CoBank Quarterly District Financial Information September 30, 2022

Introduction and District Overview

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

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

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. The Associations are not authorized by the Farm Credit Act to participate directly in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of September 30, 2022, we have 19 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. As authorized by the FCA, the financial information of affiliated Associations is not included in the condensed consolidated quarterly financial statements presented in CoBank's September 30, 2022 Quarterly Report to Shareholders. However, the FCA authorizes CoBank to present combined Bank and Association quarterly financial information in a separate report. CoBank does not have the corporate or direct regulatory authority to compel its affiliated Associations to disclose information or to establish and maintain their disclosure controls and procedures or internal controls over financial reporting. Accordingly, CoBank's preparation of this District Report and the establishment of adequate controls relating to this District Report are dependent on our affiliated Associations themselves satisfying their regulatory obligations and complying with agreed upon disclosure policies and procedures. Failure by an affiliated Association to provide accurate or timely information for District financial reporting or to have adequate disclosure controls or procedures or internal controls over financial reporting, as required by regulation or as agreed to under the disclosure policies and procedures, could jeopardize the accuracy of certain information in this District Report or CoBank's ability to timely issue this District Report.

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

Financial Highlights

($ in Thousands) (Unaudited)

	September 30, 2022	December 31, 2021
Total Loans	**$ 146,371,043**	$ 140,846,728
Less: Allowance for Loan Losses	**943,969**	962,051
Net Loans	**145,427,074**	139,884,677
Total Assets	**197,954,275**	184,506,522
Total Shareholders' Equity	**23,236,155**	24,042,017

For the Nine Months Ended September 30,	2022	2021
Net Interest Income	**$ 3,047,663**	$ 2,756,582
Provision for Loan Losses (Loan Loss Reversal)	**54,750**	(24,686)
Net Fee Income	**139,797**	151,732
Net Income	**2,072,934**	1,974,167
Net Interest Margin	**2.14 %**	2.17 %
Net Charge-offs (Recoveries) / Average Loans	**0.02**	(0.01)
Return on Average Assets	**1.43**	1.53
Return on Average Total Shareholders' Equity	**11.78**	11.30
Operating Expense / Net Interest Income and Noninterest Income	**34.12**	33.06
Average Loans	**$ 149,281,769**	$ 135,288,594
Average Earning Assets	**190,243,374**	169,056,750
Average Assets	**193,553,014**	172,452,459

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 10 percent to $149.3 billion in the first nine months of 2022, compared to $135.3 billion for the same period of 2021. The increase in average loan volume primarily reflected growth in agribusiness, real estate mortgage, agricultural export finance and production and intermediate-term loans.

Average investment securities, federal funds sold and other overnight funds increased 21 percent to $39.9 billion during the first nine months of 2022 compared to $33.0 billion in the same prior-year period. The increase in average investments, federal funds sold and other overnight funds was primarily at CoBank and was required to maintain its liquidity reserve associated with the higher loan volume experienced and to take advantage of favorable investment spread opportunities in the marketplace.

District net income increased $98.8 million to $2.073 billion for the nine-month period ended September 30, 2022, compared to $1.974 billion for the same period of 2021. The increase in earnings primarily resulted from an increase in net interest income and noninterest income, partially offset by an increase in operating expenses and a higher provision for loan losses.

District net interest income increased 11 percent or $291.2 million to $3.048 billion for the first nine months of 2022 from $2.757 billion for the same period in 2021. The increase in net interest income was primarily driven by growth in average loan volume across the District. Higher earnings on balance sheet positioning at the Bank also contributed to increased net interest income in the period. The District's overall net interest margin was 2.14 percent for the nine months ended September 30, 2022, compared to 2.17 percent for the same period in 2021.

The District recorded a provision for loan losses of $54.8 million in the nine-month period ended September 30, 2022, compared to a loan loss reversal of $24.7 million for the same period of 2021. CoBank recorded a provision for loan losses of $75.0 million in the first nine months of 2022 compared to $5.0 million during the 2021 period. The 2022 provision at CoBank primarily relates to increased agribusiness lending activity and to a lesser extent higher specific reserves for a small number of agribusiness customers as well as a reserve for a power infrastructure customer that was subsequently charged off and to a lesser extent deterioration in credit quality in certain portfolios. The 2021 provision at CoBank primarily related to an increase in specific reserves for a small number of customers in the Bank's Rural Infrastructure operating segment impacted by the severe winter storms that occurred in Texas in early 2021. The 2021 provision also included a loan loss reversal in the Bank's Agribusiness operating segment due to an improvement in credit quality and a decrease in COVID-19 related reserves, partially offset by higher lending volume. The Associations recorded a net combined loan loss reversal of $20.2 million in the first nine months of 2022, compared to $29.7 million in the same period of 2021. The net combined 2022 loan loss reversal at the Associations was primarily due to reversals at several Associations, including an Association that changed its loan loss methodology, partially offset by provisions for loan losses due to higher Association lending activity. The net combined 2021 loan loss reversal at the Associations was primarily due to reversals at multiple Associations resulting from improvements in credit quality and a decrease in COVID-19 reserves.

District noninterest income increased $39.3 million to $342.6 million in the first nine months of 2022 from $303.3 million for the same period in 2021. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income, gains and losses on early extinguishments of debt and gains and losses on derivatives. Patronage income received from other System institutions on loan participations sold by CoBank and certain Associations increased $22.6 million in the first nine months of 2022 compared to the same period of 2021 as a result of an increased volume of loans sold, and increased levels of patronage received from other Farm Credit System entities outside of the District. Other noninterest income increased $49.6 million for the nine months ended September 30, 2022 largely due to higher crop insurance and other financial services income at our Associations. Other noninterest income in the 2021 period also included an expense at CoBank for litigation that was settled in January 2022. Prepayment income, net of gains and losses on early extinguishments of debt, totaled income of $13.4 million in the nine-month period ended September 30, 2022 compared to expense of $19.7 million in the 2021 period. Losses on early extinguishments of debt are generally incurred to offset the current and prospective impact of prepayments of loans and investments. In 2021, the Bank took advantage of market opportunities to buy back higher-cost debt at losses which exceeded prepayment income. Losses on interest rate swaps and other derivatives increased $53.9 million in the first nine months of 2022 compared to 2021 resulting from the impact of market interest rate changes in the 2022 period on derivatives not designated as hedging instruments. Net fee income decreased $11.9 million in the 2022 period primarily due to a lower level of transaction-related lending fees at the Associations.

