







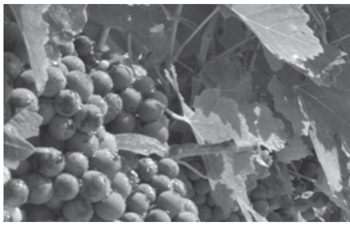

2020 Second Quarter Report

JUNE 30, 2020

Texas Farm Credit District

INTRODUCTION AND TEXAS FARM CREDIT DISTRICT OVERVIEW

The Farm Credit Bank of Texas (bank) and its related associations collectively are referred to as the Texas Farm Credit District (district). The district is part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The district serves Texas, Alabama, Mississippi, Louisiana and most of New Mexico. The bank provides funding to the district associations, which, in turn, provide credit to their borrower-shareholders. As of June 30, 2020, the bank served one Federal Land Credit Association (FLCA), 13 Agricultural Credit Associations (ACAs) and certain Other Financing Institutions (OFIs) which are not part of the System. The FLCA and ACAs are collectively referred to as associations.

The System is a cooperative structure. Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). 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. Farm Credit associations receive funding through one of the four System banks. Each System bank has exposure to Systemwide credit risk because each bank is joint and severally liable for all Systemwide debt issued. System entities have specific lending authorities within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to provide sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and certain farm-related businesses. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses.

The following commentary reviews the combined financial statements of condition and results of operations of the district for the three and six months ended June 30, 2020.

COMBINED FINANCIAL HIGHLIGHTS

(in thousands)	June 30, 2020	December 31, 2019
Total loans	**$ 27,458,062**	$ 26,336,733
Allowance for loan losses	**94,734**	89,859
Net loans	**27,363,328**	26,246,874
Total assets	**34,447,302**	32,846,596
Total members' equity	**4,953,922**	4,701,126

Six Months Ended June 30,	2020	2019
Net interest income	**$ 433,143**	$ 399,258
Provision for loan losses	**5,855**	9,068
Net fee income	**21,922**	11,465
Net income	**267,936**	234,653
Net interest margin	**2.65%**	2.59%
Net loan charge-offs (recoveries) as a percentage of average loans	**(0.00)**	0.01
Return on average assets (ROA)	**1.56**	1.45
Return on average shareholders' equity	**10.95**	9.89
Operating expenses as a percentage of net interest income and noninterest income	**42.21**	44.32
Average loans	**$ 26,922,081**	$ 25,235,118
Average earning assets	**32,816,540**	31,131,473
Average total assets	**34,066,886**	31,828,248

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net Income

The district's net income of $140.7 million for the three months ended June 30, 2020, reflected an increase of $20.6 million, or 17.1%, over the same time period of 2019. The increase in net income was primarily due to a $21.5 million increase in net interest income and a decrease of $1.4 million in noninterest expense, partially offset by a $2.0 million decrease in noninterest income and a $0.6 million increase in provision for loan losses.

The district's net income of $267.9 million for the six months ended June 30, 2020, reflected an increase of $33.3 million, or 14.2%, over the same time period of 2019. The increase in net income was primarily due to a $33.9 million increase in net interest income, a $3.2 million decrease in provision for loan losses and a $1.6 million increase in noninterest income, partially offset by an increase of $5.7 million in noninterest expense. The return on average assets increased to 1.56% for the six months ended June 30, 2020, from the 1.45% reported for the same period of the prior year.

Net Interest Income

Net interest income for the three months ended June 30, 2020, was $222.4 million, an increase of $21.5 million, or 10.7%, over the same period of 2019, due primarily to a $2.05 billion increase in combined district average earning assets. The increase in earning assets included growth in the associations' loan portfolios, the bank's investment portfolio and the bank's capital markets loan portfolio. The increase in net interest income was also attributable to a 29-basis-point increase in the net interest rate spread from 221 basis points to 250 basis points. The increased spread was due to a 102-basis-point decrease in the average rate on debt, as compared to a 73-basis-point decrease in the rate on earning assets. The net interest margin of 268 basis points for the three months ended June 30, 2020, was 11 basis points higher than the three months ended June 30, 2019.

