2020 Quarterly Report
MARCH 31, 2020

Dear CoBank Customer-Owner:

The COVID-19 pandemic has rapidly evolved from a global public health crisis into a global economic crisis. Actions by government authorities to stem the spread of the disease have shut down entire sectors of the global economy, forced millions of people out of work, and precipitated a contraction in economic output that will likely be far worse than the Great Recession of 2007-2009. Here in the United States, the Federal Reserve has deployed a full range of emergency monetary stimulus tools to ensure the financial system continues to function. The administration and Congress have also passed aggressive fiscal stimulus measures. However, it remains to be seen how effective these policy responses will be given the unique attributes of the pandemic caused by COVID-19.

Consistent with our mission, CoBank has been focused on responding to this crisis event by protecting the health and safety of our employees while continuing to meet the needs our customers. While our board and executive team are hopeful that the pandemic will subside in coming months and that the economy will rebound, we are also realistic and prepared for a potentially drawn-out timeframe for recovery from the health and economic impacts of COVID-19.

Since the first U.S. case of COVID-19 was reported in February, the bank has implemented a number of crisis response actions, including:

- **Activating business continuity plans and moving to a remote-work environment.** In recent years, CoBank has invested significant time, effort and resources into business continuity planning. That includes building a robust, redundant technology platform that enables us to perform virtually all critical business functions remotely for an indefinite period following our detailed function-level business continuity plans. These efforts and investments have paid dividends during the COVID-19 pandemic. Starting March 15, we required all non-essential on-site personnel (more than 95 percent of our workforce) to begin working from home, and also suspended non-essential business travel. Since then, we have continued to operate the bank, maintaining the same high levels of service to our customers and are prepared to do so for as long as necessary.

- **Enhancing our liquidity position.** A common feature of economic shocks is that businesses need and demand higher levels of liquidity. As financial intermediaries and capital providers, banks also need more liquidity. Starting in mid-March, CoBank began aggressively increasing its cash position, from our typical level of approximately $1 billion to more than $11 billion at quarter end. In addition, we have $15 billion in U.S. Treasury investment securities that provide additional liquidity and $16 billion in other types of highly liquid investment securities. Our Treasury and Finance personnel monitor market conditions continually and actively manage our liquidity position to provide us the financial flexibility needed in this very uncertain market environment.

- **Proactively communicating with customers.** Our executive management, bankers and credit analysts have been busy in recent weeks, contacting customers across all the industries we finance to understand what their needs for credit and other financial services will be as the crisis continues, and to make sure our customers know CoBank will be there to support them. One noteworthy action in this regard has been to obtain approval from the Small Business Administration to participate as a lender in the Paycheck Protection Program (PPP), through which hundreds of billions of dollars in federal funds were made available to businesses with fewer than 500 employees. As of the end of April 2020, CoBank successfully processed more than $250 million in PPP loans for more than 200 of our customers.

- **Supporting rural communities with corporate philanthropy.** On April 3, CoBank announced a $1.4 million package of charitable contributions in response to COVID-19, with a specific focus on relief efforts in rural America. The biggest component of that initiative was a $1 million increase for 2020 to our Sharing Success program, to $5 million in total, in order to match charitable contributions by our customers to nonprofit organizations in rural areas throughout the United States. We believe strongly that corporate philanthropy will be an important pillar of the nation's overall response to the pandemic, and our board is committed to making resources available from CoBank in order to alleviate the wide-ranging impacts of this crisis.

From a financial results standpoint, CoBank performed well during the first quarter despite the disruption of COVID-19. Average loan volume increased by 4 percent, to $110 billion. Net income increased 8 percent, when compared to the same period last year, to $294.1 million. While credit quality in our loan portfolio remained solid for the quarter, we nonetheless recorded a $26 million provision for loan losses in part driven by deterioration in the market environment and the macroeconomic impacts of the pandemic.

The table below contains key financial data for the quarter. Complete financial information is provided in Management's Discussion and Analysis and the financial statements and footnotes that follow this letter.

KEY FINANCIAL DATA

($ in millions)	Three months ended March 31,	
INCOME STATEMENT	**2020**	**2019**
Net interest income	$383	$360
Provision for loan losses	26	28
Noninterest income	72	64
Operating expenses	100	93
Net income	294	272
BALANCE SHEET (period-end)	**March 31, 2020**	**December 31, 2019**
Total loans	$111,165	$108,854
Less: allowance for loan losses	683	655
Net loans	110,482	108,199
Total assets	157,995	145,004
Total shareholders' equity	11,327	10,567

KEY FINANCIAL DATA *(continued)*

($ in millions)	Three months ended March 31,	
PROFITABILITY METRICS	**2020**	**2019**
Net interest margin	1.08%	1.06%
Return on average common equity	11.64%	12.47%
Return on average assets	0.81%	0.80%
Operating expense ratio	21.07%	20.54%
Average total loans	$110,130	$105,807
Average earning assets	142,891	137,824
Average total assets	145,725	138,979

Our board and executive team remain focused, now more than ever, on continuing to build the long-term financial strength, flexibility and capacity of the bank to continue meeting the needs of our customer-owners with excellence, and fulfilling our mission to serve rural America. We greatly appreciate your support and are grateful for the trust you place in CoBank as a financial partner.

Kevin G. Riel
Chair of the Board

Thomas E. Halverson
President and Chief Executive Officer

May 8, 2020

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

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is one of the four banks in the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across the rural communities of America. The System is a federally chartered network of borrower-owned cooperative lending institutions 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).

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. We provide a broad range of loans and other financial services through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes, the accompanying regulatory capital disclosures and our 2019 Annual Report to Shareholders.

Consolidated Results of Operations

Average loan volume was $110.1 billion during the first three months of 2020 compared to $105.8 billion in the same prior-year period. The 4 percent increase in average loan volume resulted primarily from growth in lending to Associations in our Farm Credit Banking operating segment as well as rural power and communications customers in our Rural Infrastructure segment.

Net income increased $21.6 million to $294.1 million for the three-month period ended March 31, 2020, compared to $272.5 million during the same period in 2019. The 8 percent increase in earnings resulted primarily from increases in net interest income and noninterest income. These items were somewhat offset by an increase in operating expenses and a higher provision for income taxes in the 2020 period.

Net Interest Margin and Net Interest Income						
Three Months Ended March 31,	**2020**			**2019**		
($ in Millions)	**Average Balance**	**Average Rate**	**Interest Income/ Expense**	**Average Balance**	**Average Rate**	**Interest Income/ Expense**
Interest-earning Assets[(1)]						
Loans	**$ 110,130**	**3.11 %**	**$ 855**	$ 105,807	3.67 %	$ 972
Investment Securities, Federal Funds Sold and Other Overnight Funds	**32,761**	**2.13**	**174**	32,017	2.44	195
Total Interest-earning Assets[(1)]	**142,891**	**2.89**	**1,029**	137,824	3.39	1,167
Total Interest-bearing Liabilities	**132,182**	**1.96**	**646**	127,403	2.53	807
Interest Rate Spread		**0.93**			0.86	
Impact of Equity Financing	**10,918**	**0.15**		9,650	0.20	
Net Interest Margin and Net Interest Income		**1.08 %**	**$ 383**		1.06 %	$ 360

(1) Interest-earning assets exclude cash and cash equivalents.

Net interest income increased $23.6 million to $383.3 million for the three months ended March 31, 2020, compared to $359.7 million for the same prior-year period. The 7 percent increase in net interest income was primarily driven by interest income recognized on a nonaccrual loan to an agribusiness customer that was paid off in 2020, higher average loan volume, and an increase in earnings on invested capital.

Net interest margin improved to 1.08 percent for the first three months of 2020 compared to 1.06 percent for the same period in 2019. The increase in our net interest margin included the favorable impact of interest income related to the agribusiness customer nonaccrual loan repayment. This was partially offset by changes in asset mix, including increased lending to affiliated Associations which has lower spreads commensurate with lower risk.

We recorded a $26.0 million provision for loan losses in the three-month period ended March 31, 2020. The 2020 provision primarily relates to a higher level of exposure in our Agribusiness operating segment and an increase in a specific reserve related to a Rural Infrastructure customer somewhat offset by an improvement in credit quality in most sectors of our Rural Infrastructure portfolio. The provision for loan losses in the 2020 period also includes an additional level of reserves to reflect inherent losses in our loan portfolio resulting from deterioration in the macro environment and business disruptions related to COVID-19. As discussed in Note 2 to the accompanying condensed consolidated financial statements, CoBank is not yet required and has not implemented the Current Expected Credit Losses (CECL) accounting standard. We recorded a $28.0 million provision for loan losses in the three-month period ended March 31, 2019. The 2019 provision largely reflected a higher level of overall Agribusiness lending activity and deterioration in credit quality in our Rural Infrastructure operating segment and, to a lesser extent, our Agribusiness operating segment. Adversely classified loans and accrued interest decreased to 1.21 percent of total loans and accrued interest at March 31, 2020 from 1.30 percent at December 31, 2019 due to modest improvements in credit quality in our Rural Infrastructure and Agribusiness operating segments. Nonaccrual loans increased to $258.7 million at March 31, 2020 from $240.7 million at December 31, 2019 primarily due to nonaccrual downgrades of a small number of customers in our Rural Infrastructure operating segment largely offset by the repayment of a nonaccrual customer in our Agribusiness operating segment. Loan recoveries, net of charge-offs, totaled $0.7 million for the first three months of 2020 compared to loan charge-offs, net of recoveries, of $1.3 million during the same period in 2019.

Noninterest income increased $8.2 million to $72.4 million for the first three months of 2020 from $64.2 million for the same prior-year period. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The increase in noninterest income was driven by a $4.7 million increase in net fee income in the 2020 period resulting from a higher level of fee income in our Rural Infrastructure operating segment, a $2.5 million increase in patronage income due to a higher level of patronage received from other System institutions on loan participations we sold to them, and a $2.3 million increase in prepayment income, net of losses on early extinguishments of debt, resulting from a higher level of customer refinancing activity in the 2020 period. Noninterest income also included a return of excess insurance funds from the Insurance Corporation related to the Farm Credit System Insurance Fund (Insurance Fund) of $12.6 million in the first three months of 2020, as compared to $13.8 million in the same period of 2019. As more fully explained in our 2019 Annual Report, when the Insurance Fund exceeds the statutory 2 percent secure base amount (SBA), the Insurance Corporation may reduce premiums and return excess amounts. In both 2020 and 2019, the Insurance Fund began the year above the SBA.

Total operating expenses for the three-month period ended March 31, 2020 increased $6.8 million to $99.7 million from $92.9 million for the same period in 2019. The higher level of operating expenses was primarily driven by an increase in employee compensation expense of $4.0 million to $52.6 million for the first three months of 2020. The increase in employee compensation expense was driven by growth in the number of employees to support increased investments in our operating and technology platforms and other business initiatives as well as to maintain high levels of customer service. Employee compensation expense also increased due to annual merit increases. As of March 31, 2020 and 2019, we had 1,129 and 1,063 employees, respectively. Information services expense increased by $2.2 million due to greater expenditures to enhance our service offerings, technology platforms and digital banking capabilities. Purchased services expense increased $2.1 million primarily due to increased consulting fees related to enhancement of our enterprise information management capabilities as well as a higher level of professional fees. General and administrative expenses increased $0.6 million and include contributions and other support provided to civic, charitable and other organizations that benefit the residents, communities and industries we serve in rural America, consistent with our overall corporate social responsibility program and the fulfillment of our mission. These increases in operating expenses were offset by decreases in Insurance Fund premium expense of $1.3 million and other operating expenses of $0.8 million in the first three months of 2020 compared to the 2019 period. The decrease in Insurance Fund premium expense is due to the impact of lower premium rates partially offset by growth in loan volume. Insurance Fund premium rates are set by the Insurance Corporation and were 8 basis points of adjusted insured debt obligations in the first quarter of 2020 compared to 9 basis points during the first quarter of 2019. The decrease in other operating expenses is due to a lower level of expenditures for customer-facing activities and other business travel.

Our income tax expense increased by $5.4 million to $35.9 million for the first three months of 2020, compared to $30.5 million for the same prior-year period. Our effective tax rates were 10.9 percent and 10.1 percent for the three-month periods ended March 31, 2020 and 2019, respectively. The increases in our income tax expense and the effective tax rate were primarily due to an increase in earnings attributable to taxable business activities. As discussed in our 2019 Annual Report, we recorded a $30.2 million favorable adjustment to the provision for income taxes in the year ended December 31, 2019 reflecting amendments to our 2015 through 2017 federal and state tax returns to realize the benefit of certain equipment leasing transactions. In April 2020, the Internal Revenue Service initiated an examination of our amended federal tax returns.

Our annualized return on average common shareholders' equity decreased to 11.64 percent for the three months ended March 31, 2020 from 12.47 percent for the same period in 2019. This resulted from higher average capital balances during the 2020 period primarily related to unrealized gains on our investment securities somewhat offset by a higher level of earnings in the first three months of 2020. Our annualized return on average assets increased to 0.81 percent for the three-month period ended March 31, 2020, compared to 0.80 percent for the same prior-year period.

Operating Segment Financial Review

We provide financial services to agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; farmer-owned financial institutions and other businesses that serve agriculture and rural communities. We conduct lending operations through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

Loans outstanding and the allowance for loan losses by operating segment at March 31, 2020 and 2019 are reported in Notes 3 and 11 to the accompanying condensed consolidated financial statements. All customer activity, including loans and leases and related income, is specifically assigned to the business units that comprise the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Net income by operating segment is summarized in the following table and is more fully detailed in Note 11 to the accompanying condensed consolidated financial statements.

Net Income by Operating Segment ($ in Thousands)

For the Three Months Ended March 31,	2020	2019[(1)]
Operating Segment:		
Agribusiness	**$ 144,181**	$ 141,934
Farm Credit Banking	**59,419**	56,579
Rural Infrastructure	**90,483**	73,980
Total	**$ 294,083**	$ 272,493

(1) As discussed in Note 1, the 2019 period included reclassifications between the Agribusiness and Rural Infrastructure operating segments which had no impact on CoBank's consolidated net income.

Agribusiness

The Agribusiness operating segment includes loans and other financial services provided to a diverse market of cooperatives and other businesses in various agricultural sectors including grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing. Agribusiness loans outstanding totaled $33.7 billion at March 31, 2020, compared to $33.2 billion at December 31, 2019. The Agribusiness segment includes our Agricultural Export Finance Division, which provides trade finance to support U.S. exporters of agricultural products. The Agricultural Export Finance Division had $5.7 billion and $5.9 billion in loans outstanding as of March 31, 2020 and December 31, 2019, respectively. At March 31, 2020 and December 31, 2019, 21 and 20 percent, respectively, of the loans in the Agricultural Export Finance Division were guaranteed by the U.S. government. Our Agribusiness segment also includes Farm Credit Leasing Services Corporation (FCL), a wholly-owned subsidiary, which provides lease products and related services to Association partners, agribusinesses, agricultural producers and rural infrastructure companies. As of March 31, 2020 and December 31, 2019, FCL had $3.6 billion in leases outstanding.

Agribusiness average loan volume increased slightly to $34.6 billion for the first three months of 2020 from $34.5 billion for the same period of 2019. Growth in Agribusiness average loan volume reflects increases in lending to agricultural export finance and leasing customers partially offset by a modest decrease in agribusiness lending.

Agribusiness net income increased $2.3 million in the first three months of 2020 to $144.2 million from $141.9 million for the same period in 2019 due to an increase in net interest income somewhat offset by an increase in operating expenses, higher provisions for loan losses and income taxes and a decrease in noninterest income.