District operating expenses increased $145.3 million to $1.157 billion in the first nine months of 2022 from $1.011 billion for the same period of 2021. The higher level of operating expenses was primarily driven by increases in Farm Credit Insurance Fund (Insurance Fund) premium, employee compensation, general and administrative, information services and other expenses. Insurance Fund premium expense increased $55.4 million in the first nine months of 2022 compared to the 2021 period due to higher insured debt obligations and an increase in the Insurance Fund premium rate announced by the Farm Credit System Incorporation (Insurance Corporation) in early June 2022 that was retroactive to the beginning of the year. With the retroactive increase, Insurance Fund premium rates were 20 basis points of adjusted insured debt obligations in the first nine months of 2022 compared to 16 basis points in the same period of 2021. Employee compensation expense increased $38.0 million to $595.8 million in the first nine months of 2022. The increase in employee compensation expense was driven by the Associations and resulted from an increase in number of employees and normal merit administration. CoBank employee compensation expense decreased $1.3 million for the first nine months of 2022 due primarily to a lower pension expense in the current period. General and administrative expenses increased $15.6 million in 2022 driven by higher public and member relations expenses, temporary labor expenses and other administrative costs. Information services expense increased $13.6 million to $106.6 million in the first nine months of 2022 compared to the same period of 2021 due to greater software subscription, maintenance and amortization expenditures at the Bank and certain Associations to enhance and maintain service offerings and technology platforms. Other operating expenses increased $8.9 million in the first nine months of 2022 compared to the 2021 period due to increases in travel and customer meeting expenses resulting from reductions in COVID-19 restrictions. Purchased services expenses increased $7.7 million in the first nine months of 2022, primarily due to increased recruiting costs and other consulting expenses.

District income tax expense increased $7.0 million to $105.9 million in the nine-month period ended September 30, 2022, compared to $98.9 million in the same period of 2021 due to an increase in earnings attributable to taxable business activities. The income tax expense at the District predominantly relates to CoBank, as a substantial majority of the business activities at Associations are exempt from federal income tax.

Loan Portfolio

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

($ in Thousands)

District Loans by Loan Type

	September 30, 2022	December 31, 2021
Real Estate Mortgage	$ 46,251,707	$ 44,202,127
Nonaffiliated Associations	5,695,540	5,045,465
Production and Intermediate-term	19,925,715	20,469,863
Agribusiness:		
Loans to Cooperatives	15,472,364	18,465,198
Processing and Marketing	12,938,846	11,031,918
Farm Related Businesses	2,623,496	2,322,699
Communications	6,619,611	5,800,324
Rural Power	20,726,762	19,657,169
Water and Waste	2,867,936	2,552,839
Agricultural Export Finance	8,755,060	6,481,294
Rural Residential Real Estate	418,488	466,624
Lease Receivables	3,991,615	4,242,164
Other	83,903	109,044
Total	$ 146,371,043	$ 140,846,728

Overall District loan volume increased $5.6 billion to $146.4 billion at September 30, 2022, as compared to loan volume of $140.8 billion as of December 31, 2021. The increase was driven primarily by increases in agricultural export finance loans, real estate mortgage loans, agribusiness processing and marketing loans and rural power loans partially offset by a decrease in agribusiness loans to cooperatives. The decrease in agribusiness loans to cooperatives primarily resulted from lower seasonal financing requirements at grain and farm supply cooperatives, which typically reach a low in late summer or early fall.

Portfolio Diversification

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

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

Distribution by Primary Business / Commodity

	September 30, 2022	December 31, 2021
Fruits, Nuts and Vegetables	**17 %**	16 %
Farm Supply, Grain and Marketing	**10**	13
Dairy	**8**	9
Electric Distribution	**6**	6
Cattle	**6**	6
Agricultural Export Finance	**6**	4
Forest Products	**5**	5
Farm Related Business Services	**5**	4
Field Crops Except Grains	**4**	4
Livestock, Fish and Poultry	**4**	4
Nonaffiliated Associations	**4**	4
Generation and Transmission	**3**	4
Regulated Utilities	**3**	3
Leasing	**3**	3
Rural Home	**2**	2
Other	**14**	13
Total	**100 %**	100 %

Geographic Distribution

	September 30, 2022	December 31, 2021
California	**24 %**	24 %
Kansas	**6**	6
Texas	**6**	6
New York	**5**	5
Colorado	**4**	4
Washington	**4**	4
Illinois	**3**	3
Idaho	**3**	3
Oklahoma	**3**	3
Iowa	**2**	3
Oregon	**2**	2
Minnesota	**2**	2
Ohio	**2**	2
Florida	**2**	2
Pennsylvania	**1**	1
Other (less than 2 percent each for the current year)	**25**	25
Total States	**94 %**	95 %
Latin America	**3**	2
Asia	**2**	2
Europe, Middle East and Africa	**1**	1
Total International	**6 %**	5 %
Total	**100 %**	100 %

Loan Quality

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

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

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

District Loan Quality

	September 30, 2022	December 31, 2021
Acceptable	**96.14 %**	95.83 %
Special Mention	**2.18**	2.41
Substandard	**1.64**	1.75
Doubtful	**0.04**	0.01
Loss	**-**	-
Total	**100.00 %**	100.00 %

Our overall loan quality within the District remains strong at September 30, 2022. Acceptable loans and accrued interest were 96.14 percent of total loans and accrued interest at September 30, 2022, compared to 95.83 percent at December 31, 2021. Special Mention loans and accrued interest improved to 2.18 percent of total loans and accrued interest at September 30, 2022, compared to 2.41 percent at December 31, 2021 due to improvements in credit quality of certain agribusiness and real estate mortgage loans. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and accrued interest decreased to 1.68 percent at September 30, 2022, compared to 1.76 percent at December 31, 2021 as a result of improvements in credit quality of certain production and intermediate-term loans.

