since 1985.

Statements of Condition

AgriBank, FCB

(in thousands)

As of December 31,	2018	2017	2016
Assets			
Loans	$92,716,701	$88,374,923	$86,078,402
Allowance for loan losses	25,571	26,047	21,282
Net loans	92,691,130	88,348,876	86,057,120
Investment securities	13,997,742	14,386,455	14,897,252
Cash	545,875	469,599	469,996
Federal funds	1,698,100	676,300	591,300
Accrued interest receivable	707,036	498,826	420,670
Derivative assets	29,981	8,956	13,125
Allocated prepaid pension costs	42,796	38,834	33,985
Cash collateral posted with counterparties	24,198	29,730	31,128
Other assets	34,826	87,149	48,720
Total assets	$109,771,684	$104,544,725	$102,563,296
Liabilities			
Bonds and notes	$103,123,344	$98,313,944	$96,633,431
Accrued interest payable	405,784	288,978	223,023
Derivative liabilities	14,584	34,562	34,407
Cash collateral posted by counterparties	5,231	--	--
Accounts payable and other payables	316,543	246,388	170,613
Other liabilities	18,433	18,971	15,719
Total liabilities	103,883,919	98,902,843	97,077,193
Commitments and contingencies (Note 10)			
Shareholders' equity			
Perpetual preferred stock	250,000	250,000	250,000
Capital stock and participation certificates	2,551,085	2,345,655	2,183,701
Allocated surplus	191	--	--
Unallocated surplus	3,136,359	3,132,653	3,132,432
Accumulated other comprehensive loss	(49,870)	(86,426)	(80,030)
Total shareholders' equity	5,887,765	5,641,882	5,486,103
Total liabilities and shareholders' equity	$109,771,684	$104,544,725	$102,563,296

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

Statements of Comprehensive Income

AgriBank, FCB

(in thousands)

For the year ended December 31,	2018	2017	2016
Interest income			
Loans	**$2,362,158**	$1,886,100	$1,620,010
Investment securities	**320,074**	201,862	147,879
Total interest income	**2,682,232**	2,087,962	1,767,889
Interest expense	**2,091,506**	1,500,078	1,193,414
Net interest income	**590,726**	587,884	574,475
Provision for loan losses	**5,500**	8,500	6,500
Net interest income after provision for loan losses	**585,226**	579,384	567,975
Non-interest income			
Mineral income	**67,185**	45,795	36,351
Business services income	**22,187**	19,647	17,020
Loan prepayment and fee income	**11,318**	7,907	31,958
Allocated Insurance Reserve Accounts income	**9,302**	--	--
Miscellaneous income and other gains, net	**9,321**	291	11,439
Total non-interest income	**119,313**	73,640	96,768
Non-interest expense			
Salaries and employee benefits	**37,113**	40,206	39,297
Other operating expenses	**41,807**	37,875	38,070
Loan servicing and other fees paid to District Associations	**40,376**	37,226	37,408
Farm Credit System insurance expense	**7,604**	12,359	13,903
Total non-interest expense	**126,900**	127,666	128,678
Net income	**$577,639**	$525,358	$536,065
Other comprehensive income (loss)			
Investments available-for-sale:			
Not-other-than-temporarily-impaired investments	**$(7,673)**	$(12,311)	$(31,871)
Other-than-temporarily-impaired investments	**--**	--	(10,561)
Derivatives and hedging activity	**44,124**	7,038	47,267
Employee benefit plan activity	**105**	--	--
Total other comprehensive income (loss)	**36,556**	(5,273)	4,835
Comprehensive income	**$614,195**	$520,085	$540,900

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2015	$250,000	$2,063,343	$ --	$2,945,638	$(84,865)	$5,174,116
Net income				536,065		536,065
Other comprehensive income					4,835	4,835
Patronage				(332,083)		(332,083)
Perpetual preferred stock dividends				(17,188)		(17,188)
Capital stock/participation certificates issued		177,200				177,200
Capital stock/participation certificates retired		(56,842)				(56,842)
Balance at December 31, 2016	$250,000	$2,183,701	$ --	$3,132,432	$(80,030)	$5,486,103
Net income				525,358		525,358
Other comprehensive loss and other					(6,396)	(6,396)
Patronage				(507,949)		(507,949)
Perpetual preferred stock dividends				(17,188)		(17,188)
Capital stock/participation certificates issued		161,954				161,954
Balance at December 31, 2017	$250,000	$2,345,655	$ --	$3,132,653	$(86,426)	$5,641,882
Net income				**577,639**		**577,639**
Other comprehensive income					**36,556**	**36,556**
Patronage				**(556,554)**		**(556,554)**
Surplus allocated under patronage program			**191**	**(191)**		**--**
Perpetual preferred stock dividends				**(17,188)**		**(17,188)**
Capital stock/participation certificates issued		**219,262**				**219,262**
Capital stock/participation certificates retired		**(13,832)**				**(13,832)**
Balance at December 31, 2018	**$250,000**	**$2,551,085**	**$191**	**$3,136,359**	**$(49,870)**	**$5,887,765**

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

Statements of Cash Flows

AgriBank, FCB

(in thousands)

For the year ended December 31,	2018	2017	2016
Cash flows from operating activities			
Net income	**$577,639**	$525,358	$536,065
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**3,108**	3,556	3,533
Provision for loan losses	**5,500**	8,500	6,500
Gain on sale of investment securities, net	**--**	--	(10,166)
Amortization of discounts on investments, net	**(99,527)**	(34,218)	(15,458)
Amortization of discounts on debt and deferred debt issuance costs, net	**71,561**	80,400	100,278
(Gain) loss on derivative activities, net	**(7,740)**	(1,908)	29
Insurance refund related to FCS Financial Assistance Corporation stock	**(3,376)**	--	--
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(2,083,830)**	(1,582,638)	(1,318,168)
Decrease (increase) in other assets	**48,855**	(43,479)	(15,547)
Increase (decrease) in accrued interest payable	**116,806**	65,955	(8,441)
(Decrease) increase in other liabilities	**(1,224)**	(4,204)	4,096
Net cash used in operating activities	**(1,372,228)**	(982,678)	(717,279)
Cash flows from investing activities			
Increase in loans, net	**(2,472,642)**	(796,857)	(1,984,036)
Proceeds from sales of other property owned	**31**	1,509	767
Purchases of investment securities	**(3,084,420)**	(3,023,890)	(4,195,252)
Proceeds from maturing investment securities	**3,565,023**	3,556,708	3,298,636
Proceeds from the sale of investment securities	**--**	--	245,439
Purchases of premises and equipment, net	**(3,917)**	(3,895)	(3,150)
Proceeds from insurance refund related to FCS Financial Assistance Corporation stock	**3,376**	--	--
Net cash used in investing activities	**(1,992,549)**	(266,425)	(2,637,596)
Cash flows from financing activities			
Bonds and notes issued	**207,573,959**	187,595,517	229,146,168
Bonds and notes retired	**(202,838,464)**	(185,979,892)	(225,998,333)
Subordinated notes retired	**--**	--	(500,000)
Decrease in cash collateral posted with counterparties, net	**5,532**	8,076	--
Increase in cash collateral posted by counterparties	**1,970**	--	895
Variation margin received (paid) on cleared derivatives, net	**17,350**	(8,920)	--
Patronage distributions paid	**(485,736)**	(425,841)	(296,565)
Preferred stock dividends paid	**(17,188)**	(17,188)	(17,188)
Capital stock/participation certificates issued, net	**205,430**	161,954	120,358
Net cash provided by financing activities	**4,462,853**	1,333,706	2,455,335
Net increase (decrease) in cash and federal funds	**1,098,076**	84,603	(899,540)
Cash and federal funds at beginning of period	**1,145,899**	1,061,296	1,960,836
Cash and federal funds at end of period	**$2,243,975**	$1,145,899	$1,061,296
Supplemental non-cash investing and financing activities			
Decrease in shareholders' equity from investment securities	**$(7,673)**	$(12,311)	$(42,432)
Interest capitalized to loan principal	**1,875,620**	1,504,482	1,278,602
Patronage and preferred stock dividends accrued	**279,820**	209,002	126,894
Decrease in shareholders' equity from employee benefit plan	**(23)**	(1,123)	--
Supplemental non-cash fair value changes related to hedging activities			
(Increase) decrease in derivative assets and liabilities, net	**$(54,208)**	$6,566	$(30,022)
Increase (decrease) in bonds from derivative activity	**2,344**	(15,512)	(17,216)
Increase in shareholders' equity from cash flow derivatives	**44,124**	7,038	47,267
Supplemental Information			
Interest paid	**$1,903,139**	$1,353,723	$1,101,577

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

Notes to Financial Statements

AgriBank, FCB

NOTE 1

Organization and Operations

Farm Credit System and District Organization

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.

At January 1, 2019, the System was composed of three Farm Credit Banks, one Agricultural Credit Bank and 69 Associations across the nation. System entities have specific lending authorities within their chartered territories. AgriBank is chartered to serve Associations in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Our chartered territory is referred to as the District. We serve our chartered territory by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs).

At January 1, 2019, the District had 14 ACA parent Associations, each of which has wholly owned FLCA and PCA subsidiaries. AgriBank is primarily owned by these 14 Farm Credit Associations. FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their FLCA and PCA subsidiaries. District Associations are also authorized to provide lease financing options for agricultural purposes and to purchase and hold certain types of investments. District Associations may also offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to their borrowers and those eligible to borrow. Additionally, certain District Associations offer farm records, fee appraisals, income tax planning and preparation services, retirement and succession planning, and producer education services to their members. We are the primary funding source for all District Associations. We raise funds principally through the sale of consolidated Systemwide bonds and notes to the public through the Federal Farm Credit Banks Funding Corporation (the Funding Corporation).

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that we can offer. We are authorized to provide, in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, farm-related service businesses, and processing or marketing operations. The Farm Credit Act, as amended, also allows us to participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution but have operations that are functionally similar to the activities of eligible borrowers. We are also authorized to purchase and hold certain types of investments.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The activities of the System Banks and Associations are examined by the FCA and certain actions by these entities require prior approval from the FCA.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used for:

- Insuring the timely payment of principal and interest on Farm Credit Systemwide debt obligations
- Insuring the retirement of protected borrower capital at par or stated value
- Other specified purposes

The Insurance Corporation does not insure any payments on our preferred stock, common stock or risk participation certificates. In the event of default by another System Bank, and if no available amounts remain in the Insurance Fund, we are required to fund our allocated portion of another System Bank's portion of the Systemwide Debt Securities.

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2 percent (the secure base amount) of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. The percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and under certain circumstances is required to transfer excess funds to establish Allocated Insurance Reserves Accounts (AIRAs). The Insurance Corporation may also distribute all or a portion of these reserve accounts to the System Banks.

The basis for assessing premiums is insured debt outstanding. Nonaccrual loans and impaired investment securities are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. We, in turn, assess premiums to District Associations each year based on similar factors.

AgriBank Operations

We primarily lend to District Associations in the form of lines of credit to fund Associations' loan portfolios. These lines of credit (wholesale loans) are collateralized by a pledge of substantially all of each District Association's assets. The terms of the revolving lines of credit are governed by a General Financing Agreement (GFA) between us and each District Association. The wholesale funding we provide substantially matches the terms and embedded options of the Associations' retail loans. General operating expenses of the Associations are also funded through their lines of credit. We also fund District Association lending through the direct purchase of participations in retail loans from Associations.

In addition to providing loan funds to District Associations, we may provide additional services to the Associations, including financial, technology, insurance and internal audit services. The revenue received for these services is included in "Business services income," a component of non-interest income, on our Statements of Comprehensive Income.

Service Organizations
System institutions jointly own several service organizations. These organizations were created to provide a variety of services for the System. We have ownership interests in the following service organizations:

- **Federal Farm Credit Banks Funding Corporation** provides for the issuance, marketing and processing of Systemwide Debt Securities using a network of investment dealers and dealer banks and financial management and reporting services
- **Farm Credit Services Building Association** owns and leases premises and equipment to the System's regulator, the FCA
- **Farm Credit System Association Captive Insurance Company** provides corporate insurance coverage to member organizations
- **Farm Credit Foundations (Foundations)** provides benefits and payroll services to AgriBank and District Associations as well as certain other System entities

In addition, the Farm Credit Council acts as a full-service federated trade association that represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis.

NOTE 2

Summary of Significant Accounting Policies

Our accounting policies conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the financial services industry. The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Statements include the accounts of AgriBank. These Financial Statements do not include the assets, obligations or results of operations of District Associations.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Accrued interest on wholesale loans is capitalized to loan principal on a monthly basis. Origination fees, net of related costs, are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan fees and related origination costs are not material to the Financial Statements taken as a whole. The majority of our loan-related fees are through funding our wholesale loans. These fees are considered funding charges, because the fees are related to actions of the underlying Association retail loans, which are funded through the wholesale loans. These wholesale fees are not subject to deferral and are recognized in the period in which they are assessed.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless well secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment in the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower’s financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined in the Allowance for Loan Losses section).

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses inherent in our loan portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually and all other retail loans by grouping them into loan segments sharing similar risk characteristics. An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for loan losses" in the Statements of Comprehensive Income, recoveries and charge-offs.

For purchased loans acquired that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, we record a provision for credit losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Investment Securities: Our investment securities may not necessarily be held to maturity and, accordingly, have been classified as available-for-sale (AFS). These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of shareholders' equity ("Accumulated other comprehensive loss"). Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive income (loss), unless the security is deemed to be other-than-temporarily impaired. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. Factors considered in determining whether an impairment is other-than-temporary include: the financial condition and near-term prospects of the issuer, the financial condition of any financial guarantor, if applicable, a current projection of expected cash flow compared to current net carrying value and contractual cash flow, our intent to sell the impaired security and whether we are more likely than not to be required to sell the security before recovery and qualitative consideration of other available information when assessing whether impairment is other-than-temporary.

When OTTI exists and we do not intend to sell the impaired debt security, nor are we more likely than not to be required to sell the security before recovery, we separate the loss into credit-related and non-credit-related components. If a security is deemed to be other-than-temporarily impaired, the security is written down to fair value, the credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income (loss). Realized gains and losses are determined using the specific identification method and are recognized in current operations.

Cash: Cash, as included on the Financial Statements, represents cash on hand and deposits in banks.

Federal Funds: Federal funds, as included on the Financial Statements, represent excess reserve funds on deposit at the Federal Reserve banks that are lent to other commercial banks. These transactions represent an investment of cash balances overnight in other financial institutions at the federal funds rate. Term federal funds would be a similar investment held for a period longer than overnight.

Mineral Rights: In connection with past foreclosure and sale proceedings, we have retained certain mineral interests and equity positions in land from which we receive income from lease bonuses, rentals and leasing and production royalties. These intangible assets have no recorded value on the Statements of Condition. All income received on these mineral rights is recognized in the period earned and is included in "Mineral income" on the Statements of Comprehensive Income. The Farm Credit Act requires that mineral rights acquired after 1985 through foreclosure be sold to the buyer of the surface rights in the land.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. AgriBank's portion of the service cost component of net periodic benefit cost related to these plans is included in "Salaries and employee benefits" on our Statements of Comprehensive Income. For the Pension Restoration Plan, AgriBank's portion of the components of net periodic benefit cost, other than the service cost component, is included in "Other operating expenses" on our Statements of Comprehensive Income.

Certain employees participate in the defined benefit retirement plan of the District. The plan is composed of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. Benefits-eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the non-qualified defined benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Beginning in 2017, the pension restoration plan liability attributable to AgriBank and the related accumulated other comprehensive loss are included in the Statements of Condition.

The defined contribution plan allows eligible employees to save for their retirement pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: We are exempt from federal and other income taxes as provided in the Farm Credit Act.

Patronage Program: We accrue patronage refunds when declared by the AgriBank Board of Directors (the board). We accrue patronage refunds quarterly and pay the refunds in accordance with the declarations of the board, generally within 15 days after each quarter-end for which the patronage was declared. Accrued patronage is included in “Accounts payable and other payables” on the Statements of Condition.

Preferred Stock Dividends: We accrue non-cumulative perpetual preferred stock dividends quarterly as declared by the board. Dividends on non-cumulative perpetual preferred stock are payable quarterly in arrears on the first day of January, April, July and October. Accrued dividends are included in “Accounts payable and other payables” on the Statements of Condition.

Derivative Instruments and Hedging Activity: We are party to derivative financial instruments, primarily interest rate swaps, which are used to manage interest rate risk on assets, liabilities and forecasted transactions. Derivatives are recorded on the Statements of Condition as assets or liabilities, measured at fair value and netted by counterparties pursuant to the provisions of master netting agreements.

Changes in the fair values of derivatives are recorded as gains or losses through earnings or as a component of other comprehensive (loss) income, on the Statements of Comprehensive Income, depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For fair value hedge transactions in which we are hedging changes in the fair value of an asset or liability, changes in the fair value of the derivative instrument are offset in net income on the Statements of Comprehensive Income by changes in the fair value of the hedged item. For cash flow hedge transactions hedging the variability of cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative instrument are reported in “Other comprehensive income (loss)” on the Statements of Comprehensive Income. To the extent the hedge is effective, the gains and losses on the derivative instrument are reported in other comprehensive (loss) income, until earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

We document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to:

- Specific assets or liabilities on the Statements of Condition
- Firm commitments
- Forecasted transactions

For hedging relationships, we assess effectiveness of the hedging relationships through prospective effectiveness tests at inception and retrospective tests on an ongoing basis until the maturity or termination of the hedge. For prospective testing, we perform a shock test of interest rate movements. Alternative tests may be performed if those tests appear to be reasonable relative to the hedge relationship that is being evaluated. For retrospective testing, our procedure is to perform correlation and regression tests of the value change of the hedge versus the value change of the hedged item using weekly data. If the hedge relationship does not pass the minimum levels established for effectiveness tests, hedge accounting will be discontinued.

We discontinue hedge accounting prospectively when we determine that:

- A derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item
- The derivative expires or is sold, terminated, exercised or de-designated as a hedge
- It is no longer probable that the forecasted transaction will occur
- A hedged firm commitment no longer meets the definition of a firm commitment
- Management determines that designating the derivative as a hedging instrument is no longer appropriate

When we discontinue hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income or loss is amortized into earnings over the remaining life of the original hedged item. When we discontinue hedge accounting for fair value hedges, changes in the fair value of the derivative will be recorded in current period earnings, and the basis adjustment to the previously hedged item will be taken into earnings using the interest method over the remaining life of the hedged item. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the Statements of Condition, recognizing changes in fair value in current period earnings.

We also enter into two types of economic hedges. We facilitate interest rate swaps to qualified borrowers of District Associations and execute an offsetting interest rate swap to manage the interest rate risk of the swap executed on behalf of the borrower. We also utilize commodity derivative instruments to manage mineral income volatility. The related derivative instruments are held at fair value with the change in fair value reported in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income. Refer to further discussion in Note 13.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customer/owners, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management’s best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management’s assessment, any reserve is recorded in “Other liabilities” in the Statements of Condition and a corresponding loss is recorded in “Provision for credit losses” in the Statements of Comprehensive Income. However, no such reserve was considered necessary as of December 31, 2018, 2017, or 2016.

Statements of Cash Flows: For purposes of reporting cash flows, cash includes cash and federal funds. Cash flows on hedges are classified in the same category as the items being hedged.