Net interest income for the six months ended June 30, 2020, was $433.1 million, an increase of $33.9 million, or 8.5%, over the same period of 2019, due primarily to a $1.69 billion increase in combined district average earning assets. The increase in earning assets included growth in the associations' loan portfolios, the bank's investment portfolio and the bank's capital markets loan portfolio. The increase in net interest income was also attributable to a 20-basis-point increase in the net interest spread from 222 basis points to 242 basis points. The increased spread was due to a 72-basis point decrease in the average rate on debt, as compared to a 52-basis-point decrease in the rate on earning assets. The net interest rate margin increased by 6 basis points to 265 basis points for the six months ended June 30, 2020, as compared with 259 basis points for the same period of the prior year.

During the six months ended June 30, 2020, the bank called $11.45 billion in debt resulting in $14.3 million in accelerated concession expense recognition, as compared to $1.87 billion in debt called and $3.5 million in accelerated concession expense recognition, for the same period of 2019.

Provision for Loan Losses

The provision for loan losses for the three months ended June 30, 2020, totaled $3.4 million, an increase of $0.6 million from the $2.8 million provision for credit losses recorded for the same period of 2019. The bank's increase of $724 thousand was due to $1.0 million of qualitative general reserves, partially offset by a $174 thousand decrease at the associations, compared with the same period of 2019. The bank's qualitative general reserves, as recorded for the second quarter of 2020, related to the participations purchased loan portfolio from uncertainty resulting from the COVID-19 pandemic within the following sectors: beef cattle, dairy, other livestock production and processing, oil and gas, and forestry and wood processing. In addition, general reserves increased $674 thousand due to loan volume growth and limited credit quality deterioration in certain sectors, partially offset by the reversal of specific reserves of $809 thousand related to improved performance on a nonaccrual loan, compared with the same period of 2019.

The provision for loan losses for the six months ended June 30, 2020, totaled $5.9 million, a decrease of $3.2 million from the $9.1 million provision for credit losses recorded for the same period of 2019. The decrease was due to a $3.4 million decrease at the combined associations and a $169 thousand increase at the bank. The decrease of the provision for credit losses at the combined associations was mainly driven by a $7.0 million decline from provisions previously recorded from instability in cattle prices, offset by a $3.6 million increase at other associations, which was partially the result of qualitative analysis for the potential impact of the COVID-19 pandemic. The bank's increase was primarily due to $1.0 million of qualitative general reserves for the participations purchased loan portfolio due to uncertainty from the COVID-19 pandemic in the following sectors: beef cattle, dairy, other livestock production and processing, oil and gas, and forestry and wood processing. The increase was partially offset by the reversal of specific reserves of $821 thousand related to improved performance on a nonaccrual loan, compared with the same period of 2019.

Noninterest Income

Noninterest income for the three months ended June 30, 2020, was $17.2 million, a decrease of $2.0 million, or 10.6%, compared to the same period of 2019. The decrease was primarily due to a $7.5 million gain resulting from the bank's sale of investment securities during June 2019 and a $1.8 million decrease in other income, partially offset by a $6.8 million increase in fees for loan-related services.

Noninterest income for the six months ended June 30, 2020, was $40.0 million, an increase of $1.6 million, or 4.2%, compared to the same period of 2019. The increase was due to a $10.5 million increase in fees for loan-related services, offset by a $7.5 million gain resulting from the bank's sales of investment securities during June 2019 and a $1.6 million decrease in other income.

Noninterest Expense

Noninterest expense for the three months ended June 30, 2020, totaled $95.6 million, decreasing $1.4 million, or 1.4%, from the same period of 2019. The decrease in noninterest expense was driven by a $6.0 million decrease in other operating expenses, partially offset by a $2.0 million increase in salaries and employee benefits and a $2.1 million increase in occupancy and equipment.

Noninterest expense for the six months ended June 30, 2020, totaled $199.7 million, increasing $5.7 million, or 2.9%, from the same period of 2019. The increase in noninterest expense was primarily driven by a $5.6 million increase in salaries and employee benefits and a $3.7 million increase in occupancy and equipment, offset by a $4.6 million decrease in other operating expenses.