Net interest income increased by $17.2 million to $209.5 million for the three-month period ended March 31, 2020, from $192.3 million for the 2019 period. This increase was primarily due to interest income recognized on a nonaccrual loan to an agribusiness customer that was paid off in 2020, an improvement in lending spreads in certain portfolio sectors and higher returns on invested capital.

Agribusiness recorded a $30.7 million provision for loan losses during the first three months of 2020 compared to $25.0 million in the same prior-year period. The 2020 provision reflects a higher level of agribusiness lending exposure as well as an additional level of reserves to reflect inherent losses in our agribusiness loan portfolio resulting from deterioration in the macro environment and business disruptions related to COVID-19. The 2019 provision reflected a higher level of lending activity and slight deterioration in overall credit quality. Nonaccrual loans in Agribusiness decreased to $198.7 million at March 31, 2020, as compared to $220.4 million at December 31, 2019 primarily due to a nonaccrual loan to an agribusiness customer that was paid off in 2020. Loan recoveries, net of charge-offs, totaled $0.4 million for the first three months of 2020 compared to loan charge-offs, net of recoveries, of $1.6 million during the same period in 2019.

Noninterest income decreased $3.0 million to $43.4 million in the first three months of 2020 from $46.4 million for the 2019 period largely due to a decrease in fee income due to a lower level of transaction-related lending fees somewhat offset by higher levels of patronage income received from other System institutions on loan participations we sold to them. Noninterest income also included a return of excess insurance funds from the Insurance Corporation as described on page 6 totaling $7.7 million in the 2020 period compared to $8.5 million in the 2019 period.

Agribusiness operating expenses increased to $60.6 million for the first three months of 2020 from $54.9 million in the same prior-year period primarily due to the increases in employee compensation, information services, purchased services and general and administrative expenses described on page 6.

Farm Credit Banking

The Farm Credit Banking operating segment includes wholesale loans from the direct funding relationships we have with our 21 affiliated Association customer-owners and our wholesale funding relationships with other System institutions. Our affiliates include Associations operating in 23 states serving the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. As of March 31, 2020, the Farm Credit Banking loan portfolio totaled $55.1 billion, compared to $54.5 billion at December 31, 2019. At March 31, 2020 and December 31, 2019, loans outstanding included $50.2 billion and $49.6 billion, respectively, in wholesale loans to our affiliated Associations and $4.9 billion of participations in wholesale loans made by other System banks to certain of their affiliated Associations. These participations included $3.9 billion as of March 31, 2020 and December 31, 2019 in wholesale loans made by the Farm Credit Bank of Texas (FCBT). The balance of participations of $1.0 billion as of March 31, 2020 and December 31, 2019 represent wholesale loans made by AgFirst Farm Credit Bank.

Farm Credit Banking average loan volume increased 8 percent to $53.9 billion for the three-month period ended March 31, 2020, compared to $50.1 billion for the same prior-year period. The increase resulted from greater overall lending to agricultural producers and processors by our affiliated Associations, larger affiliated Associations funding syndicated loans and purchased participations as well as one affiliated Association funding liquidity investment purchases.

Farm Credit Banking net income increased $2.8 million to $59.4 million for the first three months of 2020, as compared to $56.6 million for the same prior-year period. The increase resulted primarily from higher net interest income and noninterest income.

Net interest income increased to $68.5 million in the first three months of 2020 compared to $66.6 million for the same period in 2019, primarily due to growth in average loan volume.

As a wholesale lender to Associations, we benefit from the diversification provided by the Association loan portfolios and a strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their respective loan portfolios. Lower spreads in the Farm Credit Banking operating segment are commensurate with the lower risk profile and lower regulatory capital requirements. Notwithstanding the downgraded credit quality classifications of three affiliated Association wholesale loans and a participation in a wholesale loan made by FCBT to one of its affiliated Associations as discussed beginning on page 10, loan quality in Farm Credit Banking remains strong. No provision for loan losses or allowance for credit losses have been recorded related to any of our wholesale loans to Associations.

Farm Credit Banking noninterest income increased by $1.3 million to $1.7 million in the first three months of 2020 from $0.4 million in the 2019 period resulting from a higher level of prepayment fees, net of losses on early extinguishments of debt in the first quarter of 2020, as compared to the 2019 period. The operating results of Farm Credit Banking in the three months ended March 31, 2020 and 2019 did not benefit from the previously mentioned returns of excess insurance funds from the Insurance Corporation because these amounts were passed on directly to our Association customers since premium assessments are also directly passed on to them.

Operating expenses increased slightly to $10.8 million for the first three months of 2020 from $10.3 million for the same prior-year period. Farm Credit Banking has no income tax expense as the earnings on its business activities are statutorily tax-exempt.

Rural Infrastructure

The Rural Infrastructure operating segment includes loans and other financial services provided to cooperatives and other companies in the power and energy, communications, water and waste water industries as well as to community facilities in rural America. Power and energy industry customers include rural electric generation and transmission cooperatives, midstream energy and gas pipeline providers, electric distribution cooperatives, renewable energy providers, independent power producers, regulated utilities and investor-owned utilities. Communications industry customers include companies providing local wireline broadband services, long-haul and middle-mile fiber transport, and data center and cloud-based products to rural communities. Our customers also include regional and national communications providers with networks that are globally interconnected, who are essential to bringing services to rural America through their partnerships and contractual relationships with our rural customers. In addition, the Bank has customers in the water industry, including rural water and waste water companies, as well as rural health care and other community facilities. We also make investments in certain Rural Business Investment Companies (RBICs). Our investments in RBICs focus on small and middle market companies that create jobs and prosperity in rural America. The Rural Infrastructure loan portfolio increased to $22.4 billion at March 31, 2020, compared to $21.2 billion at December 31, 2019.

Rural Infrastructure average loan volume increased 2 percent to $21.6 billion for the first three months of 2020, compared to $21.2 billion for the same prior-year period. The increase in loan volume primarily related to rural power and communications borrowers and was somewhat offset by a decrease in electric distribution loans.

Rural Infrastructure net income increased by $16.5 million to $90.5 million for the first three months of 2020, compared to $74.0 million for the same prior-year period. The increase was primarily driven by an increase in noninterest income, a lower provision for loan losses and an increase in net interest income. These items were partially offset by a higher provision for income taxes and an increase in operating expenses.

Net interest income increased by $4.5 million to $105.4 million for the three-month period ended March 31, 2020, compared to $100.9 million in the 2019 period. This increase was primarily due to growth in average loan volume somewhat offset by spread compression in certain portfolio sectors resulting from continued competition for our customers' business from other financial services institutions.

Rural Infrastructure recorded a loan loss reversal of $4.7 million during the first three months of 2020 compared to a provision for loan losses of $3.0 million for the same period in 2019. The 2020 reversal primarily reflects improvements in credit quality in our electric distribution and water portfolios partially offset by a specific reserve related to a communications customer. The 2019 provision primarily reflected deterioration in credit quality driven by downgrades of a limited number of rural power customers partially offset by credit quality improvements in our communications portfolio. Nonaccrual loans in Rural Infrastructure increased to $60.0 million at March 31, 2020, compared to $20.3 million at December 31, 2019 primarily due to a communications loan that entered nonaccrual status during 2020. Loan recoveries, net of charge-offs, totaled $0.3 million for the first three months of 2020 and 2019.

Noninterest income increased by $9.8 million to $27.2 million for the three-month period ended March 31, 2020, compared to $17.4 million for the same period in 2019 largely due to an increase in fee income due to a higher level of transaction-related lending fees. Noninterest income also included a return of excess insurance funds from the Insurance Corporation as described on page 6 totaling $5.0 million in the 2020 period compared to $5.3 million in the 2019 period.

Rural Infrastructure operating expenses increased by $0.6 million to $28.3 million for the first three months of 2020 compared to $27.7 million for the same prior-year period primarily due to increases in employee compensation, information services, purchased services and general and administrative expenses described on page 6.

Credit Quality, Liquidity, Capital Resources and Other

Loan Quality

The following table presents loans and accrued interest receivable, classified by management pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and accrued interest.

Loan Quality Ratios

	March 31, 2020			December 31, 2019		
	Wholesale Loans (1)	Commercial Loans (2)	Total Bank	Wholesale Loans (1)	Commercial Loans (2)	Total Bank
Acceptable	**94.77 %**	**95.12 %**	**94.94 %**	94.50 %	94.73 %	94.61 %
Special Mention	**5.23**	**2.49**	**3.85**	5.50	2.67	4.09
Substandard	**-**	**2.35**	**1.19**	-	2.56	1.28
Doubtful	**-**	**0.04**	**0.02**	-	0.04	0.02
Loss	**-**	**-**	**-**	-	-	-
Total	**100.00 %**	**100.00 %**	**100.00 %**	100.00 %	100.00 %	100.00 %

(1) Represents loans in our Farm Credit Banking operating segment
(2) Represents loans in our Agribusiness and Rural Infrastructure operating segments

Our overall loan quality measures remain strong at March 31, 2020. Special Mention loans and accrued interest, excluding wholesale loans to Associations, improved to 2.49 percent of total loans and accrued interest at March 31, 2020 from 2.67 percent at December 31, 2019. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and accrued interest improved to 1.21 percent at March 31, 2020, compared to 1.30 percent at December 31, 2019.

At March 31, 2020, Special Mention loans included $2.4 billion in wholesale loans to three of our affiliated Associations and a $470.8 million participation in a wholesale loan made by FCBT to one of its affiliated

Associations. Pursuant to our regulatory requirements, we classify our wholesale loans using the same Uniform Loan Classification System used for our commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the Special Mention classification primarily reflects internal control and other operational weaknesses at these Associations, some of which were material weaknesses, as a result of the collateralization and other mitigants described above, we do not anticipate any losses related to these wholesale loans. As of March 31, 2020, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any of our wholesale loans to Associations.

We recorded a $26.0 million provision for loan losses in the first three months of 2020 compared to $28.0 million in the 2019 period. The 2020 provision primarily relates to a higher level of exposure in our Agribusiness operating segment and an increase in a specific reserve related to a Rural Infrastructure customer somewhat offset by improvements in credit quality in our electric distribution and water portfolios of our Rural Infrastructure operating segment. The provision for loan losses in the 2020 period also includes an additional level of reserves to reflect inherent losses in our loan portfolio resulting from deterioration in the macro environment and business disruptions related to COVID-19. As discussed in Note 2 to the accompanying condensed consolidated financial statements, CoBank is not yet required and has not implemented the CECL accounting standard. The 2019 provision primarily reflected a higher level of overall Agribusiness lending activity and deterioration in credit quality in our Rural Infrastructure operating segment and to a lesser extent our Agribusiness operating segment. Loan recoveries, net of charge-offs, totaled $0.7 million for the first three months of 2020 compared to loan charge-offs, net of recoveries, of $1.3 million during the same period in 2019. Nonaccrual loans increased to $258.7 million at March 31, 2020, from $240.7 million at December 31, 2019 primarily due to nonaccrual downgrades impacting a small number of customers in our Rural Infrastructure operating segment that was largely offset by the repayment of a nonaccrual customer in our Agribusiness operating segment. Our total allowance for credit losses (ACL), which includes the allowance for loan losses and the reserve for unfunded commitments, was $773.7 million at March 31, 2020, compared to $747.1 million at December 31, 2019. Our ACL as a percent of total loans was 0.69 percent at March 31, 2020 and December 31, 2019. As a percent of non-guaranteed loans outstanding and excluding loans to Associations, our ACL was 1.40 percent at March 31, 2020 and December 31, 2019.

Although the overall credit quality of our loan portfolio remained strong during the first three months of 2020, economic conditions deteriorated rapidly during the latter part of March 2020. The introduction and spread of COVID-19 around the world has caused significant volatility and unfavorable conditions in the U.S. and international markets. There is significant uncertainty around the magnitude and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. As such, it is uncertain if COVID-19 will have a material impact on the Bank's credit quality. If the effects of COVID-19 result in repayment shortfalls on loans in our portfolio, we could incur significant credit losses. At this time, we believe the credit quality impacts within our loan portfolio resulting from the COVID-19 business disruptions will be mixed with certain industries negatively impacted. We have identified the biofuels, dairy, protein, forest products and grain-related industries as the most likely to be negatively impacted due to lower demand and supply chain disruptions in the current environment; however, there is uncertainty as to the magnitude and severity of the credit quality impacts to our loans in these sectors based on the information available in the marketplace at this time. Management has also performed initial stress testing and other forward looking assessments of credit quality and the related impact on our earnings and capital under a variety of macroeconomic environments and COVID-19 economic recovery scenarios. These assessments are inherently subject to uncertainty, change and refinement considering the limited information currently available about the long-term impacts from the global and U.S. response to control the spread of COVID-19. Under these stress scenarios, the Bank continues to remain profitable, albeit at lower levels, and maintains capital above regulatory minimums.

Further credit quality deterioration could also result from other market factors impacting our customers, including ongoing trade disputes among the United States and its trading partners, declining farm income and weather related events. In addition, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period.

Liquidity and Investments

Our liquidity management objectives are to provide a reliable source of funding to borrowers, meet maturing debt obligations, provide additional liquidity if market conditions deteriorate and fund operations on a cost effective basis.

Beginning in March 2020, market conditions deteriorated rapidly resulting from the spread of COVID-19 and our access to the debt capital markets was negatively impacted. While we continue to have access to the capital markets and issue debt in the marketplace to meet our customers' borrowing needs and fund our operations, the types of debt products and maturity structures have become more limited, particularly longer-term bullet debt, than under normal market conditions. While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, holdings of liquid assets and access to the capital markets, current market conditions have increased liquidity risks. In addition, we have experienced uncertainty in our loan volume and customer cash flow requirements including a potential for higher draws on unfunded commitments that will continue to cause our liquidity needs to vary significantly from day to day.

One of the ways in which we measure and monitor our liquidity position is by assuming no ability to issue debt and calculating the number of days into the future we could meet maturing debt obligations by using available cash and eligible investments. System banks are required by regulation to maintain a minimum of 90 days of liquidity (cash and readily marketable investments generally discounted by 5 to 10 percent of market value) on a continuous basis and to establish an incremental liquidity reserve. At March 31, 2020, our liquidity was 215 days, compared to 176 days at December 31, 2019. Management significantly increased the Bank's liquidity position in March 2020 in response to the market volatility and unfavorable conditions related to COVID-19 to ensure we have the ability to meet our customers' borrowing needs.

We hold cash, investment securities, federal funds sold and other overnight funds primarily to maintain a liquidity reserve and manage short-term surplus funds. Cash, federal funds sold and other overnight funds totaled $13.8 billion and $2.8 billion as of March 31, 2020 and December 31, 2019, respectively. Included in these amounts was cash held at the Federal Reserve Bank of $11.3 billion as of March 31, 2020 and $0.3 billion as of December 31, 2019. The significant increase in cash held at the Federal Reserve Bank reflects the enhancement in the Bank's liquidity position described above. Our investment securities were $31.2 billion at March 31, 2020, compared to $32.4 billion at December 31, 2019.

The table below summarizes our investment securities and related unrealized gains (losses) by asset class.