Fair Value Measurements: We utilize a hierarchy to disclose the fair value measurement of financial instruments. A financial instrument’s categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We may use various acceptable valuation techniques to determine fair value. The primary techniques used include:

- Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets to derive a fair value amount
- Income Approach uses various valuation methods to convert future cash flows to a single discounted present value, which becomes the applicable fair value amount
- Cost Approach is based on the current cost to acquire a substitute asset of comparable utility

For certain pension investments presented at fair value, we use net asset value per share as a practical expedient.

Refer to Note 12 for further discussion on our fair value measurements.

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 May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public business entities on January 1, 2018.	This guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts are excluded from the scope of this new guidance.	We adopted this guidance on January 1, 2018, using the modified retrospective approach, as the majority of our revenues are not subject to the new guidance. The adoption of the guidance did not have any impact on the financial condition, results of operations or cash flows.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." This guidance was effective for public business entities on January 1, 2018.	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	We adopted this guidance on January 1, 2018. The adoption of the guidance did not impact our financial condition or cash flows, and changes to the classification of certain items in the results of operations were not material. For the Pension Restoration Plan, the components of net periodic benefit cost other than the service cost component are included in the other operating expenses line item on the Statements of Comprehensive Income. The change in classification did not have a material impact and there were no retroactive adjustments to the Statements of Comprehensive Income. There were no material changes to the financial statement disclosures.

Standard and effective date	Description	Adoption status and financial statement impact
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance was effective for public business entities on January 1, 2018.	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact our financial condition, results of operations or cash flows. Financial statement disclosures related to the methods and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the statement of condition are no longer required and have been excluded from this report.
In August 2016, the FASB issued ASU 2016-15 "Classification of Certain Cash Receipts and Cash Payments." This guidance was effective for public business entities on January 1, 2018.	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact the financial condition or results of operations. Debt extinguishment costs were previously disclosed as operating cash flows and will be reported as financing cash flows as a result of this guidance. However, no debt extinguishment costs were incurred during the last three-year period. Therefore, no changes in the classification of cash flows were required as a result of this guidance.

Standard and effective date	Description	Adoption status and financial statement impact
In February 2016, the FASB issued ASU 2016-02 "Leases." In July 2018, the FASB issued ASU 2018-11 “Leases (Topic 842): Targeted Improvements.” This guidance was effective for public business entities on January 1, 2019.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. When this guidance is adopted, a liability for lease obligations and a corresponding right-of-use asset will be recognized on the Statements of Condition for all lease arrangements spanning more than 12 months. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We adopted this guidance on January 1, 2019 and this adoption will be reflected in our quarterly report for the period ending March 31, 2019. This new guidance did not have a material impact on our financial condition, results of operations, and financial statement disclosures, and had no impact on our cash flows.
In August 2017, the FASB issued ASU 2017-12 “Targeted Improvements to Accounting for Hedging Activities.” This guidance was effective for public business entities on January 1, 2019.	The guidance better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing.	We adopted this guidance on January 1, 2019 and this adoption will be reflected in our quarterly report for the period ending March 31, 2019. The adoption of this guidance did not have a material impact to our results of operations as all derivative gains and losses, for which hedge accounting is applied, are now recognized in interest expense on the Statements of Comprehensive Income. We modified certain derivative-related financial statement disclosures. The adoption of this guidance did not impact our Statements of Financial Condition or Statements of Cash Flows.

Standard and effective date	Description	Adoption status and financial statement impact
In October 2018, the FASB issued ASU 2018-16 "Derivatives and Hedging (Topic 815)." This guidance is effective for public business entities for the first quarter of 2019.	The amendments in this Update permit the Overnight Index Swap (OIS) rate based on Secured Overnight Financing Rate (SOFR) as a U.S. benchmark interest rate. Including the OIS rate based on SOFR as an eligible benchmark interest rate during the early stages of the marketplace transition will facilitate the London Inter-bank Offered Rate (LIBOR) to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes.	Based on our preliminary review and analysis, this updated guidance is likely to impact our interest rate derivative contracts as future contracts will likely utilize the OIS rate based on SOFR. Further, existing contracts with expiration dates after the LIBOR phase-out date may be impacted by this updated guidance. We are currently unable to estimate the impact on our financial statements.
In August 2018, the FASB issued ASU 2018-13 "Disclosure Framework— Changes to the Disclosure Requirements for Fair Value Measurement." This guidance is effective for public business entities for the first quarter of 2020 and early adoption is permitted.	The guidance removes, adds and modifies certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.	Based on our review and analysis, we have, and expect to, modify certain fair value related disclosures. For the year ended December 31, 2018, we adopted a portion of this guidance and removed certain fair value disclosures as permitted by the guidance. We have no plans to early adopt the remaining guidance.
In August 2018, the FASB issued ASU 2018-15 "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This guidance is effective for public business entities for the first quarter of 2020 and early adoption is permitted.	The guidance clarifies that implementation costs incurred in a hosting arrangement that is a service contract should be accounted for in the same manner as implementation costs incurred to develop or obtain internal-use software.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, this new guidance will not have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.

Standard and effective date	Description	Adoption status and financial statement impact
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 the first quarter of 2021 and early adoption is permitted.	The guidance removes and adds certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, we expect to modify certain employee benefit plan related disclosures. We plan to early adopt this guidance in the 2019 Annual Report.
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 the first quarter of 2021 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 have no plans to early adopt this guidance. We have reviewed the accounting standard, selected our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include system development and testing, drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 3

Loans and Allowance for Loan Losses

Loans by Type

(in thousands)	**2018**		2017		2016	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%
Wholesale loans	**$83,806,569**	**90.4%**	$79,960,907	90.6%	$78,300,557	91.0%
Retail loans:						
Real estate mortgage	**3,507,591**	**3.8%**	3,928,551	4.4%	3,461,590	4.0%
Production and intermediate-term	**4,714,668**	**5.1%**	3,744,997	4.2%	3,629,121	4.2%
Loans to other financial institutions (OFIs)	**549,113**	**0.6%**	593,677	0.7%	577,505	0.7%
Other	**138,760**	**0.1%**	146,791	0.1%	109,629	0.1%
Total retail loans	**8,910,132**	**9.6%**	8,414,016	9.4%	7,777,845	9.0%
Total loans	**$92,716,701**	**100.0%**	$88,374,923	100.0%	$86,078,402	100.0%

The Other category is comprised of agribusiness, communications and rural residential real estate loans.

Participations

We may purchase loan participations from and sell loan participations to others, primarily District Associations. We had no loan participation purchases outside of the System as of December 31, 2018, 2017 or 2016. We did not have any participation interests sold as of December 31, 2018, 2017 or 2016.

Retail Loan Participations Purchased

(in thousands)

As of December 31,	2018	2017	2016
Real estate mortgage	**$3,507,474**	$3,928,341	$3,461,281
Production and intermediate-term	**4,714,668**	3,744,997	3,629,121
Other	**138,760**	146,791	109,629
Total loans	**$8,360,902**	$7,820,129	$7,200,031

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.

A substantial portion of our loan portfolio consists of individual wholesale loans. Wholesale loans are composed of 14 loans ranging in size from $41.4 million to $23.8 billion. At December 31, 2018, the three largest District Associations represented 70.2 percent of wholesale loans and 63.5 percent of total loans. No other wholesale loan was greater than 10 percent of total loans. The loans of our 10 largest retail customers (excluding OFIs) at December 31, 2018 totaled $278.7 million, or 3.1 percent of our retail portfolio and 0.3 percent of our total portfolio.

The wholesale loans are used by District Associations to fund their loan portfolios, and, therefore, our distribution of credit risk in various commodities and geographic concentrations approximate that of the District as a whole. AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans.

Portfolio Performance

The primary credit quality indicator we utilize is the FCA Uniform Loan Classification System, which categorizes loans into five categories. The categories are:

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

(in thousands)

As of December 31, 2017	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$80,374,997	100.0%	$ --	--	$ --	--	$80,374,997	100.0%
Retail loans:								
Real estate mortgage	3,752,062	94.5%	110,032	2.7%	110,385	2.8%	3,972,479	100.0%
Production and intermediate-term	3,574,347	95.0%	82,960	2.2%	105,227	2.8%	3,762,534	100.0%
Loans to OFIs	596,520	100.0%	--	--	--	--	596,520	100.0%
Other	141,723	96.2%	543	0.4%	5,090	3.4%	147,356	100.0%
Total retail loans	8,064,652	95.1%	193,535	2.3%	220,702	2.6%	8,478,889	100.0%
Total loans	$88,439,649	99.5%	$193,535	0.2%	$220,702	0.3%	$88,853,886	100.0%

(in thousands)

As of December 31, 2016	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$78,639,626	100.0%	$ --	--	$ --	--	$78,639,626	100.0%
Retail loans:								
Real estate mortgage	3,301,768	94.4%	96,122	2.7%	100,736	2.9%	3,498,626	100.0%
Production and intermediate term	3,489,268	95.7%	67,352	1.8%	90,139	2.5%	3,646,759	100.0%
Loans to OFIs	579,652	100.0%	--	--	--	--	579,652	100.0%
Other	108,858	99.1%	245	0.2%	800	0.7%	109,903	100.0%
Total retail loans	7,479,546	95.5%	163,719	2.1%	191,675	2.4%	7,834,940	100.0%
Total loans	$86,119,172	99.6%	$163,719	0.2%	$191,675	0.2%	$86,474,566	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as Loss at December 31, 2018, 2017 or 2016.

Aging Analysis of Loans

(in thousands) **As of December 31, 2018**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing loans 90 days or more past due**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$84,364,601**	**$84,364,601**	**$ --**
Retail loans:						
Real estate mortgage	**9,847**	**6,229**	**16,076**	**3,533,667**	**3,549,743**	**--**
Production and intermediate-term	**42,741**	**15,191**	**57,932**	**4,736,500**	**4,794,432**	**863**
Loans to OFIs	**--**	**--**	**--**	**552,733**	**552,733**	**--**
Other	**362**	**--**	**362**	**138,818**	**139,180**	**--**
Total retail loans	**52,950**	**21,420**	**74,370**	**8,961,718**	**9,036,088**	**863**
Total loans	**$52,950**	**$21,420**	**$74,370**	**$93,326,319**	**$93,400,689**	**$863**

(in thousands) As of December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days of more past due
Wholesale loans	$ --	$ --	$ --	$80,374,997	$80,374,997	$ --
Retail loans:						
Real estate mortgage	7,482	6,046	13,528	3,958,951	3,972,479	--
Production and intermediate-term	21,953	10,718	32,671	3,729,863	3,762,534	8
Loans to OFIs	--	--	--	596,520	596,520	--
Other	597	26	623	146,733	147,356	--
Total retail loans	30,032	16,790	46,822	8,432,067	8,478,889	8
Total loans	$30,032	$16,790	$46,822	$88,807,064	$88,853,886	$8

(in thousands) As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing loans 90 days of more past due
Wholesale loans	$ --	$ --	$ --	$78,639,626	$78,639,626	$ --
Retail loans:						
Real estate mortgage	10,132	7,015	17,147	3,481,479	3,498,626	156
Production and intermediate-term	22,678	9,024	31,702	3,615,057	3,646,759	222
Loans to OFIs	--	--	--	579,652	579,652	--
Other	278	--	278	109,625	109,903	--
Total retail loans	33,088	16,039	49,127	7,785,813	7,834,940	378
Total loans	$33,088	$16,039	$49,127	$86,425,439	$86,474,566	$378

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. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31,	**2018**	2017	2016
Nonaccrual loans:			
Current as to principal and interest	**$28,033**	$32,455	$32,622
Past due	**26,114**	20,583	21,229
Total nonaccrual loans	**54,147**	53,038	53,851
Accruing restructured loans	**3,819**	4,588	3,800
Accruing loans 90 days or more past due	**863**	8	378
Total risk loans	**$58,829**	$57,634	$58,029
Volume with specific reserves	**$32,648**	$30,075	$27,187
Volume without specific reserves	**26,181**	27,559	30,842
Total risk loans	**$58,829**	$57,634	$58,029
Specific reserves	**$6,911**	$5,052	$4,394

Note: Accruing loans include accrued interest receivable.

For the year ended December 31,	**2018**	2017	2016
Income on accrual risk loans	**$242**	$267	$216
Income on nonaccrual loans	**4,569**	3,800	4,127
Total income on risk loans	**$4,811**	$4,067	$4,343
Average risk loans	**$60,227**	$58,958	$55,275

Risk Loans by Type

(in thousands) As of December 31,	2018	2017	2016
Nonaccrual loans:			
Real estate mortgage	**$16,293**	$18,491	$24,637
Production and intermediate-term	**37,819**	34,483	28,890
Other	**35**	64	324
Total nonaccrual loans	**$54,147**	$53,038	$53,851
Accruing restructured loans:			
Real estate mortgage	**$3,819**	$4,588	$3,800
Total accruing restructured loans	**$3,819**	$4,588	$3,800
Accruing loans 90 days or more past due:			
Real estate mortgage	**$ --**	$ --	$156
Production and intermediate-term	**863**	8	222
Total accruing loans 90 days or more past due	**$863**	$8	$378
Total risk loans	**$58,829**	$57,634	$58,029

Note: Accruing loans include accrued interest receivable.

Nonaccrual loans represented 0.1 percent of total loans at December 31, 2018, of which 51.8 percent were current as to principal and interest.

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, accruing loans 90 days or more past due were eligible to remain in accruing status.

We had no wholesale loans classified as risk loans at December 31, 2018, 2017 or 2016.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

	As of December 31, 2018			For the year ended December 31, 2018	
(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	$2,740	$3,101	$743	$3,085	$ --
Production and intermediate-term	29,873	31,634	6,152	28,972	--
Other	35	41	16	51	--
Total	$32,648	$34,776	$6,911	$32,108	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$17,372	$28,148	$ --	$19,561	$3,624
Production and intermediate-term	8,809	27,220	--	8,543	1,186
Other	--	177	--	15	1
Total	$26,181	$55,545	$ --	$28,119	$4,811
Total impaired loans:					
Real estate mortgage	$20,112	$31,249	$743	$22,646	$3,624
Production and intermediate-term	38,682	58,854	6,152	37,515	1,186
Other	35	218	16	66	1
Total	$58,829	$90,321	$6,911	$60,227	$4,811

(in thousands)	As of December 31, 2017 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2017 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,752	$3,193	$747	$3,167	$ --
Production and intermediate-term	27,285	28,298	4,286	25,401	--
Other	38	42	19	40	--
Total	$30,075	$31,533	$5,052	$28,608	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$20,327	$36,221	$ --	$23,399	$2,918
Production and intermediate-term	7,206	7,093	--	6,709	1,149
Other	26	214	--	242	--
Total	$27,559	$43,528	$ --	$30,350	$4,067
Total impaired loans:					
Real estate mortgage	$23,079	$39,414	$747	$26,566	$2,918
Production and intermediate-term	34,491	35,391	4,286	32,110	1,149
Other	64	256	19	282	--
Total	$57,634	$75,061	$5,052	$58,958	$4,067

(in thousands)	As of December 31, 2016 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2016 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,107	$6,249	$1,095	$5,544	$ --
Production and intermediate-term	22,039	22,508	3,277	16,913	--
Other	41	43	22	41	--
Total	$27,187	$28,800	$4,394	$22,498	$0
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$23,487	$39,431	$ --	$22,450	$3,084
Production and intermediate-term	7,072	5,951	--	10,021	1,258
Other	283	514	--	306	1
Total	$30,842	45,896	$ --	$32,777	$4,343
Total impaired loans:					
Real estate mortgage	$28,594	$45,680	$1,095	$27,994	$3,084
Production and intermediate-term	29,111	28,459	3,277	26,934	1,258
Other	324	557	22	347	1
Total	$58,029	$74,696	$4,394	$55,275	$4,343

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

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2018.

Troubled Debt Restructurings

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses. The primary types of modification typically include interest rate reduction below market, deferral of principal, extension of maturity or forgiveness of interest. Our loans classified as TDRs and activity on these loans were not material at any time during the years ending December 31, 2018, 2017 or 2016. We did not have material loan commitments to lend additional money to borrowers whose loans have been modified in a TDR at December 31, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)

For the year ended December 31,	2018	2017	2016
Balance at beginning of period	**$26,047**	$21,282	$18,076
Provision for loan losses	**5,500**	8,500	6,500
Charge-offs	**(7,112)**	(4,988)	(4,368)
Recoveries	**1,136**	1,253	1,074
Balance at end of period	**$25,571**	$26,047	$21,282

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, 2017	**$ --**	**$2,298**	**$22,711**	**$425**	**$613**	**$26,047**
Provision for (reversal of) loan losses	**--**	**(754)**	**6,553**	**49**	**(348)**	**5,500**
Charge-offs	**--**	**(118)**	**(6,992)**	**--**	**(2)**	**(7,112)**
Recoveries	**--**	**667**	**452**	**--**	**17**	**1,136**
Balance as of December 31, 2018	**$ --**	**$2,093**	**$22,724**	**$474**	**$280**	**$25,571**
As of December 31, 2018:						
Ending balance: individually evaluated for impairment	**$ --**	**$743**	**$6,152**	**$ --**	**$16**	**$6,911**
Ending balance: collectively evaluated for impairment	**$ --**	**$1,350**	**$16,572**	**$474**	**$264**	**$18,660**
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2018	**$84,364,601**	**$3,549,743**	**$4,794,432**	**$552,733**	**$139,180**	**$93,400,689**
Ending balance for loans individually evaluated for impairment	**$84,364,601**	**$20,112**	**$38,682**	**$ --**	**$35**	**$84,423,430**
Ending balance for loans collectively evaluated for impairment	**$ --**	**$3,529,631**	**$4,755,750**	**$552,733**	**$139,145**	**$8,977,259**

(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, 2016	$ --	$1,874	$18,930	$220	$258	$21,282
Provision for loan losses	--	1,515	6,424	205	356	8,500
Charge-offs	--	(1,104)	(3,874)	--	(10)	(4,988)
Recoveries	--	13	1,231	--	9	1,253
Balance as of December 31, 2017	$ --	$2,298	$22,711	$425	$613	$26,047
As of December 31, 2017:						
Ending balance: individually evaluated for impairment	$ --	$747	$4,286	$ --	$19	$5,052
Ending balance: collectively evaluated for impairment	$ --	$1,551	$18,425	$425	$594	$20,995
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2017	$80,374,997	$3,972,479	$3,762,534	$596,520	$147,356	$88,853,886
Ending balance for loans individually evaluated for impairment	$80,374,997	$23,079	$34,491	$ --	$64	$80,432,631
Ending balance for loans collectively evaluated for impairment	$ --	$3,949,400	$3,728,043	$596,520	$147,292	$8,421,255

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate- term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance at December 31, 2015	$ --	$1,928	$15,381	$278	$489	$18,076
Provision for (revesal of) loan losses	--	600	6,140	(58)	(182)	6,500
Charge-offs	--	(881)	(3,430)	--	(57)	(4,368)
Recoveries	--	227	839	--	8	1,074
Balance at December 31, 2016	$ --	$1,874	$18,930	$220	$258	$21,282
At December 31, 2016:						
Ending balance: individually evaluated for impairment	$ --	$1,095	$3,277	$ --	$22	$4,394
Ending balance: collectively evaluated for impairment	$ --	$779	$15,653	$220	$236	$16,888
Recorded investments in loans outstanding:						
Ending balance at December 31, 2016	$78,639,626	$3,498,626	$3,646,759	$579,652	$109,903	$86,474,566
Ending balance for loans individually evaluated for impairment	$78,639,626	$28,594	$29,111	$ --	$324	$78,697,655
Ending balance for loans collectively evaluated for impairment	$ --	$3,470,032	$3,617,648	$579,652	$109,579	$7,776,911

Note: Accruing loans include accrued interest receivable.

