







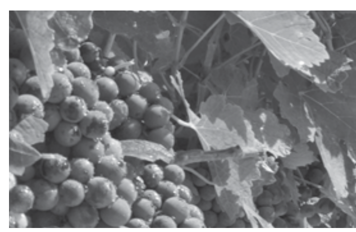

2020 Third Quarter Report

SEPTEMBER 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 September 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 nine months ended September 30, 2020.

COMBINED FINANCIAL HIGHLIGHTS

(in thousands)		September 30, 2020		December 31, 2019
Total loans	$	**27,830,750**	$	26,336,733
Allowance for loan losses		**98,342**		89,859
Net loans		**27,732,408**		26,246,874
Total assets		**34,505,420**		32,846,596
Total members' equity		**5,097,319**		4,701,126

Nine Months Ended September 30,		2020		2019
Net interest income	$	**668,233**	$	605,283
Provision for loan losses		**12,406**		8,605
Net fee income		**36,775**		18,948
Net income		**419,047**		356,252
Net interest margin		**2.70%**		2.59%
Net loan charge-offs (recoveries) as a percentage of average loans		**0.01**		0.02
Return on average assets (ROA)		**1.62**		1.48
Return on average shareholders' equity		**11.18**		9.97
Operating expenses as a percentage of net interest income and noninterest income		**40.79**		44.25
Average loans	$	**27,211,472**	$	25,421,355
Average earning assets		**33,109,156**		31,281,447
Average total assets		**34,270,075**		31,999,265

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net Income

The district's net income of $151.1 million for the three months ended September 30, 2020, reflected an increase of $29.5 million, or 24.3%, over the same time period of 2019. The increase in net income was primarily due to a $29.1 million increase in net interest income and an increase of $9.3 million in noninterest income, partially offset by a $7.0 million increase in provision for loan losses and a $1.8 million increase in noninterest expense.

The district's net income of $419.0 million for the nine months ended September 30, 2020, reflected an increase of $62.8 million, or 17.6%, over the same time period of 2019. The increase in net income was primarily due to a $63.0 million increase in net interest income and a $10.9 million increase in noninterest income, partially offset by an increase of $7.5 million in noninterest expense and a $3.8 million increase in provision for loan losses. The return on average assets increased to 1.62% for the nine months ended September 30, 2020, from the 1.48% reported for the same period of the prior year.

Net Interest Income

Net interest income for the three months ended September 30, 2020, was $235.1 million, an increase of $29.1 million, or 14.1%, over the same period of 2019, due to an increase in the net interest rate spread and a $2.1 billion increase in combined district average earning assets. The 37-basis-point increase in the net interest spread from 223 basis points to 260 basis points was attributable to a 122-basis-point decrease in the average rate on debt, as compared to an 85-basis-point decrease in the rate on earning assets. Given the low interest rate environment the bank took advantage of the opportunity and called debt, which reduced debt costs. During the three months ended September 30, 2020, the bank called $2.9 billion in debt resulting in $5.1 million in accelerated concession expense recognition, as compared to $2.7 billion in debt called and $4.9 million in accelerated concession expense recognition, for the same period of 2019. The net interest margin of 278 basis points for the three months ended September 30, 2020, was 19 basis points higher than the three months ended September 30, 2019. The increase in earning assets included growth in the associations' loan portfolios and the bank's investment portfolio.

Net interest income for the nine months ended September 30, 2020, was $668.2 million, an increase of $63.0 million, or 10.4%, over the same period of 2019, due to an increase in the net interest rate spread and a $1.8 billion increase in combined district average earning assets. The 26-basis-point increase in the net interest spread from 222 basis points to 248 basis points was attributable to an 89-basis point decrease in the average rate on debt, as compared to a 63-basis-point decrease in the rate on earning assets. During the nine months ended September 30, 2020, the bank called $14.4 billion in debt resulting in $19.4 million in accelerated concession expense recognition, as compared to $4.6 billion in debt called and $8.4 million in accelerated concession expense recognition, for the same period of 2019.