While overall credit quality of the District loan portfolio remains strong, credit quality deterioration in the future is possible due to market factors impacting District customers, including an ongoing volatile agricultural commodity price environment, supply chain disruptions, labor shortages, inflation, higher interest rates, weather related events, trade uncertainty and global economic uncertainty. The Russia/Ukraine war has created agricultural commodity price volatility in the marketplace and has had implications for grain and farm supply cooperatives, however, CoBank and District Associations have not experienced any significant unfavorable credit quality impacts in this sector at this time.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled $574.3 million as of September 30, 2022, compared to $432.1 million at December 31, 2021. District nonaccrual loans increased $94.8 million during the first nine months of 2022. Nonaccrual loans at CoBank increased $36.7 million due to a small number of agribusiness loans transferred to nonaccrual status partially offset by the charge-off of a power infrastructure loan. Nonaccrual loans at Associations increased $58.1 million primarily due to a small number of agribusiness and production and intermediate-term customers transferred to nonaccrual status. Accruing restructured loans increased to $23.2 million at September 30, 2022 from $21.1 million at December 31, 2021 largely due to the addition of an agribusiness customer at CoBank during the current period partially offset by the payoff of an agribusiness customer at an Association. Total accruing loans 90 days or more past due increased by $37.0 million during the first nine months of 2022 primarily driven by an increase in leasing customers and a real estate mortgage borrower at one Association. Other property owned increased by $8.2 million to $16.1 million at September 30, 2022 from $7.9 million at December 31, 2021 largely due to an acquired property at one Association. Nonperforming assets represented 0.39 percent and 0.31 percent of total District loan volume and other property owned at September 30, 2022 and December 31, 2021, respectively. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.33 percent of total loans at September 30, 2022 compared to 0.28 percent at December 31, 2021.

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

($ in Thousands)

Nonperforming Assets

	September 30, 2022	December 31, 2021
Nonaccrual Loans:		
Real Estate Mortgage	**$ 164,362**	$ 159,308
Production and Intermediate-term	**128,299**	83,725
Agribusiness	**143,649**	69,361
Rural Power	**31,524**	56,686
Rural Residential Real Estate	**1,346**	2,139
Lease Receivables	**16,178**	19,252
Total Nonaccrual Loans	**485,358**	390,471
Accruing Restructured Loans:		
Real Estate Mortgage	**13,771**	16,340
Production and Intermediate-term	**738**	3,907
Agribusiness	**7,986**	58
Rural Residential Real Estate	**744**	839
Total Accruing Restructured Loans	**23,239**	21,144
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	**15,094**	5,845
Production and Intermediate-term	**10,380**	2,798
Agribusiness	**701**	-
Rural Residential Real Estate	**109**	-
Lease Receivables	**23,282**	3,901
Total Accruing Loans 90 Days or More Past Due	**49,566**	12,544
Total Nonperforming Loans	**558,163**	424,159
Other Property Owned	**16,120**	7,927
Total Nonperforming Assets	**$ 574,283**	$ 432,086
Nonaccrual Loans as a Percentage of Total Loans	**0.33 %**	0.28 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	**0.39**	0.31
Nonperforming Assets as a Percentage of Capital	**2.47**	1.80

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

($ in Thousands)

Aging of Past Due Loans

	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
September 30, 2022						
Real Estate Mortgage	**$ 67,567**	**$ 47,094**	**$ 114,661**	**$ 46,812,577**	**$ 46,927,238**	**$ 15,094**
Nonaffiliated Associations	**-**	**-**	**-**	**5,709,767**	**5,709,767**	**-**
Production and Intermediate-term	**59,073**	**56,874**	**115,947**	**19,977,553**	**20,093,500**	**10,380**
Agribusiness	**30,931**	**5,600**	**36,531**	**31,127,018**	**31,163,549**	**701**
Communications	**-**	**-**	**-**	**6,631,227**	**6,631,227**	**-**
Rural Power	**2**	**27,982**	**27,984**	**20,783,612**	**20,811,596**	**-**
Water and Waste	**-**	**-**	**-**	**2,879,228**	**2,879,228**	**-**
Agricultural Export Finance	**-**	**-**	**-**	**8,783,518**	**8,783,518**	**-**
Rural Residential Real Estate	**2,692**	**358**	**3,050**	**416,778**	**419,828**	**109**
Lease Receivables	**45,465**	**29,848**	**75,313**	**3,917,325**	**3,992,638**	**23,282**
Other	**-**	**-**	**-**	**84,157**	**84,157**	**-**
Total	**$ 205,730**	**$ 167,756**	**$ 373,486**	**$ 147,122,760**	**$ 147,496,246**	**$ 49,566**
December 31, 2021						
Real Estate Mortgage	$ 83,330	$ 57,185	$ 140,515	$ 44,490,926	$ 44,631,441	$ 5,845
Nonaffiliated Associations	-	-	-	5,048,456	5,048,456	-
Production and Intermediate-term	62,909	35,416	98,325	20,481,059	20,579,384	2,798
Agribusiness	12,639	7,647	20,286	31,881,166	31,901,452	-
Communications	-	-	-	5,807,017	5,807,017	-
Rural Power	-	27,982	27,982	19,696,296	19,724,278	-
Water and Waste	1,219	-	1,219	2,561,956	2,563,175	-
Agricultural Export Finance	-	-	-	6,490,866	6,490,866	-
Rural Residential Real Estate	590	219	809	467,163	467,972	-
Lease Receivables	34,595	11,819	46,414	4,196,692	4,243,106	3,901
Other	-	-	-	109,215	109,215	-
Total	$ 195,282	$ 140,268	$ 335,550	$ 141,230,812	$ 141,566,362	$ 12,544

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled $191.9 million at September 30, 2022.

Although aggregated in the District's condensed combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at September 30, 2022 totaled $944.0 million compared to $962.1 million at December 31, 2021. Changes in the allowance during the first nine months of 2022 included an overall provision for loan losses of $54.8 million, which is described on page 3, loan charge-offs of $31.3 million, loan recoveries of $4.6 million, a $4.5 million Association merger impact and a $41.7 million net transfer to the reserve for unfunded commitments.

