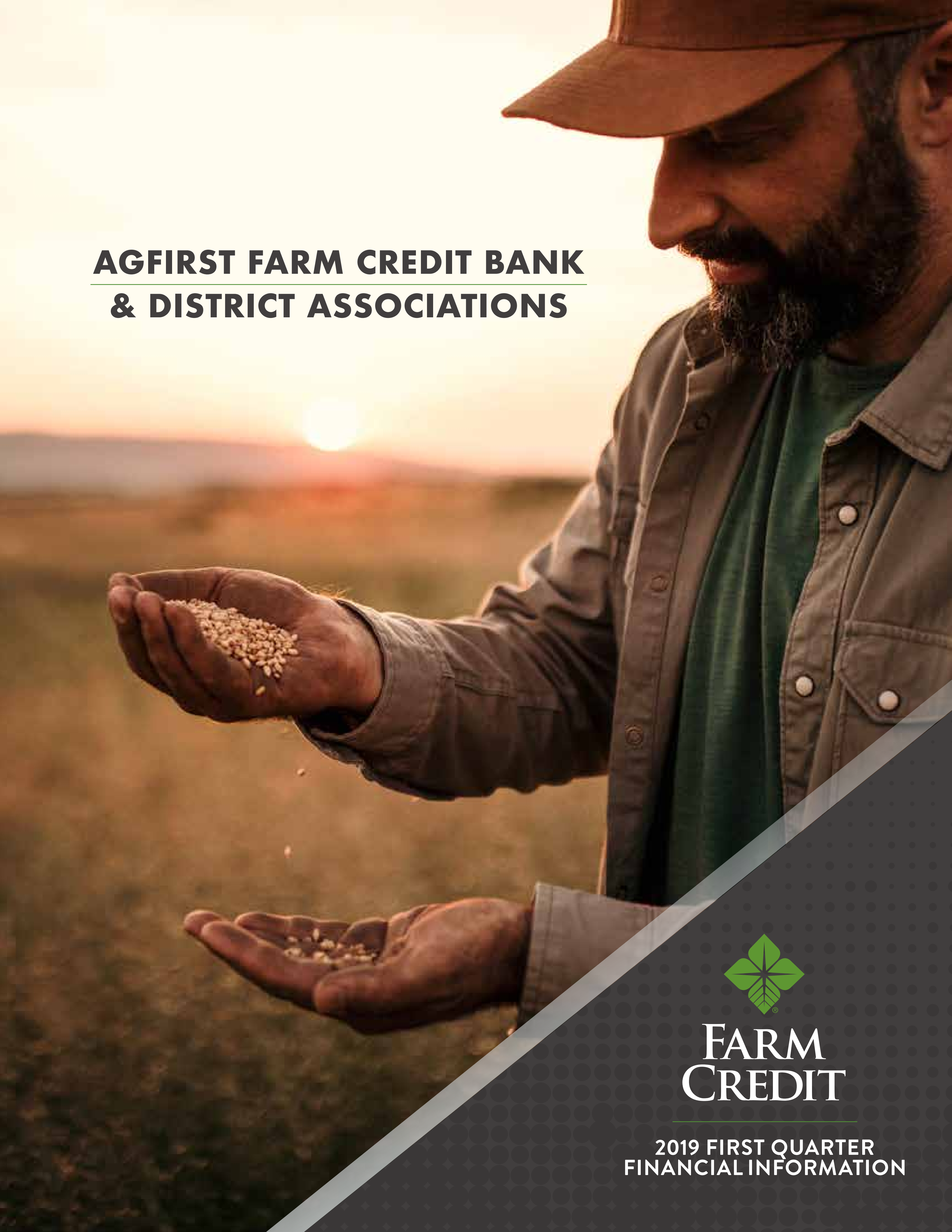
AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS



FARM CREDIT

2019 FIRST QUARTER
FINANCIAL INFORMATION

AgFirst Farm Credit Bank and District Associations
March 31, 2019 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of condition and results of operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the quarter ended March 31, 2019. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to provide sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and certain farm-related businesses. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

The Associations are structured as cooperatives, and each Association is owned by its borrowers. AgFirst also operates as a cooperative. The District Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders jointly own AgFirst. As such, the benefits of ownership flow to the same farmer/rancher borrowers that the System was created to serve.

As of March 31, 2019, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System banks. Each System bank has exposure to Systemwide credit risk because each bank is jointly and severally liable for all Systemwide debt issued.

AgFirst provides funding and related services to the District Associations, which, in turn, provide loans and related services to agricultural and rural borrowers. AgFirst has in place with each of the District Associations, a revolving line of credit, referred to as a "Direct Note." Each Association primarily funds its lending and general corporate activities by borrowing through its Direct Note. Virtually all assets of the Associations secure the Direct Notes. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association, including the subsidiaries of the Associations.