The net interest rate margin increased by 11 basis points to 270 basis points for the nine months ended September 30, 2020, as compared with 259 basis points for the same period of the prior year. The increase in earning assets included growth in the associations' loan portfolios and the bank's investment portfolio.

Provision for Loan Losses

The provision for loan losses for the three months ended September 30, 2020, totaled $6.6 million, an increase of $7.0 million from the $463 thousand loan loss reversal recorded for the same period of 2019. The bank's $335 provision for loan losses for the three months ended September 30, 2020, primarily reflected an increase in qualitative general reserves associated with uncertainty from the COVID-19 pandemic. The qualitative general reserves were attributed to the following sectors of the participations purchased loan portfolio: beef cattle, dairy, other livestock production and processing, oil and gas, and forestry and wood processing. The provision for credit losses for this period also included a reduction in general reserves due to an improvement in credit quality. The associations' $6.2 million provision for loan losses for the three months ended September 30, 2020, primarily reflected an increase in general reserves due to uncertainty from the COVID-19 pandemic.

The provision for loan losses for the nine months ended September 30, 2020, totaled $12.4 million, an increase of $3.8 million from the $8.6 million provision for credit losses recorded for the same period of 2019. The increase was due to a $2.3 million increase at the bank and a $1.5 million increase at the combined associations. The bank's increase was driven by a $2.0 million increase in qualitative general reserves and was associated with 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.

Noninterest Income

Noninterest income for the three months ended September 30, 2020, was $19.9 million, an increase of $9.3 million, or 87.2%, compared to the same period of 2019. The increase was primarily due to a $7.4 million increase in fees for loan-related services and a $2.6 million increase in other income.

Noninterest income for the nine months ended September 30, 2020, was $59.9 million, an increase of $10.9 million, or 22.2%, compared to the same period of 2019. The increase was primarily due to a $17.8 million increase in fees for loan-related services, partially offset by a $7.5 million decrease in net gains on the sale of investments.

Noninterest Expense

Noninterest expense for the three months ended September 30, 2020, totaled $97.4 million, increasing $1.8 million, or 1.9%, from the same period of 2019. The increase in noninterest expense was driven by a $2.2 million increase in occupancy and equipment, a $1.5 million increase in salaries and employee benefits, and a $1.5 million increase in Farm Credit System Insurance Corporation (FCSIC) expense, partially offset by a $3.8 million decrease in other operating expenses.

Noninterest expense for the nine months ended September 30, 2020, totaled $297.0 million, increasing $7.5 million, or 2.6%, from the same period of 2019. The increase in noninterest expense was driven by a $7.1 million increase in salaries and employee benefits, a $5.8 million increase in occupancy and equipment, a $1.8 million increase in purchased services, and a $1.1 million increase in FCSIC expense, partially offset by an $8.4 million decrease in other operating expenses. The decrease in other operating expenses was primarily due to a $4.0 million decrease in travel expenses and a $2.6 million decrease in advertising expenses.

Loan Portfolio

District Loans by Loan Type

(in thousands)	**September 30, 2020**	December 31, 2019
Real estate mortgage	**$ 16,918,016**	$ 15,696,003
Production and intermediate-term	**3,367,373**	3,313,367
Agribusiness:		
Loans to cooperatives	**621,149**	474,242
Processing and marketing	**3,944,598**	4,222,344
Farm-related business	**367,878**	218,196
Communications	**796,652**	636,069
Energy (rural utilities)	**1,235,251**	1,220,359
Water and waste disposal	**187,746**	131,196
Rural residential real estate	**255,396**	253,336
Mission-related	**75,984**	98,650
Loans to other financing institutions (OFIs)	**28,633**	41,170
Lease receivables	**32,074**	31,801
Total loans	**$ 27,830,750**	$ 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 September 30, 2020, was $27.83 billion, an increase of $1.49 billion, or 5.67%, from the $26.34 billion loan portfolio balance at December 31, 2019. The total loan volume includes both retail loans and the bank's capital markets loan portfolio. The loan volume increase of $1.49 billion during the first nine months of 2020 was driven by a $1.5 billion 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

	September 30, 2020	December 31, 2019
Acceptable	**96.7%**	96.6%
OAEM (special mention)	**1.9**	1.8
Substandard/doubtful	**1.4**	1.6
Total	**100.0%**	100.0%

Overall credit quality at the bank and at the district associations remained strong at September 30, 2020. Loans classified as acceptable or OAEM as a percentage of total loans and accrued interest receivable were 98.6% at September 30, 2020, compared to 98.4% at December 31, 2019.