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

($ in Thousands)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water and Waste	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
September 30, 2022											
Allowance for Loan Losses											
Beginning Balance	$ 128,935	$ -	$ 193,076	$ 401,007	$ 44,315	$ 103,741	$ 12,883	$ 24,627	$ 1,709	$ 51,758	$ 962,051
Charge-offs	(838)	-	(3,212)	(5,034)	-	(19,989)	-	-	(2)	(2,228)	(31,303)
Recoveries	254	-	2,028	1,340	46	812	-	-	2	146	4,628
Provision for Loan Losses/ (Loan Loss Reversal)	4,691	-	(5,885)	22,790	7,381	24,787	1,245	2,342	(454)	(2,147)	54,750
Transfers (to) from Reserve for Unfunded Commitments	(5,338)	-	(2,723)	(30,221)	(2,315)	(947)	(36)	49	13	(169)	(41,687)
Association Merger Impact, Net	(2,426)	-	(1,574)	(443)	-	(12)	(6)	-	(9)	-	(4,470)
Ending Balance	$ 125,278	$ -	$ 181,710	$ 389,439	$ 49,427	$ 108,392	$ 14,086	$ 27,018	$ 1,259	$ 47,360	$ 943,969
Allowance for Loan Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 1,135	$ -	$ 12,201	$ 45,517	$ -	$ 7,800	$ -	$ -	$ -	$ 1,907	$ 68,560
Collectively Evaluated for Impairment	124,143	-	169,509	343,922	49,427	100,592	14,086	27,018	1,259	45,453	875,409
Total	$ 125,278	$ -	$ 181,710	$ 389,439	$ 49,427	$ 108,392	$ 14,086	$ 27,018	$ 1,259	$ 47,360	$ 943,969
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 206,890	$ 5,709,767	$ 135,248	$ 149,841	$ 144	$ 31,638	$ 5	$ 57	$ 2,159	$ 79,460	$ 6,315,209
Collectively Evaluated for Impairment	46,720,348	-	19,958,252	31,013,708	6,631,083	20,779,958	2,879,223	8,783,461	417,669	3,997,335	141,181,037
Total	$ 46,927,238	$ 5,709,767	$ 20,093,500	$ 31,163,549	$ 6,631,227	$ 20,811,596	$ 2,879,228	$ 8,783,518	$ 419,828	$ 4,076,795	$ 147,496,246
September 30, 2021											
Allowance for Loan Losses											
Beginning Balance	$ 133,639	$ -	$ 194,080	$ 399,713	$ 47,856	$ 95,710	$ 11,990	$ 26,373	$ 2,428	$ 58,218	$ 970,007
Charge-offs	(65)	-	(11,075)	(2,589)	-	(2)	-	-	(18)	(836)	(14,585)
Recoveries	448	-	9,866	3,865	79	8,256	-	189	62	258	23,023
Provision for Loan Losses/ (Loan Loss Reversal)	4,669	-	7,320	(37,485)	(2,398)	7,118	2,263	(1,784)	(382)	(4,007)	(24,686)
Transfers (to) from Reserve for Unfunded Commitments	(2,949)	-	469	(5,235)	(226)	(280)	(328)	141	(16)	(10)	(8,434)
Association Merger Impact, Net	(232)	-	(154)	(23)	(11)	-	-	-	-	-	(420)
Ending Balance	$ 135,510	$ -	$ 200,506	$ 358,246	$ 45,300	$ 110,802	$ 13,925	$ 24,919	$ 2,074	$ 53,623	$ 944,905
Allowance for Loan Losses											
Ending Balance, Allowance for Credit Losses Related to Loans:											
Individually Evaluated for Impairment	$ 6,964	$ -	$ 8,537	$ 21,290	$ -	$ 13,700	$ -	$ -	$ -	$ 4,088	$ 54,579
Collectively Evaluated for Impairment	128,546	-	191,969	336,956	45,300	97,102	13,925	24,919	2,074	49,535	890,326
Total	$ 135,510	$ -	$ 200,506	$ 358,246	$ 45,300	$ 110,802	$ 13,925	$ 24,919	$ 2,074	$ 53,623	$ 944,905
Loans											
Ending Balance for Loans and Related Accrued Interest:											
Individually Evaluated for Impairment	$ 236,842	$ 5,011,377	$ 110,538	$ 84,730	$ 192	$ 52,473	$ 7	$ 76	$ 3,183	$ 74,122	$ 5,573,540
Collectively Evaluated for Impairment	43,313,459	-	18,652,227	26,424,224	5,628,782	19,405,319	2,560,806	6,023,632	490,086	4,251,765	126,750,300
Total	$ 43,550,301	$ 5,011,377	$ 18,762,765	$ 26,508,954	$ 5,628,974	$ 19,457,792	$ 2,560,813	$ 6,023,708	$ 493,269	$ 4,325,887	$ 132,323,840

Investment Portfolio

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

($ in Millions)

Investment Information

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2022				
CoBank Investments	**$ 35,567**	**$ 5**	**$ (2,175)**	**$ 33,397**
Association Investments	**1,475**	**-**	**(92)**	**1,383**
Total	**$ 37,042**	**$ 5**	**$ (2,267)**	**$ 34,780**
December 31, 2021				
CoBank Investments	$ 31,567	$ 403	$ (128)	$ 31,842
Association Investments	874	1	(6)	869
Total	$ 32,441	$ 404	$ (134)	$ 32,711

Investment securities increased to $34.8 billion at September 30, 2022 from $32.7 billion at December 31, 2021. The increase in investments was primarily at CoBank and was required to maintain its liquidity reserve associated with the higher loan volume experienced during the first nine months of 2022 and to take advantage of favorable investment spread opportunities in the marketplace.

