INVESTING for the FUTURE

2019 FIRST QUARTER REPORT

March 31, 2019

FARM CREDIT BANK OF TEXAS

First Quarter 2019 Financial Report

Table of Contents

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

(dollars in thousands, except as noted)

The following discussion reviews the financial condition and results of operations of the Farm Credit Bank of Texas (bank) for the three months ended March 31, 2019. These comments should be read in conjunction with the accompanying financial statements and footnotes, along with the 2018 Annual Report to shareholders. The accompanying financial statements were prepared under the oversight of the bank's audit committee.

The bank is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The United States is currently served by three Farm Credit Banks (FCBs), each of which has specific authority to fund affiliated associations and other financing institutions (OFIs) which make loans to agricultural producers, farm-related businesses and rural homeowners within a regional chartered territory (or district), and by one Agricultural Credit Bank (ACB), which has the lending authority of an FCB within its chartered territory and nationwide authority to finance agricultural cooperatives and rural utilities. The FCBs and the ACB are collectively referred to as "System banks." As FCBs, the primary purpose of the System banks is to serve as a source of funding for System associations within their districts. The System associations make loans to or for the benefit of borrowers for qualified purposes.

The bank and its affiliated associations collectively are referred to as the "district." At March 31, 2019, the bank provided financing to 14 district associations and certain OFIs.

The accompanying financial statements exclude financial information of the bank's affiliated associations. The bank and its affiliated associations are collectively referred to as the "Texas District." The bank separately publishes certain unaudited combined financial information of the Texas District, including a condensed statement of condition and statement of income, which can be found on the bank's website at www.farmcreditbank.com. Such information is not incorporated by reference to, and should not be considered part of, this quarterly report.

RESULTS OF OPERATIONS

Net Income

Net income for the three months ended March 31, 2019, was $44,621, an increase of $9, or 0.02 percent, over the same period of 2018.

Net Interest Income

Net interest income for the three months ended March 31, 2019, was $63,858, an increase of $2,644, or 4.32 percent, from the three months ended March 31, 2018. The increase in net interest income was attributable to a $1.6 billion increase in the bank's average earning assets, offset by a 7-basis-point decrease in the net interest rate spread from 98 basis points to 91 basis points. Effective interest rates on earning assets increased 56 basis points from the first quarter of 2018 to the first quarter of 2019, while the effective rates on interest-bearing liabilities increased 63 basis points. The increase in the bank's average earning assets included growth in its direct notes from associations, capital markets loan portfolio and investment portfolio.

Earning asset yields and liability costs are generally influenced by market interest rates and the "flattening" of the interest rate yield curve has contributed to the decline in the bank's net interest spread for the quarter. During the first quarter of 2019, the bank called $765.0 million in debt and recognized $1.6 million in concession expense as compared to no similar activities in the first quarter of 2018.

Provision for Credit Losses

The bank's provision for credit losses for the three months ended March 31, 2019, totaled $260, a decrease of $4.6 million from the $4.9 million provision for credit losses from the same period of 2018. The decrease is primarily due to the evaluation of loans individually impaired during the three months ended March 31, 2018 and no additional reserves required on these loans for the three months ended March 31, 2019.

Noninterest Income

Noninterest income for the three months ended March 31, 2019, was $9,308, a decrease of $5,701, or 37.98 percent, over the same period of 2018. The decrease was due mainly to a $5,890 decrease in refund distributions from the Farm Credit System Insurance Corporation (FCSIC).

Noninterest Expense

Noninterest expense for the three months ended March 31, 2019, was $28,285, an increase of $1,531, or 5.72 percent, over the same period of 2018. The increase was primarily attributable to an $874 increase in occupancy and equipment, which included a $776 increase in computer expense, as well as a $762 increase in other operating expenses.

Key results of operations comparisons:

	Annualized for the Three Months Ended March 31, 2019	Annualized for the Three Months Ended March 31, 2018
Return on average assets	**0.70%**	0.77%
Return on average shareholders' equity	**9.53%**	10.57%
Net interest income as a percentage of average earning assets	**1.07%**	1.10%
Charge-offs, net of recoveries to average loans	**0.00%**	< (0.01)%
Operating expenses as a percentage of net interest income and noninterest income	**38.66%**	35.10%
Operating expenses as a percentage of average earning assets	**0.48%**	0.48%

Other Comprehensive (Loss) Income

Other comprehensive (loss) income consists of certain gains, losses or costs for which values are included in assets or liabilities on the balance sheets, but which have not yet been recognized in earnings. In the balance sheets, they are included in accumulated other comprehensive (loss) income in the shareholders' equity section. For the bank, these elements include unrealized gains or losses on the bank's available-for-sale investment portfolio, elements of certain postretirement benefit changes and changes in the value of cash flow derivative instruments.