Nonperforming Assets		
(in thousands)	**September 30, 2020**	December 31, 2019
Nonaccrual loans:		
Real estate mortgage	**$ 81,022**	$ 71,745
Production and intermediate-term	**33,538**	30,307
Agribusiness	**11,245**	12,234
Energy (rural utilities)	**10,674**	12,293
Rural residential real estate	**980**	465
Mission-related	**1,009**	1,144
Total nonaccrual loans	**$ 138,468**	$ 128,188
Accruing restructured loans:		
Real estate mortgage	**$ 27,652**	$ 29,983
Production and intermediate-term	**4,765**	4,596
Energy (rural utilities)	**-**	1,944
Rural residential real estate	**142**	148
Mission-related	**5,206**	5,302
Total accruing restructured loans	**$ 37,765**	$ 41,973
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 1,954**	$ 3,491
Production and intermediate-term	**1,131**	816
Agribusiness	**-**	-
Rural residential real estate	**861**	24
Mission-related	**211**	-
Total accruing loans 90 days or more past due	**$ 4,157**	$ 4,331
Total nonperforming loans	**$ 180,390**	$ 174,492
Other property owned	**10,155**	10,695
Total nonperforming assets	**$ 190,545**	$ 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 $5.3 million, or 2.9%, from $185.2 million at December 31, 2019, to $190.5 million at September 30, 2020.

At September 30, 2020, $90.8 million, or 65.6%, 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)**

September 30, 2020	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	**$ 81,521**	**$ 25,106**	**$ 106,627**	**$ 16,987,604**	**$ 17,094,231**
Production and intermediate-term	**14,894**	**10,763**	**25,657**	**3,372,936**	**3,398,593**
Agribusiness	**2,496**	**934**	**3,430**	**4,950,696**	**4,954,126**
Communications	**69**	**-**	**69**	**796,749**	**796,818**
Energy (rural utilities)	**-**	**-**	**-**	**1,240,072**	**1,240,072**
Water and waste disposal	**-**	**-**	**-**	**188,536**	**188,536**
Rural residential real estate	**2,169**	**1,167**	**3,336**	**252,954**	**256,290**
Mission-related	**1,359**	**1,220**	**2,579**	**74,355**	**76,934**
Loans to OFIs	**-**	**-**	**-**	**28,689**	**28,689**
Lease receivables	**-**	**-**	**-**	**32,273**	**32,273**
Total loans	**$ 102,508**	**$ 39,190**	**$ 141,698**	**$ 27,924,864**	**$ 28,066,562**