Derivatives and Hedging Activities

CoBank, and to a much lesser extent certain Associations in the District, use derivatives as part of their market risk management activities. Derivatives (primarily interest rate swaps) are used by the Bank and Associations to manage liquidity and the market risk arising from maturity and repricing mismatches between assets and liabilities. Derivatives (interest rate caps and floors) are also used by the Bank to hedge cap and floor risk embedded within its floating-rate investments and loans. The Bank also enters into derivatives with its retail customers and Associations in the District as a service to enable them to transfer, modify or reduce their interest rate risk. Derivative transactions between CoBank and the Associations in the District and the assets/liabilities and income/expense related thereto, are eliminated in the District's condensed combined balances sheets and statements of income. Derivative transactions between CoBank and its retail customers and to offset the interest rate risk in derivatives between the Bank and Associations in the District are not designated as hedging instruments and not eliminated, and therefore, changes in fair value related to these derivatives are recorded in current period earnings. Refer to the CoBank Annual Report for additional description and disclosure of the Bank's derivatives.

Derivatives are recorded at fair value as assets or liabilities in the District condensed combined balance sheets. Derivative assets totaled $1.013 billion at September 30, 2022 compared to $477.6 million at December 31, 2021. Derivative liabilities totaled $1.241 billion at September 30, 2022 compared to $364.4 million at December 31, 2021. The increases in derivative assets and derivative liabilities at September 30, 2022 are primarily the result of changes in market interest rates during the first nine months of 2022.

Changes in the fair value of District derivatives are accounted for as gains or losses through current period earnings or as a component of accumulated other comprehensive income (loss), depending on the use of the derivatives and whether they qualify for hedge accounting treatment. Net changes in the fair value of derivatives recorded in noninterest income in the accompanying condensed combined statements of income included losses of $43.1 million and gains of $10.9 million for the first nine months of 2022 and 2021, respectively. Changes in the fair value of derivatives recorded as other comprehensive income (loss) totaled net gains of $107.8 million and $7.4 million for the first nine months of 2022 and 2021, respectively.

District Capital Resources and Other

Combined District shareholders' equity at September 30, 2022 decreased to $23.2 billion as compared to $24.0 billion at December 31, 2021. The change primarily resulted from an increase in accumulated other comprehensive loss of $2.156 billion, a decrease in preferred stock of $124.3 million, accrued patronage of $581.3 million and preferred stock dividends of $81.8 million. These factors were partially offset by District net income of $2.073 billion and an increase in common stock of $54.6 million at the Associations.

In June 2022, CoBank stockholders approved board-recommended amendments to the Bank's capitalization bylaws lowering target equity ranges for customer-owners. Under the approved amendments, the target equity range for cooperatives and other patronage-eligible commercial borrowers moved to 4-10 percent, from the previous range of 7-13 percent. For direct loans with Farm Credit System institutions, the target equity range moved to 2-5 percent from the previous range of 4-6 percent. The target equity levels for customer-owners are set within the ranges established in the bylaws and are included in the capital plans approved by the CoBank Board of Directors. In August 2022, CoBank's Board of Directors amended the capital plans for customer-owners lowering the target equity levels. The target equity level for cooperatives and other patronage-eligible commercial borrowers was reduced from 8 percent to 7 percent. For direct loans with affiliated Associations, the target equity level was reduced from 4 percent to 3 percent. For non-affiliated Farm Credit System institutions, the target equity level was reduced from 4 percent to 3.25 percent. The new target equity levels are effective starting in 2022. Based on these changes, stock retirements are currently expected to be made in March 2023; provided however, such potential retirements are subject to FCA regulations and CoBank board approval. CoBank management and its board continuously evaluate the Bank's capital plans based on financial performance, capital requirements, asset growth, emerging risks and other items.

On January 1, 2022, CoBank redeemed all of its outstanding Series G non-cumulative perpetual preferred stock totaling $200.0 million. The dividend rate for the Series G preferred stock was 6.125 percent through the date of redemption.

On August 16, 2022, CoBank issued $400.0 million of Series K non-cumulative perpetual preferred stock. CoBank used the net proceeds from the Series K preferred stock issuance to increase regulatory capital pursuant to FCA regulations and for general corporate purposes, including the redemption of Series F non-cumulative perpetual preferred stock as described below. Dividends on the Series K preferred stock, if declared by the CoBank Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears beginning on January 1, 2023, and will accrue at a fixed annual rate of 6.45 percent from the date of issuance up to, but excluding October 1, 2027. Thereafter, dividends will accrue at the five-year U.S. Treasury rate as of the most recent reset dividend determination date plus a spread of 3.487 percent per annum. The preferred stock is redeemable at par value, in whole or in part, at CoBank's option quarterly beginning on or after October 1, 2027.

On October 1, 2022, CoBank redeemed all of its outstanding Series F non-cumulative perpetual preferred stock totaling $400.0 million. The dividend rate for our Series F preferred stock was 6.25 percent through the date of redemption.

During the nine months ended September 30, 2022, CoBank retired $69.9 million of preferred stock and one Association retired $253.8 million of preferred stock. CoBank retired a portion of its outstanding Series E non-cumulative perpetual preferred stock in a series of open market purchase transactions. The retired Series E preferred stock was purchased at a discount from par value resulting in a modest gain recorded in unallocated retained earnings. The one Association retired all of its Class H preferred stock.

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

($ in Thousands)

Accumulated Other Comprehensive Loss[1]

	September 30, 2022	December 31, 2021
Unrealized (Losses) Gains on Investment Securities	**$ (2,058,466)**	$ 227,514
Net Pension Adjustment	**(281,098)**	(303,611)
Unrealized Gains (Losses) on Interest Rate Swaps and Other Derivatives	**72,051**	(35,701)
Accumulated Other Comprehensive Loss	**$ (2,267,513)**	$ (111,798)

(1) Amounts are presented net of tax.

The change in the District's total accumulated other comprehensive loss during the first nine months of 2022 is largely due to an increase in unrealized losses on investment securities driven by the impact of market interest rate changes on the fair value of fixed rate securities.