The table below summarizes the changes in elements included in other comprehensive loss:

	Three Months Ended March 31,	
	2019	2018
Change in unrealized gains (losses) on available-for-sale securities		
Net decrease (increase) in unrealized losses on investment securities	**$ 28,497**	$ (29,374)
Net change in unrealized gains (losses) on securities	**28,497**	(29,374)
Change in postretirement benefit plans		
Amounts amortized into net periodic expense:		
Amortization of prior service credits	**(19)**	(12)
Net change in postretirement benefit plans	**(19)**	(12)
Change in cash flow derivative instruments		
Unrealized (loss) gain on cash flow derivative instruments	**(17,894)**	5,072
Reclassification of (gain) loss recognized in interest expense	**(105)**	2
Net change in cash flow derivative instruments	**(17,999)**	5,074
Other comprehensive income (loss)	**$ 10,479**	$ (24,312)

FINANCIAL CONDITION

Loan Portfolio

Gross loan volume at March 31, 2019, was $18.48 billion, an increase of $426.7 million, or 2.36 percent, compared to $18.06 billion at December 31, 2018. The increase in the loan portfolio is attributable to growth in the bank's direct notes from associations and the capital markets loan portfolio.

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

The bank has purchased loan participations and Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) from associations in Capitalized Participation Pool (CPP) transactions. As a condition of the transactions, the bank redeemed common stock in the amount of 2.0 percent of the par value of the loans purchased, and the associations purchased bank stock equal to 8.0 percent of the purchased loans' par value and 1.6 percent of the AMBS' par value. There were no CPP loan purchases for the three months ended March 31, 2019. CPP loans held at March 31, 2019, totaled $122.4 million and were included in "Loans" on the balance sheet. The balance of the AMBS CPP was $34.5 million at March 31, 2019, and is included in "Investment securities" on the balance sheet.

The bank may also purchase loans from district associations in Non-Capitalized Participation Pool (NCPP) transactions. As a condition of these transactions, the bank redeemed common stock in the amount of 2.0 percent of the par value of the loans purchased. There were no NCPP loan purchases for the three months ended March 31, 2019. The NCPP loans' balance was $175.6 million at March 31, 2019 and were included in "Loans" on the balance sheet.

Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" were 99.4 percent of total loans and accrued interest at March 31, 2019, and 99.6 percent at December 31, 2018.

The table below summarizes the balances of the bank's high-risk assets at March 31, 2019, compared to the balances at December 31, 2018:

	March 31, 2019	Change $	Change %	December 31, 2018
Nonaccrual loans	**$ 18,314**	$ (1,172)	(6.01) %	$ 19,486
Accruing formally restructured loans	**2,569**	38	1.50	2,531
Total high-risk assets	**$ 20,883**	$ (1,134)	(5.15) %	$ 22,017

The decrease in nonaccrual loans was due to repayments on loans since December 31, 2018. At March 31, 2019, and December 31, 2018, the bank did not have any nonaccrual loans on which cash payments are recognized as interest income and did not have any other property owned (OPO).

Impaired loans, consisting of nonaccrual loans and accruing formally restructured loans, and loans 90 days past due and still accruing interest, constituted 0.1 percent of gross loans at March 31, 2019, and December 31, 2018.

At March 31, 2019, the bank had reserves for credit losses totaling $14,134, including an allowance for loan losses of $12,203 and a reserve for credit losses on unfunded commitments of $1,931 related to the bank's capital markets loan portfolio. The allowance for loan losses of $12,203 equated to 0.1 percent of total loans outstanding and 0.2 percent of capital market loans outstanding. The $1,931 reserve for losses on unfunded commitments predominantly included a general reserve for losses on unused loan commitments and for losses on letters of credit, representing management's estimate of probable credit losses related to unfunded commitments. Analysis indicates that an allowance on the association direct notes is not warranted, therefore the entire balance of the allowance and reserve for credit losses reflects reserves for risks identified in the bank's participation loans.

The allowance for loan losses as a percentage of impaired loans was 58.44 percent as of March 31, 2019, as compared to 54.39 percent as of December 31, 2018.

Liquidity and Funding Sources

The bank's primary source of liquidity comes from its ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the System banks. The bank continually raises funds in the debt markets to support its mission, to repay maturing Systemwide Debt Securities, and to meet other obligations. As a secondary source of liquidity, the bank maintains an investment portfolio composed primarily of high-quality liquid securities. The securities provide a stable source of income for the bank, and their high quality ensures the portfolio can quickly be converted to cash should the need arise.

Cash and investment securities totaled $5.86 billion, or 23.72 percent, of total assets at March 31, 2019, compared to $6.13 billion, or 24.97 percent, at December 31, 2018. At March 31, 2019, the bank's cash balance was $24,895, of which $6,531 was held at the Federal Reserve Bank.