NOTE 4

Investment Securities

All investment securities are classified as AFS.

AFS Investment Securities

AgriBank AFS Investment Securities

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

(in thousands) As of December 31, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$6,077,973	$8,670	$65,508	$6,021,135	1.6%
Commercial paper and other	5,221,146	169	637	5,220,678	1.6%
U.S. Treasury securities	2,934,886	3	17,489	2,917,400	1.2%
Asset-backed securities	227,636	--	394	227,242	1.3%
Total	$14,461,641	$8,842	$84,028	$14,386,455	1.5%

(in thousands) As of December 31, 2016	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,607,671	$7,012	$58,924	$5,555,759	1.3%
Commercial paper and other	4,786,207	794	219	4,786,782	1.0%
U.S. Treasury securities	3,823,520	576	12,298	3,811,798	1.1%
Asset-backed securities	742,728	289	104	742,913	1.1%
Total	$14,960,126	$8,671	$71,545	$14,897,252	1.2%

Commercial paper and other is primarily corporate commercial paper and certificates of deposit.
As of December 31, 2018, 2017 and 2016, we had no investment securities or federal funds pledged as collateral.

Contractual Maturities of AFS Investment Securities

(in thousands) As of December 31, 2018	Year of Maturity One Year or Less	One to Five Years	Five to Ten Years	More Than Ten Years	Total
Mortgage-backed securities	$227	$15,593	$924,660	$4,667,632	$5,608,112
Commercial paper and other	5,342,171	--	--	--	5,342,171
U.S. Treasury securities	999,080	1,823,559	--	--	2,822,639
Asset-backed securities	--	224,820	--	--	224,820
Total	$6,341,478	$2,063,972	$924,660	$4,667,632	$13,997,742
Weighted average yield	2.4%	1.9%	1.8%	2.3%	2.2%

Expected maturities differ from contractual maturities because borrowers may have the right to prepay these obligations. The remaining expected average life is 1.8 years for asset-backed securities (ABS) and 3.9 years for mortgage-backed securities (MBS) at December 31, 2018.

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

	Less than 12 months		More than 12 months	
(in thousands) As of December 31, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$1,654,394	$13,301	$2,615,875	$52,207
Commercial paper and other	3,589,901	637	--	--
U.S. Treasury securities	725,349	3,524	2,167,019	13,965
Asset-backed securities	166,823	313	60,418	81
Total	$6,136,467	$17,775	$4,843,312	$66,253

	Less than 12 months		More than 12 months	
(in thousands) As of December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$3,375,456	$39,175	$1,784,315	$19,749
Commercial paper and other	713,576	219	--	--
U.S. Treasury securities	2,955,305	12,298	--	--
Asset-backed securities	246,081	102	6,897	2
Total	$7,290,418	$51,794	$1,791,212	$19,751

Additional Investment Security Information

(in thousands) **For the year ended December 31,**	2016
Proceeds from sales	$245,439
Realized gross gains on sales	11,009
Realized gross losses on sales	843

AgriBank sold no AFS investment securities during the years ended December 31, 2018 or 2017. The proceeds from sales in 2016 were related to the sales of short-term commercial paper, home-equity ABS and non-agency MBS investment securities. We utilize specific identification to determine the basis of the cost of securities sold. The 2016 sales included all remaining OTTI AFS securities.

We evaluate our investment securities for OTTI on a quarterly basis. We have determined no securities were in an OTTI loss position at December 31, 2018, 2017 or 2016. Refer to Note 2 for additional information regarding fair value measurements and the accounting policy for assessing OTTI.

OTTI AFS Investment Securities Sold

(in thousands) **For the year ended December 31,**	2016
OTTI AFS investment securities sold	$27,771
Gains on sales of OTTI AFS investment securities, net	10,559
Total impairment previously recognized on OTTI AFS investment securities sold	24,696

There was no OTTI activity during the years ended December 31, 2018 and 2017.

The following represents the activity related to the credit-loss component for investment securities that had been written down for OTTI that had been recognized in earnings:

(in thousands) **For the year ended December 31,**	2016
Credit-loss component, beginning of period	$25,160
Reductions:	
Gains on securities sold	(10,559)
Incremental impairment previously recognized on securities sold	(14,137)
Increases in expected cash flows	(464)
Credit-loss component, end of period	$ --

NOTE 5

Bonds and Notes

The System obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued by the System Banks through the Funding Corporation. Systemwide bonds and discount notes are joint and several obligations of the System Banks (refer to Note 10 for further discussion).

AgriBank's Participation in Systemwide Bonds and Notes

(in thousands) As of December 31,	2018	2017	2016
Systemwide obligations:			
Bonds	**$99,921,783**	$95,179,771	$87,677,387
Discount notes	**2,259,381**	2,114,210	8,017,311
Member investment bonds	**942,180**	1,019,963	938,733
Total	**$103,123,344**	$98,313,944	$96,633,431

Maturities and Weighted Average Interest Rate of Bonds and Notes

(in thousands)	Systemwide Obligations				Member			
As of December 31, 2018	Bonds		Discount notes		investment bonds		Total	
Year of maturity	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
2019	$29,383,599	1.7%	$2,259,381	2.3%	$942,180	1.5%	$32,585,160	1.8%
2020	28,564,851	2.0%	--	--	--	--	28,564,851	2.0%
2021	9,314,505	2.1%	--	--	--	--	9,314,505	2.1%
2022	5,944,084	2.2%	--	--	--	--	5,944,084	2.2%
2023	5,448,099	2.5%	--	--	--	--	5,448,099	2.5%
2024 and thereafter	21,266,645	3.0%	--	--	--	--	21,266,645	3.0%
Total	$99,921,783	2.2%	$2,259,381	2.3%	$942,180	1.5%	$103,123,344	2.2%

Discount notes are issued with maturities ranging from one to 365 days. The average maturity of discount notes at December 31, 2018 was 38 days.

Callable debt may be called on the first call date and generally is continuously callable thereafter.

Bonds and Notes with Call Options

(in millions) As of December 31, 2018	Maturing Amount	Callable Amount
Year of maturity / next call:		
2019	$4,110	$39,972
2020	4,717	1,001
2021	4,481	1,025
2022	4,915	15
2023	4,375	700
2024	3,080	--
2025	3,250	--
Thereafter	13,785	--
Total	$42,713	$42,713

Participation in Systemwide Debt Securities
Certain conditions must be met before System Banks can participate in the issuance of Systemwide Debt Securities. As one condition of participation, System Banks are required by the Farm Credit Act and FCA regulation to maintain specified eligible assets at least equal in value to the total amount of debt securities outstanding for which they are primarily liable. This requirement does not provide holders of Systemwide Debt Securities or bank bonds with a security interest in any assets of the System Banks. However, System Banks and the Funding Corporation have entered into a Market Access Agreement (MAA), which established criteria and procedures for the System Banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual System Bank's participation in Systemwide debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liability. At December 31, 2018, we were, and as of the date of this report remain, in compliance with the conditions of participation in the issuance of Systemwide Debt Securities.

Member Investment Bonds
Member investment bonds, specifically authorized by the Farm Credit Act, are an alternative source of funding in which we sell bonds directly to District members and employees. Member investment bonds issued by AgriBank are offered primarily through the Farm Cash Management program, which links a District Association members' revolving line of credit with an AgriBank investment bond to optimize the members' use of their funds. Member investment bonds are an unsecured obligation of AgriBank and are not insured or guaranteed by any other entity.

Insurance Fund
The Insurance Fund is available to insure the timely payment of principal and interest on consolidated bonds and notes of System Banks to the extent net assets are available in the Insurance Fund. At December 31, 2018, the assets of the Insurance Fund were $5.0 billion; however, due to the other authorized uses of the Insurance Fund, there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal, or interest on, insured debt securities in the event of default by any System Bank having primary liability for repayment of the debt. Refer to Note 1 for further information about the Insurance Fund.

Short-term Borrowings

We use short-term borrowings as a source of funds.

Short-term borrowings by Category

	2018		2017		2016	
(in thousands)	**Amount**	**Weighted average interest rate**	Amount	Weighted average interest rate	Amount	Weighted average interest rate
Systemwide discount notes:						
Outstanding as of December 31	**$2,259,381**	**2.3%**	$2,114,210	1.2%	$8,017,311	0.5%
Average during year	**2,246,455**	**1.8%**	4,010,399	0.9%	8,930,845	0.3%
Maximum month-end balance during the year	**2,819,647**		5,915,833		10,132,493	
Systemwide bonds[1]:						
Outstanding as of December 31	**318,214**	**1.7%**	112,944	1.6%	1,495,615	0.6%
Average during year	**194,508**	**1.5%**	748,120	1.0%	1,609,281	0.4%
Maximum month-end balance during the year	**318,214**		1,494,637		2,006,794	

[1]Represents bonds issued with an original maturity of one year or less.

NOTE 6

Subordinated Notes

On July 15, 2016, we redeemed all $500 million of outstanding subordinated notes at par value, which were redeemable on any interest payment date at any time following FCA notification of certain changes to our regulatory capital requirements.

Refer to Note 10 for additional information on our subordinated notes.

NOTE 7

Shareholders' Equity

Description of Equities

All shares and participation certificates are $5 par value, except the Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock), which is $100 par value.

(in whole numbers)	Number of Shares Outstanding		
As of December 31,	**2018**	2017	2016
Series A Preferred Stock	**2,500,000**	2,500,000	2,500,000
Class F Common Stock	**6,346,492**	1,887,920	--
Class P Common Stock	**498,395,518**	461,505,087	431,161,320
Series A Participation Certificates	**5,438,802**	5,701,896	5,542,849
Protected Series C Participation Certificates	**36,100**	36,100	36,100

Perpetual Preferred Stock

We have an authorized class of preferred stock that may be issued to investors in accordance with applicable rules of offering. This stock is non-voting and may bear dividends. There are 8 million shares authorized at $100 per share. Our board has approved the issuance of up to $400 million of preferred stock, for which we also received approval from District Associations, OFIs and the FCA.

We have $250 million of Series A Preferred Stock outstanding, representing 2.5 million shares at $100 per share par value. This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, tier 1 capital and total capital, subject to certain limitations as defined by the FCA.

Dividends on the Series A Preferred Stock, if declared by our board in its sole discretion, are non-cumulative and are payable quarterly in arrears on the first day of January, April, July and October. 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. If LIBOR is not readily available at this time, a new three-month rate will be determined as outlined in the preferred stock documentation.

The Series A Preferred Stock is not mandatorily redeemable at any time. However, the Series A Preferred Stock will be redeemable at par value plus accrued and unpaid dividends, in whole or in part, at our option, quarterly beginning January 1, 2024. In addition, the Series A Preferred Stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

The Series A Preferred Stock is junior to any series of preferred stock we may issue in the future with priority rights. The Series A Preferred Stock is senior to our outstanding capital stock.

Member Stock

In accordance with the Farm Credit Act, eligible borrowers are required to purchase common stock in AgriBank as a condition of borrowing. District Associations fund member stock purchases through cash liquidity generated from capital and earnings. OFIs make cash purchases of Series A Participation Certificates as a condition of borrowing.

Member stock is comprised of Class D Preferred Stock, Class F Common Stock, Class P Common Stock, Series A Participation Certificates, Series B Participation Certificates and Protected Series C Participation Certificates.

Class D Preferred Stock is available to be issued solely to District Associations based on allocated equities issued and as a conversion of Class P Common Stock that is in excess of the minimum amounts required under our capital plan. Class D Preferred Stock has no voting rights. No stock of this kind was outstanding at December 31, 2018, 2017 or 2016.

Class F Common Stock is available to be issued only to other System institutions. Class F Common Stock has no voting rights.

Class P Common Stock is issued to District Associations and as a conversion of Class D Preferred Stock. Class P Common Stock has voting rights as provided in our bylaws so long as the stock is held by an eligible holder. In certain circumstances, a holder of Class P Common Stock can convert to an equal number of units of Series B Participation Certificates.

Series A Participation Certificates are issued to those entities identified in the Farm Credit Act that meet certain requirements of the Act in connection with loans made after October 5, 1988, in an amount required by our capital plan. Series A Participation Certificates have no voting rights.

Series B Participation Certificates are issued to District Associations and direct borrowers. Series B Participation Certificates have no voting rights, and no stock of this kind was outstanding at December 31, 2018, 2017 or 2016.

Protected Series C Participation Certificates are issued to entities identified in the Farm Credit Act that meet certain requirements of the Act in existence before the close of business on October 5, 1988. Refer to discussion under Protection Mechanisms. Protected Series C Participation Certificates have no voting rights. Protected Series C Participation Certificates of $181 thousand as of December 31, 2018, 2017 and 2016 are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity.

All member stock shall have such rights, designations and restrictions as provided in our bylaws. No fractional shares of such stock or participation certificates, or cash in lieu of fractional shares, shall be issued or paid. All member stock is transferable to any eligible holder of such equities. If at any time we are out of compliance with minimum capital requirements as determined by the FCA, all member stock required to be purchased as a condition for obtaining a loan must be purchased from us.

Protected Series C Participation Certificates must be retired and paid at par value in accordance with FCA regulations as they relate to the retirement of stock protected by the provisions of the Farm Credit Act. The board is authorized, but not required, to make retirements of all other member stock on a case-by-case basis when requested by a holder of such equities without regard to the holder's total investment in us relative to the other holders of our equities. Such other member stock shall be retired at book value not to exceed par or face value and cannot be retired while we are not in compliance with capital adequacy standards as determined by the FCA, or if such retirement would cause us to be out of compliance with capital adequacy standards and may be retired only at the discretion of the board.

All member stock is subject to a statutory first lien in favor of us to secure any indebtedness of the holder of such capital investments to us.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- First, ratably to the holders of Series A Preferred Stock
- Second, to the holders of Class P and F Common Stock, Class D Preferred Stock and Series A, B and C Participation Certificates
- Third, to the holders of allocated surplus, pro rata, until an amount equal to the aggregate book value not to exceed face value has been distributed

In the event of impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates then by Class D Preferred Stock followed by Series A Preferred Stock; however, protected stock will be retired at par value regardless of impairment.

Capitalization Requirements

In accordance with the Farm Credit Act, and our capitalization bylaws, we are authorized to issue Series A Preferred Stock, Class D Preferred Stock, Classes F and P Common Stock, Series A, B and C Participation Certificates and such other classes of equity in such amounts as may be necessary to conduct our business.

As a condition of borrowing, District Associations and OFIs are required to maintain an investment in AgriBank. Our bylaws authorize us to require an investment of up to 4 percent of the borrower’s average wholesale loan balance with us (District Associations) or borrower’s line of credit with us (OFIs) upon board approval. Our capital plan is updated at least annually and is subject to change at the discretion of our board. Our current capital plan requires an investment based on average wholesale loan balances (District Associations) and loan commitments (OFIs) with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. The 2018 requirements were 2.25 percent on average loan balances/commitments, plus an additional 3.00 percent on increases in loans/commitments that exceeded 7.5 percent, if the District is growing at a rate above 5.5 percent. Additionally, pool programs are capitalized at a higher rate that is mutually agreed upon in the pool agreements.

Certain District Associations entered into contractual agreements with AgriBank whereby their required investments in AgriBank were reduced and, in return, these District Associations agreed to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. The additional spread compensated us for the cost of third-party capital, including issuance costs. These contracts were effective from January 2014 through June 2017.

Protection Mechanisms

Protection of certain borrower capital is provided under the Farm Credit Act, which requires us to retire protected capital at par or stated value regardless of its book value when retiring protected borrower capital. Series C Participation Certificates are protected capital. Stock and participation certificates issued after October 5, 1988 are not subject to these protection provisions. If we are unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements and Restrictions

FCA regulations require us to maintain certain minimum capital ratios. 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. No such prohibitions were in effect as of December 31, 2018, and we do not foresee any events that would result in this prohibition during 2019.

Regulatory Capital Requirements and Ratios

As of December 31,	2018	2017	Regulatory Minimums	Capital Conservation Buffer (1)	Total
Risk-adjusted:					
Common equity tier 1 capital ratio	**17.7%**	18.2%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.5%**	19.0%	6.0%	2.5%	8.5%
Total capital ratio	**18.6%**	19.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.5%**	19.0%	7.0%	0.0%	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.5%**	5.6%	4.0%	1.0%	5.0%
UREE(2) leverage ratio	**3.0%**	3.2%	1.5%	0.0%	1.5%

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

Risk-adjusted assets have been defined by FCA regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 capital ratio is the core capital of AgriBank including all at-risk borrower stock as it is intended to be held for a minimum of 7 years, unallocated retained earnings as regulatorily prescribed, less certain regulatory required deductions including certain investments in other System institutions, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital ratio is tier 1 capital plus allowance for loan losses and reserve for credit losses subject to certain limitations, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, non-cumulative perpetual preferred stock, unallocated retained earnings as regulatorily prescribed, less certain investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings as regulatorily prescribed, less certain regulatory required deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

The amount of third-party capital instruments, including preferred stock and subordinated notes that may be counted in the total capital ratio must not exceed the lesser of 40 percent of total capital or 100 percent of common equity tier 1.

FCA regulations require System Banks and Associations to agree upon a plan for allocating the Associations' investments in System Banks for calculation of the permanent capital ratio. Our agreement with District Associations is, generally, each District Association would count in its permanent capital ratio any excess allocated investment over that required by AgriBank unless there is a specific agreement to count the investment differently. There are no allotment agreements allowed for other regulatory capital ratios effective in 2018 and 2017; therefore, the capital was counted by the institution where the capital stock resides.

Effective January 1, 2017, the regulatory capital requirements for Farm Credit Banks were modified. These regulations replaced existing core surplus, total surplus and net collateral ratios. The permanent capital ratio continues to remain in effect, with some modifications, to align with these regulations. Refer to Note 7 in our 2016 Annual Report for a more complete description and calculation of the capital ratios effective as of December 31, 2016. We were in compliance with the minimum required capital ratios as of December 31, 2016.

Patronage Distributions and Dividends

Payment of discretionary patronage and/or dividends is allowed under our bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA capital adequacy regulations, and approved by the board. Patronage distributions may be in cash or stock. Cash patronage totaled $556.6 million, $507.9 million and $332.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. During 2018, we began declaring patronage on certain patronage pools in the form of allocated surplus. Allocated surplus is eligible to be declared for redemption in future years and is not included in total regulatory capital. For the year ended December 31, 2018, $191 thousand of patronage was declared as allocated surplus. No patronage was declared as allocated surplus for the years ended December 31, 2017 or 2016.

We declared $17.2 million of non-cumulative perpetual preferred stock dividends during each year ended December 31, 2018, 2017 and 2016. Dividends on non-cumulative perpetual preferred stock are payable quarterly on the first day of January, April, July and October.

In the event preferred stock dividends for the current dividend period have not been declared, we may not declare or pay any dividends, patronage refunds or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock (including borrower stock, participation certificates and preferred stock), other than exercising our statutory lien under the Farm Credit Act, which allows us to apply member stock and/or participation certificates to reduce the aggregate principal amount of outstanding loans to District Associations. Dividends have been declared as scheduled since issuing preferred stock.