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

Regulatory Capital Requirements and Ratios

				September 30, 2022		December 31, 2021	
Ratio	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	CoBank	District Associations	CoBank	District Associations
Risk Adjusted:							
Common equity tier 1 (CET1) capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5%	7.0%	**11.95%**	**10.50 - 23.69%**	12.74%	10.69 - 23.70%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	**14.00%**	**12.04 - 23.69%**	14.70%	12.37 - 23.70%
Total capital ratio	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0%	10.5%	**14.93%**	**13.27 - 23.89%**	15.63%	13.71 - 23.95%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	**14.14%**	**13.30 - 23.73%**	14.81%	13.55 - 23.75%
Non-risk adjusted:							
Tier 1 leverage ratio*	Tier 1 Capital	4.0%	5.0%	**7.00%**	**13.80 - 23.01%**	7.47%	14.05 - 23.27%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	**3.17%**	**11.97 - 22.84%**	3.36%	13.36 - 25.10%

* Must include the 1.5% regulatory minimum requirement for the URE and UREE Leverage ratio.
(1) Equities outstanding 7 or more years
(2) Capped at 1.25% of risk-adjusted assets
(3) Equities outstanding 5 or more years, but less than 7 years
(4) Debt and equities outstanding 5 or more years

As depicted in the table above, at September 30, 2022, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios and any required buffers. Although aggregated in the District's condensed combined financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations.

CoBank has no access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Association Mergers and Other Matters

Association Mergers

Effective January 1, 2022, Farm Credit East, ACA and Yankee Farm Credit, ACA merged and are doing business as Farm Credit East, ACA.

On February 2, 2022, Northwest Farm Credit Services, ACA entered into a non-binding letter of intent to pursue a merger with Farm Credit West, ACA. The merger has received preliminary regulatory approval and the stockholder vote on the merger is scheduled in mid-November 2022. Subject to stockholder and final regulatory approvals, the target date for the merger to become effective is no earlier than January 1, 2023.

On May 4, 2022, American AgCredit, ACA entered into a non-binding letter of intent to pursue a merger with Farm Credit of New Mexico, ACA. On October 26, 2022, the boards of directors of each Association approved the agreement and plan of merger. Subject to various additional approvals, the target date for the merger is July 1, 2023, or as soon as practicable thereafter.

Effective November 1, 2022, Farm Credit of Western Oklahoma, ACA and Farm Credit of Enid, ACA merged and are doing business as Farm Credit of Western Oklahoma, ACA.

Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses (CECL). The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost; (2) loan commitments and certain other off-balance sheet credit exposures; (3) debt securities and other financial assets measured at fair value through other comprehensive income (loss); and (4) beneficial interests in securitized financial assets. The ASU also requires certain new loan and allowance for credit losses disclosures, including loan vintage information. For public business entities that are not U.S. Securities and Exchange Commission (SEC) filers the ASU was to become effective in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, and early application is permitted. In October 2019, the FASB deferred the effective date of the ASU by two years to fiscal years beginning after December 15, 2022 for business entities that do not meet the definition of an SEC filer. District institutions intend to adopt this ASU on January 1, 2023. As of September 30, 2022, District institutions have completed the development and independent validation of CECL models and process frameworks, documented CECL accounting policies and continue to evaluate CECL internal controls, disclosures and other relevant documentation. CoBank estimates the impact of adopting CECL could result in a decrease within a range of approximately 4 percent to 12 percent of the Bank's allowance for credit losses related to loans, leases and unfunded commitments. The adoption of CECL is not expected to be material on a net combined basis to allowance for credit losses for the Associations in the District. The amount of the actual change to the District allowance for credit losses for loans, leases and unfunded commitments on the ASU adoption date of January 1, 2023 will be impacted by the composition of the portfolios and credit quality, as well as economic conditions, forecasts and other management judgments of District institutions at that time. We do not expect the adoption of the ASU to result in a material allowance for District available-for-sale debt securities. The substantial majority of these investments held by District institutions have an immaterial risk of credit loss because they carry a full faith and credit guarantee of the U.S. government or are issued by U.S. agencies with an implicit guarantee from the U.S. government.

LIBOR Transition

On March 5, 2021, the United Kingdom's Financial Conduct Authority (UKFCA) and the ICE Benchmark Administrator (IBA) formally announced that all LIBOR tenors will either be discontinued or no longer be representative immediately after December 31, 2021 for the GBP, JPY, CHF, EUR, and the 1-week and 2-month USD tenors, and immediately after June 30, 2023 for the remaining USD tenors. The UKFCA does not expect that any LIBOR tenors will become unrepresentative before these respective dates; however, publication by the IBA of most of the LIBOR tenors is expected to cease immediately after these dates. The UKFCA has worked closely with market participants and regulatory authorities around the world to ensure that alternatives to LIBOR are available and that existing contracts can be transitioned onto these alternatives to safeguard financial stability and market integrity.

On March 9, 2021, the Federal Reserve's Alternative Reference Rate Committee (ARRC) released a statement of clarification related to the UKFCA and IBA announcements. The ARRC confirmed a "Benchmark Transition Event" occurred under ARRC and International Swaps and Derivatives Association (ISDA) recommended fallback language as a result of the announcements on March 5, 2021. The ARRC also confirmed that March 5, 2021 is the date which the spread adjustments were determined for the ISDA fallbacks but will not be effective until the next repricing of instruments after June 30, 2023.

On July 29, 2021, the ARRC formally announced that CME Term SOFR is an appropriate fallback to LIBOR to be used for certain types of currently outstanding loans, floating rate notes (which would include certain outstanding Systemwide Debt Securities) and derivatives based on LIBOR when LIBOR is discontinued or deemed unrepresentative, and, in more limited circumstances, for new loans, floating rate notes and other transactions, including certain derivatives. CME Term SOFR are forward-looking rates published by CME Group Benchmark Administration Limited for 1-month, 3-month, 6-month and 12-month tenors. The ARRC's support of CME Term SOFR is expected to increase the volume of transactions quoted in SOFR, supporting the transition away from LIBOR.

On October 20, 2021, the Prudential Regulators (Federal Reserve, Federal Deposit Insurance Corporation, Officer of the Comptroller of the Currency) issued a statement to reemphasize the expectation that supervised institutions with LIBOR exposure continue to progress towards an orderly transition away from LIBOR. Given LIBOR's discontinuance, the agencies believe that entering into new contracts, including derivatives, that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks, including litigation, operational, and consumer protection risks. The Prudential Regulators further clarified a new contract would include an agreement that creates additional LIBOR exposure for a supervised institution or extends the term of an existing LIBOR contract. A draw on an existing agreement that is legally enforceable, for example, a committed credit facility would not be viewed as a new contract.