Each bank is required to maintain a minimum of 120 days of liquidity coverage on a continuous basis. The days of liquidity measurement refers to the number of days that maturing debt could be funded with eligible cash and investment securities. At March 31, 2019, the bank exceeded all applicable regulatory liquidity requirements and had 227 days of liquidity.

Investments

The bank's investments are all considered available for sale, and include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio had a fair value of $5.67 billion at March 31, 2019, and consisted primarily of federal agency-guaranteed collateralized mortgage-backed securities (MBS), corporate debt, agency-guaranteed debt, U.S. Treasury securities and asset-backed securities (ABS). The majority of the liquidity portfolio's MBS includes Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The bank's other investments had a fair value of $34,487 at March 31, 2019 and consisted of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS), purchased from district associations. The Farmer Mac securities are backed by loans originated by the associations.

Farmer Mac is a government-sponsored enterprise and is examined and regulated by the FCA. It provides a secondary market for agricultural and rural home mortgage loans that meet certain underwriting standards. Farmer Mac is authorized to provide loan guarantees and to be a direct pooler of agricultural mortgage loans. Farmer Mac is owned by both System and non-System investors, and its board of directors has both System and non-System representation. Farmer Mac is not liable for any debt or obligation of any System institution and no System institution other than Farmer Mac is liable for any debt or obligation of Farmer Mac.

The following table summarizes the bank's available-for-sale liquidity portfolio holdings:

	March 31, 2019		December 31, 2018	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Agency-guaranteed debt	**$ 165,218**	**$ 163,034**	$ 170,800	$ 167,923
Corporate debt	**360,210**	**360,491**	365,382	363,537
Federal agency collateralized mortgage-backed securities				
GNMA	**2,693,872**	**2,669,137**	2,671,043	2,630,995
FNMA and FHLMC	**2,094,110**	**2,076,145**	2,157,582	2,130,136
U.S. Treasury securities	**298,573**	**298,649**	298,300	298,083
Asset-backed securities	**101,914**	**102,032**	88,292	88,257
Total liquidity investments	**$ 5,713,897**	**$ 5,669,488**	$ 5,751,399	$ 5,678,931

The bank's other investments portfolio consisted of Farmer Mac AMBS securities as follows:

	March 31, 2019		December 31, 2018	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Agricultural mortgage-backed securities	**$ 36,122**	**$ 34,487**	$ 37,781	$ 35,707

FCA regulations also define eligible investments by specifying credit criteria and percentage of investment portfolio limit for each investment type. Generally, the bank's investments are highly rated by at least one Nationally Recognized Statistical Rating Organization, such as Moody's Investors Service, Standard & Poor's or Fitch Ratings. If an investment no longer meets the eligibility criteria, the investment becomes ineligible for inclusion in the liquidity portfolio.

At March 31, 2019, the bank had no investments which were ineligible for liquidity purposes.

Capital Resources

At March 31, 2019, the bank's capital totaled $1,823,051, and consisted of $700,000 of Class B noncumulative subordinated perpetual preferred stock, $316,463 of capital stock, $877,802 in retained earnings and $71,214 in accumulated other comprehensive loss. The balance in capital reflected an increase of $46,118 from December 31, 2018, due primarily to net income of $44,621, a $10,479 decrease in other comprehensive losses, offset by $6,612 in preferred stock dividends accrued, $2,367 in patronage distributions and $3 in issuance cost on preferred stock. The balance in accumulated other comprehensive loss of $71,214 resulted from unrealized losses on investments of $46,044, $25,124 in unrealized losses on cash flow derivative instruments and $46 in accumulated amortization of other postretirement benefits.

FCA regulations require the bank to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2019, the bank exceeded all regulatory capital requirements.

The following table reflects the bank's capital ratios as of:

	March 31, 2019	December 31, 2018	Total Regulatory Requirement
Common equity tier 1 ratio	9.49%	9.92%	7.00%
Tier 1 capital ratio	15.87	16.29	8.50
Total capital ratio	16.00	16.42	10.50
Permanent capital ratio	15.89	16.31	7.00
Tier 1 leverage ratio	7.15	7.39	5.00
UREE leverage ratio	2.79	3.08	1.50

CONDITIONS IN THE TEXAS DISTRICT

According to the Federal Reserve Bank of Dallas, non-farm employment in Texas increased by 2.3 percent in 2018, above the national growth rate of 1.8 percent. Although Texas is the second-largest state in the country by land area, economic growth is driven primarily by its urban centers; there are five metropolitan areas of 2 million or more residents across the state, according to the U.S. Census Bureau. Increasing activity in these economic hubs, coupled with rising oil production in the Permian Basin, have been supportive of economic growth in recent years. With a relatively young population compared to the nation and a business-friendly environment, the Texas economy is likely to continue to perform well in the medium-term relative to the U.S. as a whole. Through the first quarter of 2019, the state's unemployment rate has remained near a 40-year low. In March, the Federal Reserve Bank of Dallas estimated that non-farm employment in Texas would grow by about 1.5 percent in 2019.