Investment Securities ($ in Millions)	**March 31, 2020**			**December 31, 2019**		
	Amortized Cost	**Fair Value**	**Unrealized Gains/ (Losses)**	**Amortized Cost**	**Fair Value**	**Unrealized Gains/ (Losses)**
Certificates of Deposit	**$ 150**	**$ 150**	**$ -**	$ 400	$ 400	$ -
U.S. Treasury Debt	**14,170**	**14,787**	**617**	15,908	16,062	154
U.S. Agency Debt	**2,703**	**2,848**	**145**	2,804	2,854	50
Residential Mortgage-Backed:						
Ginnie Mae	**2,074**	**2,163**	**89**	2,310	2,337	27
U.S. Agency	**4,024**	**4,130**	**106**	4,355	4,385	30
Commercial Mortgage-Backed:						
U.S. Agency	**6,081**	**6,158**	**77**	4,951	4,946	(5)
Corporate Bonds	**366**	**293**	**(73)**	363	373	10
Asset-Backed and Other	**698**	**698**	**-**	1,068	1,069	1
Total	**$ 30,266**	**$ 31,227**	**$ 961**	$ 32,159	$ 32,426	$ 267

Credit risk in our investment portfolio primarily exists in investment securities that are not guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency), which include our certificates of deposit, asset-backed securities (ABS) backed by pools of prime auto loans and corporate bonds of midstream energy companies. The midstream energy corporate bonds are purchased under our lending authorities and not held for liquidity purposes. Our certificates of deposit with commercial banks carry the highest short-term credit rating. The remaining two investment types with credit risk include our ABS and midstream energy corporate bonds, which collectively total $1.0 billion or 3 percent of our total investment portfolio as of March 31, 2020. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include overnight bank deposits and federal funds sold. We recorded no other-than-temporary impairment losses on investment securities during the first three months of 2020 or 2019.

Pursuant to FCA regulations, certain securities must be excluded from our liquidity reserve, which would include certificates of deposit that no longer carry one of the two highest short-term credit ratings and ABS that are no longer rated triple-A by at least one major rating agency; corporate bonds that do not carry one of the two highest ratings by at least one major rating agency; or any investment whose market value is less than 80 percent of book value. As of March 31, 2020, $382.6 million of such securities were excluded from our liquidity reserve, the most significant of which were our investments in corporate bonds of midstream energy companies that are not held for liquidity purposes.

We did not sell any securities during the first three months of 2020. In the first quarter of 2019, we sold three U.S. Treasury debt securities for total proceeds of $524.5 million resulting in losses of $0.2 million. These securities were primarily sold to manage liquidity. The resulting losses from these investment sales are recorded in noninterest income in the accompanying condensed consolidated statements of income for the three months ended March 31, 2019.

As all of our investment securities are classified as "available for sale", we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders' equity, unless losses are credit-related and considered other-than-temporary, in which case that portion of the loss is recorded in earnings. We recorded net unrealized gains of $694.3 million for the first three months of 2020, compared to net unrealized gains of $216.3 million for the same prior-year period. The unrealized gains recorded in both periods primarily reflect the impact of market interest rate changes on the fair value of fixed rate securities. In addition, the net unrealized gains in the first three months of 2020 were reduced by an $84.0 million unrealized loss related to our investments in corporate bonds of midstream energy companies. The decline in market value of these corporate bonds was the result of a sharp decline in energy commodity prices as well as market uncertainty associated with COVID-19. We determined the market value decline to be temporary and recorded no other-than-temporary impairment at March 31, 2020.

An additional source of liquidity is cash provided by our operating activities (primarily generated from net interest income in excess of operating expenses), which totaled $278.7 million and $72.3 million for the first three months of 2020 and 2019, respectively.

Notwithstanding the various sources of liquidity discussed above, if no other sources at CoBank existed to repay maturing Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities), the assets of the Insurance Fund would be used to repay such debt.

The Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System banks in exigent market circumstances that threaten the banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2020 unless otherwise renewed. The decision whether to seek funds from the Federal Financing Bank is at the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Capital Resources

We believe that a sound capital position is critical to our long-term financial success and future growth. Our shareholders' equity is composed of preferred and common stock, retained earnings and other comprehensive income (loss), and totaled $11.3 billion and $10.6 billion at March 31, 2020 and December 31, 2019, respectively. During the first three months of 2020, growth in shareholders' equity resulted from an increase in accumulated other comprehensive income primarily resulting from increases in net unrealized gains on investment securities driven by market interest rate changes as well as our current period earnings. These factors were offset by patronage accruals, common stock retirements and preferred stock dividends.

At March 31, 2020 and December 31, 2019, our capital and leverage ratios exceeded regulatory minimums, as shown in the following table.

Regulatory Capital Requirements and Ratios

		March 31, 2020		December 31, 2019		
	Regulatory Minimums	Actual	Actual Buffer	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 Capital Ratio	4.5 %	**12.15 %**	**7.65 %**	12.70 %	8.20 %	2.5 %
Tier 1 Capital Ratio	6.0	**14.17**	**8.17**	14.83	8.83	2.5
Total Capital Ratio	8.0	**15.18**	**7.18**	15.86	7.86	2.5
Tier 1 Leverage Ratio	4.0	**7.23**	**3.23**	7.51	3.51	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	**2.99**	**n/a**	3.24	n/a	n/a
Permanent Capital Ratio	7.0	**14.29**	**n/a**	14.95	n/a	n/a

See pages 56 through 65 for more information on required regulatory capital disclosures, including the components of the ratios displayed above.

We may from time to time seek to retire our outstanding debt or equity securities through calls, tender offers and/or exchanges, open market purchases, privately negotiated transactions or otherwise. We may also issue new debt or equity securities. Such calls, tender offers, exchanges, open market purchases or new issuances, if any, will depend on prevailing market conditions, the Bank's capital position and liquidity requirements, contractual restrictions, changes to capital regulations and other factors.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-Bank Offered Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021.

CoBank recognizes the discontinuance of LIBOR presents significant risks and challenges that could have an impact on its businesses and our customers. Accordingly, CoBank has established a LIBOR governance and implementation program that includes senior management involvement.

We have exposure to various LIBOR-indexed financial instruments that mature after 2021. This exposure includes loans that we make to our customers, investment securities that we purchase, Systemwide Debt Securities that are issued by the Funding Corporation, preferred stock that we issue and our 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 by us. The transition from LIBOR could result in us paying higher interest rates on our current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments we hold that reference LIBOR, and increase the costs of, or affect our ability to effectively use, derivative instruments to manage interest rate risk. In addition, to the extent that we cannot successfully transition our LIBOR-indexed financial instruments to an alternative rate-based index that is endorsed or supported by regulators and generally accepted by the market, 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 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 our LIBOR-indexed instruments to instruments with an alternative rate, we cannot yet reasonably estimate the expected financial impact of the LIBOR transition.

The following table represents our LIBOR-indexed financial instruments by contractual maturity.

LIBOR-Indexed Financial Instruments at March 31, 2020 ($ in Millions)

	Due in 2020	Due in 2021	Due in 2022 and After	Total
Commercial Loans [(1)]	$ 12,012	$ 5,300	$ 19,035	$ 36,347
Wholesale Loans [(2)]	9,126	-	-	9,126
Investment Securities	-	130	4,210	4,340
Debt	22,800	22,670	1,846	47,316
Derivatives (Notional Amounts)	5,241	7,484	30,610	43,335
Preferred Stock [(3)]	-	-	1,300	1,300

(1) Represents loans in our Agribusiness and Rural Infrastructure operating segments.

(2) Represents loans in our Farm Credit Banking operating segment.

(3) Represents our non-cumulative perpetual preferred stock with a fixed-to floating rate dividend feature indexed to 3-month USD LIBOR, which does not have a contractual maturity date. Includes $225 million that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of March 31, 2020. Dividends on an additional $400 million, $300 million, and $375 million of preferred stock convert from a fixed rate to 3-month USD LIBOR plus a spread in 2022, 2025, and 2026, respectively.

In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR and the Federal Reserve Bank of New York began publishing SOFR in April of 2018.

On September 11, 2018 the FCA issued guidance for System institutions to follow as they prepare for the expected phase-out of LIBOR. Pursuant to the guidance, we have developed a LIBOR transition plan. The FCA identified the following as important considerations in the development of transition plans:

- a governance structure to manage the transition,
- an assessment of exposures to LIBOR,
- an assessment of the fallback provisions in contracts and the impact of a LIBOR phase-out under those provisions,
- the establishment of strategies for reducing each type of LIBOR exposure,
- assessment of operational processes that need to be changed,
- communication strategies with customers and stakeholders,
- the establishment of a process to stay abreast of industry developments and best practices,
- the establishment of a process to ensure a coordinated approach, to the extent possible, across the System, and
- a timeframe and action steps for completing key objectives.

We continue to analyze potential risks associated with the LIBOR transition, including financial, market, accounting, operational, legal, tax, reputational and compliance risks. At this time, we are unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Because we routinely engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on us, our borrowers, investors, customers and counterparties.

Other Regulatory Matters

On April 9, 2020, the FCA voted to delay publication, until at least June 8, 2020, of its final rule on criteria to reinstate nonaccrual loans. Previously, on February 13, 2020, the FCA approved a final rule that clarifies the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule also revised the criteria by which loans are reinstated to accrual status, and it revised the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status.

On April 1, 2020, the FCA issued an informational memorandum for reporting troubled debt restructurings (TDR) for customers affected by the COVID-19 outbreak. Pursuant to this guidance, borrowers experiencing short-term economic difficulties arising from the COVID-19 outbreak and who receive loan modifications including payment deferrals, fee waivers or other extensions of repayment terms are not required to be accounted for and reported as TDRs. This guidance covers the period beginning March 1, 2020, and ending on December 31, 2020, or 60 days after termination of the COVID-19 national emergency, whichever is earlier.

On September 23, 2019, the FCA issued a proposed rule to address changes to its capital regulation and certain other regulations in response to the CECL accounting standard. The proposed rule 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% 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 proposed 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 public comment period ended on November 22, 2019.

Business Outlook

The effects of the COVID-19 pandemic could have a material adverse effect on CoBank’s business, results of operations and financial condition.

The COVID-19 pandemic has rapidly evolved from a global public health crisis into a global economic crisis. Actions by government authorities to stem the spread of the disease have shut down entire sectors of the global economy, forced millions of people out of work, and precipitated a contraction in economic output. In the United States, the Federal Reserve has deployed a full range of emergency monetary stimulus tools to ensure the financial system continues to function. The administration and Congress have also passed aggressive fiscal stimulus measures. However, it remains to be seen how effective these policy responses will be given the unique attributes of the pandemic.

The suddenness of the crisis is forcing the agriculture/food, power, water and communications industries to adapt quickly to maintain continuity in their operations. Consumer consumption patterns have changed dramatically as a result of COVID-19 with stay-at-home orders enacted in nearly every state. Food supply chains must rapidly shift away from foodservice consumption to a higher share of grocery store food purchases. The power sector is grappling with weakening electricity consumption by the commercial and industrial sectors as well as significant volatility in fuel prices. Demand for water has also shifted from commercial use to residential, altering needs for many water authorities. Broadband providers are keeping up with a massive increase in internet usage. And all sectors are preparing for the risk of staffing shortages. Additionally, the U.S. agricultural industry is dealing with lower commodity prices for most major commodities, while exports could be challenged by logistics and the volatility of the U.S. dollar. Protein processing plant slowdowns and closures have put downward pressure on livestock prices and created disruptions in meat supply. Milk prices have fallen precipitously due to COVID-19, which forced school closures impacting fluid milk consumption. The U.S. ethanol complex is navigating through an extremely difficult environment exacerbated by the recent collapse in crude oil and gasoline prices and a virtual overnight evaporation in demand. The financial distress that is being experienced by our customers due to the impacts of COVID-19 could have an adverse impact on CoBank in the event that our customers are unable to fulfill their obligations to us.

If the impacts of COVID-19 continue for a contracted period or result in sustained economic distress or recession, many of the risks described in our 2019 Annual Report under "Management's Discussion and Analysis – Enterprise Risk Profile" could be exacerbated. As discussed in this Quarterly Report, including under "Management's Discussion and Analysis of Financial Condition and Results of Operation – Credit Quality, Liquidity, Capital Resources and Other," the COVID-19 pandemic has heightened many of these risks, including:

- Credit Risk: COVID-19 is creating significant stress for many industries within our loan portfolio because of lower demand and disruptions to employees, markets, transportation and other factors important to their operations. The credit quality within our loan portfolio may be adversely affected – and, in some cases, severely adversely, affected – by the impact of COVID-19;
- Liquidity Risk: The types of debt products and maturity structures that CoBank has historically issued have become more limited due to the financial distress caused by the impact of COVID-19 and our liquidity could be even further restricted if disruption in the debt capital markets worsens;
- Market Risk: If the impact of COVID-19 results in a prolonged period of extremely volatile and unstable market conditions, CoBank's funding costs and market risk mitigation strategies would be negatively impacted; and
- Operational Risk: The continuation of CoBank's business continuity plan, including the remote-work policy, could cause CoBank's networks, information systems, applications and other tools available to employees to become strained and less reliable than CoBank's in-office technology. In addition, the remote-work arrangements present additional cybersecurity, vendor and third-party risks.

CoBank's efforts to manage and mitigate these risks and the other risks described in our 2019 Annual Report may be unsuccessful. Furthermore, the effectiveness of our mitigation efforts and the extent to which COVID-19 affects CoBank's business, results of operations and financial condition may depend on factors beyond our control.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. In late March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act made available for small businesses almost $350 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the Small Business Administration (SBA). CoBank obtained approval from the SBA in early April 2020 to participate as a lender in the PPP and successfully processed $200 million in PPP loans for customers before the initial round of funding for the program was depleted. In April 2020, Congress increased funding for the PPP by $310 billion and CoBank continued its participation as a lender in the program. We have successfully processed an additional $50 million in PPP loans for customers in the second round of funding under the program. Congress also provided an additional $60 billion in small business disaster loans. Additionally, the U.S. Department of Agriculture announced a $19 billion program to provide relief to farmers and ranchers as a result of the COVID-19 pandemic by providing direct payments as well as making purchases of agriculture products. The impact of these and other U.S. government support programs and stimulus on the broader agricultural economy and our customers in particular is uncertain at this time.

Like every other business enterprise, CoBank has been focused on responding to this crisis event and protecting the health and safety of our employees while continuing to serve our customers and fulfill our mission in rural America. We have been actively contacting customers across all the industries we finance to understand what their needs for credit and services will be as the crisis continues, and to make sure they know CoBank will be there to support them. We have also aggressively increased our liquidity position, including maintaining significantly higher levels of cash, to ensure we can meet our customers' borrowing needs during these uncertain times. While our board and executive team are hopeful that the pandemic will subside in coming months and that the economy will rebound, we are also realistic and prepared for a potentially drawn-out recovery.

Our Board of Directors and executive team remain focused, now as much as ever, on upholding the long-term financial strength and capacity of the bank to continue fulfilling the needs of our customer-owners with excellence, and fulfilling our mission to serve rural America.

CoBank does not yet know the full extent of the effects of COVID-19 on its business, operations or the global economy as a whole, but they could materially and adversely affect CoBank's business, results of operations and financial condition.