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate. The federal legislation also preempts state law passed by New York and Alabama that relates to the selection or use of a benchmark rate replacement or limits the manner of calculating interest.

On August 17, 2022, the CME finalized the USD LIBOR conversion plan for cleared swaps. Under the plan, the CME will be replacing the original LIBOR swap with two swaps, the same forward starting SOFR swap and a short dated LIBOR swap for any LIBOR fixings that settle after the LIBOR index cessation effective date. The basis swap splitting exercise is scheduled for March 2023 followed by a primary conversion date in April 2023 and secondary conversion date in July 2023.

The System institutions that comprise the District have exposure to various LIBOR-indexed financial instruments. This exposure includes loans that are made to customers, investment securities that are purchased, Systemwide Debt Securities that are issued by the Federal Farm Credit Banks Funding Corporation (Funding Corporation) on CoBank's behalf, preferred stock that is issued and derivative transactions. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the terms of the financial instruments, which could adversely affect the value of, and return on, instruments held. The transition from LIBOR could result in System institutions in the District paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments District institutions hold that reference LIBOR, and increase the costs of or affect the ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that the District cannot successfully transition the LIBOR-indexed financial instruments to an alternative rate-based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments. Disputes and litigation with counterparties, investors and borrowers relating to the transition are also possible. Due to the uncertainty regarding the transition from LIBOR-indexed financial instruments, including when it will happen, the manner in which an alternative reference rate will apply, and the mechanisms for transitioning LIBOR-indexed instruments to instruments with an alternative rate, the District cannot yet reasonably estimate the expected financial impact of the LIBOR transition.

The following table presents the District LIBOR-indexed financial instruments by contractual maturity.

LIBOR-Indexed Financial Instruments at September 30, 2022 ($ in Millions)

	Due in 2022	Due in 2023 on or before June 30, 2023	Due after June 30, 2023	Total
Commercial Loans [(1)]	$ 757	$ 1,070	$ 21,043	$ 22,870
Investment Securities	-	56	2,740	2,796
Debt	-	171	785	956
Derivatives (Notional Amounts)	11,639	5,892	25,608	43,139
Preferred Stock [(2)]	-	-	1,208	1,208

(1) Represents District combined loans after elimination of the direct note between CoBank and its affiliated Associations.

(2) Represents CoBank's non-cumulative perpetual preferred stock with a fixed-to-floating rate dividend feature indexed to 3-month USD LIBOR, and does not have a contractual maturity date. Includes $133 million of CoBank preferred stock that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of September 30, 2022. Dividends on an additional $300 million and $375 million of CoBank preferred stock convert from a fixed-rate to 3-month USD LIBOR plus a spread in 2025 and 2026, respectively. As discussed on page 12, on October 1, 2022, CoBank redeemed $400 million of preferred stock that would have converted from a fixed-rate to 3-month USD LIBOR plus a spread on that date. There is no Association preferred stock indexed to LIBOR.

System institutions in the District continue to analyze potential risks associated with the LIBOR transition, including financial, market, accounting, operational, legal, tax, reputational and compliance risks. In light of the announcements by the UKFCA, the IBA and Prudential Regulators noted above, USD LIBOR, except in very limited circumstances, was or will be discontinued or declared unrepresentative (depending on the tenor) as of either immediately after December 31, 2021 or June 30, 2023. Because System institutions in the District routinely engage in transactions involving financial instruments that referenced LIBOR, these developments may have a material impact on those institutions, their borrowers, investors, customers and counterparties as they transition these LIBOR instruments to SOFR or another alternative rate-based index over time.

Other Regulatory Matters

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognizes the increased risk posed by high-volatility commercial real estate exposures. The public comment period ended on January 24, 2022.

On April 14, 2022, the FCA issued a final rule to address changes to its capital regulations and certain other regulations in response to the current expected credit losses (CECL) accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses under U.S. GAAP, as well as conforming amendments to other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution’s regulatory capital. Credit loss allowances related to loans, lessor’s net investments in leases, and held-to-maturity debt securities would be included in a System institution’s tier 2 capital up to 1.25 percent of the System institution’s total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution’s tier 2 capital. In addition, the regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution’s regulatory capital ratios. The final rule is effective on January 1, 2023.

Subsequent Events

We have evaluated subsequent events through November 9, 2022, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

Condensed Combined Balance Sheets
(unaudited)

($ in Thousands)

	September 30, 2022	December 31, 2021
Assets		
Total Loans	$ **146,371,043**	$ 140,846,728
Less: Allowance for Loan Losses	**943,969**	962,051
Net Loans	**145,427,074**	139,884,677
Cash and Cash Equivalents	**378,923**	3,379,902
Federal Funds Sold and Other Overnight Funds	**13,480,000**	5,500,000
Investment Securities	**34,780,497**	32,711,274
Interest Rate Swaps and Other Derivatives	**1,013,365**	477,580
Accrued Interest Receivable and Other Assets	**2,874,416**	2,553,089
Total Assets	$ **197,954,275**	$ 184,506,522
Liabilities		
Bonds and Notes	$ **170,271,488**	$ 156,355,129
Subordinated Debt	**197,716**	197,591
Interest Rate Swaps and Other Derivatives	**1,241,171**	364,441
Reserve for Unfunded Commitments	**191,904**	150,436
Patronage Payable	**506,709**	1,108,179
Accrued Interest Payable and Other Liabilities	**2,309,132**	2,288,729
Total Liabilities	**174,718,120**	160,464,505
Shareholders' Equity		
Preferred Stock Issued by Bank	**2,032,645**	1,902,500
Preferred Stock Issued by Associations	**303,164**	557,601
Common Stock	**1,900,871**	1,846,261
Paid In Capital	**1,512,910**	1,387,946
Unallocated Retained Earnings	**19,754,078**	18,459,507
Accumulated Other Comprehensive Loss	**(2,267,513)**	(111,798)
Total Shareholders' Equity	**23,236,155**	24,042,017
Total Liabilities and Shareholders' Equity	$ **197,954,275**	$ 184,506,522