As of February 2019, non-farm employment growth has also been positive year-over-year in the remaining district states of Alabama, Louisiana, Mississippi and New Mexico.

West Texas Intermediate oil prices increased by more than 30 percent during the first quarter of 2019, according to U.S. Energy Information Administration data. Oil prices have been supported by coordinate production cuts undertaken by the Organization of the Petroleum Exporting Countries, which has reduced its crude oil output to near the lowest level observed in about four years. Oil producers in the Permian Basin have also benefitted in recent months from the long-awaited opening of additional pipeline capacity in the region. In March, respondents to the Federal Reserve Bank of Dallas Energy Survey indicated that they could profitably drill a new well in the Permian Basin with oil prices at an average price of about $50 per barrel. With West Texas Intermediate oil prices ending the first quarter at about $60 per barrel, the U.S. shale industry appears to be well-positioned for profitability in 2019.

Uncertainty regarding U.S. trade policies continues to cause volatility in the global economy. The U.S.-Mexico-Canada Agreement could be considered for ratification by the U.S. Congress within the next few months. There are, however, several issues that may need to be addressed, including the potential removal of U.S. tariffs on steel and aluminum imports that were enacted in March 2018, before the agreement is ratified. Furthermore, the U.S. remains engaged in a trade-related dispute with China, the second-largest economy in the world. The outcome of this trade conflict has implications for several aspects of the U.S. and global economies, including agriculture.

During the first quarter, total U.S. production of red meat and poultry increased by about 0.5 percent relative to the same period in the previous year. Beef and turkey production were marginally lower year-over-year, while pork and broiler production rose slightly. In March, USDA estimated that U.S. beef production would accelerate through the remainder of 2019 and reach an annual record of 27.3 billion pounds. The profitability outlook for cattle feedlots has improved in recent weeks due to increasing slaughter steer prices. Based on current market conditions, feedlot returns are likely to average near breakeven during 2019. Broiler profitability has rebounded after falling to historically low levels during the second half of 2018. Still, the reduced profits recorded by broiler producers in the second half of last year are likely to result in minimal production growth during 2019 compared to historical standards.

According to USDA, prices received by U.S. dairy farmers for milk are expected to increase by about 7 percent year-over-year in 2019. The price increase, if realized, will be beneficial for dairy producers, who weathered a challenging economic environment in 2018. Livestock producers, including dairy farmers, are also likely to benefit from relatively low feed costs this year.

Above-average precipitation during the first quarter of 2019 reduced the prevalence of drought conditions across the U.S. According to the National Drought Mitigation Center, more than four-fifths of the country was not being affected by drought conditions at the end of March, well above the long-term average. In some areas of the Midwest and Northern Plains, heavy rainfall in March resulted in historic flooding, which reportedly impacted more than 1 million acres of U.S. farmland. The National Oceanic and Atmospheric Administration recently predicted that flooding could persist or worsen during the second quarter. Based on current conditions, the bank does not anticipate any adverse impact to its loan portfolio as a result of flooding.

In March, the U.S. Department of Agriculture (USDA) estimated that U.S. farmers will plant more corn acres in 2019, while area dedicated to soybean, wheat and cotton production will decline relative to the previous year. Although industry analysts had long predicted that a shift to corn acreage would occur in 2019, the increase was larger than many had foreseen. With medium-range forecasts predicting adequate moisture across the Midwest throughout the growing season, a relatively large corn crop could potentially be harvested by U.S. farmers in 2019. This could result in increasing corn stocks and, therefore, lower prices. Meanwhile, U.S. soybean stocks increased by nearly 30 percent year-over-year to 2.7 billion bushels in early 2019, an all-time high for March 1. The reported level of stocks represents more than half of the record U.S. soybean production that was observed in 2018. Despite lower planted acreage, soybean prices are likely to remain under pressure in 2019, according to USDA projections. Texas farmers are expected to plant about 7.3 million acres of cotton in 2019, the third-highest level observed in the state since 1981. The district is a crucial driver of global cotton production, as it accounts for nearly two-thirds of all U.S. farmland dedicated to the crop. In February, USDA estimated that U.S. cotton farmers would receive an average price of about $0.67 per pound for the 2019 crop. Farmers in the district utilize risk management tools, such as Federally-sponsored crop insurance programs and forward, futures and options contracts, to mitigate risk and enhance margins.