Forward-Looking Statements

Certain of the statements contained in this quarterly report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "project," "target," "may," "will," "should," "would," "could" or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and are subject to various risks and uncertainties, including, but not limited to:

- Adverse effects of COVID-19 pandemic and related business disruptions;
- Government trade policies in the United States and other countries, including tariffs and other restrictions that impact markets for agricultural and other products;
- Changes in economic, marketplace or regulatory environments that negatively impact the agricultural, power, communications, water and leasing industries;
- The level of interest rates and relationships between various interest rate indices and actions taken by the Federal Reserve to manage the monetary policy of the United States;
- Replacement of LIBOR and the implementation of SOFR or another benchmark rate index;
- Currency fluctuations that impact the value of the U.S. dollar in global markets;
- Adverse food safety and weather events, disease, and other unfavorable conditions that periodically occur and impact agricultural productivity and income;
- Adverse effect of wildfires, floods and other natural disasters which may have a direct or indirect impact on certain of our borrowers;
- Changes in levels of global crop production, exports, usage and inventories;
- Credit performance of the loan portfolio;
- Performance of underlying collateral, including farmland values and specialized property that secures rural infrastructure credits;
- Loan portfolio growth and seasonal factors;
- Weakening domestic and global economic conditions;
- Decline in energy commodity prices including oil and other fuel prices;
- Government policies and political developments in the United States and other countries in which we do business;
- Geopolitical uncertainties throughout the world that may impact the industries we lend to, or, economic, fiscal or monetary conditions;

- Changes in the U.S. government's support of the System, the agricultural industry, agricultural exports, rural infrastructure and rural economies;
- Legislative or regulatory actions that affect current and ongoing operations of the System or the banking, financial services, agricultural, power, communications, water and leasing industries;
- Legislative or regulatory actions that affect our relationships with our employees;
- Actions taken by the U.S. Congress relative to other government-sponsored enterprises, including Fannie Mae, Freddie Mac, the FHLB and Farmer Mac;
- Actions taken by the U.S. government to manage U.S. immigration or fiscal policies;
- Changes to tax laws;
- A decrease in the credit outlook or ratings of U.S. government debt and agency debt, including Systemwide Debt Securities;
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, that could adversely affect our business, financial performance and reputation;
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in estimates underlying the allowance for credit losses, including the implementation of the CECL accounting standard;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments;
- The resolution of legal proceedings and related matters;
- Environmental-related conditions or laws impacting our lending activities;
- Nonperformance by counterparties under our derivative and vendor contracts;
- Success of business model solutions focused on strengthening our ability to fulfill the System's collective mission, including through the more efficient use of capital; and
- Our ability to continue to partner with various System and other entities in light of ongoing consolidation within the System and the industries we serve.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Condensed Consolidated Balance Sheets
CoBank, ACB

($ in Thousands)

	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Total Loans	$ 111,165,169	$ 108,854,253
Less: Allowance for Loan Losses	683,300	654,764
Net Loans	110,481,869	108,199,489
Cash and Cash Equivalents	11,484,200	948,669
Federal Funds Sold and Other Overnight Funds	2,350,000	1,810,000
Investment Securities	31,226,731	32,425,944
Interest Rate Swaps and Other Financial Instruments	1,099,316	380,715
Accrued Interest Receivable and Other Assets	1,352,523	1,239,246
Total Assets	$ 157,994,639	$ 145,004,063
Liabilities		
Bonds and Notes	$ 144,236,994	$ 132,230,166
Interest Rate Swaps and Other Financial Instruments	731,739	263,134
Reserve for Unfunded Commitments	90,439	92,302
Accrued Interest Payable and Other Liabilities	1,608,228	1,851,568
Total Liabilities	$ 146,667,400	$ 134,437,170
Commitments and Contingent Liabilities (Note 9)		
Shareholders' Equity		
Preferred Stock	$ 1,500,000	$ 1,500,000
Common Stock	3,620,175	3,621,577
Unallocated Retained Earnings	5,468,627	5,350,891
Accumulated Other Comprehensive Income	738,437	94,425
Total Shareholders' Equity	$ 11,327,239	$ 10,566,893
Total Liabilities and Shareholders' Equity	$ 157,994,639	$ 145,004,063

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Income

CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2020	**2019**
Interest Income		
Loans	**$ 855,024**	$ 972,169
Investment Securities, Federal Funds Sold and Other Overnight Funds	**173,890**	194,628
Total Interest Income	**1,028,914**	1,166,797
Interest Expense	**645,597**	807,122
Net Interest Income	**383,317**	359,675
Provision for Loan Losses	**26,000**	28,000
Net Interest Income After Provision for Loan Losses	**357,317**	331,675
Noninterest Income (Expense)		
Net Fee Income	**30,693**	25,987
Patronage Income	**21,947**	19,457
Prepayment Income	**6,220**	1,631
Losses on Early Extinguishments of Debt	**(3,919)**	(1,626)
Losses on Sales of Investment Securities	**-**	(193)
Return of Excess Insurance Funds	**12,617**	13,789
Other, Net	**4,817**	5,191
Total Noninterest Income	**72,375**	64,236
Operating Expenses		
Employee Compensation	**52,617**	48,621
Insurance Fund Premium	**12,477**	13,742
Information Services	**11,714**	9,532
General and Administrative	**6,079**	5,456
Occupancy and Equipment	**4,257**	4,332
Farm Credit System Related	**4,424**	4,399
Purchased Services	**4,504**	2,453
Other	**3,643**	4,412
Total Operating Expenses	**99,715**	92,947
Income Before Income Taxes	**329,977**	302,964
Provision for Income Taxes	**35,894**	30,471
Net Income	**$ 294,083**	$ 272,493

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income
CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2020	**2019**
Net Income	**$ 294,083**	$ 272,493
Other Comprehensive Income, Net of Tax:		
Net Change in Unrealized Gains on Investment Securities Not Other-Than-Temporarily Impaired	**622,717**	190,919
Net Change in Unrealized Losses on Other-Than-Temporary Impaired Investment Securities	**-**	(12)
Net Change in Unrealized Gains (Losses) on Interest Rate Swaps and Other Financial Instruments	**19,548**	(13,409)
Net Pension Adjustment	**1,747**	971
Other Comprehensive Income	**644,012**	178,469
Comprehensive Income	**$ 938,095**	$ 450,962

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity
CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,		2020		2019
Balance at Beginning of Period	**$**	**10,566,893**	$	9,534,933
Cumulative effect adjustment from change in accounting principle[1]		**-**		8,596
Balance at Beginning of Period, as adjusted		**10,566,893**		9,543,529
Comprehensive Income		**938,095**		450,962
Preferred Stock:				
Dividends		**(21,546)**		(22,030)
Common Stock:				
Issuances		**18**		20
Retirements		**(34,739)**		(43,966)
Cash Patronage Accrued		**(121,482)**		(120,550)
Balance at End of Period	**$**	**11,327,239**	$	9,807,965

[1] Effective January 1, 2019, we adopted changes in lease accounting pursuant to ASU "Leases (Topic 842)".

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,	2020	2019
Cash Flows Provided by Operating Activities		
Net Income	$ **294,083**	$ 272,493
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	**26,000**	28,000
Deferred Income Taxes	**5,802**	(9,826)
Depreciation and Amortization/Accretion, Net	**13,445**	5,844
Losses on Early Extinguishments of Debt	**3,919**	1,626
Losses on Sales of Investment Securities	**-**	193
Decrease (Increase) in Accrued Interest Receivable and Other Assets	**81,475**	(120,340)
Decrease in Accrued Interest Payable and Other Liabilities	**(145,249)**	(86,694)
Net Losses (Gains) on Interest Rate Swaps and Other Financial Instruments	**1,323**	(1,534)
Purchase of Interest Rate Caps	**-**	(14,856)
Payments on Operating Lease Liabilities	**(2,531)**	(2,426)
Other	**455**	(169)
Net Cash Provided by Operating Activities	**278,722**	72,311
Cash Flows (Used in) Provided by Investing Activities		
Net Increase in Loans	**(2,318,169)**	(466,229)
Net Decrease (Increase) in Investment Securities	**2,116,557**	(280,386)
Net (Increase) Decrease in Federal Funds Sold and Other Overnight Funds	**(540,000)**	777,000
Net Cash (Used in) Provided by Investing Activities	**(741,612)**	30,385
Cash Flows Provided by (Used in) Financing Activities		
Net Issuances (Repayments) of Bonds and Notes	**11,702,140**	(723,973)
Payments on Early Extinguishments of Debt	**(3,919)**	(1,626)
Net Retirements of Common Stock	**(34,721)**	(43,946)
Cash Patronage Distribution Paid	**(475,638)**	(475,073)
Special Cash Patronage Distribution Paid	**(39,839)**	-
Preferred Stock Dividends Paid	**(15,796)**	(16,029)
Cash Collateral Paid to Derivative Counterparties, Net	**(201,140)**	(95,820)
Variation Margin Received on Cleared Derivatives, Net	**67,334**	56,077
Net Cash Provided by (Used in) Financing Activities	**10,998,421**	(1,300,390)
Net Increase (Decrease) in Cash	**10,535,531**	(1,197,694)
Cash at Beginning of Period	**948,669**	1,368,075
Cash at End of Period	$ **11,484,200**	$ 170,381
Supplemental Disclosures:		
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	$ **(218,396)**	$ (120,703)
Net Change in Receivables from Investment Securities	**(3,260)**	209,604
Net Change in Unrealized Gains on Investment Securities, Before Taxes	**694,348**	216,308
Net Change in Unrealized Gains (Losses) on Interest Rate Swaps, Other Financial Instruments and Hedged Items, Before Taxes	**19,544**	(13,241)
Patronage in Common Stock	**33,319**	33,156
Cash Patronage Payable	**121,482**	120,549
Supplemental Noncash Information Related to Leases		
Addition of Right-of-Use Assets and Operating Lease Liabilities to Balance Sheet	**-**	82,290
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	**2,029**	2,055
Reclassification of Deferred Gains Associated with Sale-Leaseback Transaction	**-**	8,596

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

CoBank, ACB

(Unaudited) ($ in Thousands, Except Share and Per Share Amounts and as Noted)

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying condensed consolidated financial statements include the accounts of CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. These adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

CoBank is a member of the Farm Credit System (System). We provide loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. 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.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2019 Annual Report, which includes a description of our organization and lending authority. Also included in the 2019 Annual Report is a summary of significant accounting policies. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies. Certain reclassifications have been made to amounts reported in previous periods to conform to the 2020 presentation. Presentation of cash collateral and variation margin related to derivative transactions were reclassified in the 2019 period to present separate lines within financing activities in the condensed consolidated statements of cash flows. Noninterest income and the provision for income taxes in the 2019 period included a reclassification between the Agribusiness and Rural Infrastructure operating segments in the segment financial information in Note 11.

CoBank is the funding bank for certain System Associations, which are collectively referred to as our “affiliated Associations.” The accompanying condensed consolidated financial statements exclude financial information of our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the “District.” Additional information about our affiliated Associations is contained in Note 12 to these condensed consolidated financial statements.

Copies of CoBank’s financial reports are available on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites.

We have evaluated subsequent events through May 8, 2020, which is the date the financial statements were issued.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”. The update provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. The update simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate. With respect to hedge accounting, the update allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. We are currently reviewing the guidance to determine the impact on our consolidated financial condition and results of operations.

In December 2019, the FASB issued, “Simplifying the Accounting for Income Taxes (Topic 740).” This guidance eliminates certain intraperiod tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate or simplify certain aspects of income tax accounting that are complex or that require significant judgement in application or presentation. The guidance will be effective for fiscal years after December 15, 2021. Early adoption of the guidance is permitted and we adopted the new standard on January 1, 2020. The adoption of this guidance did not impact our consolidated financial position or results of operations; nor will the guidance impact the presentation of taxes for prior periods in the 2020 interim or year-end financial statements.

In August 2018, the FASB issued ASU, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. We adopted this new standard on January 1, 2020. The adoption did not have a material impact on our consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU, “Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.” This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. For public business entities, the ASU becomes effective for fiscal years ending after December 15, 2020, with early adoption permitted. The adoption of this guidance will not impact the Bank’s financial condition or its results of operations, but will result in removal or modification of certain of the employee benefit plan disclosures.

In June 2016, the FASB issued 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. 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. 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. CoBank is not yet required and has not implemented this new ASU as of March 31, 2020. While we continue to review the guidance and evaluate assumptions and models, we believe the ASU may result in a change in the allowance for credit losses given the change to estimated losses over the contractual life with an anticipated impact from longer duration portfolios, as well as the addition of an allowance for investment securities and other financial instruments. The amount of the increase or decrease, if any, will be impacted by the composition of our portfolios and credit quality at the adoption date as well as economic conditions and forecasts at that time. In addition, we are required to adopt certain new loan and allowance for credit losses disclosures upon adopting the new ASU.

Note 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by operating segment are shown below.

($ in Millions)

	March 31, 2020	December 31, 2019
Agribusiness	$ 33,669	$ 33,168
Farm Credit Banking	55,050	54,459
Rural Infrastructure	22,446	21,227
Total	$ 111,165	$ 108,854

Allowance for Credit Losses

The following tables present the changes in the components of our allowance for credit losses and details of ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments. The elements of our allowance for credit losses are presented by operating segment.

	Agribusiness	Farm Credit Banking[1]	Rural Infrastructure	Total
March 31, 2020				
Allowance for Loan Losses				
Beginning Balance at January 1, 2020	$ 471,495	$ -	$ 183,269	$ 654,764
Charge-offs	(408)	-	-	(408)
Recoveries	803	-	278	1,081
Provision for Loan Losses (Loan Loss Reversal)	30,700	-	(4,700)	26,000
Transfers from Reserve for Unfunded Commitments[2]	1,856	-	7	1,863
Ending Balance at March 31, 2020	504,446	-	178,854	683,300
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2020	77,471	-	14,831	92,302
Transfers to Allowance for Loan Losses[2]	(1,856)	-	(7)	(1,863)
Ending Balance at March 31, 2020	75,615	-	14,824	90,439
Allowance for Credit Losses	$ 580,061	$ -	$ 193,678	$ 773,739
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 49,405	$ -	$ 26,646	$ 76,051
Collectively Evaluated for Impairment	530,656	-	167,032	697,688
Total	$ 580,061	$ -	$ 193,678	$ 773,739
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 198,710	$ 55,177,150	$ 59,974	$ 55,435,834
Collectively Evaluated for Impairment	33,592,797	-	22,463,924	56,056,721
Total	$ 33,791,507	$ 55,177,150	$ 22,523,898	$ 111,492,555

(1) As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.

(2) These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

	Agribusiness	Farm Credit Banking[1]	Rural Infrastructure	Total
March 31, 2019				
Allowance for Loan Losses				
Beginning Balance at January 1, 2019	$ 438,804	$ -	$ 182,787	$ 621,591
Charge-offs	(2,382)	-	-	(2,382)
Recoveries	747	-	342	1,089
Provision for Loan Losses	25,000	-	3,000	28,000
Transfers from Reserve for Unfunded Commitments[2]	3,580	-	711	4,291
Ending Balance at March 31, 2019	465,749	-	186,840	652,589
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2019	63,452	-	18,197	81,649
Transfers to Allowance for Loan Losses[2]	(3,580)	-	(711)	(4,291)
Ending Balance at March 31, 2019	59,872	-	17,486	77,358
Allowance for Credit Losses	$ 525,621	$ -	$ 204,326	$ 729,947
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 70,412	$ -	$ 18,477	$ 88,889
Collectively Evaluated for Impairment	455,209	-	185,849	641,058
Total	$ 525,621	$ -	$ 204,326	$ 729,947
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 278,493	$ 50,290,692	$ 30,078	$ 50,599,263
Collectively Evaluated for Impairment	33,702,066	-	21,037,821	54,739,887
Total	$ 33,980,559	$ 50,290,692	$ 21,067,899	$ 105,339,150

(1) As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.

(2) These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

The information in the tables under the Credit Quality, Aging Analysis and Impaired Loans captions is presented by operating segment, with guaranteed and non-guaranteed loans in our Agribusiness segment separately identified.