NOTE 8

Employee Benefit Plans

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or boards of director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefits plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any) and termination of specific benefits plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

The funded status of the post-employment benefit plans is recorded at the District level. Additional District-level financial information for these plans may be found in the "District-Level Pension and Post-Employment Benefit Plans Disclosures" section of this footnote.

Pension Benefit Plans

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a Districtwide defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31,	2018	2017	2016
Unfunded liability	**$274,450**	$352,515	$374,304
Projected benefit obligation	**1,272,063**	1,371,012	1,269,625
Fair value of plan assets	**997,613**	1,018,497	895,321
Accumulated benefit obligation	**1,125,682**	1,184,550	1,096,912
For the year ended December 31,	**2018**	2017	2016
Total plan expense	**$51,900**	$44,706	$53,139
Our allocated share of plan expenses	**4,312**	3,734	4,689
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**8,274**	8,584	8,671

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Benefits paid to participants in the District were $68.6 million in 2018. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2019 is $90.0 million. Our allocated share of these pension contributions is expected to be $8.6 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the anticipated amounts.

During 2018, the Plan Sponsor Committee of the AgriBank District Retirement Plan changed the funding frequency of the plan for 2018 to 40 percent of the annual contribution in June, 30 percent in September and 30 percent in December. In previous years, 40 percent of the annual contribution was made in June and the remaining 60 percent was made in December.

Pension Restoration Plan: We also participate in the Districtwide non-qualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

AgriBank District Pension Restoration Plan Information

(in thousands)

As of December 31,	**2018**	2017	2016
Our unfunded liability	**$3,171**	$3,432	$2,944
Projected benefit obligation for the Combined District	**41,205**	37,190	28,514
Accumulated benefit obligation for the Combined District	**33,215**	29,844	22,778

For the year ended December 31,	**2018**	2017	2016
Total plan expense	**$4,899**	$8,336	$5,769
Our allocated share of plan expenses	**242**	644	446
Our cash contributions	**398**	1,438	494

The amount of the pension benefits funding status is subject to many variables, including interest rate levels. Therefore changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of 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 related to the plan are included in the line item “Salaries and employee benefits” on the Statements of Comprehensive Income. The Pension Restoration Plan is unfunded, and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions were equal to the benefits paid.

Other Post-Employment Benefit Plans

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status. Net periodic benefit cost is included in the line item “Salaries and employee benefits” on the Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a Districtwide defined contribution retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0 percent and 50 cents on the dollar on the next 4.0 percent on both pre-tax and post-tax contributions. The maximum employer match is 4.0 percent. For employees hired after December 31, 2006, we contribute 3.0 percent of the employee’s compensation and will match employee contributions dollar for dollar up to a maximum of 6.0 percent on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0 percent.

We also participate in a Districtwide Non-qualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, be either a chief executive officer or president of a participating employer or have previously elected pre-tax deferrals in 2006 under predecessor non-qualified deferred compensation plans. Under this plan, the employee may defer a portion of his/her salary, bonus and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Additionally, we participate in the Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purpose as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions will be made to the plan.

District-Level Pension and Post-Employment Benefit Plans Disclosures

All District employers, with the exception of one District Association, participate in the defined benefit pension plan. Certain District employers also participate in the nonqualified retirement plan. Additionally, District employers provide certain health insurance benefits to eligible retired employees in the District. The current measurement date is December 31 for the defined benefit and other post-employment benefit plans.

AgriBank District Obligations and Funded Status

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2018**	2017	2016	**2018**	2017	2016
Change in benefit obligation:						
Benefit obligation at beginning of year	**$1,408,202**	$1,298,139	$1,286,909	**$21,044**	$29,697	$30,479
Service cost	**30,278**	28,460	30,606	**265**	434	452
Interest cost	**46,429**	46,938	46,335	**672**	1,025	1,083
Plan amendments	**--**	965	(27,632)	**--**	--	--
Actuarial loss (gain)	**(99,430)**	140,048	25,508	**174**	(8,674)	(902)
Benefits paid	**(72,212)**	(109,135)	(63,587)	**(1,555)**	(1,438)	(1,415)
Special termination benefits	**--**	2,787	--	**--**	--	--
Benefit obligation at end of year	**$1,313,267**	$1,408,202	$1,298,139	**$20,600**	$21,044	$29,697
Change in plan assets:						
Fair value of plan assets at beginning of year	**$1,018,497**	$895,321	$801,434	**$ --**	$ --	$ --
Actual return on plan assets	**(42,287)**	136,898	60,332	**--**	--	--
Employer contributions	**93,615**	95,413	97,142	**1,555**	1,438	1,415
Benefits, premiums and expenses paid	**(72,212)**	(109,135)	(63,587)	**(1,555)**	(1,438)	(1,415)
Fair value of plan assets at end of year	**$997,613**	$1,018,497	$895,321	**$ --**	$ --	$ --
Unfunded liability	**$(315,654)**	$(389,705)	$(402,818)	**$(20,600)**	$(21,044)	$(29,697)
Accumulated benefit obligation	**$1,158,897**	$1,214,394	$1,119,690	**n/a**	n/a	n/a

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2018**	2017	2016	**2018**	2017	2016
Amounts recognized in the District Statements of Condition consist of:						
Pension liabilities	**$315,654**	$389,705	$402,818	**$20,600**	$21,044	$29,697
Net loss (gain)	**$508,289**	$549,140	$523,798	**$(13,483)**	$(15,368)	$(7,203)
Prior service credit	**(21,905)**	(25,521)	(29,410)	**--**	--	(384)
Total recognized in accumulated other comprehensive loss (income)	**$486,384**	$523,619	$494,388	**$(13,483)**	$(15,368)	$(7,587)
Weighted-average assumptions used to determine benefit obligations:						
Discount rate	**4.38%**	3.70%	4.25%	**4.34%**	3.68%	4.25%
Rate of compensation increase	**5.25%**	5.25%	5.25%	**n/a**	n/a	n/a

AgriBank District Components of Net Periodic Benefit Cost

(in thousands)	Pension Benefits			Other Benefits		
For the year ended December 31,	**2018**	2017	2016	**2018**	2017	2016
Net periodic benefit cost:						
Service cost	**$30,278**	$28,460	$30,606	**$265**	$434	$452
Interest cost	**46,429**	46,938	46,335	**672**	1,025	1,083
Expected return on plan assets	**(65,659)**	(61,943)	(59,335)	**--**	--	--
Amortization of prior service credit	**(3,616)**	(2,924)	(1,119)	**--**	(384)	(444)
Amortization of net loss (gain)	**49,367**	39,297	40,087	**(1,711)**	(536)	(442)
Settlements and termination benefits	**--**	3,238	2,330	**--**	--	--
Net periodic benefit cost	**$56,799**	$53,066	$58,904	**$(774)**	$539	$649
Other changes in plan assets and benefit obligations recognized in other comprehensive income:						
Net loss (gain)	**$8,516**	$65,090	$24,511	**$174**	$(8,701)	$(901)
Prior service cost	**--**	965	(27,631)	**--**	--	--
Amortization of prior service credit	**3,616**	2,924	1,119	**--**	384	444
Amortization of net (loss) gain	**(49,367)**	(39,748)	(42,417)	**1,711**	536	442
Total recognized in other comprehensive income	**$(37,235)**	$29,231	$(44,418)	**$1,885**	$(7,781)	$(15)
Total recognized in net periodic benefit cost and other comprehensive income	**$19,564**	$82,297	$14,486	**$1,111**	($7,242)	$634
Weighted-average assumptions used to determine net costs:						
Discount rate:						
Projected benefit obligation	**3.70%**	4.25%	4.51%	**3.68%**	4.24%	4.49%
Service cost	**3.78%**	4.40%	4.67%	**3.86%**	4.55%	4.84%
Interest cost	**3.40%**	3.72%	3.73%	**3.29%**	3.57%	3.67%
Expected return on plan assets	**6.75%**	6.75%	7.25%	**n/a**	n/a	n/a
Rate of compensation increase	**5.25%**	5.25%	5.25%	**n/a**	n/a	n/a

The estimated net loss and prior service credit for the Pension Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is an expense of $33.8 million. The estimated net gain and prior service credit for the Other Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is income of $1.5 million.

Assumptions

Benefit obligations and net periodic benefit costs are measured using assumptions designed to reflect future economic conditions. The most significant assumptions used in calculating the benefit obligations are discount rates, mortality rates and compensation rate increases. In addition to these assumptions, expected return on plan assets is also a significant driver in the measurement of net periodic benefit cost.

The discount rates used to estimate service and interest components of net period benefit cost are calculated using a full yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time.

The mortality improvement assumptions are updated when new tables are issued by the Society of Actuaries. The adoption of the most recent tables did not have a significant impact to the projected benefit obligation as of December 31, 2018.

Periodically, independent actuaries perform an assumption study based on actual plan participants' results over the past three years. Assumptions in this study include, but are not limited to: rates of termination, retirement age, and benefit form elected. The most recent study was completed in 2015.

The expected long-term rate of return assumption is determined by the Plan Sponsor Committee with input from the Trust Committee. Historical return information is used to establish a best-estimate range for each asset class in which the plans are invested. The most appropriate rate is selected from the best-estimate range, taking into consideration the duration of plan benefit liabilities and Plan Sponsor Committee investment policies. Generally, a lower rate of return assumption correlates to an increase in the net periodic benefit cost.

For measurement purposes, a 6.0 percent rate of increase in the per capita cost of covered health care benefits is assumed for 2019. The rate is assumed to decrease gradually to 5.0 percent by the year 2029 and remain at that level thereafter.

Assumed health care cost trend rates effect the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have minimal effect for the District.

Estimated Future Contributions and Benefit Payments
The amount of total District employer contributions expected to be paid into the plans during 2019 is $93.9 million for Pension Benefits and $1.5 million for Other Benefits.

The following benefit payments are expected to be paid by the District plans and reflect expected future service, as appropriate:

(in thousands) **As of December 31, 2018**	**Pension Benefits**	**Other Benefits**
Year:		
2019	**$72,380**	**$1,464**
2020	**77,930**	**1,481**
2021	**91,310**	**1,492**
2022	**86,510**	**1,495**
2023	**87,500**	**1,481**
2024 to 2028	**475,200**	**7,074**

Plan Assets
The overall objective of the investment policy is intended to meet the benefit obligations for the plan beneficiaries and to earn a long-term rate of return consistent with the related cash flow profile of the underlying benefit obligations.

The policy uses a risk management strategy designed to reduce investment risks as the funded status improves. To implement the policy, the plan has adopted a diversified set of portfolio management strategies to optimize the risk reward profile of the plan. Plan assets are divided into two primary component portfolios:

- A return-seeking portfolio that is invested in a diversified set of assets designed to deliver performance in excess of the underlying liability growth rate coupled with diversification controls regarding the level of risk. Equity exposures are expected to be the primary drivers of excess returns, but also introduce the greatest level of volatility of returns. Accordingly, the return-seeking portfolio contains additional asset classes that are intended to diversify equity risk as well as contribute to excess return.

  The largest subset contains U.S. equities including securities that are both actively and passively managed to their benchmarks across a full spectrum of capitalization and styles. Non-U.S. equities contain securities in both passively and actively managed strategies. Currency futures and forward contracts may be held for the sole purpose of hedging existing currency risk in the portfolio. Other investments that serve as equity diversifiers include:
    - High yield bonds: fixed income portfolio of securities below investment grade including up to 30 percent of the portfolio in non-U.S. issuers,
    - Global real estate: portfolio of diversified real estate investment trusts and private direct real estate and
    - Hedge fund of funds

  These portfolios combine income generation and capital appreciation opportunities from developed markets globally. Other investment strategies may be employed to gain certain market exposures, reduce portfolio risk and to further diversify portfolio assets.

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan's funded ratio improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is composed of short-term assets intended to pay periodic plan benefits and expenses.

Portfolios are measured and monitored daily to ensure compliance with the investment policy. Tactical tilts will be employed based on medium term views and capital market assumptions, but will remain within stated policy ranges. For 2019, the asset allocation policy of the pension plan provides a target of 69 percent of assets in return seeking investments and 31 percent of assets in liability hedging investments. Specifically, return seeking investments include: global equity securities, global real estate investment trust securities, hedge funds, and high-yield bonds; and liability-hedging investments include high quality credit debt securities.

AgriBank District Fair Value of Pension Plan Assets

(in thousands)	Fair Value Measurements			
As of December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	**$36,754**	**$ --**	**$ --**	**$36,754**
Mutual funds:				
International funds	**--**	**227,489**	**--**	**227,489**
Fixed income funds	**--**	**306,734**	**--**	**306,734**
Domestic funds	**--**	**139,099**	**--**	**139,099**
Bond funds	**--**	**75,869**	**--**	**75,869**
Other funds	**--**	**--**	**36,394**	**36,394**
Real estate equity funds	**--**	**16,733**	**1,762**	**18,495**
Investment insurance contracts	**--**	**--**	**5,346**	**5,346**
Total	**$36,754**	**$765,924**	**$43,502**	**$846,180**
Investments measured at net asset value[1]				**151,433**
Total assets at fair value				**$997,613**

(in thousands)	Fair Value Measurements			
As of December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$84,554	$ --	$ --	$84,554
Mutual funds:				
International funds	--	279,832	--	279,832
Fixed income funds	--	221,846	--	221,846
Domestic funds	--	167,106	--	167,106
Bond funds	--	80,520	--	80,520
Real estate equity funds	--	26,503	2,165	28,668
Investment insurance contracts	--	--	5,593	5,593
Total	$84,554	$775,807	$7,758	$868,119
Investments measured at net asset value[1]				150,378
Total assets at fair value				$1,018,497

(in thousands)	Fair Value Measurements			
As of December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$60,424	$ --	$ --	$60,424
Mutual funds:				
International funds	--	236,938	--	236,938
Fixed income funds	--	187,105	--	187,105
Domestic funds	--	143,933	--	143,933
Bond funds	--	96,503	--	96,503
Real estate equity funds	--	20,246	--	20,246
Investment insurance contracts	--	--	5,917	5,917
Total	$60,424	$684,725	$5,917	$751,066
Investments measured at net asset value[1]				144,255
Total assets at fair value				$895,321

[1]Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.

Fair Value Measurements using Level 3	Other Funds	Investment Insurance Contracts	Real Estate Equity Funds
As of December 31, 2015	$ --	$6,303	$ --
Actual return on plan assets:			
Still held at the reporting date	--	99	--
Sales	--	(485)	--
As of December 31, 2016	$ --	$5,917	$ --
Actual return on plan assets:			
Still held at the reporting date	--	95	491
Purchases	--	--	1,674
Sales	--	(419)	--
As of December 31, 2017	$ --	$5,593	$2,165
Actual return on plan assets:			
Still held at the reporting date	**(3,025)**	**90**	**(1,490)**
Purchases	**43,579**	--	**1,087**
Sales	**(4,160)**	**(337)**	--
As of December 31, 2018	**$36,394**	**$5,346**	**$1,762**

Valuation Techniques

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and that can be redeemed at NAV per share at the measurement date are classified as Level 2. Assets valued using unobservable inputs (e.g., a company's own assumptions and data) would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 12 for a complete description of fair value measurements.

NOTE 9

Related Party Transactions

As discussed in Note 1, Note 3 and Note 11, we lend to District Associations to fund their loan portfolios.

We also purchase participations from District Associations or related entities. At December 31, 2018, we had $8.4 billion of such loan participations purchased.

We pay compensation to District Associations and related entities for servicing loans and loan participations. We paid $40.4 million, $37.2 million and $37.4 million in 2018, 2017 and 2016, respectively, to District Associations and related entities.

Interest income recognized on District Associations' wholesale loans was $2.0 billion, $1.6 billion and $1.3 billion during 2018, 2017 and 2016, respectively. In addition, we recorded fees of $9.6 million, $6.1

million and $29.7 million during 2018, 2017 and 2016, respectively, representing fees assessed on funding District Associations' wholesale loans.

We provide certain services to District Associations, including financial, technology, insurance and internal audit services. Total business services income recorded from District Associations totaled $21.9 million, $19.2 million and $16.6 million during 2018, 2017 and 2016, respectively.

We, along with other System entities, collectively own Foundations. Our investment in Foundations was $25 thousand at December 31, 2018, 2017 and 2016, respectively. We purchase human resource information systems, benefit, payroll, and workforce management services from Foundations. Foundations subleases office space and purchases various business services from us.

Elected members of our board are District Association borrowers. We have no direct lending relationships with any of our board of directors or senior officers. In the ordinary course of business, our directors and senior officers are eligible to hold member investment bonds under the same terms and conditions as all other District Association borrowers and AgriBank employees. There were no material member investment bonds held by our directors and senior officers as of December 31, 2018. Refer to Note 5 for additional information regarding member investment bonds.

NOTE 10

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 accompanying Financial Statements. We do not anticipate any material losses because of the contingencies or commitments.

On November 11, 2016, Diverse Partners, LP (Diverse Partners) served AgriBank with an alleged class action lawsuit (Lawsuit). Diverse Partners purported to be the beneficial owner of some of the previously issued and redeemed 9.125% Subordinated Notes (Notes). The Lawsuit was filed in New York state court. AgriBank removed the Lawsuit to federal court in the Southern District of New York. Diverse Partners 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 Partners requested damages in an amount to be determined at trial, reasonable attorneys' fees and other relief. On July 31, 2018, Diverse Partners filed a second amended complaint adding Troy Bank & Trust (Troy) as a second named plaintiff. Troy alleged the same claims against AgriBank as Diverse Partners. On August 30, 2018, AgriBank filed an answer to the amended complaint. The Lawsuit is in the discovery stage, and 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 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 December 31, 2018 were $281.5 billion.

We, together with all System Banks and the Funding Corporation, have entered into the Contractual Interbank Performance Agreement. This agreement establishes agreed-upon standards of District financial condition and performance to achieve and maintain. AgriBank, and each of the other System Banks, exceeded the minimum performance measures at December 31, 2018.

We, together with all System Banks and the Funding Corporation, have entered into the MAA. This agreement establishes criteria and procedures for the System Banks to provide information and, under specific circumstances, restricting or prohibiting participation in issuances of Systemwide Debt Securities. The agreement is intended to identify and resolve individual System Bank financial problems in a timely manner. AgriBank, and each of the other System Banks, were in compliance with all aspects of the agreement at December 31, 2018.

If a System Bank fails to meet the MAA performance criteria, it will be placed into one of three categories. Each category gives the other System Banks progressively more control over a System Bank that has declining financial performance under the MAA performance criteria. A “Category I” Bank is subject to additional monitoring and reporting requirements; a “Category II” Bank’s ability to participate in issuances of Systemwide Debt Securities may be limited to refinancing maturing debt obligations; and a “Category III” Bank may not be permitted to participate in issuances of Systemwide Debt Securities.

NOTE 11

Financial Instruments With Off-Balance Sheet Risk

We participate in financial instruments with off-balance sheet risk to satisfy the financing needs of borrowers. These financial instruments are in the form of commitments to extend credit and letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the Financial Statements. Commitments to extend credit are agreements to lend to a borrower as long as they are in compliance with conditions established in the contract. At December 31, 2018, AgriBank had various commitments, primarily to extend credit, totaling $24.2 billion, of which $21.5 billion were on wholesale loans. Standby letters of credit are agreements to pay a beneficiary if there is default on a contractual arrangement. At December 31, 2018, we had issued standby letters of credit of $101.1 million.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses, and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized on the Financial Statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers, and we apply the same credit practices. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 12

Fair Value Measurements

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize a fair value hierarchy intended to maximize the use of observable inputs and is based upon the transparency of inputs used in the valuation of an asset or liability. A financial instrument’s categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement. Refer to Note 2 for additional discussion of our fair value measurement policy.