Loan Portfolio

District Loans by Loan Type

(in thousands)	**June 30, 2020**	December 31, 2019
Real estate mortgage	**$ 16,380,999**	$ 15,696,003
Production and intermediate-term	**3,374,321**	3,313,367
Agribusiness:		
Loans to cooperatives	**637,906**	474,242
Processing and marketing	**4,119,500**	4,222,344
Farm-related business	**309,204**	218,196
Communications	**828,177**	636,069
Energy (rural utilities)	**1,237,866**	1,220,359
Water and waste disposal	**182,295**	131,196
Rural residential real estate	**245,759**	253,336
Mission-related	**75,092**	98,650
Loans to other financing institutions (OFIs)	**36,150**	41,170
Lease receivables	**30,793**	31,801
Total loans	**$ 27,458,062**	$ 26,336,733

The district loan portfolio consists only of retail loans. Bank loans to its affiliated associations, also referred to as direct notes, have been eliminated in the combined financial statements. Total loan volume at June 30, 2020, was $27.46 billion, an increase of $1.12 billion, or 4.26%, from the $26.34 billion loan portfolio balance at December 31, 2019. The loan volume increase of $1.12 billion during the first six months of 2020 was driven by a $257.8 million increase in the bank's capital markets loan portfolio and an $863.5 million increase in the associations' loan portfolios.

The bank's capital markets loan portfolio, also referred to as participations purchased loan portfolio, predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. In addition to purchasing loans from our district associations, which may exceed their hold limits, the bank seeks the purchase of participations and syndications originated outside of the district's territory by other System institutions, commercial banks and other lenders. These loans may be held as earning assets of the bank or sub-participated to the associations or other System entities.

Loan Quality

One credit quality indicator utilized by the bank and associations is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest receivable classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable:

District Loan Quality

	June 30, 2020	December 31, 2019
Acceptable	**96.5%**	96.6%
OAEM (special mention)	**2.0**	1.8
Substandard/doubtful	**1.5**	1.6
Total	**100.0%**	100.0%

Overall credit quality at the bank and at the district associations remained strong at June 30, 2020. Loans classified as acceptable or OAEM as a percentage of total loans and accrued interest receivable were 98.5% at June 30, 2020, compared to 98.4% at December 31, 2019.

Nonperforming Assets

(in thousands)		June 30, 2020		December 31, 2019
Nonaccrual loans:				
Real estate mortgage	**$**	**86,035**	$	71,745
Production and intermediate-term		**46,164**		30,307
Agribusiness		**9,613**		12,234
Energy (rural utilities)		**10,744**		12,293
Rural residential real estate		**1,138**		465
Mission-related		**1,054**		1,144
Total nonaccrual loans	**$**	**154,748**	$	128,188
Accruing restructured loans:				
Real estate mortgage	**$**	**28,296**	$	29,983
Production and intermediate-term		**5,096**		4,596
Energy (rural utilities)		**-**		1,944
Rural residential real estate		**144**		148
Mission-related		**5,130**		5,302
Total accruing restructured loans	**$**	**38,666**	$	41,973
Accruing loans 90 days or more past due:				
Real estate mortgage	**$**	**12,372**	$	3,491
Production and intermediate-term		**1,070**		816
Agribusiness		**1,535**		-
Rural residential real estate		**240**		24
Mission-related		**209**		-
Total accruing loans 90 days or more past due	**$**	**15,426**	$	4,331
Total nonperforming loans	**$**	**208,840**	$	174,492
Other property owned		**11,498**		10,695
Total nonperforming assets	**$**	**220,338**	$	185,187

Nonperforming loans are composed of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due, and are also referred to as impaired loans. Nonperforming assets consist of nonperforming loans and other property owned (OPO). Total nonperforming assets have increased by $35.2 million, or 19.0%, from $185.2 million at December 31, 2019, to $220.3 million at June 30, 2020.

At June 30, 2020, $85.2 million, or 55.0%, of loans classified as nonaccrual were current as to principal and interest, compared to $78.0 million, or 60.8%, of nonaccrual loans at December 31, 2019.