The district portfolio continues to be supported by strong credit quality, high levels of capital, low advance rates and diversification.

RATING AGENCY ACTIONS

Fitch Ratings Actions

On April 3, 2019, Fitch Ratings affirmed the bank's long-term and short-term issuer default ratings (IDRs) at "AA-" and "F1+," respectively, with a stable outlook. Fitch also affirmed the bank's noncumulative perpetual preferred stock rating at "BBB" and its support floor at "AA-." Fitch affirmed the Farm Credit System's long-term and short-term IDRs at "AAA" and "F1+," respectively, with a stable outlook, and its support floor at "AAA." As a government-sponsored entity, the System benefits from implicit government support. The ratings and rating outlook are directly linked to the U.S. sovereign rating. The affirmation of the System banks' IDRs reflect their prudent, conservative credit culture, their unique funding advantage and their structural second-loss position on the majority of their loan portfolio.

Moody's Investors Service Rating Actions

On November 20, 2018, Moody's Investors Service affirmed the bank's issuer rating at "Aa3" and its noncumulative preferred stock rating at "Baa1 (hyb)," with a stable outlook. The Aa3 issuer rating reflects the bank's "a1" baseline credit assessment (BCA), very high cooperative support from the other Federal Farm Credit Banks and moderate support from the U.S. government, which has an "Aaa," stable outlook. The bank's preferred stock rating incorporated the bank's BCA, very high cooperative support from the other Federal Farm Credit Banks and notching reflecting the debt's relative positions in the bank's capital structure. The bank's "a1" BCA incorporates its solid capital levels, adequate risk-adjusted profitability and liquidity, as well as the benefits associated with its lending to related associations and their strong capital levels. The "a1" BCA is one of Moody's highest assessments of any financial institution, both domestically and globally.

REGULATORY MATTERS

At March 31, 2019, there were no district associations under written agreements with the Farm Credit Administration.

On June 12, 2018, the Farm Credit Administration (FCA) published a final rule revising the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the final rule were as follows:

- To strengthen investment practices at Farm Credit banks and associations to enhance their safety and soundness;
- To ensure that System banks hold sufficient high-quality liquid investments for liquidity purposes;
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers and their cooperatives in times of financial stress;

- To comply with the requirements of section 939A of the Dodd-Frank Act;
- To modernize the investment eligibility criteria for Farm Credit banks; and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The regulation became effective January 1, 2019. Only July 3, 2018, a correction to a final rule on investment eligibility was published in the Federal Register.

On January 22, 2019, the Farm Credit Administration issued an information memorandum citing the fact that effective December 20, 2018, the Agriculture Improvement Act of 2018 repealed the limitations on bank director compensation contained in section 4.21 of the Farm Credit Act of 1971, as amended. As a result, beginning in 2019, the Farm Credit Administration will no longer calculate the maximum annual compensation adjustments in FCA regulation § 611.400(b)(c), but will continue to review FCS bank director compensation to ensure that pay levels do not adversely affect the safety and soundness of System institutions.

On February 21, 2019, an advance notice of proposed rulemaking on ways to collect, evaluate, and report data on the Farm Credit System's service to young, beginning, and small farmers (YBS) was published in the Federal Register. The purpose of the advance notice of proposed rulemaking is to gather public input on how FCA might:

- Improve the accuracy, transparency, and process by which FCA ensures that YBS Farmer data is properly collected and reported by the FCS;
- Clarify the definitions of terms related to the collection, reporting, and identification of YBS Farmer data;
- Ensure the definitions of YBS Farmers and related terms remain relevant and reflective of the evolving agricultural economy; and
- Evaluate the effectiveness of each FCS institution’s YBS program to achieve its mission of serving YBS Farmers.

The comment period ends on May 22, 2019.

On March 19, 2019, an interim final rule on margin and capital requirements for covered swap entities was published in the Federal Register. Five federal agencies acted to ensure that qualifying swaps may be transferred from a United Kingdom (UK) entity to an affiliate in the European Union (EU) or the United States without triggering new margin requirements. The interim final rule adopted would ensure that any legacy swap currently exempt from the agencies’ rule on margin for non-cleared swaps would not become subject to the rule if such swap is amended solely for the purpose of transferring it to an affiliate as a result of a non-negotiated UK withdrawal from the EU. The comment period ends on April 18, 2019.

On April 3, 2019, a proposed rule was published in the Federal Register on the criteria for reinstating nonaccrual loans. The objectives of the proposed rule are to:

- Enhance the usefulness of high-risk loan categories;
- Replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard;
- Improve the timely recognition of a change in a loan's status; and
- Update existing terminology and make other grammatical changes.

The comment period ends on June 3, 2019.

Report of Management

The undersigned certify that we have reviewed the March 31, 2019, quarterly report of the Farm Credit Bank of Texas, that the report has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information included herein is true, accurate and complete to the best of our knowledge and belief.