Recurring Measurements

The following is a list of financial instruments each with a summary of the methods, valuation techniques and inputs used to measure fair value on a recurring basis:

Valuation Techniques and Significant Inputs Used to Measure Fair Value on a Recurring Basis

	Source	Valuation Technique	Inputs
Federal Funds	Counterparty report	Cost approach	Principal plus accrued interest
Mortgage-backed securities	Third-party pricing service	Market approach	Benchmark yield curves
			Volatilities
			Market spreads
			Prepayment speeds
			Quoted prices
Commercial paper and other	Third-party pricing service	Market approach	Benchmark yield curves
U.S. Treasury securities	Third-party pricing service	Market approach	Benchmark yield curves
			Quoted prices
			Bid prices
			Trade prices, yields, spreads
			Other observable market information
Asset-backed securities	Third-party pricing service	Market approach	Benchmark yield curves
			Volatilities
			Market spreads
			Prepayment speeds
			Quoted prices
U.S. Agencies	Third-party pricing service	Income approach	Benchmark yield curves
			Quoted prices
			Bid prices
			Trade prices, yields, spreads
			Other observable market information
Cash collateral posted with counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Cash collateral posted by counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Derivative assets	Internally developed	Market approach	LIBOR swap curves
			Volatilities
			Quoted prices
Derivative liabilities	Internally developed	Market approach	LIBOR swap curves
			Volatilities
			Quoted prices

Federal Funds: The fair value of federal funds is generally their face value, plus accrued interest, as these instruments are readily convertible to cash due to their next business day maturity.

Investments Available-for-Sale: The fair value of nearly all of our investment securities is determined from third-party valuation services that estimate current market prices using matrix pricing. Level 2 inputs and assumptions related to third-party market valuation services are typically observable in the marketplace. Level 3 inputs are based on the relatively illiquid marketplace for some investments and the lack of marketplace information available for significant inputs and assumptions to the valuation process.

Derivative Assets and Liabilities: The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models and inputs are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

Cash Collateral Posted With/By Counterparties: Derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to either post cash or pledge investment securities as collateral in the event certain dollar thresholds of credit exposure are reached or in the case of cleared derivatives, the posting of initial and variation margins. The market value of cash collateral posted with counterparties and by counterparties is the face value of the collateral posted, as that approximates fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2017	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$676,300	$ --	$676,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	6,021,135	--	6,021,135
Commercial paper and other	--	5,220,678	--	5,220,678
U.S. Treasury securities	--	2,917,400	--	2,917,400
Asset-backed securities	--	227,242	--	227,242
Total investments available-for-sale	--	14,386,455	--	14,386,455
Cash collateral posted with counterparties	29,730	--	--	29,730
Derivative assets	--	8,956	--	8,956
Total assets	$29,730	$15,071,711	$ --	$15,101,441
Liabilities:				
Derivative liabilities	$ --	$34,562	$ --	$34,562
Total liabilities	$ --	$34,562	$ --	$34,562

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2016	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$591,300	$ --	$591,300
AgriBank investments available-for-sale:				
Mortgage-backed securities	--	5,555,759	--	5,555,759
Commercial paper and other	--	4,786,782	--	4,786,782
U.S. Treasury securities	--	3,811,798	--	3,811,798
Asset-backed securities	--	742,913	--	742,913
Total investments available-for-sale	--	14,897,252	--	14,897,252
Cash collateral posted with counterparties	31,128	--	--	31,128
Derivative assets	--	13,125	--	13,125
Total assets	$31,128	$15,501,677	$ --	$15,532,805
Liabilities:				
Derivative liabilities	$ --	$34,407	$ --	$34,407
Total liabilities	$ --	$34,407	$ --	$34,407

Fair Value Measurement Activity of Level 3 Instruments

(in thousands)	Investments Available-for-Sale Mortgage-backed Securities	 Asset-backed Securities	 Total
Balance at December 31, 2015	$70,438	$7,958	$78,396
Total gains (losses) realized/unrealized:			
Included in earnings	4,545	5,573	10,118
Included in other comprehensive income	(3,610)	(5,957)	(9,567)
Sales	(63,093)	(7,325)	(70,418)
Settlements	(8,280)	(249)	(8,529)
Balance at December 31, 2016	$ --	$ --	$ --

There were no Level 3 assets during the years ended December 31, 2018 or 2017.

Non-Recurring Measurements

The following represents a summary of the valuation techniques and inputs used to measure fair value on a non-recurring basis:

Impaired Loans: Represents the carrying amount and related write-downs of loans that were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Assets Measured at Fair Value on a Non-recurring Basis

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

	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$26,274	$26,274

	As of December 31, 2016			
	Fair Value Measurement Using			Total Fair
(in thousands)	Level 1	Level 2	Level 3	Value
Impaired Loans	$ --	$ --	$23,933	$23,933

Other Financial Instrument Measurements

Valuation Techniques and Significant Inputs Used to Measure Fair Value for Certain Financial Instruments

	Source(s)	Valuation Technique	Inputs
Cash	Counterparty report	Cost approach	Par
Net loans	Internally developed	Income approach	Yield curve (Farm Credit)
			Prepayment speeds
			Credit classification
			Contractual loan information
			Collateral values
			Discount rates
Bonds and notes	Third-party pricing service	Income approach	Yield curve (Treasury)
			Market spreads
			U.S. dollar interest rate swap curve
			Quoted prices
			Discount rates
Commitments to extend credit and letters of credit	Internally developed	Income approach	Probability of default
			Funding rate

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

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

(in thousands) As of December 31, 2017	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$469,599	$469,599	$ --	$ --	$469,599
Net loans	88,323,853	--	--	87,813,307	87,813,307
Total assets	$88,793,452	$469,599	$ --	$87,813,307	$88,282,906
Liabilities:					
Bonds and notes	$98,313,944	$ --	$ --	$97,834,887	$97,834,887
Total liabilities	$98,313,944	$ --	$ --	$97,834,887	$97,834,887
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(27,991)	$(27,991)

(in thousands) As of December 31, 2016	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$469,996	$469,996	$ --	$ --	$469,996
Net loans	86,034,327	--	--	85,475,621	85,475,621
Total assets	$86,504,323	$469,996	$ --	$85,475,621	$85,945,617
Liabilities:					
Bonds and notes	$96,633,431	$ --	$ --	$96,111,397	$96,111,397
Total liabilities	$96,633,431	$ --	$ --	$96,111,397	$96,111,397
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(18,915)	$(18,915)

NOTE 13

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.

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 utilize commodity derivative instruments to manage mineral income volatility. We purchase commodity put options to protect against a decline in oil prices, which could significantly impact our mineral income.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2015	$1,550	$1,523	$2,500	$35	$5,608
Additions	1,216	566	1,400	56	3,238
Maturities/amortization	(200)	(1)	(800)	(1)	(1,002)
As of December 31, 2016	$2,566	$2,088	$3,100	$90	$7,844
Additions	1,001	230	--	--	1,231
Maturities/amortization	(950)	(2)	(400)	(2)	(1,354)
As of December 31, 2017	$2,617	$2,316	$2,700	$88	$7,721
Additions	**250**	**78**	**--**	**8**	**336**
Maturities/amortization	**(945)**	**(52)**	**(200)**	**(2)**	**(1,199)**
As of December 31, 2018	**$1,922**	**$2,342**	**$2,500**	**$94**	**$6,858**

Other derivatives consisted of retail customer interest rate swaps and commodity put options.

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 December 31, 2018, 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 Derivatives

(in thousands)

As of December 31, 2018	2018	2017	2016
Notional amount	**$3,669,654**	$4,313,360	$5,564,400
Cash collateral posted with counterparties	**$5,250**	$11,150	$9,952
Cash collateral posted by counterparties	**(1,970)**	--	--
Total collateral posted with counterparties, net	**$3,280**	$11,150	$9,952

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. Beginning in 2017, contracts with certain CCPs changed the legal treatment of variation margin payments, which resulted in daily variation margin payments being recognized as settlements rather than collateral posted.

Centrally Cleared Derivatives

(in thousands)

As of December 31,	**2018**	2017	2016
Notional Amount	**$3,188,774**	$3,408,360	$2,279,396
Initial margin posted with counterparties	**$18,948**	$18,580	$27,856
Additional margin posted by counterparties	**(3,261)**	--	(6,680)
Total margin posted with counterparties, net	**$15,687**	$18,580	$21,176

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

Certain derivative instruments contain provisions that require us to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by existing derivative contracts, are downgrades in the credit rating of AgriBank or if the Farm Credit System is no longer considered a Federally Chartered Instrumentality of the United States. The fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at December 31, 2018 was $11.3 million. In the event that we are downgraded, a tiered collateral posting would be activated which may require us to post collateral of up to $6.0 million.

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Gains and losses on derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of 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. Gains and losses on the derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income.

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

Financial Statement Impact of Derivatives

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

	2018		2017		2016	
(in thousands)	**Fair Value**	**Fair Value**	Fair Value	Fair Value	Fair Value	Fair Value
As of December 31,	**Assets**	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments:						
Receive-fixed swaps	**$542**	**$18,176**	$ --	$18,276	$2,099	$6,746
Pay-fixed swaps	**55,736**	**18,478**	34,447	39,615	33,102	50,378
Floating-for-floating swaps	**--**	**3,252**	--	4,950	1,744	1,625
Total derivatives designated as hedging instruments	**56,278**	**39,906**	34,447	62,841	36,945	58,749
Derivatives not designated as hedging instruments:						
Pay-fixed swaps	**4,030**	**118**	3,670	--	3,568	130
Other derivative products	**10,827**	**3,557**	14	3,088	257	2,975
Total derivatives not designated as hedging instruments	**14,857**	**3,675**	3,684	3,088	3,825	3,105
Credit valuation adjustments	**(309)**	**--**	(49)	--	(198)	--
Total gross amounts of derivatives	**$70,826**	**$43,581**	$38,082	$65,929	$40,572	$61,854
Gross amounts offset in Statements of Condition	**(28,997)**	**(28,997)**	(29,126)	(29,126)	(27,447)	(27,447)
Variation margin settled	**(11,848)**	**--**	--	(2,241)	--	--
Net amounts in Statements of Condition	**$29,981**	**$14,584**	$8,956	$34,562	$13,125	$34,407

(in thousands) **As of December 31,**	**2018**	2017	2016
Derivative assets, net	**$29,981**	$8,956	$13,125
Derivative liabilities, net	**(14,584)**	(34,562)	(34,407)
Accrued interest payable on derivatives, net	**(1,478)**	(3,457)	(568)
Gross amounts not offset in Statements of Condition:			
Cash collateral posted by counterparties	**(5,231)**	--	--
Cash collateral posted with counterparties	**24,198**	29,730	31,128
Net exposure amounts	**$32,886**	$667	$9,278

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 “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income.

Fair Value Hedges: Due to hedge ineffectiveness, we recorded losses related to swaps of $1.7 million and $262 thousand in 2018 and 2016, respectively, and gains of $1.9 million in 2017. The gains and losses on the derivative instruments are recognized in “Interest expense” on the Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of other comprehensive income (OCI) recognized on derivatives. During the next 12 months, $6.2 million in gains on derivative instruments that qualify as cash flow hedges are expected to be reclassified from accumulated other comprehensive loss into earnings.

Cash Flow Hedging Relationships

(in thousands) **For the year ended December 31, 2018**	**Amount of Gain Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Loss Reclassified from AOCI into Income (Effective Portion)**	**Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)**
Pay-fixed swaps	**$37,307**	**$(5,120)**	**$ --**
Floating-for-floating swaps	**227**	**(1,470)**	**--**
Total	**$37,534**	**$(6,590)**	**$ --**

(in thousands) For the year ended December 31, 2017	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
Pay-fixed swaps	$12,108	$ --	$ --
Floating-for-floating swaps	(5,070)	--	--
Total	$7,038	$ --	$ --

(in thousands) For the year ended December 31, 2016	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing (Ineffective Portion)
Pay-fixed swaps	$43,931	$ --	$ --
Floating-for-floating swaps	3,336	--	(47)
Total	$47,267	$ --	$(47)

Derivatives not Designated as Hedges: We recorded net gains related to interest rate swaps of $79 thousand and $3.7 million, in 2018 and 2016, respectively and net losses of $124 thousand in 2017. We recorded net gains related to our commodity put options of $9.5 million during 2018. We held no oil price put options during 2017 or 2016. The gains and losses on derivative instruments not designated as hedges are recognized in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income.

NOTE 14

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive (Loss) Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Employee Benefit Plans Activity	Total
Balance at December 31, 2015	$(31,002)	$10,561	$(64,424)	$ --	$(84,865)
Other comprehensive (loss) income before reclassifications	(32,264)	(2)	47,267	--	15,001
Amounts reclassified from accumulated other comprehensive loss	393	(10,559)	--	--	(10,166)
Net other comprehensive (loss) income	(31,871)	(10,561)	47,267	--	4,835
Balance at December 31, 2016	$(62,873)	$ --	$(17,157)	$ --	$(80,030)
Other comprehensive (loss) income	(12,311)	--	7,038	--	(5,273)
Net other comprehensive (loss) income	(12,311)	--	7,038	--	(5,273)
Other pension adjustments	--	--	--	(1,123)	(1,123)
Balance at December 31, 2017	$(75,184)	$ --	$(10,119)	$(1,123)	$(86,426)
Other comprehensive (loss) income before reclassifications	**(7,673)**	**--**	**37,534**	**(23)**	**29,838**
Amounts reclassified from accumulated other comprehensive loss	**--**	**--**	**6,590**	**128**	**6,718**
Net other comprehensive (loss) income	**(7,673)**	**--**	**44,124**	**105**	**36,556**
Balance at December 31, 2018	**$(82,857)**	**$ --**	**$34,005**	**$(1,018)**	**$(49,870)**

Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)

Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss			Affected Line Item in the Statements of Comprehensive Income
For the year ended December 31,	**2018**	2017	2016	
Not-other-than-temporarily-impaired investments:				
Realized loss on sale of investment securities, net	**$ --**	$ --	$393	Miscellaneous income and other gains, net
Other-than-temporarily-impaired investments:				
Realized gain on sale of investment securities, net	**$ --**	$ --	$(10,559)	Miscellaneous income and other gains, net
Derivatives and hedging activity:				
Interest rate contracts	**$6,590**	$ --	$ --	Interest expense
Employee benefit plans activity:				
Other pension adjustments	**128**		--	Other operating expenses
Total reclassifications	**$6,718**	$ --	$(10,166)	

NOTE 15

Subsequent Events

We have evaluated subsequent events through March 2, 2019, which is the date the Financial Statements were available to be issued. Effective March 1, 2019, one Association loan of $41.4 million was downgraded to special mention based upon negative financial trends and non-financial weaknesses at the Association. Repayment is not deemed at risk, as credit quality, capital and earnings remain adequate and above regulatory requirements. There have been no other material subsequent events that would require recognition in our 2018 Financial Statements or disclosure in the Notes to those Financial Statements.

NOTE 16

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 approximately 75 days following the end of the calendar year, including a condensed statement of condition and statement of income, which can be found on our website at www.AgriBank.com. Such information is not incorporated by reference into, and should not be considered part of, this Annual Report.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)
(In whole dollars unless otherwise noted)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Financial Statements included in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis" section included in this Annual Report.

Description of Property

We lease our headquarters located in St. Paul, Minn. In addition to base rent, we are responsible for our share of the operating costs of the building under the lease agreement. Our lease agreement expires October 31, 2026. We sublease a portion of our office space to Farm Credit Foundations.

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference from Note 10 to the Financial Statements included in this Annual Report. We were not subject to any enforcement actions as of December 31, 2018.

Description of Capital Structure

Information regarding capital structure is incorporated herein by reference from Note 7 to the Financial Statements included in this Annual Report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference from Notes 5, 6, 8, 10, 12 and 13 to the Financial Statements included in this Annual Report.

Selected Financial Data

"Five-Year Summary of Selected Financial Data," included at the beginning of this Annual Report, is incorporated herein by reference.

Management's Discussion and Analysis

"Management's Discussion and Analysis," included in this Annual Report, is incorporated herein by reference.

Board of Directors of AgriBank, FCB

During 2018, the board of directors of AgriBank (the board) continued its work on a project to determine a board design and operations that will align with AgriBank's role as a funding bank in the Farm Credit System. The board continued to refine the charters for committees in 2018. However, finance and credit topics continue to be directed to the full board under the updated board design.

The board is organized into the following committees to carry out board responsibilities:

- The **Audit Committee** assists the board in fulfilling its oversight responsibilities for financial reporting, the adequacy of the Bank's internal control systems, the scope of the Bank's internal audit program, the independence of the outside auditors and the Bank's process for monitoring compliance with laws, regulations, and the standards of conduct including the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Compensation Committee** oversees Bank human resource programs and policies in areas such as, compensation, benefits, succession planning, performance management, diversity and inclusion, and other AgriBank programs that impact human capital.
- The **Governance Committee** oversees matters related to board governance and board operations, monitors director training and development, and monitors the board's involvement in AgriBank's strategic planning process.
- The **Risk Management Committee** assists the full board in overseeing the integration of risk management in the Bank through a formal enterprise risk management process. The Committee monitors the risk framework of the Bank, promotes effective management of all risks and fosters the establishment and maintenance of an effective risk culture throughout the Bank.

Information regarding directors who served as of December 31, 2018, including business experience in the past five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Matthew Walther, **Board chair** Year term began: 2015	2019	**Principal Occupation:** Self-employed crop and cow/calf herd and finished cattle farmer in Centerville, Ind. **Board Committees:** Ex officio on AgriBank Board Committees **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Member: Buell Drainage, LLC, tile drainage company, Centerville, Ind. Federal Farm Credit Banks Funding Corporation Board, Jersey City, N.J.
Keri Votruba, **Board vice chair** Year term began: 2016	2020	**Principal Occupation:** Self-employed grain and livestock farmer in Hemingford, Neb. **Board Committees:** Audit Committee **Other Affiliations:** Federal Agricultural Mortgage Corporation (Farmer Mac) Board, an agricultural secondary market real estate lending corporation, Washington, D.C.
Ed Breuer Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and livestock farmer in Mandan, N.D. **Board Committees:** Chair of the Compensation Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C. North Dakota Stockmen's Association, Bismarck, N.D.