The following table provides an age analysis of the loan portfolio (including accrued interest):

Aging Analysis of Loans (in thousands)

June 30, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	**$ 82,363**	**$ 47,749**	**$ 130,112**	**$ 16,408,412**	**$ 16,538,524**
Production and intermediate-term	**20,360**	**23,726**	**44,086**	**3,360,625**	**3,404,711**
Agribusiness	**5,473**	**3,560**	**9,033**	**5,080,061**	**5,089,094**
Communications	**-**	**-**	**-**	**828,348**	**828,348**
Energy (rural utilities)	**45**	**-**	**45**	**1,243,550**	**1,243,595**
Water and waste disposal	**-**	**-**	**-**	**183,202**	**183,202**
Rural residential real estate	**1,479**	**879**	**2,358**	**244,273**	**246,631**
Mission-related	**600**	**1,263**	**1,863**	**73,865**	**75,728**
Loans to OFIs	**-**	**-**	**-**	**36,213**	**36,213**
Lease receivables	**-**	**-**	**-**	**30,954**	**30,954**
Total loans	**$ 110,320**	**$ 77,177**	**$ 187,497**	**$ 27,489,503**	**$ 27,677,000**

December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 95,208	$ 27,852	$ 123,060	$ 15,730,848	$ 15,853,908
Production and intermediate-term	16,395	14,245	30,640	3,321,244	3,351,884
Agribusiness	2,090	36	2,126	4,937,104	4,939,230
Communications	-	-	-	636,383	636,383
Energy (rural utilities)	-	-	-	1,225,149	1,225,149
Water and waste disposal	-	-	-	132,155	132,155
Rural residential real estate	2,008	91	2,099	252,124	254,223
Mission-related	1,114	1,055	2,169	97,318	99,487
Loans to OFIs	-	-	-	41,270	41,270
Lease receivables	-	-	-	31,915	31,915
Total loans	$ 116,815	$ 43,279	$ 160,094	$ 26,405,510	$ 26,565,604

A summary of changes in the allowance for loan losses and period-end recorded investment in loans is as follows:

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cation	Energy and Water/Waste Disposal	Rural Residential Real Estate	Mission-Related	Loans to OFIs	Lease Receivables	Total
Allowance for Loan Losses:										
Balance at March 31, 2020	$ 46,075	$ 25,509	$ 14,892	$ 634	$ 4,312	$ 402	$ 119	$ -	$ 126	$ 92,069
Provision for loan losses										
(loan loss reversal)	(1,680)	607	2,801	249	1,339	28	(1)	-	50	3,393
Recoveries	371	374	15	-	-	4	-	-	-	764
Charge-offs	(139)	(424)	-	-	-	(2)	-	-	-	(565)
Other*	(12)	(345)	(502)	(4)	(64)	-	-	-	-	(927)
Balance at June 30, 2020	$ 44,615	$ 25,721	$ 17,206	$ 879	$ 5,587	$ 432	$ 118	$ -	$ 176	$ 94,734
Balance at December 31, 2019	$ 44,263	$ 24,200	$ 15,029	$ 609	$ 5,082	$ 422	$ 124	$ -	$ 130	$ 89,859
Provision for loan losses										
(loan loss reversal)	9	2,323	2,519	278	665	21	(6)	-	46	5,855
Recoveries	534	1,576	16	-	-	14	-	-	-	2,140
Charge-offs	(186)	(1,729)	-	-	(130)	(25)	-	-	-	(2,070)
Other*	(5)	(649)	(358)	(8)	(30)	-	-	-	-	(1,050)
Balance at June 30, 2020	$ 44,615	$ 25,721	$ 17,206	$ 879	$ 5,587	$ 432	$ 118	$ -	$ 176	$ 94,734
Individually evaluated										
for impairment	$ 2,187	$ 3,329	$ 1,567	$ -	$ 4,120	$ 50	$ 112	$ -	$ -	$ 11,365
Collectively evaluated										
for impairment	42,428	22,392	15,639	879	1,467	382	6	-	176	83,369
Balance at June 30, 2020	$ 44,615	$ 25,721	$ 17,206	$ 879	$ 5,587	$ 432	$ 118	$ -	$ 176	$ 94,734
Recorded Investments in Loans Outstanding:										
Balance at June 30, 2020										
Loans individually evaluated										
for impairment	$ 130,813	$ 52,395	$ 16,731	$ -	$ 10,744	$ 1,628	$ 6,393	$ -	$ -	$ 218,704
Loans collectively evaluated										
for impairment	16,407,710	3,352,316	5,072,363	828,348	1,416,053	245,003	69,335	36,213	30,954	27,458,295
Loans acquired with										
deteriorated credit quality	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2020	$ 16,538,523	$ 3,404,711	$ 5,089,094	$ 828,348	$ 1,426,797	$ 246,631	$ 75,728	$ 36,213	$ 30,954	$ 27,676,999