James F. Dodson
Chairman of the Board

Larry R. Doyle
Chief Executive Officer

Amie Pala
Senior Vice President, Chief Financial Officer

May 10, 2019

Controls and Procedures

As of March 31, 2019, management of the Farm Credit Bank of Texas (bank) carried out an evaluation with the participation of the bank's management, including the chief executive officer (CEO) and senior vice president, chief financial officer (CFO), of the effectiveness of the design and operation of the respective disclosure controls and procedures[(1)] with respect to this quarterly report. This evaluation is based on testing of the design and effectiveness of key internal controls, certifications and other information furnished by the principal executive officer and principal financial officer of the bank, as well as incremental procedures performed by the bank. Based upon and as of the date of the bank's evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective in alerting them on a timely basis of any material information relating to the bank that is required to be disclosed by the bank in the annual and quarterly information statements it files or submits to the Farm Credit Administration.

There have been no significant changes in the bank's internal control over financial reporting[(2)] that occurred during the quarter ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the bank's internal control over financial reporting.

Larry R. Doyle
Chief Executive Officer

Amie Pala
Senior Vice President, Chief Financial Officer

May 10, 2019

(1) For purposes of this discussion, ''disclosure controls and procedures'' are defined as controls and procedures of the bank that are designed to ensure that the financial information required to be disclosed by the bank in this quarterly information statement is recorded, processed, summarized and reported within the time periods specified under the rules and regulations of the Farm Credit Administration.

(2) For purposes of this discussion, ''internal control over financial reporting'' is defined as a process designed by, or under the supervision of, the bank's principal executive officer and principal financial officer, or persons performing similar functions, and effected by the bank's boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the bank's financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the bank's financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the bank's assets that could have a material effect on the bank's financial statements.

CERTIFICATION

I, Larry R. Doyle, chief executive officer of Farm Credit Bank of Texas (bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

1. I have reviewed this quarterly report of the bank;
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 the bank as of, and for, the periods presented in this report;
4. The bank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the bank 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 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. The bank'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.

Larry R. Doyle
Chief Executive Officer

May 10, 2019

CERTIFICATION

I, Amie Pala, senior vice president, chief financial officer of Farm Credit Bank of Texas (bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

1. I have reviewed this quarterly report of the bank;
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 the bank as of, and for, the periods presented in this report;
4. The bank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the bank 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 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. The bank'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.

Amie Pala

Amie Pala
Senior Vice President, Chief Financial Officer

May 10, 2019

Balance Sheets

(dollars in thousands)	**March 31, 2019 (Unaudited)**	December 31, 2018
Assets		
Cash	**$ 24,895**	$ 129,478
Federal funds sold and overnight investments	**126,958**	281,131
Investment securities	**5,703,975**	5,714,638
Loans (includes $9,263 and $9,345 at fair value held under fair value option)	**18,483,344**	18,056,686
Less allowance for loan losses	**12,203**	11,974
Net loans	**18,471,141**	18,044,712
Accrued interest receivable	**81,359**	76,134
Premises and equipment, net	**80,469**	72,746
Other assets	**202,616**	210,311
Total assets	**$ 24,691,413**	$ 24,529,150
Liabilities and shareholders' equity		
Liabilities		
Bonds and notes, net	**$ 22,653,049**	$ 22,497,364
Accrued interest payable	**92,528**	86,699
Reserve for credit losses	**1,931**	1,900
Preferred stock dividends payable	**21,613**	21,613
Patronage payable	**-**	29,561
Other liabilities	**99,241**	115,080
Total liabilities	**$ 22,868,362**	$ 22,752,217
Commitments and contingencies (Note 5)		
Shareholders' equity		
Preferred stock	**700,000**	700,000
Capital stock	**316,463**	316,463
Allocated retained earnings	**45,673**	45,685
Unallocated retained earnings	**832,129**	796,478
Accumulated other comprehensive loss	**(71,214)**	(81,693)
Total shareholders' equity	**1,823,051**	1,776,933
Total liabilities and shareholders' equity	**$ 24,691,413**	$ 24,529,150

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

(unaudited)