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 June 30, 2020	$ 44,615	$ 25,721	$ 17,206	$ 879	$ 5,587	$ 432	$ 118	$ -	$ 176	$ 94,734
Provision for loan losses										
(loan loss reversal)	4,419	1,644	1,083	(48)	(547)	(27)	4	-	23	6,551
Recoveries	45	722	17	-	-	2	-	-	-	786
Charge-offs	(313)	(954)	-	-	(2,809)	-	-	-	-	(4,076)
Other*	(23)	200	(401)	(17)	588	-	-	-	-	347
Balance at September 30, 2020	$ 48,743	$ 27,333	$ 17,905	$ 814	$ 2,819	$ 407	$ 122	$ -	$ 199	$ 98,342
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)	4,428	3,967	3,602	230	118	(6)	(2)	-	69	12,406
Recoveries	579	2,298	33	-	-	16	-	-	-	2,926
Charge-offs	(499)	(2,683)	-	-	(2,939)	(25)	-	-	-	(6,146)
Other*	(28)	(449)	(759)	(25)	558	-	-	-	-	(703)
Balance at September 30, 2020	$ 48,743	$ 27,333	$ 17,905	$ 814	$ 2,819	$ 407	$ 122	$ -	$ 199	$ 98,342
Individually evaluated										
for impairment	$ 2,633	$ 3,346	$ 1,653	$ -	$ 1,674	$ 18	$ 115	$ -	$ -	$ 9,439
Collectively evaluated										
for impairment	46,110	23,987	16,252	814	1,145	389	7	-	199	88,903
Balance at September 30, 2020	$ 48,743	$ 27,333	$ 17,905	$ 814	$ 2,819	$ 407	$ 122	$ -	$ 199	$ 98,342
Recorded Investments in Loans Outstanding:										
Balance at September 30, 2020										
Loans individually evaluated										
for impairment	$ 117,961	$ 39,822	$ 19,745	$ -	$ 10,674	$ 1,288	$ 6,425	$ -	$ -	$ 195,915
Loans collectively evaluated										
for impairment	16,976,270	3,358,771	4,934,381	796,818	1,417,934	255,002	70,509	28,689	32,273	27,870,647
Loans acquired with										
deteriorated credit quality	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2020	$ 17,094,231	$ 3,398,593	$ 4,954,126	$ 796,818	$ 1,428,608	$ 256,290	$ 76,934	$ 28,689	$ 32,273	$ 28,066,562

*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 June 30, 2019	$ 40,932	$ 24,867	$ 14,653	$ 732	$ 6,791	$ 475	$ 130	$ -	$ 119	$ 88,699
Provision for loan losses (loan loss reversal)	1,233	337	(2,008)	81	3	(106)	(6)	-	3	(463)
Recoveries	260	877	29	-	-	97	-	-	-	1,263
Charge-offs	(561)	(2,626)	-	-	-	(7)	-	-	-	(3,194)
Other*	(17)	211	419	8	9	-	1	-	-	631
Balance at September 30, 2019	$ 41,847	$ 23,666	$ 13,093	$ 821	$ 6,803	$ 459	$ 125	$ -	$ 122	$ 86,936
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)	2,834	6,182	(715)	(22)	356	(44)	(8)	-	22	8,605
Recoveries	740	1,631	147	-	-	112	-	-	-	2,630
Charge-offs	(1,851)	(4,615)	-	-	-	(68)	-	-	-	(6,534)
Other*	(13)	(15)	248	(8)	(47)	1	1	-	(1)	166
Balance at September 30, 2019	$ 41,847	$ 23,666	$ 13,093	$ 821	$ 6,803	$ 459	$ 125	$ -	$ 122	$ 86,936
Individually evaluated for impairment	$ 1,751	$ 3,262	$ 2,374	$ -	$ 3,776	$ 37	$ 109	$ -	$ -	$ 11,309
Collectively evaluated for impairment	40,096	20,404	10,719	821	3,027	422	16	-	122	75,627
Balance at September 30, 2019	$ 41,847	$ 23,666	$ 13,093	$ 821	$ 6,803	$ 459	$ 125	$ -	$ 122	$ 86,936
Recorded Investments in Loans Outstanding:										
Balance at September 30, 2019										
Loans individually evaluated for impairment	$ 107,937	$ 47,120	$ 14,825	$ -	$ 12,854	$ 984	$ 6,489	$ -	$ -	$ 190,209
Loans collectively evaluated for impairment	15,474,900	3,301,921	4,811,772	659,546	1,351,172	246,541	94,971	41,427	32,497	26,014,747
Loans acquired with deteriorated credit quality	180	-	-	-	-	-	-	-	-	180
Balance at September 30, 2019	$ 15,583,017	$ 3,349,041	$ 4,826,597	$ 659,546	$ 1,364,026	$ 247,525	$ 101,460	$ 41,427	$ 32,497	$ 26,205,136

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

Loans, net of the allowance for loan losses, represented 80.37% of total assets at September 30, 2020, and 79.91% at 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 third 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) September 30, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank investments	**$ 5,427,132**	**$ 92,989**	**$ (3,130)**	**$ 5,516,991**
District association investments	**84,626**	**482**	**-**	**85,108**
Total district investments	**$ 5,511,758**	**$ 93,471**	**$ (3,130)**	**$ 5,602,099**

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 $8.7 million, an unrealized gain of $222 thousand, and a fair value of $8.9 million, as of September 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 and included in investment securities on the balance sheets.