AgFirst and the Associations are chartered to serve eligible borrowers in Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia, Puerto Rico, and portions of Kentucky, Louisiana, Ohio, and Tennessee. As of March 31, 2019, two other Farm Credit Banks (FCBs) and an Agricultural Credit Bank (ACB), through a number of associations, provided loans and related services to eligible borrowers in the remaining portion of the United States. While owned by its related associations, each FCB manages and controls its own business activities and operations. The ACB is owned by its related associations as well as other agricultural and rural institutions, including agricultural cooperatives. Associations are not commonly owned or controlled and each manages and controls its own business activities and operations.

While combined District statements reflect the financial and operational interdependence of AgFirst and its Associations, AgFirst does not own or control the Associations. AgFirst publishes Bank-only audited financial statements (electronic version of which is available on AgFirst's website at **www.agfirst.com**) that may be referred to for a more complete analysis of AgFirst's financial condition and results of operations.

Financial Highlights

(unaudited)

(dollars in thousands)		March 31, 2019		December 31, 2018
Total loans	$	**29,490,820**	$	**29,592,224**
Allowance for loan losses		**(208,556)**		**(209,657)**
Net loans		**29,282,264**		**29,382,567**
Total assets		**38,560,532**		**38,625,732**
Total shareholders' equity		**6,616,957**		**6,473,552**

	For the Three Months Ended March 31,			
		2019		2018
Net interest income	$	**253,592**	$	253,326
Provision for (reversal of allowance for) loan losses		**3,806**		1,824
Noninterest income (expense), net		**(109,682)**		(89,424)
Net income		**140,104**		162,078
Net interest income as a percentage of average earning assets		**2.71%**		2.81%
Net (chargeoffs) recoveries to average loans		**(0.07)%**		(0.05)%
Return on average assets		**1.47%**		1.76%
Return on average shareholders' equity		**8.64%**		10.39%
Operating expense as a percentage of net interest income and noninterest income		**47.51%**		43.36%
Average loans	$	**29,433,855**	$	28,192,151
Average earning assets		**37,883,614**		36,614,729
Average assets		**38,538,544**		37,361,003

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

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2019 was $140.1 million compared to $162.1 million for the three months ended March 31, 2018, a decrease of $22.0 million, or 13.56 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the three months ended March 31, 2019	For the year ended December 31, 2018	Annualized for the three months ended March 31, 2018
Return on average assets	1.47%	1.55%	1.76%
Return on average shareholders' equity	8.64%	9.03%	10.39%
Net interest margin	2.71%	2.79%	2.81%
Operating expense as a percentage of net interest income and noninterest income	47.51%	45.47%	43.36%
Net (charge-offs) recoveries to average loans	(0.07)%	(0.02)%	(0.05)%

Compared to both year-end 2018 and the first quarter of 2018, the annualized return on average assets and return on average shareholders' equity ratios declined due primarily to lower annualized net income in the 2019 period. The lower net interest margin ratio in 2019 compared to both prior periods was due primarily to higher average interest-earning assets in the 2019 period. For the operating expense as a percentage of net interest income and noninterest income ratio, operating expense consists primarily of noninterest expenses excluding losses (gains) from other property owned. This ratio was negatively impacted by a decrease in noninterest income and an increase in noninterest expenses in the 2019 period compared to both prior periods presented. The net (charge-offs) recoveries ratio reflected higher annualized charge-offs in 2019 compared to both prior periods. See *Allowance for Loan Losses*, *Net Interest Income*, *Noninterest Income*, and *Noninterest Expenses* sections for further discussion.

Net Interest Income

Net interest income increased $266 thousand to $253.6 million, an increase of 0.11 percent, for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The net interest margin, which is net interest income as a percentage of average earning assets, was 2.71 percent, a decrease of 10 basis points for the three month period of 2019 compared to the same period in the prior year. The increase in net interest income for the three month period resulted primarily from higher interest-earning asset levels.

The Bank called debt totaling $1.735 billion for the three months ended March 31, 2019 and was able to lower the cost of funds. No debt was called during the first three months of the prior year. Over time, as interest rates change and as assets prepay or reprice, the positive impact on the net interest margin that the Bank has experienced over the last several years from calling debt will continue to diminish.

The effects of changes in volume and interest rates on net interest income for the three months ended March 31, 2019, as compared with the corresponding period in 2018, are presented in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and to the levels of average interest rates. Accordingly, the benefit derived from funding earning assets with interest-free funds (principally capital) is reflected solely as a volume increase.