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Joseph M. Busuttil, appointed director Year term began: 2018	2022	**Principal Occupation:** Currently, consultant for Ernst and Young, New York, N.Y. **Positions previously held during the past five years:** Formerly, Chief Financial Officer, Barclays Global Investment Bank and Barclays Americas, New York, N.Y. **Board Committees:** Risk Management Committee
Stan Claussen Year term began: 2016	2020	**Principal Occupation:** Self-employed grain, cattle, sugar beet and vegetable farmer in Montevideo, Minn. **Board Committees:** Chair of the Governance Committee **Other Affiliations:** Vice President: Bushmills Ethanol Board, Atwater, Minn. Fairland Management Company Board, Windom, Minn. National Farm Credit Council Board, Washington, D.C. AgriBank District Farm Credit Council Board, St. Paul, Minn.
Dale Crawford Year term began: 2017	2021	**Principal Occupation:** Self-employed crop farmer in Sullivan, Ill. **Board Committees:** Vice chair of the Audit Committee
Christine Crumbaugh Year term began: 2018	2022	**Principal Occupation:** Self-employed crop farmer in Gratiot, Mich. **Positions previously held during the past five years:** Commissioner: State of Michigan Natural Resources Commission **Board Committees:** Compensation Committee **Other Affiliations:** Owner: Captured by Christine Crumbaugh, LLC, photography, Gratiot, Mich. Greater Gratiot Development Board, economic development, Gratiot, Mich. President: Gratiot Area Chamber of Commerce, community business organization, Gratiot, Mich. Vice President: Crumbaugh Legacy, Inc., farming operation, Gratiot, Mich. Owner: Crumbaugh Legacy Farmland, farm holding company, Gratiot, Mich.
Richard Davidson Year term began: 2017	2021	**Principal Occupation:** Self-employed grain and livestock farmer in Washington Court House, Ohio **Board Committees:** Vice chair of the Compensation Committee **Other Affiliations:** Federal Agricultural Mortgage Corporation (Farmer Mac) Board, an agricultural secondary market real estate lending corporation, Washington, D.C. Fayette County Charitable Foundation Board, charity work, Washington Court House, Ohio
Ernie Diggs Year term began: 2016	2020	**Principal Occupation:** Self-employed crop farmer in Paris, Tenn. **Board Committees:** Risk Management Committee
Natalie Laackman, appointed director Year term began: 2017	2021	**Principal Occupation:** Currently, Chief Financial Officer, Service Operations North America, Sodexo, a quality of life services company, Gaithersburg, Md **Positions previously held during the past five years:** Formerly, Chief Financial Officer of The Shamrock Foods Company, a food manufacturing and distribution company, Phoenix, Ariz. Formerly, Chief Financial Officer and vice president of Finance Global Information Systems and of the specialty channels division of The Kellogg Company, a multinational food manufacturing company, Battle Creek, Mich. **Board Committees:** Chair and financial expert of the Audit Committee **Other Affiliations:** Chicago Zoological Society Brookfield Zoo Board, animal and nature conservation, Brookfield, Ill.
Brian Peterson Year term began: 2016	2020	**Principal Occupation:** Self-employed dairy and crop farmer in Trenton, Mo. **Board Committees:** Audit Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Treasurer: Rural Dale Cemetery Association, Trenton, Mo.
Richard Price Year term began: 2017	2021	**Principal Occupation:** Self-employed dairy and crop farmer in Stanley, Wis. **Board Committees:** Compensation Committee
Timothy Rowe Year term began: 2017	2021	**Principal Occupation:** Self-employed grain and livestock farmer in Elwood, Neb. **Board Committees:** Vice chair of the Governance Committee **Other Affiliations:** Chair: Country Partners Cooperative Board, a local supply co-op, Gothenburg, Neb. Nebraska Cooperative Council Board, a trade association representing agricultural cooperatives, Lincoln, Neb.

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
John Schmitt Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and beef cattle farmer in Quincy, Ill. **Board Committees:** Vice chair of the Risk Management Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Adams County Farm Bureau Board, Quincy, Ill.
Daniel Shaw Year term began: 2018	2022	**Principal Occupation:** Self-employed livestock and grain farmer and grain merchandiser in Edgar, Neb. **Board Committees:** Chair of the Risk Management Committee **Other Affiliations:** Owner/Operator: Shaw Grain LLC, a local grain elevator, Edgar, Neb. Owner/Operator: Shaw Farms LLC, a poultry breeding operation, Edgar, Neb. Board chair: Edgar Township Board, Edgar, Neb.
George Stebbins Year term began: 2018	2022	**Principal Occupation:** Self-employed crop farmer in Englewood, Ohio **Board Committees:** Audit Committee **Other Affiliations:** Director: Miami County Zoning Commission, Troy, Ohio
Nick Vande Weerd Year term began: 2015	2019	**Principal Occupation:** Self-employed livestock and grain farmer in Brookings, S.D. **Board Committees:** Governance Committee **Other Affiliations:** Captain: South Dakota Air National Guard
Leon Westbrock, appointed director Year term began: 2015	2019	**Principal Occupation:** Retired from CHS Inc., a U.S.-based diversified energy, grains and foods company headquartered in Inver Grove Heights, Minn. **Board Committees:** Governance Committee **Other Affiliations:** Director: Southern Minnesota Sugar Beet Cooperative, a farmer-owned producer of beet sugar in Renville, Minn.
Thomas Wilkie, III Year term began: 2018	2022	**Principal Occupation:** Manager, Thomas W. Wilkie III Investments LLC, a land management and investment company in Forrest City, Ark. Owner and President: Wifco, Inc., a drainage supply company in Forrest City, Ark. **Positions previously held during the past five years:** Self-employed grain farmer in Forrest City, Ark. **Board Committees:** Risk Management Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Chair: National Farm Credit Council Board, Washington, D.C. Farm Credit System Coordinating Committee, Washington, D.C.

Information regarding days served and compensation paid during 2018 for each director follows:

	Days Served		
	Board Meetings	Other Activities	Compensation Paid in 2018
Matthew Walther	12	32	$67,354
Keri Votruba	12	28	66,353
Ed Breuer	11	29	66,353
Joseph M. Busuttil[(1)]	5	7	29,677
Stan Claussen	12	24	67,353
Dale Crawford	12	29	63,353
Christine Crumbaugh[(1)]	10	9	44,515
Richard Davidson	12	17	65,353
Ernie Diggs	12	17	63,353
Dan Flanagan[(2)]	2	8	15,838
Natalie Laackman	11	21	64,353
Brian Peterson	12	20	59,353
Richard Price	12	17	59,353
Timothy Rowe	12	18	62,353
John Schmitt	12	16	59,353
Daniel Shaw	12	20	64,103
George Stebbins[(1)]	10	12	44,515
William Stutzman[(2)]	2	12	16,838
Nick Vande Weerd	12	25	66,353
Leon Westbrock	12	15	62,353
Thomas Wilkie, III	12	12	59,353
Total			$1,167,782

(1) Elected or appointed to board in 2018

(2) Term expired in 2018

Farm Credit Administration (FCA) regulations and other FCA guidance relating to director compensation for extraordinary service provide that additional compensation may be paid in excess of the statutory maximum, if circumstances justify such additional compensation. The board of directors approved compensation for extraordinary service in the amount of $1,000 for each Board Design Work Group meeting attended, up to $6,000 for the CEO Search Committee and up to $4,750 for the Outside Director Search Committee. These amounts were paid as no individual director's compensation exceeded the cap of 30 percent above the maximum annual statutory amount authorized by the FCA.

Days served in the preceding chart represent actual days at board meetings and activities. Board members also spend additional time in preparation for meetings and in travel to and from meetings.

The board members receive an annual retainer which is paid quarterly for attendance at meetings and other official activities. Directors are also reimbursed for reasonable expenses incurred.

Senior Officers

The senior officers of AgriBank, FCB at December 31, 2018 included:

Name	Position	Business experience and employment during past five years
Jeffrey R. Swanhorst	Chief Executive Officer	Current position began in April 2018. Prior to that served as chief credit officer for AgriBank beginning in August 2011. Board member on the Federal Farm Credit Banks Funding Corporation.
John J. Grace	Chief Risk Officer	Current position began in December 2018. Prior to that served as President of Steller-Grace Consulting beginning in 2017. Prior to that served as chief risk officer for Options Clearing Corporation beginning in 2015. Prior to that served as senior managing director – strategic planning, global treasury and capital markets for AIG beginning in 2008.
James B. Jones	Chief Credit Officer	Current position began in October 2018. Prior to that served as chief risk officer for AgriBank beginning in August 2015. Prior to that served as vice president, chief risk officer for AgriBank beginning in 2011.
Jeffrey L. Moore	Chief Financial Officer	Current position began in October 2017. Prior to that served as senior vice president, finance for AgriBank beginning in August 2012. Chair of the Farm Credit Foundations Trust Committee.
Barbara K. Stille	Chief Administrative Officer and General Counsel	Current position began in October 2017. Prior to that served as senior vice president and general counsel for AgriBank beginning in December 2014. Prior to that served as executive vice president-operations and general counsel for 1st Farm Credit Services, ACA since January 2014. Board member on Farm Credit System Association Captive Insurance Company.

Senior Officer Compensation

All senior officers, including the chief executive officer (CEO), are compensated with a mix of salary, short-term and long-term incentives as well as various AgriBank Farm Credit District post-employment benefit plans. The Compensation Committee of the board determines the appropriate levels and mix of short-term and long-term incentives in a responsible manner. Annual compensation for senior officers is intended to be competitive with annual compensation for comparable positions at peer organizations.

The Compensation Committee engages a consulting firm to conduct an independent review of external benchmark data on a regular basis for senior officers. Our compensation philosophy enables us to attract and retain highly qualified senior officers with the requisite skills and experience to achieve our desired business results, including our mission to ensure that safe, sound and reliable sources of credit and related services are provided to rural America.

Salary: Senior officer base salaries reflect the officer's experience and level of responsibility. The base salary of the CEO is subject to review and approval by the board. All other senior officer salaries are subject to review and approval by the CEO.

Short-term Incentive Compensation: Annually, a short-term incentive compensation program is available to all employees, including senior officers, based upon AgriBank performance criteria established by the board and personal objectives established by employees and their managers. The short-term incentive compensation amounts are calculated after the end of the plan year (calendar year) and are generally paid out in a lump sum within 90 days of year end. In 2018, the criteria for AgriBank performance objectives included: financial measures for net operating expense and earnings available for wholesale patronage; a funding measure for our Contractual Interbank Performance Agreement (CIPA) performance score; and an operational excellence measure for client satisfaction. In 2017 and 2016 the criteria for AgriBank performance objectives included: financial measures for an efficiency ratio and a return available for patronage; client measures for our CIPA performance score and client satisfaction; and performance achievement of our strategic imperatives.

Long-term Incentive Compensation: The CEO receives long-term incentive compensation. Additionally, senior officers received long-term incentive compensation in 2018 with certain senior officers receiving in previous years. The long-term incentive compensation amounts for the CEO and senior officers are determined based upon three-year performance criteria established by the board. A new three-year plan is established each year. The criteria for the plan years beginning in 2018, 2017 and 2016 were based on a return available for patronage measure and our CIPA performance score. The long-term incentive compensation amounts for CEO William J. Thone were determined based upon level of achievement as determined by the board of specific performance goals, intended to position the Bank for future success.

The board, in its sole discretion, may increase or decrease the amount of any incentive calculated. The long-term incentive compensation amounts are calculated annually and are generally paid out in a lump sum within 90 days of the final three-year plan year. Additionally, long-term incentive compensation may be provided to new senior officers on a phased in basis during the initial three years of participation in the long-term incentive program. Annual long-term incentive amounts reflect long-term incentives earned in the applicable year based on an estimate of the total incentive over the three-year period.

Perquisites: Perquisites may include compensation associated with group term life and long-term disability insurance premiums, taxable reimbursements, commuting assistance, relocation assistance, and tax reimbursement for perquisite compensation, as applicable. The senior officers did not receive any additional noncash perquisite compensation during any year presented. Due to the nature of timing and reimbursement for relocation assistance, it is included in the compensation table in year it is paid.

Other:

- Employer contributions to the AgriBank District Retirement Savings Plan which is available to all employees, including senior officers.
- Changes in the value of pension benefits, which is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the Districtwide Retirement Plan and Pension Restoration Plan, as applicable, as disclosed in Note 8 to the accompanying Financial Statements. This change in value does not represent cash payments made by AgriBank during the year, but rather is an estimate of the change in AgriBank's future obligations under the pension plans. In the periods which the CEO or senior officer receives pension distributions, the change in the value of pension benefits is not included. Refer to the Pension Benefits Attributable to Senior Officers for further information regarding pension distributions.
- Service awards available to all employees meeting pre-established years of service anniversaries.
- Severance reported in 2016 included payments to L. William York, AgriBank's former CEO, in 2016 and amounts to be paid in 2017 and 2018 in connection with his employment separation.
- Severance reported in 2017 includes payments to Brian O'Keane, AgriBank's former CFO, and Patricia Jones, AgriBank's former senior vice president of human resources and communications, in 2018. The separation agreements did not require further payments beyond 2018.
- Retirement payouts, including vacation payouts, available to all employees

"Other" fluctuates from year to year based primarily on changes to pension actuarial assumptions and changes in composition of the aggregate senior officers.

In October 2017, certain employees were impacted by the implementation of a workforce reduction plan. As part of the severance offered to all terminated employees, outplacement services were offered up to $6 thousand per person based on his/her level in the organization. This noncash compensation has been excluded from the Compensation Paid to the Senior Officers.

Retirement Plans: The AgriBank District has various post-employment benefit plans which are generally available to all AgriBank employees, including the CEO and senior officers, based on dates of service to AgriBank and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is incorporated herein by reference from Notes 2 and 8 to the accompanying Financial Statements included in this Annual Report.

Senior officers and certain other individuals over a specified salary amount have an option to defer payments of their salary as well as payments under both the short-term and long-term incentive programs in accordance with applicable laws and regulations. Jeffrey R. Swanhorst, CEO, did not defer any compensation during 2018. William J. Thone, CEO, deferred $603 thousand in 2018, and did not defer any compensation in 2017 or 2016. L. William York, CEO, deferred $295 thousand during 2016. Senior officers (excluding CEO) and highly compensated individuals did not defer any compensation in 2018. Total amounts deferred by senior officers (excluding the CEO) were $10 thousand and $4 thousand for amounts that were to be paid in 2017 and 2016, respectively.

Compensation Paid to the Senior Officers

(in thousands) Name of Individual	Year	Salary	Short-term Incentive Compensation	Long-term Incentive Compensation[1]	Perquisites	Other	Total
CEO[2][3]:							
Jeffrey R. Swanhorst	**2018**	**$487**	**$347**	**$225**	**$5**	**$49**	**$1,113**
William J. Thone	**2018**	**362**	**237**	**276**	**10**	**158**	**1,043**
William J. Thone	2017	700	467	525	25	46	1,763
William J. Thone	2016	258	37	--	22	2	319
L. William York	2016	387	--	(32)	7	1,577	1,939
Aggregate Number of Senior Officers and Highly Compensated Individuals (excluding CEO):							
6[4]	**2018**	**$1,361**	**$532**	**$311**	**$95**	**$244**	**$2,543**
6[5]	2017	2,170	1,009	510	20	1,391	5,100
8[6]	2016	2,502	1,125	604	82	901	5,214

(1) All compensation is disclosed in the year it is earned. As the long-term incentive is on a rolling three-year basis, adjustments for earnings plan-to-date in a particular plan year may be reduced so the cumulative earned long-term compensation reflects the actual payments received at the end of the three-year period.

(2) On April 2, 2018, Mr. Swanhorst was promoted to the position of CEO. For the purposes of this disclosure, Mr. Swanhorst's CEO compensation only includes the compensation for which he earned as CEO.

(3) On July 25, 2016, Mr. York left the position of CEO and Ms. Stille, senior vice president and general counsel assumed the duties of CEO until the interim CEO, Mr. Thone, was placed on August 1, 2016. Subsequently, Mr. Thone was named CEO of AgriBank on December 1, 2016. For the purposes of this disclosure, compensation for Ms. Stille is included in the aggregate Senior Officer group.

(4) 2018 count and compensation includes Mr. Swanhorst for the period in which he served as a senior officer, but not as CEO. Additionally, it includes compensation to one senior officer who began in December 2018 and one highly compensated individual not serving as a senior officer during 2018. The compensation paid to individuals who were not deemed to be Highly Compensated Individuals, but served as interim CCO and CRO, respectively, was not included for the purposes of this disclosure.

(5) 2017 count reflects the workforce reduction plan implementation effective October 16, 2017. Dollars include only those senior officers who served as of December 31, 2017, including those whose titles remained unchanged, but job duties changed effective with the workforce reduction.

(6) 2016 count includes a new senior officer position as of February 1, 2016. Dollars include new senior officer compenation for February to December 2016.

Farm Credit Administration (FCA) regulations require the disclosure of the compensation paid during the last three fiscal years to all senior officers included in the above table to AgriBank shareholders and shareholders of related institutions upon request.

There was one highly compensated individual who required disclosure under FCA regulations in 2018. There were no highly compensated individuals who required disclosure under FCA regulations in 2017 or 2016 in the Compensation to Senior Officers table.

Pension Benefits Attributable to Senior Officers

(in thousands) **2018** Name of Individual	Plan	Years of Credited Service[1]	Present Value of Accumulated Benefits	Payments Made During the Reporting Period[2]
CEO:				
William J. Thone	AgriBank District Retirement Plan	**38.0**	**$1,305**	**$45**
	AgriBank District Pension Restoration Plan	**38.0**	**212**	**50**
Aggregate Number of Senior Officers (excluding CEO):				
3	AgriBank District Retirement Plan	**21.7**	**$2,978**	**$ --**
3	AgriBank District Pension Restoration Plan	**21.7**	**194**	**--**

[1]Upon his rehire in 2016, Mr. Thone's years of credited service were frozen; therefore, he did not earn an additional year of credited service during the time he served as CEO of AgriBank.

[2]Upon his rehire in 2016, Mr. Thone's pension benefit payments from the AgriBank District Retirement Plan ceased and resumed after his re-retirement date of June 30, 2018.

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits. Pension benefits include only those senior officers who served as of December 31, 2018. The 2018 highly compensated individual is not a recipient of pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Not all employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 9 to the accompanying Financial Statements included in this Annual Report.

Travel, Subsistence and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with AgriBank's business functions. AgriBank directors were reimbursed for expenses in the amount of $365,197, $254,526 and $307,055 in 2018, 2017 and 2016, respectively. A copy of AgriBank's policy for reimbursing these costs is available by contacting AgriBank at the address provided in the Financial Statements section below.

Involvement in Certain Legal Proceedings

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer of AgriBank on January 1, 2019 or at any time during 2018.

Shareholder Privacy

Shareholders' nonpublic personal financial information is protected by FCA regulations. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about AgriBank, District Associations or their shareholders.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total integrated audit fees paid during 2018 were $798 thousand. In addition, we incurred fees of $3 thousand for accounting research and disclosure software and employee training sponsored by the external auditor which occurred in the normal course of business and were pre-approved by the Audit Committee. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. There were no other audit, tax, audit related or non-audit related services paid in 2018.

Financial Statements

The "Report of Management, " "Report on Internal Control over Financial Reporting," "Report of Audit Committee," "Report of Independent Registered Public Accounting Firm, " "Financial Statements" and "Notes to Financial Statements, " included in this Annual Report, are incorporated herein by reference.

Regulatory Capital

The following information contains regulatory disclosures as required under Regulations 628.62 and 628.63, for risk-adjusted ratios, common equity tier 1 capital, tier 1 capital and total capital ratios. Refer to Note 7 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years and can be accessed at AgriBank's website at www.AgriBank.com.