Condensed Combined Statements of Income

(unaudited)

($ in Thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Interest Income				
Loans	**$ 1,600,675**	$ 1,080,849	**$ 4,129,053**	$ 3,293,164
Investment Securities	**192,888**	108,039	**452,942**	334,007
Federal Funds Sold and Other Overnight Funds	**52,953**	270	**68,842**	736
Total Interest Income	**1,846,516**	1,189,158	**4,650,837**	3,627,907
Interest Expense	**832,024**	284,352	**1,603,174**	871,325
Net Interest Income	**1,014,492**	904,806	**3,047,663**	2,756,582
(Loan Loss Reversal) Provision for Loan Losses	**(16,079)**	(50,417)	**54,750**	(24,686)
Net Interest Income After (Loan Loss Reversal) Provision for Loan Losses	**1,030,571**	955,223	**2,992,913**	2,781,268
Noninterest Income				
Net Fee Income	**51,167**	55,075	**139,797**	151,732
Patronage Income	**37,610**	32,310	**129,704**	107,132
Prepayment Income	**2,363**	17,781	**11,959**	37,066
Gains (Losses) on Early Extinguishments of Debt	**3,777**	(25,686)	**1,482**	(56,806)
(Losses) Gains on Interest Rate Swaps and Other Derivatives	**(17,032)**	4,892	**(43,055)**	10,857
Gains on Sales of Investment Securities	**88**	-	**1,539**	1,677
Other, Net	**35,528**	2,272	**101,206**	51,653
Total Noninterest Income	**113,501**	86,644	**342,632**	303,311
Operating Expenses				
Employee Compensation	**211,056**	190,938	**595,778**	557,809
Insurance Fund Premium	**64,434**	46,386	**199,575**	144,207
Information Services	**41,346**	40,044	**106,606**	92,963
General and Administrative	**21,427**	19,027	**63,258**	47,687
Occupancy and Equipment	**15,648**	9,322	**47,614**	44,185
Farm Credit System Related	**9,042**	7,121	**27,350**	24,712
Purchased Services	**24,953**	20,637	**64,539**	56,839
Other	**17,541**	16,893	**52,004**	43,065
Total Operating Expenses	**405,447**	350,368	**1,156,724**	1,011,467
Income Before Income Taxes	**738,625**	691,499	**2,178,821**	2,073,112
Provision for Income Taxes	**43,450**	32,035	**105,887**	98,945
Net Income	**$ 695,175**	$ 659,464	**$ 2,072,934**	$ 1,974,167

Select Information on District Associations

(unaudited)

($ in Thousands)

As of September 30, 2022	Wholesale Loans	% of Wholesale Loans	Total Assets	Total Regulatory Capital	Total Regulatory Capital Ratio	Non-performing Loans as a % of Total Loans	Return on Average Assets
American AgCredit, ACA	$ 14,271,523	22.33 %	$ 17,909,364	$ 2,607,991	13.27 %	0.71 %	2.12 %
Northwest Farm Credit Services, ACA	11,749,995	18.38	15,566,878	2,834,517	17.78	0.33	2.27
Farm Credit West, ACA	11,320,517	17.71	14,391,528	2,126,640	14.44	0.60	2.57
Farm Credit East, ACA	8,420,819	13.17	10,640,643	1,878,354	16.94	0.42	2.65
Yosemite Farm Credit, ACA	3,452,298	5.40	4,235,798	590,517	13.86	0.20	2.02
Frontier Farm Credit, ACA	2,127,250	3.33	2,715,534	489,291	16.52	0.27	1.79
Golden State Farm Credit, ACA	1,787,602	2.80	2,234,911	333,827	14.13	0.40	2.12
Farm Credit of New Mexico, ACA	1,551,612	2.43	2,092,123	426,396	20.63	0.72	1.89
Oklahoma AgCredit, ACA	1,578,937	2.47	1,948,816	300,526	15.09	0.53	1.71
High Plains Farm Credit, ACA	1,295,824	2.03	1,618,211	253,476	15.38	0.10	2.06
Farm Credit of Southern Colorado, ACA	1,171,530	1.83	1,515,652	257,223	16.78	0.50	1.47
Fresno-Madera Farm Credit, ACA	1,128,356	1.77	1,492,614	280,886	17.41	0.16	1.72
Farm Credit Western Oklahoma, ACA	1,083,097	1.69	1,377,989	218,301	17.77	0.79	1.59
Western AgCredit, ACA	1,010,571	1.58	1,335,747	250,135	18.02	1.19	2.25
Premier Farm Credit, ACA	722,359	1.13	961,136	179,337	17.38	0.32	1.90
Farm Credit Services of Colusa-Glenn, ACA	467,673	0.73	686,985	125,944	16.07	-	1.74
Farm Credit of Western Kansas, ACA	296,615	0.46	433,095	98,115	22.70	0.50	1.86
Idaho AgCredit, ACA	274,868	0.43	363,557	60,458	16.93	0.15	1.66
Farm Credit of Enid, ACA	208,305	0.33	287,947	63,327	23.89	0.35	1.90

Association Information

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

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

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

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

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

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

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

Farm Credit Services of Colusa-Glenn, ACA
2970 Davison Court
Colusa, CA 95932
530-458-2163
www.fcscolusaglenn.com

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

Fresno-Madera Farm Credit, ACA
4635 West Spruce Avenue
Fresno, CA 93722
559-277-7000
www.fmfarmcredit.com

Frontier Farm Credit, ACA
2009 Vanesta Place
Manhattan, KS 66503
785-776-7144
www.frontierfarmcredit.com

Golden State Farm Credit, ACA
1359 East Lassen Avenue
Chico, CA 95973
530-571-4160
www.goldenstatefarmcredit.com

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

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

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

Oklahoma AgCredit, ACA
3033 Progressive Drive
Edmond, OK 73034
918-251-8596
www.okagcredit.com

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

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

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