*Reserve for losses on letters of credit and unfunded commitments is recorded in other liabilities.

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cation	Energy and Water/Waste Disposal	Rural Residential Real Estate	Mission-Related	Loans to OFIs	Lease Receivables	Total
Allowance for Loan Losses:										
Balance at March 31, 2019	$ 40,221	$ 24,245	$ 13,847	$ 620	$ 6,869	$ 437	$ 134	$ -	$ 111	$ 86,484
Provision for loan losses (loan loss reversal)	1,027	761	930	121	(42)	40	(3)	-	8	2,842
Recoveries	448	391	24	-	-	7	-	-	-	870
Charge-offs	(769)	(640)	-	-	-	(10)	-	-	-	(1,419)
Other*	5	110	(148)	(9)	(36)	1	(1)	-	-	(78)
Balance at June 30, 2019	$ 40,932	$ 24,867	$ 14,653	$ 732	$ 6,791	$ 475	$ 130	$ -	$ 119	$ 88,699
Balance at December 31, 2018	$ 40,137	$ 20,483	$ 13,413	$ 851	$ 6,494	$ 458	$ 132	$ -	$ 101	$ 82,069
Provision for loan losses (loan loss reversal)	1,601	5,845	1,293	(103)	353	62	(2)	-	19	9,068
Recoveries	480	754	118	-	-	15	-	-	-	1,367
Charge-offs	(1,290)	(1,989)	-	-	-	(61)	-	-	-	(3,340)
Other*	4	(226)	(171)	(16)	(56)	1	-	-	(1)	(465)
Balance at June 30, 2019	$ 40,932	$ 24,867	$ 14,653	$ 732	$ 6,791	$ 475	$ 130	$ -	$ 119	$ 88,699
Individually evaluated for impairment	$ 1,672	$ 4,614	$ 3,907	$ -	$ 3,725	$ 59	$ 107	$ -	$ -	$ 14,084
Collectively evaluated for impairment	39,260	20,253	10,746	732	3,066	416	23	-	119	74,615
Balance at June 30, 2019	$ 40,932	$ 24,867	$ 14,653	$ 732	$ 6,791	$ 475	$ 130	$ -	$ 119	$ 88,699
Recorded Investments in Loans Outstanding:										
Balance at June 30, 2019										
Loans individually evaluated for impairment	$ 115,906	$ 45,242	$ 14,857	$ -	$ 14,064	$ 969	$ 6,396	$ -	$ -	$ 197,434
Loans collectively evaluated for impairment	15,230,694	3,204,667	4,759,877	600,053	1,450,093	242,841	93,428	41,009	32,629	25,655,291
Loans acquired with deteriorated credit quality	185	-	-	-	-	-	-	-	-	185
Balance at June 30, 2019	$ 15,346,785	$ 3,249,909	$ 4,774,734	$ 600,053	$ 1,464,157	$ 243,810	$ 99,824	$ 41,009	$ 32,629	$ 25,852,910

*Reserve for losses on letters of credit and unfunded commitments is recorded in other liabilities.

Loans, net of the allowance for loan losses, represented 79.4% of total assets at June 30, 2020, and 79.9% as of December 31, 2019.