Disclosure Requirement	Description	2018 Annual Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	Page 132
	Description of entity consolidation	Page 132
	Restrictions on transfers of funds or capital	Page 132
Capital Structure	Terms and conditions of capital instruments	Pages 88-91
	Regulatory capital components	Page 133
Capital Adequacy	Capital adequacy assessment	Page 134
	Risk-weighted assets	Page 134
	Regulatory capital ratios	Page 135
Captial Buffers	Quantitative disclosures	Pages 134-135
Credit Risk		Pages 29-36, 64-65, 135
	Credit risk management and policies	Pages 135-136
	Summary of exposures	Pages 136-137
	Geographic distribution	Pages 38, 49, 83, 136
	Additional industry and counterparty distribution	Page 137
	Contractual maturity	Pages 78, 80-83, 136-137
	Impaired loans and allowance for credit losses	
Counterparty Credit Risk-Related Exposures	General description	Pages 114-116, 137-139
	Counterparty exposures	Pages 49, 116, 138
Credit Risk Mitigation	General description	Pages 22-33, 38, 48-49 114-116, 137-139
	Exposures with reduced capital requirements	Page 138-139
Securitization	General description	Pages 139-140
	Methods and key assumptions	Page 107
	Securitization exposures	Page 140
Equities	General description	Pages 140
	Equity exposures	Page 140
Interest Rate Risk for Non-Trading Activities	General description	Pages 46-47, 140
	Interest rate sensitivity	Page 48

Scope of Application

AgriBank, FCB (AgriBank or the Bank) is one of the four Banks of the Farm Credit System (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. We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

AgriBank has no subsidiaries; therefore, the financial statements are only those of AgriBank and are not consolidated with any other entity. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation, the FCS Building Association, the Farm Credit Association Captive Insurance Corporation and Farm Credit Foundations. The Bank's investments in other System institutions are deducted from regulatory capital as only the institution who issued the equities may count the amount as regulatory capital. The Bank has no unincorporated business entity (UBE) which would be included in risk-weighted assets and is not deducted from any capital component in accordance with FCA regulations. As AgriBank has no consolidated subsidiaries, there are no consolidated entities which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities, and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's consolidated level.

Capital Structure

Refer to Note 7 of the accompanying Financial Statements for a description of capital structure.

Regulatory Capital Structure

(in thousands) As of December 31, 2018	3-month Average Daily Balance
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	$27
Other required member purchased stock	1,200,976
Allocated equities:	
Allocated stock subject to retirement	1,222,830
Nonqualified allocated equities subject to retirement	--
Nonqualified allocated equities not subject to retirement	--
Unallocated retained earnings as regulatorily prescribed	3,302,115
Paid-in capital	--
Regulatory adjustments and deductions made to CET1	(5,162)
Total CET1	$5,720,786
Tier 1 Capital	
Non-cumulative perpetual preferred stock	$250,000
Total additional tier 1 capital	250,000
Total Tier 1 Capital	$5,970,786
Total Capital	
Allowance for loan losses	$23,300
Total tier 2 capital	23,300
Total Capital	$5,994,086
Reconciliation to Audited Statement of Condition:	
Additions:	
Protected stock	$181
Nonqualified allocated equities subject to retirement	171
Accumulated other comprehensive loss	(26,444)
Regulatory adjustments and deductions	5,162
Subtractions:	
Tier 2 allowance and reserve	23,300
Adjustment for average daily balance to point-in-time	62,091
Total shareholders' equity	$5,887,765

Capital Adequacy and Capital Buffers

We regularly assess the adequacy of our capital to support current and future activities. This assessment includes maintaining a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to absorb adversity and to support our mission over the long term. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of our board.

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands) **As of December 31, 2018**	
Exposures to:	
Sovereign entities	**$ --**
Foreign bank entities	**210,004**
Government-sponsored enterprises[(1)]	**18,038,876**
Depository insitutions and credit unions[(2)]	**421,042**
Public sector entities	**--**
Corporate, including borrower loans	**13,271,847**
Residential mortgage	**64,332**
Past due and nonaccrual	**547**
Securitization exposures	**189,776**
Cleared transactions	**621**
Unsettled transactions	**--**
All other assets	**54,794**
Deductions:	
Regulatory adjustments and deductions made to CET1	**5,162**
Regulatory adjustments and deductions made to AT1[(3)]	**--**
Regulatory adjustments and deductions made to T2[(4)]	**--**
Total standardized risk-weighted assets	**$32,246,677**

[(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 December 31, 2018, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because our capital level exceeded the buffer requirements, the Bank currently has no limitations on distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $124.7 million as of December 31, 2018.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	Required Buffer	As of December 31, 2018	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	1.3%	**17.7%**	**13.2%**
Tier 1 capital ratio*	6.0%	1.3%	**18.5%**	**12.5%**
Total capital ratio*	8.0%	1.3%	**18.6%**	**10.6%**
Capital conservation buffer				**10.6%**
Tier 1 leverage ratio	4.0%	1.0%	**5.5%**	**1.5%**
Leverage buffer				**1.5%**

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

Additional Regulatory Capital Disclosure

Regulatory Capital Ratios Pursuant to FCA Regulation 620.5

As of December 31,	2013	2012
Permanent capital ratio	22.1%	21.1%
Total surplus ratio	18.5%	17.4%
Core surplus ratio	11.4%	10.4%
Net Collateral Ratio	106.4%	106.0%

Refer to the Five-Year Summary of Selected Financial Data for capital ratio calculations for the past five years.

Credit Risk

We are exposed to various forms of credit risk including wholesale loan credit risk, retail loan credit risk and counterparty credit risk. We do not hold any credit derivatives as a means to manage credit risk. Refer to the Credit Risk Management, Wholesale Credit Risk Management, Retail Credit Risk Management and Allowance for Loan Losses sections of the Management's Discussion and Analysis for information regarding the credit risk we are exposed to and the mitigation techniques applied to manage that risk.

Credit Exposures - Lending and Investments

(in thousands) **As of December 31, 2018**	End of Period	3-month Average Daily Balance
Loans	**$92,716,701**	**$91,825,079**
Investments	**$15,695,842**	**$15,709,228**
Loan commitments	**$24,208,770**	**$22,551,794**
Letters of credit	**$101,113**	**$88,109**

Credit Exposures - Derivatives

(in thousands) **As of December 31, 2018**	End of Period Notional Amount	End of Period Net Asset Exposure	3-month Average Daily Balance Notional Amount	3-month Average Daily Balance Net Asset Exposure
Cleared derivatives	**$3,188,774**	**$11,019**	**$3,297,340**	**$25,016**
Bilateral derivatives	**3,669,654**	**30,980**	**3,668,343**	**38,054**

The following tables include distributions for the wholesale and retail loan portfolio as well as related commitments.

Loan and Commitment Geographic Distribution

As of December 31, 2018			
Wholesale Portfolio		**Retail Portfolio**	
Nebraska	**28%**	Illinois	**15%**
Kentucky	**22%**	Minnesota	**15%**
Minnesota	**21%**	Nebraska	**8%**
North Dakota	**10%**	Wisconsin	**8%**
Michigan	**8%**	Iowa	**8%**
Other	**12%**	Indiana	**5%**
Total	**100%**	Other	**42%**
		Total	**100%**

Loan and Commitment Commodity Distribution

As of December 31, 2018	
Retail Portfolio	
Crops	**60%**
Loans to OFIs	**10%**
Cattle	**7%**
Dairy	**6%**
Other	**17%**
Total	**100%**

The wholesale loan portfolio is limited to the 14 District Associations. Refer to the Portfolio Diversification section of the Management's Discussion and Analysis for additional detail of the commodities underlying the District Associations' loan portfolios.

All impaired loans, past due loans and allowance are within our retail portfolio. At 80.1 percent, our retail portfolio is substantially concentrated within our chartered territory of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Impaired loans, past due loans and allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the

PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of December 31, 2018.

Maturities in the following table are reflective of the wholesale loan agreements and retail loan agreements, respectively, and are based on the final maturity without consideration for amortization payments. Loan exposures include accrued interest receivable, as applicable, and investment exposures are at fair value.

Exposures by Final Contractual Maturity

(in thousands) **As of December 31, 2018**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$10,515,002**	**$73,849,599**	**$ --**	**$84,364,601**
Retail loans	**1,511,611**	**3,928,862**	**3,595,615**	**9,036,088**
Investments (including federal funds)	**8,039,579**	**2,063,972**	**5,592,291**	**15,695,842**
Wholesale loan commitments	**1,065,612**	**20,467,007**	**--**	**21,532,619**
Retail loan and other commitments	**1,147,145**	**1,415,683**	**118,322**	**2,681,150**
Cleared derivative notional	**686,000**	**1,595,000**	**907,774**	**3,188,774**
Bilateral derivative notional	**315,880**	**2,224,000**	**1,129,774**	**3,669,654**

Note: Accruing loans include accrued interest receivable.

Refer to Note 2 of the accompanying Financial Statements for our policy for determining past due or delinquency status, policy for placing loans on nonaccrual status, policy for returning loans to accrual status, definition of and policy for identifying impaired loans, description of the methodology used to estimate allowance for loan losses, and policy for charging-off uncollectible amounts.

Refer to Note 3 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 loan losses.

Refer to Note 4 of the accompanying Financial Statements for a summary of contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type.

Counterparty Credit Risk and Credit Risk Mitigation

<u>Credit Risk Mitigation Related to Derivatives</u>

Refer to the Derivative Financial Instruments section in the Management's Discussion and Analysis and Note 13 of the accompanying Financial Statements for more information on credit risk mitigation related to derivatives.

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. Collateral is typically cash and in limited circumstances, securities. The fair value of collateral assets and liabilities related to derivative contracts is their face value plus accrued interest, if applicable. Collateral exchanged is typically cash; therefore, fair value approximates face value.

We have not entered into any credit default swap agreements to mitigate our credit exposure to counterparties. Refer to Note 13 of the accompanying Financial Statements for the gross positive fair value of contracts, collateral held and the net unsecured credit exposure. The derivative portfolio is not covered by guarantees.

Current credit exposure is the greater of $0 or the fair market value of a derivative contract.

Current Credit Exposure

(in thousands)	As of December 31, 2018
Interest rate contracts	$76,901
Other contracts	9,316
Total	$86,217

Credit Risk Mitigation Related to Loans

Refer to the Credit Risk Management section of the Management's Discussion and Analysis for information about credit risk mitigation related to loans including wholesale credit risk management and retail credit risk management.

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. 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. Refer to the Agricultural Conditions section of the Management's Discussion and Analysis in the accompanying Financial Statements.

In certain circumstances, our loan participations may have guarantees from the U.S. government or one of its agencies.

Financial collateral is not used to mitigate credit risk in our loan portfolio. Refer to Note 13 of the accompanying Financial Statements for further information on financial collateral obtained to mitigate credit risk exposure for derivatives.

Loan and Commitment Exposures Covered by Guarantees

(in thousands) **As of December 31, 2018**	3-month Average Daily Balance	Risk-weighted 3-month Average Daily Balance
Conditionally guaranteed		
Loans	$49,488	$9,898
Commitments	33,068	1,323
Total	$82,556	$11,221

Credit Risk Mitigation Related to Investments

Refer to the Investment Portfolio and Liquidity section of the Management's Discussion and Analysis for information related to our investment securities credit risk management.

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.

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

Investment Exposures Covered by Guarantees

(in thousands) **As of December 31, 2018**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed	**$6,389,990**	**$ --**
Conditionally guaranteed	**4,841,831**	**968,366**
Total	**$11,231,821**	**$968,366**

Securitization

Securitizations are transactions in which:

- The credit risk of the underlying exposure is transferred to third parties, and has been separated into two or more tranches;
- The performance of the securitization depends upon the performance of the underlying exposures or reference assets; and
- All or substantially all of the underlying exposures or reference assets are financial exposures.

Securitizations include on- or off-balance sheet exposures (including credit enhancements) that arise from a securitization or re-securitization transaction; or an exposure that directly or indirectly references a securitization (e.g., credit derivative). A re-securitization is a securitization transaction in which one or more of the underlying exposures that have been securitized is itself a securitization. We do not currently hold re-securitization investments.

The Bank currently only participates in securitizations as an investor through the purchase of mortgage-backed securities (MBS) and asset-backed securities (ABS) as included in its investment portfolio. We do not originate, service, provide credit enhancements or sponsor securitizations. We are not a liquidity provider or swap provider for securitization transactions. We do not hold any off-balance sheet securitization exposures and no securitization exposures have been deducted from capital. We manage exposure to changes in credit and market risk of securitization exposures under policies established by our Asset/Liability Committee. Further, FCA regulations prohibit investment in securities below established credit ratings.

We are subject to liquidity risk with respect to our securitization exposures. In volatile market conditions, it could be difficult to sell such investments, if the need arises, and the discounts from face value would likely be significant. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for the investments.

For our current portfolio of non-agency ABS securitization exposures, we have elected to utilize the "Gross Up" risk-based capital approach on an individual security level. Individual securities for which a "Gross Up" calculation cannot be performed (i.e. unavailable inputs) will receive a 1,250 percent risk weight. Refer to Risk-Weighted Assets table herein for additional information related to our securitization exposures. There have been no significant changes to the securitization portfolio since the last reporting period.

Securitization Exposures

(3-month average daily balance in thousands) **As of December 31, 2018**	**Exposure**	**Weighted average risk-weight factor**	**Risk-weighted assets**
Gross up risk weight bands:			
100%	**$59,029**	**100%**	**$59,029**
> 100% and < 1,250%	**94,740**	**138%**	**130,747**
1250%	**--**	**1250%**	**--**
Total risk-weighted securitization assets	**$153,769**	**123%**	**$189,776**

Refer to Note 4 of the accompanying Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of MBS and ABS held in our investment portfolio. However, there were no purchases or sales of securitization exposures during the year ended December 31, 2018. Refer to Note 12 of the accompanying Financial Statements for a description of the methods and assumptions, including any changes as applicable, applied in valuing our purchased interests in securitization exposures.

Equities

We are a limited partner in a Rural Business Investment Company (RBIC) for various relationship and strategic reasons. This RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. We do not hold any equity investments on which capital gains are expected. This investment is accounted for under the equity method when we are considered to have significant influence; otherwise, it would be accounted for at cost less impairment. This investment is not publicly traded and the book value approximates fair value. There have been no sales or liquidations of this investment during the period. As of December 31, 2018, all RBICs were accounted for under the equity method; therefore, no unrealized gains (losses) exist for the exposure. Further, we do not believe any latent revaluation gains (losses) exist for these exposures.

Equity Investments included in Capital Ratios

(in thousands) **As of December 31, 2018**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings[1]**
RBIC	**$13,774**	**$(1,665)**

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition. Refer to the Interest Rate Risk Management section of the Management's Discussion and Analysis for information related to interest rate risk.

District Young, Beginning and Small Farmers and Ranchers

As part of the System's commitment to rural America, District Associations have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in their territories. The definitions of young, beginning and small farmers and ranchers follow:

- **Young**: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date
- **Beginning**: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date
- **Small**: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products

It is important to note that a farmer/rancher may be included in multiple categories based on meeting specific definitions. A more detailed discussion of each District Association's programs for young, beginning and small farmers and ranchers can be found within their respective Annual Reports.

Young and Beginning Farmers and Ranchers Served by AgriBank District

As of December 31, 2018	Young	Beginning	Small
As a percentage of total District farm members:			
Number of loans	**20.5%**	**27.6%**	**48.0%**
Loans and commitment volume	**14.6%**	**18.5%**	**19.8%**

Risk Factors

AgriBank, FCB

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own business. The following discussion summarizes some of the more important risk factors that we face. This discussion is not exhaustive and there are other risk factors we face that are not described below. These risk factors, if realized, could negatively or positively affect our business, financial condition and future results of operations.

Our funding is dependent upon the System's ability to access the capital markets.
Our ability to fund our operations, meet our financial obligations, including unfunded commitments to extend credit, and generate income depends on the System's ability to issue Systemwide Debt Securities in the debt markets on a regular basis with select maturities and structures at attractive rates. The System's ability to continue to issue Systemwide Debt Securities depends, in part, on the conditions in the capital markets at that time, which are outside the System's control. As a result, the System cannot make any assurances that it will be able to issue competitively priced debt or issue any debt at all. If the System cannot issue competitively priced debt or cannot access the capital markets, the System's ability to access funding would be negatively impacted. This situation would have a negative effect on our financial condition and results of operations, which could be material.

Factors which could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms.
The System's government-sponsored enterprise (GSE) status has been an important factor in its ability to continually access the debt capital markets. For example, the System's funding costs historically have been below that of similar non-GSEs. However, as a direct result of the financial difficulties experienced by the housing-related GSEs, with both Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Company (Freddie Mac) having been placed into conservatorship by the U.S. government, housing-related GSE status reform has been a topic of debate by Congress and the U.S. administration. While GSE reform debate has not to date related to the System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by any changes in status or reform of housing-related GSEs. Any change in the System's status as a GSE or investors' general perception of GSE status could have a significant adverse impact on the System's ability to issue debt at favorable rates and terms.

The System is also subject to periodic review by credit rating agencies. Any event that could have an adverse impact on the System's financial condition or results of operations may cause the rating agencies to downgrade, place on negative watch, or change their outlook on the System's credit ratings. Such actions could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms and could trigger additional collateral requirements. Also, changes in the credit ratings or credit ratings outlook of the U.S. government may influence changes in the System's credit ratings and credit ratings outlook given its GSE status.

Any downgrades in credit ratings and outlook could also result in higher funding costs or disruptions in the System's access to capital markets. To the extent that the System cannot access the capital markets when needed on acceptable terms or is unable to effectively manage its costs of funds, its financial condition and results of operations could be negatively affected.

The System also competes for competitively priced debt funding with the U.S. Treasury, other GSEs, including Fannie Mae, Freddie Mac and the Federal Home Loan Banks, and other highly rated institutions and companies. Competition for debt funding from these entities can vary with changes in economic, financial market and regulatory environments. In addition, any change in the perceptions of GSE status may intensify competition with other highly rated institutions and companies in connection with the issuance of Systemwide Debt Securities. Increased competition for competitively priced debt funding of highly rated institutions may result in a higher cost to finance our business, which could negatively affect our financial results. An inability to issue Systemwide Debt Securities at favorable rates in amounts sufficient to fund business activities and meet obligations could have an adverse effect on our liquidity, financial condition and results of operations.

The System issues combined financial statements and assurance of adequate disclosure controls and procedures and internal control over financial reporting. Failure by a System institution to provide required information for financial reporting, or to have adequate disclosure controls or procedures over financial reporting may delay the timely publication of the System's combined financial statements. Failure to timely issue the System's combined financial statements could disrupt the System's ability to access debt capital markets.

We and the other Banks in the Farm Credit System (the System) are liable for the debt of the System.
We, along with the other Banks in the System obtain funds for our lending activities and operations primarily from the Funding Corporation sale of Systemwide Debt Securities. The Systemwide Debt Securities are not obligations of and are not guaranteed by the United States of America or any agency or instrumentality thereof, other than the System Banks. Under the Farm Credit Act, each Bank is primarily liable for the portion of the Systemwide Debt Securities issued on its behalf. The Banks are also jointly and severally liable for interest payments on certain other debt securities issued individually by other Banks pursuant to Section 4.4(a)(1) of the Farm Credit Act (12 U.S.C. § 2155(a)(1)) (the "Co-Liability Statute"). However, the holders of outstanding subordinated notes that are subject to the Co-Liability Statute waived any right they may have pursuant to the Co-Liability Statute or otherwise to hold other Banks liable for interest payments on such subordinated notes. Additionally, each Bank is jointly and severally liable for the Systemwide Debt Securities issued on behalf of a Bank that is in default on its portion of the Systemwide Debt Securities and where the Farm Credit Insurance Fund (Insurance Fund) of the Farm Credit System Insurance Corporation (FCSIC) is insufficient to cure the default. Although the Banks have established a system of mutual covenants and measures that are monitored on a quarterly basis, there is no assurance that these would be sufficient to protect a Bank from liability, should another Bank default and the Insurance Fund be insufficient to cure the default.