Capital Resources

District members' equity totaled $5.10 billion at September 30, 2020, including $770.0 million in preferred stock, $68.3 million in capital stock and participation certificates, $4.16 billion in retained earnings and $224.6 million in additional paid-in-capital, offset by accumulated other comprehensive loss of $121.4 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 $5.10 billion capital position of the district at September 30, 2020, reflected an increase of 8.4% over the December 31, 2019, capital position of $4.70 billion. This increase was attributable to year-to-date net income of $419.0 million, preferred stock net issuance of $50.0 million, and a $32.0 million decrease in accumulated other comprehensive loss, offset by $55.0 million in capital stock and allocated equities retired, dividends accrued and paid on preferred stock totaling $38.2 million, and cash patronage of $13.3 million.

Accumulated other comprehensive loss totaled $121.4 million at September 30, 2020, a decrease of $32.0 million from December 31, 2019. The decrease in accumulated other comprehensive losses was driven by a $64.9 million increase in unrealized losses on cash flow derivatives, a $10.2 million decrease in unrealized losses on pension and OPEB, and an $86.8 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)	**September 30, 2020**	December 31, 2019
Unrealized gains (losses) on investment securities	$ 90,118	$ 3,334
Derivatives and hedging position	(118,970)	(54,042)
Employee benefit plan position	(92,589)	(102,764)
Total Accumulated Other Comprehensive Loss	$ (121,441)	$ (153,472)

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

Regulatory Capital Requirements and Ratios

As of September 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%	9.6%	11.6% - 20.7%
Tier 1 capital ratio	CET1 capital, noncumulative perpetual preferred stock	8.5%	16.0%	11.6% - 20.7%
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%	16.0%	13.0% - 21.1%
Permanent capital ratio	Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	15.9%	12.7% - 20.8%
Non-risk adjusted:				
Tier 1 leverage ratio **	Tier 1 capital	5.0%	7.1%	10.6% - 19.4%
UREE leverage ratio	URE and URE equivalents	1.5%	2.8%	8.2% - 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)		**September 30, 2020**		December 31, 2019
ASSETS				
Cash	**$**	**28,211**	$	55,312
Federal funds sold and overnight investments		**285,443**		374,344
Investment securities		**5,601,877**		5,389,059
Loans		**27,830,750**		26,336,733
Less allowance for loan losses		**98,342**		89,859
Net loans		**27,732,408**		26,246,874
Accrued interest receivable		**245,471**		241,940
Premises and equipment, net		**242,762**		210,955
Other assets		**369,248**		328,112
Total assets	**$**	**34,505,420**	$	32,846,596
LIABILITIES				
Bonds and notes	**$**	**28,765,056**	$	27,323,906
Accrued interest payable		**63,567**		91,951
Patronage distributions payable		**58,034**		192,909
Preferred stock dividends payable		**11,600**		21,613
Other liabilities		**509,844**		515,091
Total liabilities	**$**	**29,408,101**	$	28,145,470
MEMBERS' EQUITY				
Preferred stock	**$**	**770,000**	$	720,000
Capital stock and participation certificates		**68,290**		66,705
Allocated retained earnings		**750,188**		805,189
Unallocated retained earnings		**3,405,657**		3,038,079
Additional paid-in-capital		**224,625**		224,625
Accumulated other comprehensive loss		**(121,441)**		(153,472)
Total members' equity	**$**	**5,097,319**	$	4,701,126
Total liabilities and members' equity	**$**	**34,505,420**	$	32,846,596