Investments

The bank is responsible for meeting the district's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the district's primary source of liquidity, the bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. Due to the liquidity needs, the bank typically holds investments on an available–for-sale basis. Refer to the bank's 2020 second quarter report for additional description of the types of investments and maturities. District associations have regulatory authority to enter into certain guaranteed investments that are typically mortgage-backed or asset-backed securities.

Investment Information

(in thousands) **June 30, 2020**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Bank investments	**$ 5,496,728**	**$ 96,704**	**$ (4,342)**	**$ 5,589,090**
District association investments	**88,105**	**294**	**-**	**88,399**
Total district investments	**$ 5,584,833**	**$ 96,998**	**$ (4,342)**	**$ 5,677,489**

December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank investments	$ 5,291,930	$ 23,147	$ (19,934)	$ 5,295,143
District association investments	93,795	219	(6)	94,008
Total district investments	$ 5,385,725	$ 23,366	$ (19,940)	$ 5,389,151

The district association investments in the preceding table include held-to-maturity securities with an amortized cost of $9.7 million, an unrealized gain of $225 thousand, and a fair value of $9.9 million, as of June 30, 2020, and an amortized cost of $13.1 million, an unrealized gain of $92 thousand, and a fair value of $13.2 million as of December 31, 2019. These securities are reported at amortized cost on the balance sheets.

Capital Resources

District members' equity totaled $4.95 billion at June 30, 2020, including $720.0 million in preferred stock, $67.2 million in capital stock and participation certificates, $4.07 billion in retained earnings and $224.6 million in additional paid-in-capital, offset by accumulated other comprehensive loss of $128.1 million.

Borrower equity purchases required by association capitalization bylaws, combined with a history of growth in retained earnings at district institutions, have resulted in district institutions being able to maintain strong capital positions. The $4.95 billion capital position of the district at June 30, 2020, reflected an increase of 5.4% over the December 31, 2019, capital position of $4.70 billion. This increase was attributable to year-to-date net income of $267.9 million and capital stock net issuances of $0.6 million, offset by estimated cash patronage distributions of $12.3 million, a $25.3 million increase in accumulated other comprehensive loss, and $28.7 million in dividends accrued and paid on preferred stock.

Accumulated other comprehensive loss totaled $128.1 million at June 30, 2020, a decrease of $25.3 million from December 31, 2019. The decrease in accumulated other comprehensive losses was driven by a $70.5 million increase in unrealized losses on cash flow derivatives, a decrease in unrealized losses on pension and OPEB, and an $89.1 million increase in unrealized gains on the bank's available-for-sale investments.

Following is a summary of the components of accumulated other comprehensive loss:

Accumulated Other Comprehensive Loss

(in thousands)	**June 30, 2020**	December 31, 2019
Unrealized gains (losses) on investment securities	$ 92,431	$ 3,334
Derivatives and hedging position	(124,587)	(54,042)
Employee benefit plan position	(95,981)	(102,764)
Total Accumulated Other Comprehensive Loss	$ (128,137)	$ (153,472)

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations.

Regulatory Capital Requirements and Ratios

As of June 30, 2020	Primary Components of Numerator	* Regulatory Minimums with Buffers	Bank	District Associations
Risk adjusted:				
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	7.0%	9.2%	11.8% - 21.1%
Tier 1 capital ratio	CET1 capital, noncumulative perpetual preferred stock	8.5%	14.9%	11.8% - 21.1%
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	10.5%	15.0%	13.2% - 21.6%
Permanent capital ratio	Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	15.0%	12.9% - 21.2%
Non-risk adjusted:				
Tier 1 leverage ratio **	Tier 1 capital	5.0%	6.6%	10.6% - 19.3%
UREE leverage ratio	URE and URE equivalents	1.5%	2.7%	7.8% - 20.4%

* The capital conservation buffers became fully effective January 1, 2020. There is no phase-in period for the tier 1 leverage ratio. Amounts shown reflect the full capital conservation buffers.