Credit Quality

The following table presents our loans and accrued interest, classified by management pursuant to our regulator's Uniform Loan Classification System.

March 31, 2020	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
Acceptable	$ 30,267,388	$ 1,201,861	$ 52,290,058	$ 22,101,061	$ 105,860,368
Special Mention	1,256,232	-	2,887,092	145,028	4,288,352
Substandard	1,058,009	-	-	264,424	1,322,433
Doubtful	8,017	-	-	13,385	21,402
Loss	-	-	-	-	-
Total	$ 32,589,646	$ 1,201,861	$ 55,177,150	$ 22,523,898	$ 111,492,555
December 31, 2019					
Acceptable	$ 29,723,483	$ 1,198,721	$ 51,583,749	$ 20,800,575	$ 103,306,528
Special Mention	1,297,856	-	3,004,750	159,563	4,462,169
Substandard	1,074,366	-	-	326,963	1,401,329
Doubtful	8,063	-	-	13,567	21,630
Loss	-	-	-	-	-
Total	$ 32,103,768	$ 1,198,721	$ 54,588,499	$ 21,300,668	$ 109,191,656

Aging Analysis

The following table presents an aging of past due loans and accrued interest.

March 31, 2020	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
30-89 Days Past Due	$ 26,462	$ -	$ -	$ 1,438	$ 27,900
90 Days Past Due	31,749	-	-	13,385	45,134
Total Past Due	$ 58,211	$ -	$ -	$ 14,823	$ 73,034
Current	32,531,435	1,201,861	55,177,150	22,509,075	111,419,521
Total	$ 32,589,646	$ 1,201,861	$ 55,177,150	$ 22,523,898	$ 111,492,555
Accruing Loans 90 Days or More Past Due	$ 1,339	$ -	$ -	$ -	$ 1,339
December 31, 2019					
30-89 Days Past Due	$ 12,111	$ -	$ -	$ 31,360	$ 43,471
90 Days Past Due	43,329	-	-	14,943	58,272
Total Past Due	$ 55,440	$ -	$ -	$ 46,303	$ 101,743
Current	32,048,328	1,198,721	54,588,499	21,254,365	109,089,913
Total	$ 32,103,768	$ 1,198,721	$ 54,588,499	$ 21,300,668	$ 109,191,656
Accruing Loans 90 Days or More Past Due	$ 4,314	$ -	$ -	$ 1,377	$ 5,691

Impaired Loans

Impaired loan information is shown in the following table. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection.

March 31, 2020	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[(1)]	Farm Credit Banking[(1)]	Rural Infrastructure	Total
Nonaccrual Loans[(2)]	**$ 198,710**	**$ -**	**$ -**	**$ 59,974**	**$ 258,684**
Accruing Loans 90 Days or More Past Due	**1,339**	**-**	**-**	**-**	**1,339**
Accruing Restructured Loans	**6,185**	**-**	**-**	**-**	**6,185**
Total Impaired Loans	**$ 206,234**	**$ -**	**$ -**	**$ 59,974**	**$ 266,208**
December 31, 2019					
Nonaccrual Loans[(2)]	$ 220,398	$ -	$ -	$ 20,285	$ 240,683
Accruing Loans 90 Days or More Past Due	4,314	-	-	1,377	5,691
Accruing Restructured Loans	6,192	-	-	-	6,192
Total Impaired Loans	$ 230,904	$ -	$ -	$ 21,662	$ 252,566

(1) There were no impaired loans in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

(2) Included in nonaccrual loans at March 31, 2020 and December 31, 2019 were $85.6 million and $96.2 million, respectively, of loans that qualified as troubled debt restructurings.

The following table presents information on impaired loans and related amounts in the allowance for loan losses.

March 31, 2020	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Farm Credit Banking[1]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	**$ 58,806**	**$ -**	**$ -**	**$ -**	**$ 58,806**
Unpaid Principal	**78,112**	**-**	**-**	**-**	**78,112**
Average Balance	**62,639**	**-**	**-**	**-**	**62,639**
Interest Income Recognized	**12,233**	**-**	**-**	**-**	**12,233**
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	**147,428**	**-**	**-**	**59,974**	**207,402**
Unpaid Principal	**178,933**	**-**	**-**	**73,051**	**251,984**
Allowance for Loan Losses	**49,405**	**-**	**-**	**26,646**	**76,051**
Average Balance	**153,007**	**-**	**-**	**28,577**	**181,584**
Interest Income Recognized	**11**	**-**	**-**	**-**	**11**
Total Impaired Loans					
Carrying Amount	**206,234**	**-**	**-**	**59,974**	**266,208**
Unpaid Principal	**257,045**	**-**	**-**	**73,051**	**330,096**
Allowance for Loan Losses	**49,405**	**-**	**-**	**26,646**	**76,051**
Average Balance	**215,646**	**-**	**-**	**28,577**	**244,223**
Interest Income Recognized	**12,244**	**-**	**-**	**-**	**12,244**
December 31, 2019					
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 81,361	$ -	$ -	$ 1,377	$ 82,738
Unpaid Principal	110,807	-	-	1,373	112,180
Average Balance	110,375	-	-	807	111,182
Interest Income Recognized	4,012	-	-	116	4,128
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	149,543	-	-	20,285	169,828
Unpaid Principal	179,071	-	-	32,403	211,474
Allowance for Loan Losses	49,567	-	-	15,047	64,614
Average Balance	166,462	-	-	29,487	195,949
Interest Income Recognized	440	-	-	1,136	1,576
Total Impaired Loans					
Carrying Amount	230,904	-	-	21,662	252,566
Unpaid Principal	289,878	-	-	33,776	323,654
Allowance for Loan Losses	49,567	-	-	15,047	64,614
Average Balance	276,837	-	-	30,294	307,131
Interest Income Recognized	4,452	-	-	1,252	5,704

[1] There were no impaired loans in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

Commitments on Impaired Loans

There were $27.1 million in commitments available to be drawn by borrowers whose loans were classified as impaired at March 31, 2020.

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loans in which we have granted a concession because the borrower is experiencing financial difficulty. Concessions may include payment deferrals, term extensions, interest rate reductions, and/or forgiveness of principal or interest. TDRs classified as nonaccrual loans, along with other impaired loans, may be returned to accruing status upon meeting specific criteria, as more fully described in our 2019 Annual Report. During the three months ended March 31, 2020 and 2019, there were no modifications that qualified as TDRs. Included in nonaccrual loans at March 31, 2020 and December 31, 2019 were $85.6 million and $96.2 million, respectively, of loans that qualified as TDRs.

Two loan modifications that qualified as TDRs in prior periods subsequently incurred payment defaults in the first three months of 2020. As of March 31, 2020, these two loans totaled $20.6 million. There have been no other payment defaults in the current year on our TDR-classified loans.

Note 4 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions)

March 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of Deposit	$ 150	$ -	$ -	$ 150
U.S. Treasury Debt	14,170	617	-	14,787
U.S. Agency Debt	2,703	153	(8)	2,848
Residential Mortgage-Backed Securities (MBS):				
Ginnie Mae	2,074	90	(1)	2,163
U.S. Agency	4,024	117	(11)	4,130
Commercial MBS:				
U.S. Agency	6,081	104	(27)	6,158
Corporate Bonds	366	-	(73)	293
Asset-Backed and Other	698	1	(1)	698
Total	$ 30,266	$ 1,082	$ (121)	$ 31,227
December 31, 2019				
Certificates of Deposit	$ 400	$ -	$ -	$ 400
U.S. Treasury Debt	15,908	169	(15)	16,062
U.S. Agency Debt	2,804	58	(8)	2,854
Residential MBS:				
Ginnie Mae	2,310	27	-	2,337
U.S. Agency	4,355	41	(11)	4,385
Commercial MBS:				
U.S. Agency	4,951	12	(17)	4,946
Corporate Bonds	363	10	-	373
Asset-Backed and Other	1,068	1	-	1,069
Total	$ 32,159	$ 318	$ (51)	$ 32,426

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at March 31, 2020 is as follows:

($ in Millions)

	Contractual Maturity				
March 31, 2020	**In One Year or Less**	**One to Five Years**	**Five to Ten Years**	**After Ten Years**	**Total**
Certificates of Deposit					
Amortized Cost	$ 150	$ -	$ -	$ -	$ 150
Fair Value	150	-	-	-	150
Weighted Average Yield	1.46 %	- %	- %	- %	1.46 %
U.S. Treasury Debt Securities					
Amortized Cost	$ 4,654	$ 6,968	$ 2,548	$ -	$ 14,170
Fair Value	4,675	7,297	2,815	-	14,787
Weighted Average Yield	1.06 %	1.93 %	2.30 %	- %	1.71 %
U.S. Agency Debt Securities					
Amortized Cost	$ 75	$ 1,325	$ 1,074	$ 229	$ 2,703
Fair Value	75	1,350	1,161	262	2,848
Weighted Average Yield	2.40 %	1.96 %	2.42 %	2.91 %	2.23 %
Ginnie Mae Residential MBS					
Amortized Cost	$ -	$ 2	$ 2	$ 2,070	$ 2,074
Fair Value	-	2	2	2,159	2,163
Weighted Average Yield	- %	3.73 %	3.76 %	2.68 %	2.68 %
U.S. Agency Residential MBS					
Amortized Cost	$ -	$ 2	$ 80	$ 3,942	$ 4,024
Fair Value	-	2	80	4,048	4,130
Weighted Average Yield	- %	1.42 %	2.23 %	2.48 %	2.48 %
U.S. Agency Commercial MBS					
Amortized Cost	$ 20	$ 1,813	$ 3,861	$ 387	$ 6,081
Fair Value	20	1,813	3,938	387	6,158
Weighted Average Yield	1.67 %	1.88 %	2.12 %	1.79 %	2.02 %
Corporate Bonds					
Amortized Cost	$ -	$ 124	$ 242	$ -	$ 366
Fair Value	-	94	199	-	293
Weighted Average Yield	- %	3.89 %	3.94 %	- %	3.93 %
Asset-Backed and Other					
Amortized Cost	$ 99	$ 589	$ 2	$ 8	$ 698
Fair Value	99	588	2	9	698
Weighted Average Yield	1.99 %	2.13 %	4.53 %	5.95 %	2.16 %
Total					
Amortized Cost	$ 4,998	$ 10,823	$ 7,809	$ 6,636	$ 30,266
Fair Value	5,019	11,146	8,197	6,865	31,227
Weighted Average Yield	1.11 %	1.95 %	2.21 %	2.52 %	2.00 %

While the substantial majority of our residential mortgage-backed securities (MBS) have contractual maturities in excess of 10 years, expected maturities for these securities are shorter than contractual maturities because borrowers have the right to call or prepay obligations with or without penalties.

The following table shows the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at March 31, 2020 and December 31, 2019. The continuous loss position is based on the date the impairment first occurred.

	Less Than 12 Months		Greater Than 12 Months	
($ in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2020				
Certificates of Deposit	**$ 50**	**$ -**	**$ -**	**$ -**
U.S. Treasury Debt	**1,050**	**-**	**875**	**-**
U.S. Agency Debt	**202**	**(4)**	**294**	**(4)**
Residential MBS:				
Ginnie Mae	**50**	**-**	**52**	**(1)**
U.S. Agency	**94**	**-**	**319**	**(11)**
Commercial MBS:				
U.S. Agency	**2,568**	**(22)**	**685**	**(5)**
Corporate Bonds	**292**	**(73)**	**-**	**-**
Asset-Backed and Other	**377**	**(1)**	**-**	**-**
Total	**$ 4,683**	**$ (100)**	**$ 2,225**	**$ (21)**
December 31, 2019				
Certificates of Deposit	$ 50	$ -	$ -	$ -
U.S. Treasury Debt	2,020	(8)	3,454	(7)
U.S. Agency Debt	549	(6)	553	(2)
Residential MBS:				
Ginnie Mae	34	-	25	-
U.S. Agency	327	(1)	831	(10)
Commercial MBS:				
U.S. Agency	3,311	(14)	543	(3)
Corporate Bonds	52	-	-	-
Asset-Backed and Other	273	-	13	-
Total	$ 6,616	$ (29)	$ 5,419	$ (22)

As of March 31, 2020, we expect to collect all principal and interest payments on our investment securities. We do not intend to sell the securities in unrealized loss positions, nor is it likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of our cost basis occurs.

Note 5 – Changes in Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2020 and 2019 are presented in the following table.

Changes in Accumulated Other Comprehensive Income (Loss) by Component[1]

	Unrealized Gains (Losses) On Investment Securities		Unrealized Gains (Losses) on Interest Rate Swaps and Other Financial	Net Pension	
	Non-OTTI	OTTI	Instruments	Adjustment	Total
Balance at January 1, 2020	**$ 232,886**	**$ -**	**$ (63,443)**	**$ (75,018)**	**$ 94,425**
Other comprehensive income (loss) before reclassifications	**622,717**	**-**	**18,538**	**-**	**641,255**
Amounts reclassified from accumulated other comprehensive income (loss) to net income	**-**	**-**	**1,010**	**1,747**	**2,757**
Net current-period other comprehensive income (loss)	**622,717**	**-**	**19,548**	**1,747**	**644,012**
Balance at March 31, 2020	**$ 855,603**	**$ -**	**$ (43,895)**	**$ (73,271)**	**$ 738,437**
Balance at January 1, 2019	$ (271,344)	$ 102	$ (25,613)	$ (66,249)	$ (363,104)
Cumulative effect of change in accounting principle[2]	-	-	171	-	171
Balance at January 1, 2019, as adjusted	$ (271,344)	$ 102	$ (25,442)	$ (66,249)	$ (362,933)
Other comprehensive income (loss) before reclassifications	190,726	(12)	(15,569)	-	175,145
Amounts reclassified from accumulated other comprehensive income (loss) to net income	193	-	2,160	971	3,324
Net current-period other comprehensive income (loss)	190,919	(12)	(13,409)	971	178,469
Balance at March 31, 2019	$ (80,425)	$ 90	$ (38,851)	$ (65,278)	$ (184,464)

[1] Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.

[2] Effective January 1, 2019, we adopted changes in derivative accounting pursuant to ASU "Derivatives and Hedging (Topic 815)".

The following table presents the effect of reclassifications from accumulated other comprehensive income (loss) to net income for the three-month periods ended March 31, 2020 and 2019.

Reclassifications from Accumulated Other Comprehensive Income (Loss) to Net Income

For the Three Months Ended March 31, 2020	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Location of Gain (Loss) Recognized in Income Statement
Unrealized gains (losses) on interest rate swaps and other financial instruments:			
Interest rate contracts	**$**	**(3,665)**	Interest Expense
Foreign exchange contracts		**3,467**	Interest Income
Tax effect		**(812)**	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial loss		**(2,063)**	Operating Expenses - Employee Compensation
Prior service cost		**(252)**	Operating Expenses - Employee Compensation
Tax effect		**568**	Provision for Income Taxes
Total reclassifications	**$**	**(2,757)**	
For the Three Months Ended March 31, 2019			
Unrealized gains (losses) on available-for-sale investment securities:			
Sales gains and losses	$	(193)	Noninterest Income - Other, Net
Unrealized gains (losses) on interest rate swaps and other financial instruments:			
Interest rate contracts		(2,147)	Interest Expense
Foreign exchange contracts		(35)	Interest Income
Tax effect		22	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial loss		(1,035)	Operating Expenses - Employee Compensation
Prior service cost		(253)	Operating Expenses - Employee Compensation
Tax effect		317	Provision for Income Taxes
Total reclassifications	$	(3,324)	

Note 6 – Derivative Financial Instruments and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of derivative financial instruments to manage liquidity and to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a counterparty to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps and fixed-rate for floating-rate swaps with payment obligations tied to specific indices. In the course of managing risk in our investment and loan portfolios, we also periodically hedge cap and floor risk embedded within our floating-rate investments and loans by entering into derivative transactions. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties.