	For the three months ended March 31, 2019 vs. March 31, 2018		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 16,372	$ 25,373	$ 41,745
Investments & Cash Equivalents	(1,227)	13,252	12,025
Other	1,266	42	1,308
Total Interest Income	16,411	38,667	55,078
Interest Expense:			
Interest-Bearing Liabilities	5,497	49,315	54,812
Changes in Net Interest Income	$ 10,914	$ (10,648)	$ 266

Provision for Loan Losses

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for loan loss expense so that appropriate allowances for loan losses are maintained. Provision for loan losses was a net expense of $3.8 million for the three months ended March 31, 2019, compared to a net expense of $1.8 million for the three months ended March 31, 2018.

For the 2019 period, the provision for loan losses included net provision expense of $145 thousand for specific reserves and net provision expense of $3.7 million for general reserves. Total net provision expense for the first quarter of 2019 primarily related to borrowers in the forestry ($4.1 million), other real estate ($1.2 million), poultry ($1.1 million), utilities ($772 thousand), and cattle ($734 thousand) segments, partially offset by provision reversals in the field crops ($3.9 million) and other ($1.0 million) segments.

For the three months ended March 31, 2018, the provision for loan losses included net provision expense of $5.5 million for specific reserves and net provision reversals of $3.7 million for general reserves. Total net provision expense for the first quarter of 2018 primarily related to borrowers in the field crops ($2.6 million), other ($1.0 million), and poultry ($867 thousand) segments, partially offset by provision reversals in the grains ($1.2 million), swine ($1.1 million), and forestry ($931 thousand) segments.

See the *Loan Portfolio* section below for further information.

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	For the three months ended March 31,		
(dollars in thousands)	**2019**	**2018**	**Increase/ (Decrease)**
Loan fees	$ 8,254	$ 7,744	$ 510
Fees for financially related services	1,501	2,079	(578)
Building lease income	830	867	(37)
Gains (losses) on debt extinguishment	(3,213)	–	(3,213)
Gains (losses) on other transactions	3,117	1,426	1,691
Insurance premium refund	7,051	21,086	(14,035)
Other noninterest income	2,890	2,809	81
Total noninterest income	$ 20,430	$ 36,011	$ (15,581)

Noninterest income decreased $15.6 million for the three months ended March 31, 2019 compared to the corresponding period in 2018. The decrease resulted primarily from lower insurance premium refunds and higher losses on debt extinguishment compared to the same period in the prior year. Significant line item dollar variances are discussed below.

Debt issuance expense is amortized over the life of the underlying debt security. When debt securities are called prior to maturity, any unamortized issuance cost is expensed. Losses on debt extinguishment increased $3.2 million for the three months ended March 31, 2019 compared to the same period in 2018. Call options were exercised on bonds totaling $1.735 billion for the three month period in 2019 compared to no debt called for the same period in 2018. Debt is called to take advantage of favorable market interest rate changes. The amount of debt issuance cost expensed is dependent upon both the volume and remaining maturity of the debt when called. Losses on called debt are more than offset by interest expense savings realized as called debt is replaced by new debt issued at a lower rate of interest.

For the three months ended March 31, 2019, gains on other transactions increased $1.7 million compared to the same period in the prior year due to numerous and varied gains and losses, none of which individually had a significant change compared to the prior year.

The District received $7.1 million and $21.1 million for the three months ended March 31, 2019 and 2018, respectively, in insurance premium refunds from the FCSIC which insures the System's debt obligations, a decrease of $14.0 million. The FCSIC refunds are nonrecurring and resulted from the assets of the FCSIC exceeding the secure base amount as defined by the Farm Credit Act.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the three months ended March 31,**		
(dollars in thousands)	**2019**	**2018**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 77,300	$ 74,912	$ 2,388
Occupancy and equipment	11,395	10,778	617
Insurance Fund premiums	5,757	5,632	125
Other operating expenses	35,746	34,135	1,611
Losses (gains) from other property owned	(223)	(100)	(123)
Total noninterest expenses	$ 129,975	$ 125,357	$ 4,618

Noninterest expenses increased $4.6 million for the three months ended March 31, 2019 compared to the corresponding period in 2018. The increase was primarily due to increases in salaries and employee benefits and other operating expenses. Significant line item dollar variances are discussed below.

Salaries and employee benefits increased $2.4 million for the three months ended March 31, 2019 compared to the corresponding period in 2018. The increase resulted primarily from $2.7 million higher salaries and incentives due to normal salary administration, partially offset by a decrease in postretirement benefit expenses of $580 thousand mainly due to $1.0 million in lower pension expenses resulting from lower service costs for the first quarter of 2019 compared to the first quarter of 2018.

Other operating expenses increased $1.6 million for the three months ended March 31, 2019 compared to the corresponding period in 2018. The increase resulted primarily from $1.6 million in higher postretirement benefits plans non-service costs.