Combined Statements of Income

(Unaudited)

(in thousands)	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019
INTEREST INCOME							
Investment securities	**$**	**21,637**	$ 35,635	**$**	**75,636**	$	111,847
Loans		**300,011**	334,735		**932,688**		988,914
Total interest income	**$**	**321,648**	$ 370,370	**$**	**1,008,324**	$	1,100,761
INTEREST EXPENSE							
Bonds and notes		**79,161**	137,033		**300,475**		408,924
Notes payable and other		**7,397**	27,312		**39,616**		86,554
Total interest expense	**$**	**86,558**	$ 164,345	**$**	**340,091**	$	495,478
Net interest income	**$**	**235,090**	$ 206,025	**$**	**668,233**	$	605,283
Provision for loan losses		**6,551**	(463)		**12,406**		8,605
Net interest income after provision for loan losses	**$**	**228,539**	$ 206,488	**$**	**655,827**	$	596,678
NONINTEREST INCOME							
Patronage income		**2,974**	3,685		**11,734**		11,806
Fees for loan-related services		**14,853**	7,483		**36,775**		18,948
Refunds from Farm Credit System Insurance Corporation		**-**	-		**6,135**		6,469
Net gains on sale of investments		**-**	-		**-**		7,516
Other income, net		**2,118**	(515)		**5,284**		4,294
Total noninterest income	**$**	**19,945**	$ 10,653	**$**	**59,928**	$	49,033
NONINTEREST EXPENSE							
Salaries and employee benefits		**55,699**	54,157		**173,934**		166,806
Occupancy and equipment		**11,591**	9,433		**35,136**		29,295
Purchased services		**10,538**	10,121		**29,664**		27,866
Farm Credit System Insurance Corporation expense		**7,013**	5,496		**16,821**		15,651
Other operating expenses		**12,515**	16,361		**41,485**		49,913
Total noninterest expense	**$**	**97,356**	$ 95,568	**$**	**297,040**	$	289,531
Income before income taxes		**151,128**	121,573		**418,715**		356,180
Provision for (benefit from) income taxes		**17**	(26)		**(332)**		(72)
Net income	**$**	**151,111**	$ 121,599	**$**	**419,047**	$	356,252

Select information on district associations

(in thousands) As of September 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	$ 244,206	1.34%	$ 297,812	$ 47,605	13.34%	2.16%	1.44%
AgTexas Farm Credit Services	1,954,360	10.72%	2,285,298	311,149	13.03%	1.25%	1.78%
Alabama Ag Credit, ACA	954,591	5.23%	1,167,501	212,987	16.54%	0.85%	1.61%
Alabama Farm Credit, ACA	833,569	4.57%	975,813	140,228	14.04%	0.56%	1.91%
Capital Farm Credit, ACA	7,115,101	39.02%	8,649,037	1,421,595	14.80%	0.91%	2.51%
Central Texas Farm Credit, ACA	456,780	2.51%	582,208	122,007	18.35%	0.11%	1.79%
Heritage Land Bank, ACA	508,967	2.79%	606,785	95,478	15.06%	0.34%	1.46%
Legacy Ag Credit, ACA	242,735	1.33%	306,441	63,017	21.14%	1.71%	1.47%
Lone Star, ACA	1,546,335	8.48%	1,937,593	384,259	18.09%	0.35%	1.84%
Louisiana Land Bank, ACA	762,790	4.18%	940,243	175,398	16.63%	0.67%	1.86%
Mississippi Land Bank, ACA	660,526	3.62%	816,303	142,490	15.60%	0.10%	1.74%
Plains Land Bank, FLCA	664,886	3.65%	803,688	137,605	15.40%	0.23%	2.13%
Southern AgCredit, ACA	1,003,072	5.50%	1,214,865	189,991	14.40%	0.39%	1.82%
Texas Farm Credit Services	1,287,974	7.06%	1,532,016	234,992	13.61%	0.77%	2.16%
Totals	$ 18,235,892	100.00%	$ 22,115,603	$ 3,678,801			

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