The notional amounts of derivatives at March 31, 2020 and related activity for the first three months of 2020 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2019	$ 33,339	$ 6,745	$ 192	$ 40,276
Additions /Accretion	6,037	179	475	6,691
Maturities /Amortization	(1,801)	(143)	(527)	(2,471)
Terminations	(222)	-	-	(222)
March 31, 2020	$ 37,353	$ 6,781	$ 140	$ 44,274

The notional amounts of derivatives at March 31, 2019 and related activity for the first three months of 2019 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2018	$ 28,479	$ 4,360	$ 85	$ 32,924
Additions /Accretion	4,411	955	565	5,931
Maturities /Amortization	(1,542)	(21)	(543)	(2,106)
Terminations	(49)	-	-	(49)
March 31, 2019	$ 31,299	$ 5,294	$ 107	$ 36,700

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the statement of comprehensive income by changes in the hedged item's fair value attributable to the risk being hedged. For cash flow hedge transactions, in which we hedge the variability of future cash flows related to a variable-rate or foreign currency denominated asset or liability, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that we report in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item.

For our customer transactions, which are not designated as hedging instruments, we record the related changes in fair value in current period earnings. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties, with the changes in fair value of these transactions also recorded in current period earnings.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps primarily to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps for our equity positioning strategy and low interest rate hedging strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

Our cash flow hedges include interest rate caps and floors to hedge cap and floor risk embedded within a portion of our floating-rate investment securities and loans. Interest rate caps and interest rate floors are an integral part of our interest rate hedging strategies. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. The interest rate floors hedge cash flows from floating-rate loans. If market index rates underlying our floating rate loans decline below strike levels, we receive cash flows on the derivative. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan. For cash flow hedges, the amount excluded from effectiveness assessment and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. For cash flow hedges in which the forecasted transaction is not probable of occurring, the amounts reclassified from accumulated other comprehensive income (loss) are reflected in current period earnings. At March 31, 2020, we expect that $15.0 million of expense will be reclassified from accumulated other comprehensive income (loss) into earnings in the next 12 months, based on the anticipated cash flows of existing financial instruments. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately 16 years.

Derivatives Not Designated as Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with counterparties as well as our interest rate swaps indexed to the Secured Overnight Financing Rate (SOFR) are not designated as hedging instruments and do not receive hedge accounting treatment. Changes in the fair value of customer-related derivatives are recognized immediately as noninterest income/expense in current period earnings. Changes in the fair value of SOFR interest rate swaps are recognized immediately as interest expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management introduces credit risk related to customers and counterparties. Generally, when the fair value of a derivative contract is positive, we are exposed to credit risk. When the fair value of a derivative contract is negative, the counterparty is exposed to us.

Derivative transactions with our customers are typically secured through our loan agreements. As of March 31, 2020 and December 31, 2019, the notional amount of derivatives with our customers totaled $12.1 billion and $10.9 billion, respectively.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires certain derivative transactions to be cleared through a central clearinghouse and traded on regulated swap execution facilities. The U.S. Commodity Futures Trading Commission has exempted certain qualifying swaps entered into by end-users and financial cooperatives from these requirements. The exemptions do not cover all swaps executed by CoBank and are generally limited to swaps entered into in connection with loans and derivatives for customer-owners. CoBank has also voluntarily chosen to clear some swap transactions for economic and risk management purposes. As a result, certain of our derivative transactions are cleared through a futures commission merchant (FCM) with a clearinghouse or central counterparty (CCP). When these swaps are cleared, a single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including initial margin and variation margin or settlement payments that are required to be posted by participants. FCMs prequalify counterparties to all cleared swaps, set exposure limits for each counterparty and collect initial margin and variation margin or settlement payments daily for changes in the value of cleared derivatives. The margin and settlement payments collected from both parties to the swap protect against credit risk in the event of a counterparty default. As of March 31, 2020 and December 31, 2019, the notional amount of our cleared derivatives was $19.9 billion and $15.7 billion, respectively. Initial margin and settlement payments totaling $66.6 million and $204.2 million, respectively, as of March 31, 2020 and $62.5 million and $136.9 million, respectively, as of December 31, 2019 were held by our CCP for our cleared derivatives.

Our remaining non-customer derivatives are transacted with derivative counterparties and governed by master swap agreements, which include bilateral collateral arrangements, requiring the Bank or our counterparties to post collateral on a daily basis with thresholds set at zero for all active counterparties. The master swap agreements also include netting agreements requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The "net" mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. Notwithstanding these protections, we are exposed to credit risk with these counterparties due to the timing of daily margining activities. As of March 31, 2020 and December 31, 2019, the notional amount of derivatives with our non-customer counterparties, excluding cleared derivatives, totaled $12.3 billion and $13.7 billion, respectively.

We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. Pursuant to our master swap agreements, as of March 31, 2020 we posted $316.6 million in cash as collateral with our non-customer counterparties.

The fair value of our derivatives to all of our dealer counterparties was a liability at both March 31, 2020 and December 31, 2019, and was offset by the collateral we posted to our dealer counterparties. The amount of losses related to derivatives we are exposed to in the event of nonperformance by dealer counterparties to our derivative positions is mitigated by collateral posted or held by us.

Hedge Terminations

We did not terminate any interest rate swaps for asset-liability management purposes during the three months ended March 31, 2020 and 2019.

We terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $221.8 million and $49.1 million during the first three months of 2020 and 2019, respectively. Proceeds from the customer terminations were offset by payments for the offsetting dealer terminations.

A summary of the impact of derivative financial instruments on our condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019 is shown in the following tables.

Fair Value of Derivative Financial Instruments

	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
As of March 31, 2020		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	**$ 522,822**	**$ 1**
Foreign Exchange Contracts	**1,954**	**462**
Total Derivatives Designated as Hedging Instruments	**$ 524,776**	**$ 463**
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	**$ 778,763**	**$ 731,249**
Foreign Exchange Contracts	**27**	**27**
Total Derivatives Not Designated as Hedging Instruments	**$ 778,790**	**$ 731,276**
Settlement Payments	**(204,250)**	**-**
Total Derivatives	**$ 1,099,316**	**$ 731,739**
As of December 31, 2019		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 218,800	$ 10,119
Foreign Exchange Contracts	96	1,893
Total Derivatives Designated as Hedging Instruments	$ 218,896	$ 12,012
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 298,707	$ 251,094
Foreign Exchange Contracts	28	28
Total Derivatives Not Designated as Hedging Instruments	$ 298,735	$ 251,122
Settlement Payments	(136,916)	-
Total Derivatives	$ 380,715	$ 263,134

(1) These assets make up the interest rate swaps and other financial instruments assets in the condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019.

(2) These liabilities make up the interest rate swaps and other financial instruments liabilities in the condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019.

A summary of the impact of derivative financial instruments on our condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2020 and 2019 is shown below.

Effect of Fair Value and Cash Flow Hedge Accounting on the Condensed Consolidated Statement of Income

	Interest Income Loans	Interest Income Investments	Total Interest Income	Interest Expense	Net Interest Income	Noninterest Income (Expense)
Three Months Ended March 31, 2020						
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	**$ 855,024**	**$ 173,890**	**$ 1,028,914**	**$ (645,597)**	**$ 383,317**	**$ 72,375**
Gain (Loss) on Fair Value Hedge Relationships:						
Interest Rate Contracts:						
Recognized on Derivatives	**$ -**	**$ -**	**$ -**	**$ 298,083**	**$ 298,083**	**$ -**
Recognized on Hedged Items	**-**	**-**	**-**	**(295,642)**	**(295,642)**	**-**
Net Income (Expense) Recognized on Fair Value Hedges	**$ -**	**$ -**	**$ -**	**$ 2,441**	**$ 2,441**	**$ -**
Gain (Loss) on Cash Flow Hedge Relationships:						
Interest Rate Contracts:						
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	**$ (172)**	**$ -**	**$ (172)**	**$ (3,493)**	**$ (3,665)**	**$ -**
Foreign Exchange Contracts:						
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(1)	**3,467**	**-**	**3,467**	**-**	**3,467**	**-**
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	**442**	**-**	**442**	**-**	**442**	**-**
Net Income (Expense) Recognized on Cash Flow Hedges	**$ 3,737**	**$ -**	**$ 3,737**	**$ (3,493)**	**$ 244**	**$ -**
Three Months Ended March 31, 2019						
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	$ 972,169	$ 194,628	$ 1,166,797	$ (807,122)	$ 359,675	$ 64,236
Gain (Loss) on Fair Value Hedge Relationships:						
Interest Rate Contracts:						
Recognized on Derivatives	$ -	$ -	$ -	$ 71,967	$ 71,967	$ -
Recognized on Hedged Items	-	-	-	(69,053)	(69,053)	-
Net Income (Expense) Recognized on Fair Value Hedges	$ -	$ -	$ -	$ 2,914	$ 2,914	$ -
Gain (Loss) on Cash Flow Hedge Relationships:						
Interest Rate Contracts:						
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	$ (54)	$ -	$ (54)	$ (2,093)	$ (2,147)	$ -
Foreign Exchange Contracts:						
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(2)	(35)	-	(35)	-	(35)	-
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	464	-	464	-	464	-
Net Income (Expense) Recognized on Cash Flow Hedges	$ 375	$ -	$ 375	$ (2,093)	$ (1,718)	$ -

(1) Fully offset by a $3,467 loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the three months ended March 31, 2020.

(2) Fully offset by a $35 gain on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the three months ended March 31, 2019.

Effect of Cash Flow Hedge Accounting on the Condensed Consolidated Balance Sheet

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives	
Three Months Ended March 31,	**2020**	**2019**
Interest Rate Contracts	**$ 16,058**	$ (15,492)
Foreign Exchange Contracts	**3,288**	(102)
Total	**$ 19,346**	$ (15,594)

Effect of Derivative Financial Instruments Not Designated as Hedging Relationships on the Condensed Consolidated Statements of Income

	Net Amount of Gain (Loss) Recognized	
Three Months Ended March 31,	**2020**	**2019**
Interest Rate Contracts	**$ (532)** [1]	$ 696 [2]
Foreign Exchange Contracts	**-**	-
Total	**$ (532)**	$ 696

[1] Includes $433 loss on derivatives indexed to SOFR and recognized in interest expense and $99 loss on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the three months ended March 31, 2020.

[2] Includes $696 gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the three months ended March 31, 2019.

A summary of the cumulative basis adjustment for fair value hedging relationships included in the carrying amount of hedged liabilities as of March 31, 2020 and December 31, 2019 is shown in the following table.

Derivative Financial Instruments in Fair Value Hedging Relationships

		Cumulative Basis Adjustment Included in the Carrying Amount of Hedged Liabilities	
	Carrying Amount of Hedged Liabilities	Hedged Items Currently Designated	Hedged Items No Longer Designated
As of March 31, 2020			
Bonds and Notes	**$ 16,476,535**	**$ 462,943**	**$ 196**
As of December 31, 2019			
Bonds and Notes	$ 15,627,566	$ (167,301)	$ 231

Asset/Liability Offsetting

As noted previously, derivative transactions with swap dealers include bilateral collateral and netting agreements that require the net settlement of covered contracts. Derivative transactions with customers are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed consolidated balance sheets. The amount of collateral received or pledged is calculated on a net basis, by counterparty.

The following table summarizes derivative assets and liabilities, related accrued interest and amounts of collateral exchanged pursuant to our agreements.

Offsetting of Financial and Derivative Instruments

	Gross Amounts of Assets/ Liabilities Presented in the Condensed Consolidated Balance Sheets	Amounts Not Offset In the Condensed Consolidated Balance Sheets: Cash Collateral Received/Pledged[(1)]	Amounts Not Offset In the Condensed Consolidated Balance Sheets: Investments Securities Received/Pledged as Collateral	Net Amount
As of March 31, 2020				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	**$ 61,796**	**$ -**	**$ -**	**$ 61,796**
Customer	**729,258**	**-**	**-**	**729,258**
Clearinghouse	**308,262**	**-**	**-**	**308,262**
Accrued Interest Receivable on Derivative Contracts	**22,208**	**-**	**-**	**22,208**
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	**380,507**	**(316,630)**	**-**	**63,877**
Customer	**46,798**	**-**	**-**	**46,798**
Clearinghouse	**304,435**	**-**	**(66,629)**	**237,806**
Accrued Interest Payable on Derivative Contracts	**9,075**	**-**	**-**	**9,075**
As of December 31, 2019				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	$ 53,526	$ -	$ -	$ 53,526
Customer	259,908	-	-	259,908
Clearinghouse	67,281	-	-	67,281
Accrued Interest Receivable on Derivative Contracts	15,190	-	-	15,190
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	161,906	(115,490)	-	46,416
Customer	29,407	-	-	29,407
Clearinghouse	71,821	-	(62,532)	9,289
Accrued Interest Payable on Derivative Contracts	8,009	-	-	8,009

(1) Cash collateral received is recognized in the condensed consolidated balance sheets.

Note 7 – Fair Value Measurements

The fair value of financial instruments represents the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. The FASB has established a three-level fair value hierarchy aimed at maximizing the use of observable inputs – that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability. Observable inputs are based on market data obtained from independent sources. Unobservable inputs are supported by limited or no market activity and require significant management judgment or estimation.

Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at March 31, 2020 consist of assets held in a trust fund related to deferred compensation and nonqualified retirement plans. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Our Level 2 assets and liabilities at March 31, 2020 include our derivative contracts, collateral balances related to derivative contracts, certificates of deposit, federal funds sold and other overnight funds, U.S. Treasury and agency debt investment securities, Ginnie Mae MBS, corporate bonds, and the substantial majority of agency MBS and ABS.

The fair value of federal funds sold and other overnight funds is generally their face value, plus accrued interest, as these instruments are readily convertible to cash and are short-term in nature.

The fair value of our investment securities classified as Level 2 is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models also incorporate information regarding non-binding broker/dealer quotes, available trade information, historical cash flows, credit ratings, and other market information. The estimated fair values of investment securities also appear in Note 4.

The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer or extinguish a derivative liability in active markets among willing participants at the reporting date. Estimated fair value is determined through internal market valuation models. These models use an income approach and incorporate benchmark interest rate curves (primarily the Overnight Index Swap rate for collateralized derivative contracts and the USD LIBOR/swap curve for non-collateralized derivative contracts), volatilities, counterparty credit quality and other inputs that are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results. The fair value of collateral assets and liabilities related to derivative contracts is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

The following table presents information about valuation techniques and inputs to Level 2 fair value measurements.

Information About Valuation Techniques and Inputs to Level 2 Fair Value Measurements

	Valuation Technique	Inputs
Federal Funds Sold and Other Overnight Funds	Carrying Value	Par/Principal Plus Accrued Interest
Certificates of Deposit	Third-Party Pricing Service	Benchmark Yield Curve Quoted Prices
Investment Securities	Third-Party Pricing Service	Prepayment Rate Lifetime Default Rate Loss Severity Benchmark Yield Curve Quoted Prices
Interest Rate Swaps and Other Financial Instruments	Discounted Cash Flow	Benchmark Yield Curve Counterparty Credit Risk Volatility
Collateral Assets and Collateral Liabilities	Carrying Value	Par/Principal Plus Accrued Interest

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at March 31, 2020 include a small portion of agency MBS and ABS. Based on the lack of active trading volume and an orderly market for these securities, we classified these securities as Level 3. Fair value for Level 3 agency MBS is estimated through a third-party pricing service that uses valuation models to estimate current market prices. Fair value for our Level 3 ABS is calculated internally using third-party models. Inputs into all of these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to market inputs where information is available.