LOAN PORTFOLIO

The District's aggregate loan portfolio consists primarily of loans made by the Associations to eligible borrowers located within their chartered territories. Diversification of the loan volume by Farm Credit Administration (FCA) loan type is illustrated in the table below:

Loan Portfolio *(dollars in thousands)*	**March 31, 2019**		**December 31, 2018**		**March 31, 2018**	
Real Estate Mortgage	$ 14,866,649	50.41%	$ 14,832,199	50.12%	$ 14,147,624	50.14%
Production and Intermediate-Term	6,643,750	22.53	7,081,438	23.93	6,448,667	22.85
Rural Residential Real Estate	3,635,497	12.33	3,592,326	12.14	3,474,356	12.31
Processing and Marketing	1,749,740	5.93	1,658,946	5.60	1,553,473	5.51
Loans to Cooperatives	728,583	2.47	573,169	1.94	774,862	2.75
Power and Water/Waste Disposal	649,136	2.20	601,693	2.03	630,360	2.23
Communication	528,751	1.79	531,590	1.80	476,118	1.69
Farm-Related Business	359,296	1.22	380,606	1.29	372,225	1.32
Loans to Other Financing Institutions (OFIs)	125,721	0.43	134,387	0.45	136,122	0.48
International	122,215	0.42	122,137	0.41	110,771	0.39
Other (including Mission Related)	71,610	0.24	73,090	0.25	74,479	0.26
Lease Receivables	9,872	0.03	10,643	0.04	20,436	0.07
Total	$ 29,490,820	100.00%	$ 29,592,224	100.00%	$ 28,219,493	100.00%

Total loans outstanding were $29.491 billion at March 31, 2019, a decrease of $101.4 million, or 0.34 percent, compared to total loans outstanding at December 31, 2018 and an increase of $1.271 billion, or 4.51 percent, since March 31, 2018.

Loan volume since year-end 2018 was negatively impacted by the seasonal nature of Association lending activity as borrowers typically pay down loans during the first quarter using proceeds from crop sales. Declines in the cotton, grains, corn, field crops, and poultry segments were partially offset by increases in the forestry and nursery/greenhouse segments. Compared to March 31, 2018, District loan demand increased primarily due to growth in the forestry, poultry, and rural home loans segments.

Credit Quality

Credit quality of the District's loans is shown below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Acceptable	95.16%	95.32%	95.37%
OAEM *	2.69%	2.63%	2.64%
Adverse**	2.15%	2.05%	1.99%

** *Other Assets Especially Mentioned.*
** *Adverse loans include substandard, doubtful, and loss loans.*

As reflected in the table above, credit quality has remained strong due to continued positive general economic performance. Credit quality is expected to slightly deteriorate given expected reduced farm income, higher farm debt, recent weather events, and uncertainty surrounding global trade issues.

The District's high-risk assets continue to be a small percentage of the total loan volume and total assets. Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics are summarized as follows:

(dollars in thousands)	**March 31, 2019**	**December 31, 2018**
Nonaccrual loans:		
Real estate mortgage	$ 119,969	$ 115,131
Production and intermediate-term	105,121	113,667
Loans to cooperatives	6,996	7,492
Processing and marketing	8,574	3,395
Farm-related business	1,398	1,492
Rural residential real estate	17,858	19,691
Lease receivables	277	312
Total	$ 260,193	$ 261,180
Accruing restructured loans:		
Real estate mortgage	$ 60,440	$ 63,898
Production and intermediate-term	56,725	51,237
Processing and marketing	570	560
Farm-related business	773	389
Rural residential real estate	4,000	3,740
Other (including Mission Related)	8,694	8,582
Total	$ 131,202	$ 128,406
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 1,255	$ 104
Production and intermediate-term	1,309	603
Rural residential real estate	–	145
Lease receivables	98	188
Total	$ 2,662	$ 1,040
Total nonperforming loans	$ 394,057	$ 390,626
Other property owned	25,703	22,538
Total nonperforming assets	$ 419,760	$ 413,164
Nonaccrual loans as a percentage of total loans	0.88%	0.88%
Nonperforming assets as a percentage of total loans and other property owned	1.42%	1.40%
Nonperforming assets as a percentage of capital	6.34%	6.38%

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the combined District at March 31, 2019 were $260.2 million compared to $261.2 million at December 31, 2018. The decrease of $987 thousand resulted primarily from repayments of $25.9 million, charge-offs of uncollectible balances of $6.3 million, and transfers to other property owned of $4.8 million. Offsetting these decreases were $33.6 million of loan balances transferred to nonaccrual status. At March 31, 2019, total nonaccrual loans were primarily classified in the field crops (26.53 percent of the total), poultry (9.87 percent), grains (8.39 percent), cattle (7.41 percent), and rural home loan (6.88 percent) segments.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank and District Associations would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank and District Associations. TDRs decreased $691 thousand since December 31, 2018 and totaled $192.0 million at March 31, 2019. TDRs at March 31, 2019 were comprised of $131.2 million of accruing restructured loans and $60.8 million of nonaccrual restructured loans. Restructured loans were primarily in the field crops (18.62 percent of the total), poultry (13.31 percent), cattle (7.52 percent), forestry (6.44 percent), tree fruits and nuts (6.28 percent), and dairy (5.74 percent) segments.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank and District Associations (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. OPO increased $3.2 million since December 31, 2018 and totaled $25.7 million at March 31, 2019. The increase was due primarily to property received in settlement of loans of $5.9 million, partially offset by disposals of $2.6 million. The largest OPO holding at March 31, 2019 was in the forestry segment and totaled $4.5 million (17.54 percent of the total OPO balance).