	Quarter Ended March 31,	
(dollars in thousands)	**2019**	2018
Interest Income		
Loans	**$ 158,387**	$ 126,701
Investment securities	**38,210**	26,064
Total interest income	**196,597**	152,765
Interest Expense		
Bonds and notes	**132,739**	91,551
Total interest expense	**132,739**	91,551
Net interest income	**63,858**	61,214
Provision for credit losses		
Provision for credit losses	**260**	4,857
Net interest income after provision for credit losses	**63,598**	56,357
Noninterest Income		
Patronage income	**3,865**	4,201
Fees for services to associations	**1,482**	1,208
Fees for loan-related services	**1,610**	1,525
Refunds from Farm Credit System Insurance Corporation	**2,507**	8,397
Loss on loans held under fair value option	**(6)**	(110)
Other losses, net	**(150)**	(212)
Total noninterest income	**9,308**	15,009
Noninterest Expenses		
Salaries and employee benefits	**10,207**	10,711
Occupancy and equipment	**6,024**	5,150
Insurance Fund premiums	**1,968**	1,569
Other components of net periodic postretirement benefit cost	**110**	111
Other operating expenses	**9,976**	9,213
Total noninterest expense	**28,285**	26,754
Net Income	**44,621**	44,612
Other comprehensive loss		
Change in unrealized losses on investments	**28,497**	(29,374)
Change in postretirement benefit plans	**(19)**	(12)
Change in cash flow derivative instruments	**(17,999)**	5,074
Total other comprehensive gain (loss)	**10,479**	(24,312)
Comprehensive Income	**$ 55,100**	$ 20,300

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Capital Stock	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2017	$ 600,000	$ 301,239	$ 39,144	$ 779,403	$ (51,902)	$ 1,667,884
Net income	-	-	-	44,612	-	44,612
Other comprehensive loss	-	-	-	-	(24,312)	(24,312)
Capital stock and allocated retained earnings retired	-	(2,193)	-	-	-	(2,193)
Preferred stock dividends	-	-	-	(5,062)	-	(5,062)
Patronage distributions						
Cash	-	-	-	(1,771)	-	(1,771)
Balance at March 31, 2018	$ 600,000	$ 299,046	$ 39,144	$ 817,182	$ (76,214)	$ 1,679,158
Balance at December 31, 2018	**$ 700,000**	**$ 316,463**	**$ 45,685**	**$ 796,478**	**$ (81,693)**	**$ 1,776,933**
Net income	**-**	**-**	**-**	**44,621**	**-**	**44,621**
Other comprehensive income	**-**	**-**	**-**	**-**	**10,479**	**10,479**
Issuance cost on preferred stock	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Preferred stock dividends	**-**	**-**	**-**	**(6,612)**	**-**	**(6,612)**
Patronage distributions						
Cash	**-**	**-**	**-**	**(2,367)**	**-**	**(2,367)**
Shareholders' equity	**-**	**-**	**(12)**	**12**	**-**	**-**
Balance at March 31, 2019	**$ 700,000**	**$ 316,463**	**$ 45,673**	**$ 832,129**	**$ (71,214)**	**$ 1,823,051**

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

(unaudited)

(dollars in thousands)	Quarter Ended March 31, 2019	2018
Operating activities		
Net income	**$ 44,621**	$ 44,612
Reconciliation of net income to net cash provided by operating activities		
Provision for credit losses	**260**	4,857
Depreciation and amortization on premises and equipment	**2,123**	1,806
Accretion of net premium on loans	**185**	268
Amortization and accretion on debt instruments	**11,034**	8,713
Amortization of net (discount) premium on investments	**(539)**	1,071
Decrease in fair value on loans under fair value option	**6**	110
(Gain) loss on sale of loans	**-**	110
Allocated equity patronage from System bank	**(7,231)**	(14,789)
Loss on other earning assets	**385**	255
Loss (gain) on sales of premises and equipment	**1**	(29)
Increase in accrued interest receivable	**(5,225)**	(7,658)
Decrease in other assets, net	**3,482**	37,264
Increase in accrued interest payable	**5,829**	7,664
Decrease in other liabilities, net	**(880)**	(33,099)
Net cash provided by operating activities	**54,051**	51,155
Investing activities		
Net decrease in federal funds sold	**154,173**	73,453
Investment securities		
Purchases	**(247,891)**	(401,569)
Proceeds from maturities, calls and prepayments	**287,591**	282,572
Increase in loans, net	**(445,211)**	(352,855)
Proceeds from sales of loans	**-**	48,373
Proceeds from sales of premises and equipment	**11**	71
Expenditures for premises and equipment	**(9,858)**	(6,193)
Distributions in excess of cumulative equity earnings	**-**	41
Investment in other earning assets	**(1,086)**	(546)
Net cash used in investing activities	**(262,271)**	(356,653)
Financing activities		
Bonds and notes issued	**4,974,681**	2,517,065
Bonds and notes retired	**(4,830,030)**	(2,218,000)
Increase in cash collateral posted with a counterparty	**(2,471)**	-
Issuance costs on preferred stock	**(3)**	-
Repayments on capital lease obligations	**-**	(94)
Capital stock retired and allocated retained earnings distributed	**-**	(2,193)
Cash dividends on preferred stock	**(6,612)**	(5,062)
Cash patronage distributions paid	**(31,928)**	(33,188)
Net cash provided by financing activities	**103,637**	258,528
Net decrease in cash	**(104,583)**	(46,970)
Cash at beginning of year	**129,478**	56,183
Cash at end of quarter	**$ 24,895**	$ 9,213
Supplemental schedule of noncash investing and financing activities		
Net decrease (increase) in unrealized losses on investment securities	**$ 28,497**	$ (29,375)
Preferred stock dividend payable	**21,613**	20,063
Patronage distribution stock adjustment	**(12)**	-
Right-of-use asset recognized in exchange for operating lease liabilities	**10,939**	-
Capital lease obligation	**-**	187
Supplemental information		
Interest paid	**$ 126,910**	$ 83,886