Level 3 assets at March 31, 2020 also include $134.3 million of loans originally measured at cost, which were written down to fair value as a result of impairment. The valuation of these assets is based on either the fair value of the underlying collateral, if the loan is collateral dependent, or the present value of expected future cash flows. Such valuations may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the 'Assets and Liabilities Measured at Fair Value on a Recurring Basis' tables on pages 48 and 49 because they are not measured on a recurring basis.

Our Level 3 liabilities at March 31, 2020 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

No transfers into or out of Level 3 assets or liabilities occurred during the three months ended March 31, 2020 and 2019.

The following table presents quantitative information about Level 3 fair value measurements as of March 31, 2020.

Quantitative Information About Valuation Techniques and Unobservable Inputs to Level 3 Fair Value Measurements					
($ in Millions)		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Assets					
Investment Securities:					
U.S. Agency MBS	$	90	Third-Party Pricing Service	Prepayment Rate	*
				Lifetime Default Rate	*
				Loss Severity	*
Other (included in Asset-Backed)		17	Discounted Cash Flow	Prepayment Rate	0% (0%)
Impaired Loans		134	Appraisal /	Income/Expense Data	**
			Discounted Cash Flow	Comparable Sales	**
				Replacement Cost	**
Liabilities					
Standby Letters of Credit	$	12	Discounted Cash Flow	Mark-to-Market Spread	0.1-1.3% (1.0%)

* Excludes ranges which are determined by a third-party pricing service.

** Range of inputs are unique to each collateral property.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and December 31, 2019 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis March 31, 2020								
($ in Millions)		Level 1		Level 2		Level 3		Total
Assets								
Federal Funds Sold and Other Overnight Funds	$	-	$	2,350	$	-		2,350
Investment Securities:								
Certificates of Deposit		-		150		-		150
U.S. Treasury Debt		-		14,787		-		14,787
U.S. Agency Debt		-		2,848		-		2,848
Residential MBS:								
Ginnie Mae		-		2,163		-		2,163
U.S. Agency		-		4,040		90		4,130
Commercial MBS:								
U.S. Agency		-		6,158		-		6,158
Corporate Bonds		-		293		-		293
Asset-Backed and Other		-		681		17		698
Interest Rate Swaps and Other Financial Instruments		-		1,099		-		1,099
Assets Held in Trust (included in Other Assets)		93		-		-		93
Collateral Assets (included in Other Assets)		-		317		-		317
Total Assets	$	93	$	34,886	$	107	$	35,086
Liabilities								
Interest Rate Swaps and Other Financial Instruments	$	-	$	732	$	-	$	732
Standby Letters of Credit (included in Other Liabilities)		-		-		12		12
Total Liabilities	$	-	$	732	$	12	$	744

Assets and Liabilities Measured at Fair Value on a Recurring Basis				
December 31, 2019				
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	1,810	$ -	$ 1,810
Investment Securities:				
Certificates of Deposit	-	400	-	400
U.S. Treasury Debt	-	16,062	-	16,062
U.S. Agency Debt	-	2,854	-	2,854
Residential MBS:				
Ginnie Mae	-	2,337	-	2,337
U.S. Agency	-	4,286	99	4,385
Commercial MBS:				
U.S. Agency	-	4,946	-	4,946
Corporate Bonds	-	373	-	373
Asset-Backed and Other	-	1,055	14	1,069
Interest Rate Swaps and Other Financial Instruments	-	381	-	381
Assets Held in Trust (included in Other Assets)	97	-	-	97
Collateral Assets (included in Other Assets)	-	115	-	115
Total Assets	$ 97	$ 34,619	$ 113	$ 34,829
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 263	$ -	$ 263
Standby Letters of Credit (included in Other Liabilities)	-	-	11	11
Total Liabilities	$ -	$ 263	$ 11	$ 274

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

($ in Millions)	U.S. Agency Residential MBS	Asset-Backed Securities and Other	Standby Letters of Credit
Balance at December 31, 2019	**$ 99**	**$ 14**	**$ 11**
Total Gains or Losses (Realized/Unrealized)			
Included in Other Comprehensive Income	**(5)**	**1**	**-**
Purchases	**-**	**2**	**-**
Issuances	**-**	**-**	**3**
Settlements	**(4)**	**-**	**(2)**
Balance at March 31, 2020	**$ 90**	**$ 17**	**$ 12**
Balance at December 31, 2018	$ 113	$ 12	$ 10
Purchases	-	1	-
Issuances	-	(1)	2
Settlements	(3)	-	(2)
Balance at March 31, 2019	$ 110	$ 12	$ 10

Estimated Fair Value of Certain Other Financial Instruments

The following table presents the estimated fair value of financial instruments that are recorded in the condensed consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of March 31, 2020 and December 31, 2019.

($ in Millions)

	March 31, 2020			December 31, 2019		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:						
Net Loans	**$ 110,482**	**$ 112,370**	**Level 3**	$ 108,199	$ 110,180	Level 3
Financial Liabilities:						
Bonds and Notes	**$ 144,237**	**$ 147,584**	**Level 3**	$ 132,230	$ 133,924	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	**$ -**	**$ (84)**	**Level 3**	$ -	$ (95)	Level 3

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated using a discounted cash flow method by applying a risk-adjusted spread percentage to these obligations.

Note 8 – Employee Benefit Plans

We have employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007. We also have noncontributory, unfunded nonqualified supplemental executive retirement plans covering certain senior officers and specified other senior managers, as well as a noncontributory, unfunded nonqualified executive retirement plan covering certain former senior officers. We have a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional, non-elective employer defined contributions. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $0.6 million to our funded qualified defined benefit pension plans during the three months ended March 31, 2020, and anticipate that we will contribute approximately $2.8 million more to such plans during the remainder of 2020. We expect to contribute a total of $0.3 million, net of collected retiree premiums, to our other postretirement benefit plans in 2020. We contributed $0.4 million to our trust funds related to our nonqualified retirement plans during the three months ended March 31, 2020. Our actual contributions could differ from the estimates noted above.

Note 9 – Commitments and Contingent Liabilities

Due to the often volatile seasonal borrowing requirements of our Agribusiness customers, which are impacted by changing commodity prices, farmer delivery patterns, weather, environmental and other factors, we provide a significant amount of revolving loan commitments. We also provide revolving loan commitments to other customers including those in the electric distribution and power supply industries. At March 31, 2020, commitments to extend credit and commercial letters of credit were $31.7 billion and $105.2 million, respectively.

Under the Farm Credit Act, we are primarily liable for the portion of outstanding Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities) issued by CoBank. Additionally, we are contingently liable by statute for the outstanding Systemwide Debt Securities issued by the other System banks. Total Systemwide Debt Securities of the System were $314.9 billion at March 31, 2020.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. System banks are statutorily required to maintain eligible unencumbered assets at a level at least equal in value to the total amount of debt for which such System bank is primarily liable. In addition, in the event of a default by a System bank, the Insurance Fund would be required to make timely payment of principal and interest on Systemwide Debt Securities, to the extent that net assets are available in the Insurance Fund, before the joint and several liability of the System banks would be triggered. At March 31, 2020, the aggregated assets of the Insurance Fund totaled $5.2 billion. Finally, System banks must maintain certain financial criteria in order to participate in Systemwide debt issuances. If these criteria are not met, a troubled System bank's access to and participation in Systemwide debt issuances could be limited or denied.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. For other matters, where a loss is not probable or the amount of the loss is not estimable, we will not accrue legal reserves.

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

While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of legal counsel and available insurance coverage, we believe that the liabilities, if any, arising from our legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of the Bank. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Bank's consolidated financial position, consolidated results of operations or consolidated cash flows.

Note 10 – Leased Property

We have operating leases for our corporate headquarters, banking center offices, certain equipment and vehicles. We determine if an arrangement is a lease and the related lease classification at inception. Right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. If available, we use the implicit rate in the lease in determining the present value of future payments. We use our incremental borrowing rate based on the information available at commencement date when the implicit rate in the lease is not available. ROU assets and lease liabilities are included in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in our condensed consolidated balance sheets. These operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. We determine the lease term by assuming the exercise of renewal and termination options that are reasonably certain. Our leases have remaining minimum lease terms of 1 year to 10 years, some of which include options to extend the leases for up to an additional 15 years. Rent expense for leases is reflected in occupancy and equipment expense in the accompanying condensed consolidated statements of income. Additionally, the depreciable life of leased assets and leasehold improvements is limited by the expected lease term.

Other information related to our operating leases is as follows:

Operating Leases	March 31, 2020	December 31, 2019
Right-of-Use Assets	**$ 73,631**	$ 75,666
Lease Liabilities	**76,755**	78,707
Three Months Ended March 31,	**2020**	**2019**
Operating Lease Cost	**$ 3,514**	$ 3,593
Weighted Average Remaining Lease Term	**10 years**	11 years
Weighted Average Discount Rate	**3.02%**	3.02%

Future minimum lease payments under non-cancellable operating leases as of March 31, 2020 were as follows:

Future Minimum Lease Payments Year Ending March 31,	
2021	$ 9,249
2022	8,941
2023	8,715
2024	8,515
2025	8,336
Thereafter	45,748
Total future minimum lease payments	$ 89,504
Less imputed interest	12,749
Lease liabilities reported as of March 31, 2020	$ 76,755

In 2016, the Bank completed a sale-leaseback transaction associated with our corporate headquarters in Greenwood Village, Colorado. Upon completion of this sale-leaseback transaction, the resulting gain was deferred to be recognized ratably over the expected lease term of 15 years as an offset to occupancy and equipment expense in our condensed consolidated statements of income. In connection with the Bank's adoption of the new lease accounting standard on January 1, 2019, the remaining deferred gain of $8.6 million related to the sale-leaseback transaction was recognized in retained earnings through a cumulative effect adjustment.

Note 11 – Segment Financial Information

We conduct our business through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the operating segments. Allocations of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. All customer activity, including loans and leases and related income, is specifically assigned to the business units that make up the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Intersegment transactions are insignificant.

We do not hold significant assets in any foreign country. Substantially all of our agricultural export finance loans are U.S. dollar-denominated and 21 percent of these loans are guaranteed by the U.S. government.

For the three-month periods ended March 31, 2020 and 2019, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information

For the Three Months Ended March 31, 2020

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	**$ 209,496**	**$ 68,456**	**$ 105,365**	**$ 383,317**
Provision for Loan Losses (Loan Loss Reversal)	**30,700**	**-**	**(4,700)**	**26,000**
Noninterest Income	**43,423**	**1,744**	**27,208**	**72,375**
Operating Expenses	**60,622**	**10,781**	**28,312**	**99,715**
Provision for Income Taxes	**17,416**	**-**	**18,478**	**35,894**
Net Income	**$ 144,181**	**$ 59,419**	**$ 90,483**	**$ 294,083**
Selected Financial Information at March 31, 2020 ($ in Millions):				
Loans	**$ 33,669**	**$ 55,050**	**$ 22,446**	**$ 111,165**
Less: Allowance for Loan Losses	**(504)**	**-**	**(179)**	**(683)**
Net Loans	**$ 33,165**	**$ 55,050**	**$ 22,267**	**$ 110,482**
Accrued Interest Receivable and Other Assets	**432**	**265**	**551**	**1,248**
Total Segment Assets	**$ 33,597**	**$ 55,315**	**$ 22,818**	**$ 111,730**
Federal Funds Sold and Other Overnight Funds				**2,350**
Investment Securities				**31,227**
Other Assets				**12,688**
Total Assets	**$ 33,597**	**$ 55,315**	**$ 22,818**	**$ 157,995**

For the Three Months Ended March 31, 2019

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	$ 192,260	$ 66,555	$ 100,860	$ 359,675
Provision for Loan Losses	25,000	-	3,000	28,000
Noninterest Income[(1)]	46,421	372	17,443	64,236
Operating Expenses	54,908	10,348	27,691	92,947
Provision for Income Taxes[(1)]	16,839	-	13,632	30,471
Net Income[(1)]	$ 141,934	$ 56,579	$ 73,980	$ 272,493
Selected Financial Information at March 31, 2019 ($ in Millions):				
Loans	$ 33,826	$ 50,155	$ 20,973	$ 104,954
Less: Allowance for Loan Losses	(467)	-	(186)	(653)
Net Loans	$ 33,359	$ 50,155	$ 20,787	$ 104,301
Accrued Interest Receivable and Other Assets	311	161	242	714
Total Segment Assets	$ 33,670	$ 50,316	$ 21,029	$ 105,015
Federal Funds Sold and Other Overnight Funds				523
Investment Securities				31,704
Other Assets				1,105
Total Assets	$ 33,670	$ 50,316	$ 21,029	$ 138,347

(1) As discussed in Note 1, the 2019 period included reclassifications between the Agribusiness and Rural Infrastructure operating segments which had no impact on CoBank's consolidated net income.

Note 12 – Affiliated Associations

CoBank is 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. The Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide Debt Securities. Therefore, we are the primary funding source for our affiliated Associations. As of March 31, 2020, we have 21 affiliated Associations serving 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural and other purposes to full- and part-time farmers. Associations may also make loans to, among others, processing and marketing entities, farm-related businesses, and rural residents for home purchase and 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.

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

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. Accordingly, the financial information of affiliated Associations is not included in our condensed consolidated financial statements. We separately publish certain unaudited combined financial information of the District, including a condensed statement of condition and statement of income, which can be found on our website at www.cobank.com. Such information is not incorporated by reference into, and should not be considered a part of, this quarterly report.

Regulatory Capital Disclosures

CoBank, ACB

(Unaudited) ($ in Thousands, Except as Noted)

Overview

These quarterly regulatory capital disclosures (set forth in Title 12 of the Code of Federal Regulations parts 628.61 through 628.63) should be read in conjunction with our 2019 Annual Report to Shareholders, which includes additional qualitative disclosures. Unless otherwise noted, there have been no material changes to the qualitative disclosures contained in our 2019 Annual Report.

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	Q1 2020 Quarterly Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	Page 56
Capital Structure	Regulatory capital components	Pages 56 through 57
Capital Adequacy	Risk-weighted assets	Page 58
	Regulatory capital ratios	Page 14
Capital Buffers	Quantitative disclosures	Pages 14, 58
Credit Risk	Summary of exposures	Page 59
	Geographic distribution	Page 60 through 61
	Industry distribution	Page 61
	Contractual maturity	Page 62
	Impaired loans and allowance for credit losses	Note 3
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Note 6, Page 62 through 63
Credit Risk Mitigation	Exposures with reduced capital requirements	Pages 7 through 8, 9 through 10, 62 through 63
Securitization	Securitization exposures	Notes 4 and 7, Pages 13, 63 through 64
Equities	General description	Page 64
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	Note 6, Page 64 through 65

Scope of Application

The disclosures contained herein relate to CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. These entities are also consolidated in our financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). FCL is required to comply with the capital regulations on a standalone basis, but it is not required to make the disclosures contained herein for CoBank as a whole. FCL's capital ratios exceeded the minimum regulatory requirements at March 31, 2020.