Allowance for Loan Losses

The following tables provide an aging analysis of the recorded investment in past due loans as of:

	March 31, 2019				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 68,733	$ 50,865	$ 119,598	$ 14,883,434	$ 15,003,032
Production and intermediate-term	59,101	53,439	112,540	6,605,235	6,717,775
Loans to cooperatives	–	–	–	730,216	730,216
Processing and marketing	632	3,038	3,670	1,752,309	1,755,979
Farm-related business	2,449	679	3,128	358,466	361,594
Communication	–	–	–	529,130	529,130
Power and water/waste disposal	–	–	–	653,042	653,042
Rural residential real estate	42,754	5,599	48,353	3,597,527	3,645,880
International	–	–	–	122,735	122,735
Lease receivables	291	99	390	9,519	9,909
Loans to OFIs	–	–	–	126,036	126,036
Other (including Mission Related)	81	292	373	71,959	72,332
Total	$ 174,041	$ 114,011	$ 288,052	$ 29,439,608	$ 29,727,660

	December 31, 2018				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 72,251	$ 47,109	$ 119,360	$ 14,851,257	$ 14,970,617
Production and intermediate-term	42,690	50,526	93,216	7,070,380	7,163,596
Loans to cooperatives	68	–	68	574,160	574,228
Processing and marketing	285	3,338	3,623	1,661,911	1,665,534
Farm-related business	2,462	961	3,423	379,386	382,809
Communication	–	–	–	531,726	531,726
Power and water/waste disposal	–	–	–	603,938	603,938
Rural residential real estate	44,708	9,040	53,748	3,547,720	3,601,468
International	–	–	–	122,936	122,936
Lease receivables	213	188	401	10,279	10,680
Loans to OFIs	–	–	–	134,721	134,721
Other (including Mission Related)	–	339	339	73,491	73,830
Total	$ 162,677	$ 111,501	$ 274,178	$ 29,561,905	$ 29,836,083

Each District institution maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within its respective loan and finance lease portfolios as of each reported balance sheet date. The District increases the allowance by recording a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan or lease receivable is uncollectible. Any subsequent recoveries are added to the allowance. Management's evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. Although aggregated in the District's combined financial statements, the allowance for loan losses of each District entity is particular to that institution and is not available to absorb losses realized by other District entities.

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other Loans**	Total
Activity related to allowance for credit losses:										
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Charge-offs	(706)	(5,518)	(79)	–	(1)	(21)	–	–	–	(6,325)
Recoveries	497	831	2	–	–	88	–	–	–	1,418
Provision for loan losses	72	(1,230)	4,255	(193)	1,228	(233)	2	(35)	(60)	3,806
Balance at March 31, 2019	$ 85,941	$ 84,744	$ 23,565	$ 2,454	$ 2,436	$ 7,889	$ 506	$ 398	$ 623	$ 208,556
Balance at December 31, 2017	$ 82,686	$ 86,037	$ 10,977	$ 2,237	$ 2,935	$ 7,262	$ 151	$ 54	$ 728	$ 193,067
Charge-offs	(302)	(3,602)	(597)	–	–	(153)	–	–	–	(4,654)
Recoveries	569	505	16	–	2	42	–	–	–	1,134
Provision for loan losses	407	(2,089)	3,273	179	(952)	351	(6)	466	195	1,824
Loan type reclassifications	(4)	4	–	–	–	–	–	–	–	–
Balance at March 31, 2018	$ 83,356	$ 80,855	$ 13,669	$ 2,416	$ 1,985	$ 7,502	$ 145	$ 520	$ 923	$ 191,371
Allowance on loans evaluated for impairment:										
Individually	$ 4,721	$ 14,488	$ 7,640	$ –	$ –	$ 690	$ –	$ 78	$ 332	$ 27,949
Collectively	81,220	70,256	15,925	2,454	2,436	7,199	506	320	291	180,607
PCI***	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2019	$ 85,941	$ 84,744	$ 23,565	$ 2,454	$ 2,436	$ 7,889	$ 506	$ 398	$ 623	$ 208,556
Individually	$ 6,348	$ 20,838	$ 3,983	$ –	$ –	$ 1,057	$ –	$ 108	$ 377	$ 32,711
Collectively	79,730	69,823	15,404	2,647	1,209	6,998	504	325	306	176,946
PCI***	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Recorded investment in loans evaluated for impairment:										
Individually	$ 342,553	$ 159,477	$ 18,073	$ –	$ –	$ 1,147,235	$ –	$ 340	$ 8,622	$ 1,676,300
Collectively	14,658,464	6,558,298	2,829,716	529,130	653,042	2,498,601	122,735	9,569	189,746	28,049,301
PCI***	2,015	–	–	–	–	44	–	–	–	2,059
Balance at March 31, 2019	$ 15,003,032	$ 6,717,775	$ 2,847,789	$ 529,130	$ 653,042	$ 3,645,880	$ 122,735	$ 9,909	$ 198,368	$ 29,727,660
Individually	$ 330,684	$ 164,389	$ 10,420	$ –	$ –	$ 1,280,829	$ –	$ 567	$ 8,503	$ 1,795,392
Collectively	14,637,896	6,999,207	2,612,151	531,726	603,938	2,320,592	122,936	10,113	200,048	28,038,607
PCI***	2,037	–	–	–	–	47	–	–	–	2,084
Balance at December 31, 2018	$ 14,970,617	$ 7,163,596	$ 2,622,571	$ 531,726	$ 603,938	$ 3,601,468	$ 122,936	$ 10,680	$ 208,551	$ 29,836,083