** Must include the regulatory minimum requirements for the URE and UREE leverage ratio

1 Equities outstanding 7 or more years

2 Capped at 1.25% of risk-adjusted assets

3 Outstanding 5 or more years, but less than 7 years

4 Outstanding 5 or more years

Combined Balance Sheets

(Unaudited)

(in thousands)	**June 30, 2020**	December 31, 2019
ASSETS		
Cash	**$ 260,929**	$ 55,312
Federal funds sold and overnight investments	**309,113**	374,344
Investment securities	**5,677,264**	5,389,059
Loans	**27,458,062**	26,336,733
Less allowance for loan losses	**94,734**	89,859
Net loans	**27,363,328**	26,246,874
Accrued interest receivable	**230,827**	241,940
Premises and equipment, net	**232,645**	210,955
Other assets	**373,196**	328,112
Total assets	**$ 34,447,302**	$ 32,846,596
LIABILITIES		
Bonds and notes	**$ 28,872,687**	$ 27,323,906
Accrued interest payable	**65,800**	91,951
Patronage distributions payable	**2,007**	192,909
Preferred stock dividends payable	**21,613**	21,613
Other liabilities	**531,273**	515,091
Total liabilities	**$ 29,493,380**	$ 28,145,470
MEMBERS' EQUITY		
Preferred stock	**$ 720,000**	$ 720,000
Capital stock and participation certificates	**67,219**	66,705
Allocated retained earnings	**805,188**	805,189
Unallocated retained earnings	**3,265,027**	3,038,079
Additional paid-in-capital	**224,625**	224,625
Accumulated other comprehensive loss	**(128,137)**	(153,472)
Total members' equity	**$ 4,953,922**	$ 4,701,126
Total liabilities and members' equity	**$ 34,447,302**	$ 32,846,596

Combined Statements of Income

(Unaudited)

(in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
INTEREST INCOME				
Investment securities	**$ 23,975**	$ 37,523	**$ 53,999**	$ 76,212
Loans	**306,070**	330,474	**632,677**	654,179
Total interest income	**$ 330,045**	$ 367,997	**$ 686,676**	$ 730,391
INTEREST EXPENSE				
Bonds and notes	**97,240**	138,027	**221,314**	271,891
Notes payable and other	**10,433**	29,141	**32,219**	59,242
Total interest expense	**$ 107,673**	$ 167,168	**$ 253,533**	$ 331,133
Net interest income	**$ 222,372**	$ 200,829	**$ 433,143**	$ 399,258
Provision for loan losses	**3,392**	2,842	**5,855**	9,068
Net interest income after provision for loan losses	**$ 218,980**	$ 197,987	**$ 427,288**	$ 390,190
NONINTEREST INCOME				
Patronage income	**3,618**	3,124	**8,760**	8,121
Fees for loan-related services	**12,286**	5,512	**21,922**	11,465
Refunds from Farm Credit System Insurance Corporation	**-**	-	**6,135**	6,469
Net gains on sale of investments	**-**	7,516	**-**	7,516
Other income, net	**1,339**	3,131	**3,166**	4,809
Total noninterest income	**$ 17,243**	$ 19,283	**$ 39,983**	$ 38,380
NONINTEREST EXPENSE				
Salaries and employee benefits	**57,315**	55,308	**118,235**	112,649
Occupancy and equipment	**11,710**	9,634	**23,545**	19,862
Purchased services	**9,721**	9,243	**19,126**	17,745
Farm Credit System Insurance Corporation expense	**5,047**	5,021	**9,808**	10,155
Other operating expenses	**11,846**	17,825	**28,970**	33,552
Total noninterest expense	**$ 95,639**	$ 97,031	**$ 199,684**	$ 193,963
Income before income taxes	**140,584**	120,239	**267,587**	234,607
(Benefit from) provision for income taxes	**(150)**	77	**(349)**	(46)
Net income	**$ 140,734**	$ 120,162	**$ 267,936**	$ 234,653