Capital Structure

Common equity tier 1, which includes common stock and retained earnings, is the largest component of the Bank's capital structure. Preferred stock is included in tier 1 regulatory capital, subject to certain limitations. In addition, our allowance for credit losses is included in tier 2 regulatory capital, subject to certain limitations.

The following table provides a summary of the Bank's regulatory capital components.

Regulatory Capital Components		
Three Months Ended March 31, 2020		**Average Balance**
Common Equity Tier 1 Capital (CET1)		
Common Cooperative Equities:		
Statutory Minimum Purchased Borrower Stock	$	2,484
Other Required Member Purchased Stock		916,158
Allocated Equities:		
Qualified Allocated Equities Subject to Retirement		2,695,714
Nonqualified Allocated Equities Subject to Retirement		-
Nonqualified Allocated Equities Not Subject to Retirement		2,917,091
Unallocated Retained Earnings		2,579,915
Paid-In Capital		-
Regulatory Adjustments and Deductions Made to CET1		(81,072)
Total CET1	$	9,030,290
Tier 1 Capital		
Non-Cumulative Perpetual Preferred Stock	$	1,500,000
Regulatory Adjustments and Deductions Made to Tier 1 Capital		-
Total Additional Tier 1 Capital		1,500,000
Total Tier 1 Capital	$	10,530,290
Tier 2 Capital		
Common Cooperative Equities Not Included in CET1	$	-
Tier 2 Capital Elements:		
Allowance for Credit Losses		752,216
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-
Total Tier 2 Capital	$	752,216
Total Capital	$	11,282,506

Capital Adequacy and Capital Buffers

Our risk-adjusted regulatory capital ratios are calculated by dividing the relevant total capital elements (e.g. Total CET1) by risk-weighted assets. The following table presents information on the components of risk-weighted assets included in the calculation of regulatory capital ratios.

Risk-Weighted Assets

Three Months Ended March 31, 2020		Average Balance	
On-Balance Sheet Assets:			
Exposures to Sovereign Entities	$	-	
Exposures to Supranational Entities and Multilateral Development Banks		150,804	
Exposures to Government-Sponsored Enterprises		13,005,024	(1)
Exposures to Depository Institutions, Foreign Banks, and Credit Unions		3,933,653	(2)
Exposures to Public Sector Entities		49,694	
Corporate Exposures, including Borrower Loans and Leases		45,260,407	
Residential Mortgage Exposures		-	
Past Due and Nonaccrual Exposures		358,184	
Securitization Exposures		941,399	
Equity Investment Exposures		34,447	
Other Assets		936,554	
Off-Balance Sheet:			
Unfunded Loan Commitments		7,900,002	
Equity Investment Commitments		20,518	
Over-the-Counter Derivatives		573,900	
Cleared Derivative Transactions		788	
Letters of Credit		1,116,494	
Reverse Repurchase Transactions		613	
Unsettled Transactions		39,558	
Total Risk-Weighted Assets Before Additions (Deductions)	$	74,322,039	
Additions:			
Intra-System Equity Investments	$	81,072	
Deductions:			
Regulatory Adjustments and Deductions Made to CET1		(81,072)	
Regulatory Adjustments and Deductions Made to Additional Tier 1 Capital		-	
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-	
Total Risk-Weighted Assets	$	74,322,039	(3)

(1) Includes exposures to Farm Credit System entities.

(2) Also includes exposures to other financial institutions that are risk weighted as exposures to U.S. depository institutions and credit unions.

(3) For purposes of calculating the permanent capital ratio, average risk-weighted assets for the three months ended March 31, 2020 was $73.7 billion.

As shown on page 14 of this quarterly report, the Bank exceeded all capital requirements as of March 31, 2020 to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $591.5 million as of March 31, 2020.

Credit Risk

The following table summarizes credit exposures related to loans, unfunded loan commitments, investment securities, letters of credit, and reverse repurchase transactions. The contractual amount of a commitment to extend credit represents our maximum exposure to credit loss in the event of default by the borrower, if the borrower were to fully draw against the commitment.

Major Credit Exposures - Lending and Investments

Three Months Ended March 31, 2020	Average Balance	End of Period
Loans Outstanding	$ 110,129,963	$ 111,165,169
Unfunded Loan Commitments	30,185,885	31,692,573
Investment Securities	30,894,795	31,226,731
Letters of Credit	1,357,086	1,466,286
Equity Investment Commitments	41,037	55,207
Reverse Repurchase Transactions	3,067	11,359

The table below shows derivatives by underlying exposure type, segregated between contracts traded in over-the-counter markets and those cleared through a central clearinghouse. Gross positive fair value represents the credit exposure attributed to derivatives before the mitigating effects of counterparty collateral.

Major Credit Exposures - Derivatives

Three Months Ended and As of March 31, 2020	Average Balance		End of Period	
	Notional Amount	Gross Fair Value	Notional Amount	Gross Fair Value
Over-the-Counter Derivatives:				
Interest Rate Contracts	$ 24,515,621	$ 487,422	$ 24,245,794	$ 789,073
Foreign Exchange Contracts	146,164	1,573	138,938	1,981
Total Over-the-Counter Derivatives	24,661,785	488,995	24,384,732	791,054
Cleared Derivatives:				
Interest Rate Contracts	17,282,455	155,318	19,889,539	308,262
Total Derivatives	$ 41,944,240	$ 644,313	$ 44,274,271	$ 1,099,316

The following table illustrates the geographic distribution of our total loan commitments as of March 31, 2020.

Total Lending Portfolio - Geographic Distribution

As of March 31, 2020	Wholesale Loans[1]	Commercial Loans
California	44 %	7 %
Washington	17	2
Texas	5 [2]	6
Connecticut	12 [2]	1
Kansas	5	4
Illinois	-	7
Iowa	-	5
Minnesota	-	5
Oklahoma	4	1
Colorado	3	3
Ohio	-	3
Asia	-	3
Nebraska	-	3
Florida	-	3
Missouri	-	3
Latin America	-	3
New York	-	3
Georgia	-	3
New Mexico	3	-
North Dakota	-	2
Indiana	-	2
Wisconsin	-	2
Arkansas	-	2
Mississippi	1 [2]	2
North Carolina	-	2
Virginia	-	2
Maryland	2 [2]	1
South Dakota	-	2
Utah	2	-
Tennessee	-	1
Massachusetts	-	1
Arizona	-	1
Michigan	-	1
Europe, Middle East and Africa	-	1
New Jersey	-	1
Lourisiana	-	1
Other	2 [2]	11
Total	100 %	100 %

[1] The distribution of wholesale loan commitments to Associations is based on the state in which the Association is headquartered and may not be representative of their underlying loan portfolio.

[2] Includes participation interests in loan commitments to nonaffiliated Associations.

The following table illustrates the geographic distribution of our impaired loans as of March 31, 2020.

Impaired Loans - Geographic Distribution	
As of March 31, 2020	**Share[1]**
Arkansas	25 %
Colorado	23
California	9
Wyoming	5
Michigan	5
Oklahoma	5
Illinois	4
Wisconsin	4
Washington	4
New Jersey	3
Iowa	3
Ohio	3
Arizona	1
Other	6
Total	100 %

[1] The distribution of impaired loans is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.

The following table illustrates the primary business/commodity distribution of our total loan commitments as of March 31, 2020.

Total Lending Portfolio - Distribution by Primary Business/Commodity	
As of March 31, 2020	**Share**
Affliated Associations	41 %
Farm Supply and Grain Marketing	12
Electric Distribution	8
Nonaffliated Entities	4
Agricultural Export Finance	4
Generation and Transmission	4
Regulated Utility	3
Fruits, Nuts, Vegetables	3
Fish, Livestock, Poultry	3
Lease Financing (through FCL)	3
Forest Products	2
Dairy	2
Independent Power Producers	2
Water and Wastewater	2
Local Exchange Carriers	1
Competitive Local Telephone Exchange Carriers	1
Wireless	1
Sugar and Related Products	1
Cable	1
Other	2
Total	100 %

The following table presents a summary of the remaining contractual maturity of our loans, unfunded commitments, investment securities, letters of credit and derivatives at March 31, 2020.

($ in Millions)

Contractual Maturity				
As of March 31, 2020	In One Year or Less	One to Five Years	After Five Years	Total
Loans Outstanding	$ 58,904	$ 20,612	$ 31,649	$ 111,165
Unfunded Loan Commitments	18,744	6,776	6,173	31,693
Investment Securities	5,019	11,146	15,062	31,227
Letters of Credit	265	913	288	1,466
Derivatives (Notional Amounts)	8,048	21,847	14,379	44,274
Equity Investment Commitments	8	33	14	55

Refer to Note 3 in the condensed consolidated financial statements in this quarterly report for amounts of impaired loans (with or without related allowance for credit loss), loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing interest, the allowance for credit losses, charge-offs, and changes in components of our allowance for credit losses.

Counterparty Credit Risk

Refer to Note 6 in the condensed consolidated financial statements in this quarterly report for information related to derivative financial instruments utilized by CoBank including a summary of the fair value of derivative assets and liabilities, collateral held and net unsecured exposure.

Credit Risk Mitigation

CoBank uses various strategies to mitigate credit risk in its lending, leasing, investing and derivatives activities. The disclosures in this section relate solely to credit risk mitigation instruments and activities that reduce regulatory capital requirements, which include certain guarantees in our lending and investment portfolios, and collateral or settlement payments in our derivatives portfolio.

Loans

Our Agricultural Export Finance Division (AEFD) utilizes the U.S. government-sponsored export loan guarantee General Sales Manager (GSM) program for a portion of its export financing. Refer to the Operating Segment Financial Review section on page 7 of this quarterly report for additional discussion related to our AEFD.

As discussed on page 10 of this quarterly report, our loans to affiliated Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Lower regulatory capital requirements are commensurate with the lower risk profile associated with our loans to affiliated Associations.

Investments

Credit risk in our investment portfolio is mitigated by investing primarily in securities issued or guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency). Credit risk in our investment portfolio primarily exists in the 3 percent of our investments securities that are not guaranteed by the U.S. government or a U.S. Agency, which include certificates of deposit, asset-backed securities (ABS) and corporate bonds of midstream energy companies. Our certificates of deposit with commercial banks carry the highest short-term credit rating. The remaining two investment types with credit risk include our ABS and midstream energy corporate bonds, which collectively total $1.0 billion of our total investment portfolio as of

March 31, 2020. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include our overnight bank deposits and federal funds sold. With the exception of corporate bonds, which are risk-weighted based on the corporate counterparty, these exposures are captured in the Securitization section below.

The following table summarizes the loan and investment exposures whose capital requirements are reduced as a result of credit risk mitigants.

Loan and Investment Exposures

Three Months Ended March 31, 2020	Average Exposure Amount	Risk Weighted Exposures
Guaranteed Loans under the GSM program	$ 1,232,420	$ -
Loans to Farm Credit System entities	53,909,405	10,781,881
Investment Securities Issued or Guaranteed by U.S. Government	18,079,042	-
Investment Securities Issued or Guaranteed by a U.S. Agency	11,115,715	2,223,143
Total	$ 84,336,582	$ 13,005,024

Derivatives

As described in Note 6 in the condensed consolidated financial statements in this quarterly report, transactions with dealers in our over-the-counter derivative portfolio as well as those cleared through a clearinghouse are collateralized or otherwise secured through settlement payments. As a result, at March 31, 2020, we posted financial collateral with dealers totaling $316.6 million that was included in calculating risk-weighted assets. Total risk-weighted assets for our over-the-counter derivatives and cleared derivative transactions amounted to $573.9 million and $0.8 million, respectively, for the three-month period ended March 31, 2020.

Securitization

The Bank participates in securitizations as investors through the purchase of MBS and ABS, which are included in our investment portfolio. As of March 31, 2020, CoBank did not retain any resecuritization exposures. The following disclosures relate only to ABS not guaranteed by the U.S. government or a U.S. Agency. The average balance of these unguaranteed securities was $0.9 billion for the three-month period ended March 31, 2020.

Below is a summary of our securitization exposures held during the three months ended March 31, 2020 by exposure type and categorized by risk-weight band.

Securitization Exposures

Three Months Ended March 31, 2020	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Asset-Backed Securities	$ 880,103	$ 941,399
Total	$ 880,103	$ 941,399

Securitization Risk-Weight Bands

Three Months Ended March 31, 2020	Average Exposure Amount	Risk Weighted Asset
Gross-Up Risk-Weight Bands:		
100% - 125%	$ 730,749	$ 749,034
>125% and <1,250%	149,354	192,365
1,250%	-	-
Total	$ 880,103	$ 941,399

For the three-month period ended March 31, 2020, we did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital.

Refer to Note 4 in the condensed consolidated financial statements in this quarterly report for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains (losses) and fair value of ABS held in our investment portfolio. In addition, Note 7 of the quarterly report describes the methods and assumptions, including any changes as applicable, applied in valuing our ABS.

Equities

The Bank has certain exposure to equity investments. We make investments and are a limited partner in certain Rural Business Investment Companies (RBICs). These RBICs focus on small and middle market companies that create jobs and prosperity in rural America. The Bank also holds investments in various unincorporated business entities (UBEs), as defined by FCA regulation. We hold these investments to acquire and manage unusual or complex collateral associated with loan workouts as well as to make mission-related investments. Our investments in RBICs and UBEs are not publicly traded and are accounted for under the equity method. There have been no sales or liquidations of these investments during the three months ended March 31, 2020.

Interest Rate Risk

Interest rate risk, also referred to as market risk, is the risk that changes in interest rates may adversely affect operating results and financial condition. We use asset/liability models to evaluate the dynamics of our balance sheet and to estimate earnings volatility under different interest rate scenarios. Our analysis includes calculating the impact of significant increases or decreases in interest rates on net interest income, over a 12 month period, and the estimated market value of equity.

This analysis estimates the effect of immediate and sustained parallel positive (up) and negative (down) shifts in the yield curve (called "shocks") of down 300, down 200, down 100, up 100, up 200 and up 300 basis points. Pursuant to regulation and our Board policy, when the three-month Treasury rate is below 4 percent, as it was for the period presented, we perform a shock equal to one-half the three-month Treasury rate.

The following tables summarize the impact of interest rate changes on net interest income and the market value of equity.

Net Interest Income at Risk

Scenario:	
- 300 bp shock	n/a
- 200 bp shock	n/a
- 100 bp shock	(0.8) %
- 6 bp shock	-
+ 100 bp shock	(1.9)
+ 200 bp shock	(2.4)
+ 300 bp shock	(2.8)

Market Value of Equity at Risk

Scenario:	
- 300 bp shock	n/a
- 200 bp shock	n/a
- 100 bp shock	n/a
- 6 bp shock	0.1 %
+ 100 bp shock	(3.1)
+ 200 bp shock	(7.4)
+ 300 bp shock	(11.9)

Controls and Procedures
CoBank, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The chief executive officer and the chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term "internal controls," as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU-C Section 315, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory requirements and recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Certification Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 8th day of May, 2020.

/s/ KEVIN G. RIEL

Kevin G. Riel
Chair of the Board

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

CERTIFICATION

I, Thomas E. Halverson, President and Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

Dated: May 8, 2020

CERTIFICATION

I, David P. Burlage, Chief Financial Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

Dated: May 8, 2020

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CoBank, ACB

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* *Farm Credit Leasing office within this CoBank location*
** *Farm Credit Leasing office only*

CoBank's 2020 Quarterly and Annual Reports to Shareholders are available free of charge on request by calling or visiting one of our banking center locations and through our website at www.cobank.com on approximately May 8, 2020, August 7, 2020, November 9, 2020, and March 1, 2021 (Annual Report).