* *Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*
** *Includes the loan types: Mission Related Loans and Loans to OFIs.*
*** *Purchased credit impaired loans.*

The allowance for loan losses was $208.6 million at March 31, 2019, as compared with $209.7 million at December 31, 2018, a decrease of $1.1 million. Charge-offs of $6.3 million decreased the allowance during the three months ended March 31, 2019, and were partially offset by provision expense of $3.8 million and loan recoveries of $1.4 million. Charge-offs during the first three months of 2019 were related primarily to borrowers in the field crops (66.30 percent of the total), poultry (9.70 percent), and cotton (7.59 percent) segments. Recoveries during the three month period were related primarily to borrowers in the cattle (26.47 percent of the total), field crops (23.77 percent), forestry (8.44 percent), poultry (8.26 percent), and cotton (7.66 percent) segments. See *Provision for Loan Losses* section above for additional details regarding loan loss provision expense and reversals. The allowance at March 31, 2019 included specific reserves of $27.9 million (13.40 percent of the total) and $180.6 million (86.60 percent) of general reserves. The largest commodity segments included in the allowance at March 31, 2019 were the field crops (14.48 percent of the total), poultry (14.41 percent), forestry (11.18 percent), cattle (8.03 percent), other (7.86 percent), and grains (6.91 percent) segments. The allowance for loan losses was 0.71 percent of total loans outstanding at both March 31, 2019 and December 31, 2018.

INVESTMENTS

The Bank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Along with normal cash flows associated with lending operations, the District has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation; and cash and investments. The Bank also maintains several repurchase agreement facilities. In addition, the System has established lines of credit in the event contingency funding is needed to meet obligations of System banks. The Bank's investments are primarily classified as available-for-sale investments. Refer to the Bank's First Quarter 2019 Report for additional information related to investments. District Associations have regulatory authority to enter into certain guaranteed investments, generally mortgage-backed or asset-backed securities.

	March 31, 2019			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 7,885,658	$ 62,114	$ (66,838)	$ 7,880,934
District Association investments	46,709	2,974	(347)	49,336
Total District investments	$ 7,932,367	$ 65,088	$ (67,185)	$ 7,930,270

	December 31, 2018			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 8,030,676	$ 49,432	$ (96,018)	$ 7,984,090
District Association investments	48,267	2,312	(453)	50,126
Total District investments	$ 8,078,943	$ 51,744	$ (96,471)	$ 8,034,216

CAPITAL

Capital serves to support future asset growth and investment in new products and services. Capital also provides protection against credit, interest rate, and other risks, as well as operating losses. A sound capital position is critical to provide protection to investors in Systemwide Debt Securities and to ensure long-term financial success.

Total shareholders' equity increased $143.4 million, or 2.22 percent, from December 31, 2018 to $6.617 billion at March 31, 2019. This increase is primarily attributed to 2019 unallocated retained earnings from net income of $140.1 million, a decrease in unrealized losses on investments of $41.3 million, and an increase of $7.4 million in employee benefit plans adjustments, partially offset by decreases of $25.9 million from retained earnings retired and $21.1 million in cash patronage distributions.

The following table summarizes AOCI balances at period end:

(dollars in thousands)	March 31, 2019	December 31, 2018
Accumulated Other Comprehensive Income (Loss)		
Unrealized gain (loss) on investment securities	$ (7,845)	$ (49,129)
Derivatives and hedging activity	836	886
Employee benefit plans activity	(315,531)	(322,942)
Total accumulated other comprehensive income (loss)	$ (322,540)	$ (371,185)

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations.