Select information on district associations

(in thousands) As of June 30, 2020	Direct Notes	% of Total Direct Notes	Total Assets	Total Allowance and Capital	Total Capital Ratio	Nonperforming Loans as a % of Total Loans	Annualized ROA
Ag New Mexico, Farm Credit Services, ACA	$ 231,250	1.31%	$ 282,409	$ 46,502	13.69%	2.30%	1.46%
AgTexas Farm Credit Services	1,902,611	10.77%	2,221,817	298,983	13.23%	1.65%	1.65%
Alabama Ag Credit, ACA	934,611	5.29%	1,142,415	208,145	16.55%	1.19%	1.64%
Alabama Farm Credit, ACA	807,477	4.58%	944,812	135,460	14.21%	0.76%	1.88%
Capital Farm Credit, ACA	6,894,390	39.02%	8,369,970	1,419,982	14.73%	1.09%	2.55%
Central Texas Farm Credit, ACA	460,126	2.61%	582,866	119,313	18.45%	0.07%	1.77%
Heritage Land Bank, ACA	488,605	2.77%	584,035	94,243	15.33%	0.16%	1.45%
Legacy Ag Credit, ACA	231,873	1.31%	294,247	61,892	21.60%	1.83%	1.45%
Lone Star, ACA	1,441,640	8.16%	1,823,030	375,182	18.82%	0.37%	1.81%
Louisiana Land Bank, ACA	733,998	4.15%	907,000	170,498	17.02%	0.79%	1.79%
Mississippi Land Bank, ACA	641,627	3.63%	791,861	138,834	15.96%	0.10%	1.71%
Plains Land Bank, FLCA	635,956	3.60%	770,602	133,412	15.62%	0.59%	2.18%
Southern AgCredit, ACA	997,266	5.64%	1,203,822	184,558	14.40%	0.36%	1.83%
Texas Farm Credit Services	1,265,221	7.16%	1,500,068	227,040	13.71%	0.79%	2.26%
Totals	$ 17,666,651	100.00%	$ 21,418,954	$ 3,614,044			

District Contact Information

Name of Entity	Headquarters Location	Contact Number	Website
Ag New Mexico, Farm Credit Services, ACA	4501 N. Prince Street, Clovis, New Mexico 88101	575-762-3828	www.agnewmexico.com
AgTexas Farm Credit Services	5004 N. Loop 289, Lubbock, Texas 79416	806-687-4068	www.agtexas.com
Alabama Ag Credit, ACA	2660 Eastchase Lane, Suite 401, Montgomery, Alabama 36117	334-270-8687	www.alabamaagcredit.com
Alabama Farm Credit, ACA	1740 Eva Road NE, Cullman, Alabama 35055	256-737-7128	www.alabamafarmcredit.com
Capital Farm Credit, ACA	3000 Briarcrest Drive, Suite 601, Bryan, Texas 77802	979-822-3018	www.capitalfarmcredit.com
Central Texas Farm Credit, ACA	1026 Early Boulevard, Early, Texas 76802	325-643-5563	www.ranchmoney.com
Farm Credit Bank of Texas	4801 Plaza on the Lake Drive, Austin, Texas 78746	512-465-0400	www.farmcreditbank.com
Heritage Land Bank, ACA	4608 Kinsey Drive, Suite 100, Tyler, Texas 75703	903-534-4975	www.heritagelandbank.com
Legacy Ag Credit, ACA	303 Connally Street, Sulphur Springs, Texas 75482	903-885-9566	www.legacyaca.com
Lone Star, ACA	1612 Summit Avenue, Suite 300, Fort Worth, Texas 76102	817-332-6565	www.lonestaragcredit.com
Louisiana Land Bank, ACA	2413 Tower Drive, Monroe, Louisiana 71201	318-387-7535	www.louisianalandbank.com
Mississippi Land Bank, ACA	5509 Highway 51 North, Senatobia, Mississippi 38668	662-562-9671	www.mslandbank.com
Plains Land Bank, FLCA	5625 Fulton Drive, Amarillo, Texas 79109	806-331-0926	www.plainslandbank.com
Southern AgCredit, ACA	402 West Parkway Place, Ridgeland, Mississippi 39157	601-499-2820	www.southernagcredit.com
Texas Farm Credit Services	545 S. Highway 77, Robstown, Texas 78380	361-387-8563	www.texasfarmcredit.com