The Insurance Fund is available from the FCSIC to ensure the timely payment by each Bank of its primary obligations on the Systemwide Debt Securities, and can also be used by the FCSIC for its operating expenses and for other mandatory and permissive purposes. Under the Farm Credit Act, before joint and several liability can be invoked, available amounts in the Insurance Fund would be utilized to make the payment on such obligations. There is no assurance, however, that the Insurance Fund will have sufficient resources to fund a Bank's defaulted payment of principal and interest on its portion of the Systemwide Debt Securities. If the Insurance Fund is insufficient, then the non-defaulting

Banks must pay the default amount in proportion to their respective available collateral positions. “Available collateral” is collateral in excess of the aggregate of each Bank’s “collateralized” obligations and is approximately equal to AgriBank’s capital. The FCSIC does not insure any payments on the Series A Preferred Stock or any class of our common stock or preferred stock.

To the extent we must fund our allocated portion of another Bank’s portion of the Systemwide Debt Securities as a result of its default on those securities, our earnings and capital would be reduced, possibly materially.

We are subject to regulation under the Farm Credit Act.
We are subject to regulatory oversight and examination by the Farm Credit Administration (FCA) under the Farm Credit Act. A number of rules and regulations are imposed on the operations of the Bank under the Farm Credit Act. Any change in the rules or regulations that govern the Bank’s business could have a material impact on the Bank and its operations. Rules and regulations may change from time to time and the interpretations of the relevant rules and regulations also are subject to change.

We are subject to the supervision of, and regulation by, the FCA, including with respect to complying with certain capital requirements. The FCA periodically updates and revises these requirements, including consideration of new capital requirements adopted by U.S. banking regulators. In this regard, revised capital requirements became effective January 1, 2017, that are more consistent with those the U.S. banking regulators have adopted under the Basel Accord (Basel III) for U.S. banks. In addition, the FCA intends to complete a study to determine whether to align its liquidity requirements with U.S. banking regulators and Basel III. Compliance with capital requirements or proposed and adopted liquidity or other requirements, may limit our business activities and could adversely affect financial performance.

Effective January 1, 2017, FCA rules and regulations include requirements to maintain regulatory capital at or above minimum levels, including a capital conservation buffer, for risk-based ratios including common equity tier 1, tier 1 and total capital risk-based as well as non-risk-adjusted ratios tier 1 leverage and unallocated retained earnings and equivalents. The permanent capital ratio remained in effect in accordance with statutory requirements. If the capital ratios fall below the total requirements, including the buffer amounts, we would be restricted or prohibited under the Farm Credit Act and FCA Regulations from paying patronage refunds or distributions, dividends on our preferred stock, including shares of Series A perpetual Preferred Stock, or discretionary senior executive bonuses without prior FCA approval. The FCA has broad discretionary authority to bring enforcement actions whenever we fall below these prescribed standards or when the FCA otherwise determines that our capital is insufficient, including, without limitation, the power to issue a capital directive or a cease and desist order.

Effective January 1, 2019, the FCA revised requirements governing the eligibility of investment securities for System Banks and Associations. The new regulation is intended to strengthen the eligibility criteria for investments that System Banks purchase and hold. Further, it removes references to and requirements for credit ratings and substitutes other appropriate standards of credit worthiness in compliance with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have updated our policies, procedures and other documentation to ensure compliance with this new regulation. The FCA has authority to bring enforcement actions if we do not comply with these revised requirements.

We are exposed to political risk.
Political risk is the risk that adverse consequences through U.S. government actions or inactions could affect the viability of the Farm Credit System or create instability in agriculture, impacting the viability of Farm Credit System borrowers. The Farm Credit System, as a GSE, is directly at risk of changing legislation. Legislative change could inhibit our ability to fulfill the Farm Credit mission of reliably extending credit to agricultural producers and rural communities. The System is also influenced by changes to trade policies and farm programs, including the Farm Bill and crop insurance support. Legislative and policy changes that adversely impact the System may negatively influence our borrowers' financial results, ultimately affecting our credit quality.

We manage political risk by monitoring and remaining abreast of pending legislative changes. When necessary, we proactively address political concerns by communicating our views on positions and policies directly to our congressional representatives and by supporting our own System councils and industry trade associations representing System interests before Congress.

An unfavorable change in or an adverse interpretation of existing U.S. tax laws could negatively impact our financial results.
We are exempt from federal and other taxes as provided in the Farm Credit Act. If we were to lose this exemption, or if it were to be otherwise modified, our financial results could be negatively impacted.

We are exposed to operational risk.
The structure and organization we have implemented to carry out our business activities may include risks including, but not limited to:

- Business Model Risk – Our business model does not meet expectations of its owners or loses viability in the judgment of regulators, the financial markets, or other influencers.
- Corporate Governance – Our board of directors does not maintain the expertise to provide effective guidance in setting the long-term strategic direction for the Bank, to foster a unified direction for the District or to hire an appropriate CEO to lead the organization.
- External Reporting Risk – Our reports produced to satisfy regulatory agencies, investors, borrowers or in connection with the business service are incomplete (including disclosures), inaccurate, or untimely, causing damage to reputation and exposing AgriBank to fines, penalties or sanctions.
- Data and Model integrity – The quality, completeness, and accuracy of our data as it is entered into, processed by, and reported on by various systems and models AgriBank deploys. Models used to analyze or interpret risks are insufficient, flawed or inappropriately used.

We and District Associations are exposed to credit risk.
In the course of our lending and investment activities, we and District Associations are exposed to credit risk. Credit risk arises from changes in a borrower's or counterparty's ability or willingness to repay funds borrowed or meet agreed-to obligations, changes in collateral values and changes in prevailing economic environments.

Factors that can influence credit risk exposure include, but are not limited to:

- A general slowdown in the global economy and the relationship of demand for, and supply of, U.S. agricultural commodities in a global marketplace

- Political or regulatory changes that disrupt or modify an established market
- Major international events, including a downturn in the world economy, military or other armed conflicts, political disruptions, civil unrest or tariffs and embargos or sanctions which negatively impact trade agreements. These events can affect the price of commodities or products used or sold by our borrowers and their access to markets.
- Changes in financial and credit markets, which could affect our ability to buy and sell loan exposures or issue debt
- Fluctuations in prices of agricultural commodities
- Weakness in the U.S. financial markets that may impact the carrying value of certain of our investment securities and the ability of our derivative counterparties to perform under the terms of their contracts
- Changes in the general U.S. economy that may impact the availability of off-farm sources of income and prices of real estate
- Changes in farmland values
- Extreme adverse seasonal or weather conditions (such as flooding or drought) or market-related risks that significantly affect agricultural production and commodity prices
- The deteriorating credit quality or bankruptcy of market participants
- Changes in technology, regulations or shifts in demographics which affect the competitiveness of our borrowers
- Changes in production expenses (such as feed, fuel and fertilizer)
- Availability and cost of agricultural workers
- An outbreak of a widespread disease in livestock/poultry populations, or in humans attributable to agricultural production
- Federal support for agriculture that may be reduced or eliminated, including the federal crop insurance program
- Development of alternative uses and market for agricultural commodities, or the cessation thereof, including ethanol and other biofuel production
- Environmental conditions or laws impacting our lending activities
- Changes in U.S. tax laws could modify deductions taken by Farm Credit System borrowers
- Increasing interest rates

We believe we and District Associations maintain consistent and well-developed underwriting standards and industry-specific lending guidelines, which assist in managing credit risk. We also believe we and District Associations maintain adequate allowance for credit losses inherent in the loan portfolio. Additionally, we and District Associations are regulated by and believe we comply with standards set by the FCA. District Associations minimize credit risk in our liquidity investment portfolio by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. We and District Associations employ many tools to manage credit risk exposures. While we believe these standards and tools are appropriate to manage our credit risk, there is no assurance that significant deterioration in credit quality will not occur, which would reduce our earnings, possibly materially.

We and District Associations are exposed to concentrated risks associated with the agricultural industry and commodity prices.

We are chartered to make loans to District Associations and other financial institutions (OFIs), as provided in the Farm Credit Act. Due to these statutory provisions, we have a significant concentration of lending to agricultural concerns. Our loan portfolio consists of wholesale loans to District Associations, OFIs and participations with other lenders in loans to eligible borrowers. Our earnings, loan growth and the credit quality of our lending portfolio can be impacted significantly by the general state of the agricultural economy. Production agriculture remains a cyclical business that is heavily influenced by the demand for U.S. agricultural products and by commodity prices. Regional agricultural economies within our territory can be impacted by weather, domestic and international demand for food and other agricultural products and other factors. Extreme seasonal conditions can substantially impact grain harvests and commodity prices and, ultimately, impact the credit quality of agricultural borrowers. In addition, declining land values are a potential lending risk following periods of sustained, rapid land value increases.

Furthermore, the U.S. agricultural sector receives significant financial support from the U.S. government through payments authorized under federal legislation, including USDA-sponsored crop insurance programs. While U.S. government support for agriculture has historically remained consistent, congressional efforts to decrease the U.S. budget deficit may result in continued pressure to reduce federal spending. Significant reduction or elimination of agricultural support programs would have a negative impact on the credit quality of certain borrowers. As a result, our earnings could be reduced, possibly materially.

Fluctuations in both commodity prices and production expenses (including interest rates), may have an adverse impact on the cash flow and profitability of certain District Association borrowers, which, in turn, may negatively affect their ability to repay their loans. While certain borrowers may be negatively impacted by these conditions, other borrowers may benefit. For example, decreased prices for grains will result in lower risk profiles for livestock producers, processors and marketers of grains and oilseeds, and borrowers that purchase corn or other grains for use in their products. However, grain farmers may be negatively impacted by lower prices. Fluctuations in the agricultural commodities market and the cost of farm inputs may adversely impact the credit quality of the System’s loan portfolio and, as a result, negatively affect operating results.

The volatility and prices for both crude oil and gasoline, diesel fuel and other refined petroleum products fluctuate widely and can have an adverse impact on the cash flow of District Association borrowers, as well as our loan participation partners. Additionally, the level of mineral income generated from mineral rights we own is a function of oil prices. Various factors beyond our control influence these prices, including, but not limited to: levels of worldwide and domestic supplies, the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil price and production controls, the price and level of foreign imports and exports, disruption in supply, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline capacity, and domestic and foreign governmental regulations and taxes. Our mineral income is predominantly derived from royalties received from the extraction of crude oil. Should extraction slow, stop entirely or the supply chain be disrupted, our mineral income could be severely and adversely impacted. When certain market conditions exist, we strive to manage this risk through the use of commodity derivative instruments.

We and District Associations may lend only to qualified borrowers in the agricultural and rural sectors and certain related entities and are subject to geographic lending restrictions.
Unlike commercial banks and other financial institutions that lend to both the agricultural sector and other sectors of the economy, we and District Associations are restricted solely to making loans and providing financial services to qualified, eligible borrowers in the agricultural and rural sectors and to certain related entities. In addition, we are subject to certain geographic lending restrictions. As a result, we do not have as much flexibility in attempting to diversify our loan portfolios as compared to commercial banks and other financial institutions. This concentration may limit our ability to offset adverse performance in one sector against positive performance in another sector like most diversified financial institutions.

We and District Associations face intense competition from competitors, many of whom are substantially larger and have more capital and other resources.
We and District Associations face intense competition, primarily from mortgage banking companies, commercial banks, thrift institutions, insurance companies, finance companies, and other non-traditional sources of funding. Many of these competitors in the financial services business are substantially larger and have more capital and other resources. Our and District Associations' future results may become increasingly sensitive to fluctuations in the volume and cost of their retail lending activities resulting from competition from other lenders and purchasers of loans. There can be no assurance that we and District Associations will be able to continue to compete successfully in the markets served.

We and District Associations depend on the accuracy and completeness of information from our customers and counterparties.
We and District Associations rely on information furnished by or on behalf of customers and counterparties, including financial information. We and District Associations may also rely on representations of customers and counterparties as to the accuracy and completeness of that information. If the financial or other information provided to us is incorrect, we and District Associations could suffer credit losses or other consequences.

We are exposed to interest rate and counterparty risk.
In the course of our lending and investment activities, we are subject to interest rate risk, which is defined as the risk of changes to future earnings or long-term market value of equity due to changes in interest rates. Interest rate risk arises from differences in timing between the contractual maturity, repricing characteristics and prepayments of our assets and the contractual maturity and repricing characteristics of the financing obtained to fund these assets. The risk can also arise from differences between the interest rate indices used to price our assets and the indices used to fund those assets. We have asset/liability management policies, including risk limits, and strategies to actively manage our interest rate risk, including an Asset and Liability Committee comprised of a cross-functional group of senior leaders. However, there can be no assurance that our interest rate risk management procedures will be effective or that changes in interest rates will not adversely impact our earnings and capital.

We fund real estate mortgage loans through District Associations and purchase mortgage-backed and asset-backed securities that are impacted by changes in interest rates. Changes in interest rates can significantly impact the prepayment patterns of these assets and thus affect our earnings. We strive to manage or reduce this risk by "match-funding" debt securities issued to the maturities of our loans and investments and entering into interest-rate derivative transactions, and through the rebalancing of cash-flow mismatches of assets and liabilities. Our inability to "match-fund" debt securities to longer-term assets may increase the prepayment risks.

We use derivative financial instruments to minimize the financial effects of changes in interest rates and must determine the nature and quantity of these hedging transactions. The effectiveness of the hedging transactions depends upon management's ability to determine the appropriate hedging position, taking into consideration our assets, liabilities and prevailing and anticipated market conditions. In addition, the usefulness of the hedging strategy depends on the availability of cost-effective hedging instruments and the ability to enter into hedging transactions with high quality counterparties. If we are unable to manage our hedging position properly, it will negatively impact our financial condition and results of operations. We also face the risk of operational failure of any of the clearing members, exchanges, clearinghouses, or other financial intermediaries used to facilitate such hedging transactions. If a clearing member or clearinghouse were to fail, we could experience losses related to any collateral we had posted with such clearing member or clearinghouse to cover initial or variation margin. A default by a counterparty with significant obligations to us could adversely affect our ability to conduct our operations efficiently, which in turn could adversely affect our results of operations or our financial condition. To minimize the risk of credit losses, we have developed credit risk management policies and procedures as well as counterparty credit requirements.

If market interest rates move contrary to our interest rate risk position, our earnings and the net present value of our interest-sensitive assets and liabilities will be adversely affected.

We realize income primarily from the spread between interest earned on our loans and investments and the interest paid on borrowings. Also, it is expected that we will from time to time incur interest rate risk in the form of "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, the "gap" will adversely affect earnings and the net present value of our interest-sensitive assets and liabilities.

Changes in LIBOR could adversely affect our operations and cash flows and the value of certain Systemwide Debt Securities.

In July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London Inter-bank Offered Rate (LIBOR) rates after 2021. Further, in the United States, there are multiple efforts to identify a set of alternative U.S dollar reference interest rates. The potential reform, replacement, or elimination of LIBOR may adversely affect the interest we pay on Systemwide debt, the returns we earn on loans and investments, and the effectiveness of our derivatives, which could adversely impact our results of operations and cash flows. When LIBOR is replaced, we would likely need to take steps to restructure our debt and derivatives, which could adversely impact our results of operations.

We are exposed to risks associated with our investments.
We maintain a liquidity plan covering certain contingencies in the event our access to normal funding mechanisms is not available. We purchase only high credit quality investments to best position our investment portfolio to be readily marketable and available to serve as a source of funding in the event of disruption of our normal funding mechanisms. Our liquidity investment portfolio can also be used as collateral to borrow funds to meet obligations, if necessary.

The majority of our investment portfolio consists of securities issued or guaranteed by GSEs or the U.S. government, which remain liquid. The remainder of our investment portfolio represents investments in commercial paper, federal funds, certificates of deposit, and asset-backed securities. In further support of our liquidity, we have cash on deposit at the Federal Reserve Bank and two correspondent banks.

Uncertainty in financial markets or distressed economic conditions may significantly reduce the liquidity of our investments and may make it difficult for us to sell such investments if the need arises. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a liquid market existed for the investments.

We are subject to legal proceedings and legal compliance risks.
We are subject to a variety of legal proceedings and legal compliance risks. We are at times reviewed by the FCA and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. While we believe we have adopted appropriate risk management and compliance programs, legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

We are subject to reputation risk.
Reputation risk arising from negative public opinion could adversely affect our ability to obtain financing, impede our ability to hire and retain qualified personnel or expose us to greater regulatory scrutiny or adverse regulatory or legislative changes. Such risk encompasses the loss of confidence, trust and esteem among investors, retail borrowers, partners, policymakers, shareholders and other key stakeholders. Like all businesses, we are subject to a wide variety of reputation risks both within and outside our control, including credit difficulties with individual customers or industries, business disputes, lawsuits, credit market disruptions, regulatory events and public allegations of misconduct against associates. As a member of the System, we could also be indirectly impacted by events that damage the reputation of another System entity. The board of directors and our management regard our reputation as a critical asset and have implemented a number of policies, procedures and programs to ensure it is protected.

Our ability to attract and retain qualified employees is critical to successfully fulfilling our mission.
Our continued success depends in large part on the efforts and abilities of key employees throughout the organization. Our ability to attract, develop and retain highly qualified employees to execute the appropriate business operations and strategies will impact our future performance.

We may be subject to information technology system failures, network disruptions and breaches in data security.
We rely to a large extent upon information technology systems and infrastructure to operate our business. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. While our systems are primarily centralized within the AgriBank District, there is de-centralization of systems across the Farm Credit System resulting in increased complexity in the technology infrastructure. Likewise, data privacy breaches by employees and others with permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested in protection of data and information technology, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

We are completing significant information technology system conversion projects during 2019 and beyond. During system conversion projects, we are exposed to risks including those involved with data migration, user acceptance and understanding of new systems, and disruptions in processes that depend on these systems. We implement project planning and testing processes in order to minimize these risks, but there can be no assurance that business disruptions or system failures will not occur.

We are subject to cyber security risks.
Information security risks for large institutions such as ours have significantly increased in recent years and, from time to time, we have been and will likely continue to be the target of attempted cyber attacks and other information security breaches. To date, we have not experienced any material losses relating to cyber attacks or other information security breaches, but we could suffer such losses in the future. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect our business, financial condition or results of operations. We maintain insurance coverage relating to cybersecurity risks, and we may still be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures. Despite having insurance coverage, we may be subject to litigation and financial losses. Additionally, third parties with which we do business may also be sources of cybersecurity or other technological risks.

A failure or circumvention of our controls and procedures could have an adverse effect on our business, results of operations and financial condition.
We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. However, no control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, while we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes

and reporting in the future. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have an adverse effect on our business, results of operations and financial condition.

Failures of critical vendors and other third parties could disrupt our ability to conduct and manage our businesses.

We rely on vendors and other third parties to perform certain critical services. A failure in, or an interruption to, one or more of those services provided could negatively impact our business operations. If one or more of these key external parties were not able to perform their functions for a period of time, at an acceptable service level, or for increased volumes, our business operations could be constrained, disrupted, or otherwise negatively affected.

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