Regulatory Capital Requirements and Ratios

As of March 31, 2019	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer*	Bank	District Associations
Risk adjusted:					
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5%	7.0%	18.81%	14.29% - 38.29%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	19.23%	14.29% - 38.29%
Total capital ratio	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0%	10.5%	19.39%	16.62% - 39.54%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	19.26%	16.01% - 38.73%
Non-risk adjusted:					
Tier 1 leverage ratio	Tier 1 Capital	4.0%	5.0%	6.87%	13.65% - 34.70%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	5.90%	8.55% - 35.37%

**The new capital requirements have a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. There is no phase-in of the leverage buffer. Amounts shown reflect the full capital conservation buffer.*
[1] Equities outstanding 7 or more years
[2] Capped at 1.25% of risk-adjusted assets
[3] Outstanding 5 or more years, but less than 7 years
[4] Outstanding 5 or more years

REGULATORY MATTERS

On April 3, 2019, the Farm Credit Administration issued a proposed rule that would clarify the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule would also revise the criteria by which loans are reinstated to accrual status, and would revise 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. The public comment period ends on June 3, 2019.

OTHER MATTERS

See the *Direct Notes* section of *Management's Discussion & Analysis of Financial Condition & Results of Operations* in the AgFirst Farm Credit Bank First Quarter 2019 Report for a discussion of the Bank's funding to District Associations.

Combined Balance Sheets

(unaudited)

(dollars in thousands)	March 31, 2019	December 31, 2018
Assets		
Cash	**$ 542,699**	$ 471,436
Cash equivalents	**150,000**	100,000
Investments in debt securities:		
Available-for-sale (amortized cost of $7,844,718 and $7,988,624, respectively)	**7,836,579**	7,939,196
Held-to-maturity (fair value of $93,691 and $95,020, respectively)	**87,649**	90,319
Total investments in debt securities	**7,924,228**	8,029,515
Loans	**29,490,820**	29,592,224
Allowance for loan losses	**(208,556)**	(209,657)
Net loans	**29,282,264**	29,382,567
Loans held for sale	**8,971**	4,175
Accrued interest receivable	**256,276**	261,660
Accounts receivable	**47,174**	47,846
Equity investments in other Farm Credit institutions	**45,384**	44,089
Other investments	**6,158**	—
Premises and equipment, net	**215,090**	208,196
Other property owned	**25,703**	22,538
Other assets	**56,585**	53,710
Total assets	**$ 38,560,532**	$ 38,625,732
Liabilities		
Systemwide bonds payable	**$ 25,938,507**	$ 25,807,367
Systemwide and other notes payable	**5,332,879**	5,619,167
Lease obligations	**9,084**	—
Accrued interest payable	**117,147**	112,345
Accounts payable	**49,268**	321,166
Advanced conditional payments	**6,085**	4,360
Other liabilities	**490,605**	287,775
Total liabilities	**31,943,575**	32,152,180
Shareholders' Equity		
Perpetual preferred stock	**49,250**	49,250
Protected borrower equity	**502**	502
Capital stock and participation certificates	**162,938**	158,734
Additional paid-in-capital	**82,573**	82,573
Retained earnings		
Allocated	**2,133,841**	2,154,332
Unallocated	**4,510,393**	4,399,346
Accumulated other comprehensive income (loss)	**(322,540)**	(371,185)
Total shareholders' equity	**6,616,957**	6,473,552
Total liabilities and equity	**$ 38,560,532**	$ 38,625,732

Combined Statements of Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2019	2018
Interest Income		
Investments	**$ 56,801**	$ 44,776
Loans	**383,741**	341,996
Other	**1,315**	7
Total interest income	**441,857**	386,779
Interest Expense	**188,265**	133,453
Net interest income	**253,592**	253,326
Provision for loan losses	**3,806**	1,824
Net interest income after provision for loan losses	**249,786**	251,502
Noninterest Income		
Loan fees	**8,254**	7,744
Fees for financially related services	**1,501**	2,079
Building lease income	**830**	867
Gains (losses) on debt extinguishment	**(3,213)**	—
Gains (losses) on other transactions	**3,117**	1,426
Insurance premium refund	**7,051**	21,086
Other noninterest income	**2,890**	2,809
Total noninterest income	**20,430**	36,011
Noninterest Expenses		
Salaries and employee benefits	**77,300**	74,912
Occupancy and equipment	**11,395**	10,778
Insurance Fund premiums	**5,757**	5,632
Other operating expenses	**35,746**	34,135
Losses (gains) from other property owned	**(223)**	(100)
Total noninterest expenses	**129,975**	125,357
Income before income taxes	**140,241**	162,156
Provision (benefit) for income taxes	**137**	78
Net income	**$ 140,104**	$ 162,078

DISTRICT ASSOCIATIONS

As of March 31, 2019

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
AgCarolina	$ 850,915	5.01%	$ 1,136,452	$ 287,015	21.35%	2.47%	1.82%
AgChoice	1,576,790	9.28	2,031,387	424,674	18.72	0.60	1.99
AgCredit	1,601,210	9.42	1,996,956	369,294	20.49	0.82	2.54
AgGeorgia	653,224	3.84	912,591	250,141	25.39	4.51	2.40
AgSouth	1,411,760	8.31	1,823,720	395,108	21.97	1.03	2.28
ArborOne	408,942	2.41	510,146	100,385	19.15	3.97	1.40
Cape Fear	718,505	4.23	942,817	222,455	22.04	2.26	3.48
Carolina	1,219,139	7.17	1,599,018	343,665	21.40	1.59	2.41
Central Florida	415,776	2.45	539,552	114,602	20.50	3.88	1.83
Central Kentucky	425,923	2.51	523,698	94,360	18.94	1.36	1.86
Colonial	454,754	2.68	665,755	191,847	26.01	0.59	2.09
First South	1,674,458	9.85	2,172,695	442,784	18.99	0.29	1.45
Florida	916,271	5.39	1,209,503	278,656	20.08	0.89	1.72
MidAtlantic	2,162,045	12.72	2,856,062	674,884	21.68	2.48	1.82
Northwest Florida	197,209	1.16	288,474	89,715	28.66	1.25	1.82
Puerto Rico	94,421	0.56	153,912	56,802	39.54	7.26	1.76
River Valley	431,290	2.54	542,938	107,370	18.69	1.89	1.82
Southwest Georgia	396,040	2.33	490,205	90,133	16.62	1.07	1.85
Virginias	1,386,308	8.16	1,875,589	455,763	22.98	1.70	1.35

AgFirst Farm Credit Bank

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1901 Main Street
Columbia, SC 29201
800-845-1745
www.agfirst.com

AgFirst District Associations

AgCarolina Farm Credit, ACA
4000 Poole Road
Raleigh, NC 27610
919-250-9500
http://www.agcarolina.com

AgChoice Farm Credit, ACA
300 Winding Creek Blvd.
Mechanicsburg, PA 17050
717-796-9372
http://www.agchoice.com

AgCredit Agricultural Credit Association
610 W. Lytle Street
Fostoria, OH 44830-3422
419-435-7758
http://www.agcredit.net

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069
478-987-8300
http://www.aggeorgia.com

AgSouth Farm Credit, ACA
26 South Main Street
Statesboro, GA 30458
912-764-9091
http://www.agsouthfc.com

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501
843-662-1527
http://www.arborone.com

Cape Fear Farm Credit, ACA
333 East Russell Street
Fayetteville, NC 28302
910-323-9188
http://www.capefearfarmcredit.com

Carolina Farm Credit, ACA
146 Victory Lane
Statesville, NC 28625
704-873-0276
http://www.carolinafarmcredit.com

Central Kentucky Agricultural Credit Association
640 S. Broadway
Lexington, KY 40508
859-253-3249
http://www.agcreditonline.com

Colonial Farm Credit, ACA
7104 Mechanicsville Turnpike
Mechanicsville, VA 23111
804-746-4581
http://www.colonialfarmcredit.com

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115 S. Missouri Ste. 400
Lakeland, FL 33815
863-682-4117
http://www.farmcreditcfl.com

Farm Credit of Florida, ACA
11903 Southern Boulevard Ste. 200
Royal Palm Beach, FL 33411
561-965-9001
http://farmcreditfl.com

Farm Credit of Northwest Florida, ACA
5052 Highway 90 East
Marianna, FL 32446
850-526-4910
http://www.farmcredit-fl.com

Farm Credit of the Virginias, ACA
106 Sangers Lane
Staunton, VA 24401
540-886-3435
http://www.farmcreditofvirginias.com

First South Farm Credit, ACA
574 Highland Colony Parkway, Ste. 100
Ridgeland, MS 39157
601-977-8396
http://www.firstsouthfarmcredit.com

MidAtlantic Farm Credit, ACA
45 Aileron Court
Westminster, MD 21157
410-848-1033
http://www.mafc.com

Puerto Rico Farm Credit, ACA
213 Domenech Ave.
Hato Rey, PR 00918
787-753-0579
http://www.prfarmcredit.com

River Valley AgCredit, ACA
408 East Broadway
Mayfield, KY 42066
270-247-5613
http://www.rivervalleyagcredit.com

Southwest Georgia Farm Credit, ACA
305 Colquitt Highway
Bainbridge, GA 39817
229-246-0384
http://wwwswgafarmcredit.com