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Unaudited (dollar amounts in thousands unless otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of the Farm Credit Bank of Texas (bank). The significant accounting policies followed and the financial condition and results of operations of the bank as of and for the year ended December 31, 2018, are contained in the 2018 Annual Report to shareholders (Annual Report). These unaudited first quarter 2019 financial statements should be read in conjunction with the Annual Report.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations of the bank, and conform to generally accepted accounting principles. The preparation of these financial statements requires the use of management's estimates. The results of operations for any interim period are not necessarily indicative of the results to be expected for the entire year.

The bank and its affiliated associations (district) are part of the federally chartered Farm Credit System (System). The bank provides funding to district associations, which, in turn, provide credit to their borrower-members. At March 31, 2019, the bank provided financing to 14 district associations and certain other financing institutions.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "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. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. 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. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The bank is evaluating the impact of adoption on the bank's financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The bank is evaluating the impact of adoption on the bank's financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The bank is evaluating the impact of adoption on the bank's financial condition and its results of operations.

In August 2017, the FASB issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing, and components that can be excluded from effectiveness testing. This guidance became effective for interim and annual periods beginning after December 15, 2018. The adoption of this guidance did not materially impact the bank's financial condition or its results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The bank is evaluating the impact of adoption on the bank's financial condition and its results of operations.

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The leasing standard and this additional guidance became effective for interim and annual periods beginning after December 15, 2018.

The bank adopted the FASB guidance entitled "Leases" (topic 842) effective January 1, 2019 electing the package of practical expedients permitted under the transition guidance, which among other things, allowed the bank to carry forward the historical lease classification. The bank also elected an option that allows the company to use hindsight in determining the lease term and in assessing any impairment of right-of-use assets during the lookback period. The bank has elected the short-term lease exception under ASC 842 allowing the lessee not to recognize right-to-use assets and lease liabilities arising from leases with terms of 12 months or less.

NOTE 2 — INVESTMENTS

Investments Available-for-Sale

The bank's available-for-sale investments include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio consists primarily of mortgage-backed securities (MBS), corporate debt, agency-guaranteed debt, U.S. Treasury securities and asset-backed securities (ABS). The majority of the liquidity portfolio's MBS were federal agency-guaranteed collateralized MBS, including Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The bank's other investments portfolio consists of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) purchased from district associations. A summary of the amortized cost and fair value of investment securities available-for-sale at March 31, 2019, and December 31, 2018, is included in the following tables.

Investments in the available-for-sale liquidity portfolio at March 31, 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agency-guaranteed debt	**$ 165,218**	**$ 74**	**$ (2,258)**	**$ 163,034**	**2.25** %
Corporate debt	**360,210**	**676**	**(395)**	**360,491**	**2.99**
Federal agency collateralized mortgage-backed securities					
GNMA	**2,693,872**	**9,414**	**(34,149)**	**2,669,137**	**2.74**
FNMA and FHLMC	**2,094,110**	**3,148**	**(21,113)**	**2,076,145**	**2.48**
U.S. Treasury securities	**298,573**	**147**	**(71)**	**298,649**	**2.46**
Asset-backed securities	**101,914**	**127**	**(9)**	**102,032**	**2.84**
Total available-for-sale liquidity investments	**$ 5,713,897**	**$ 13,586**	**$ (57,995)**	**$ 5,669,488**	**2.63** %

Investments in the available-for-sale other investments portfolio at March 31, 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	**$ 36,122**	**$ -**	**$ (1,635)**	**$ 34,487**	**5.04 %**

Investments in the available-for-sale liquidity portfolio at December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agency-guaranteed debt	$ 170,800	$ 96	$ (2,973)	$ 167,923	2.23 %
Corporate debt	365,382	51	(1,896)	363,537	2.84
Federal agency collateralized mortgage-backed securities					
GNMA	2,671,043	5,172	(45,220)	2,630,995	2.74
FNMA and FHLMC	2,157,582	2,124	(29,570)	2,130,136	2.47
U.S. Treasury securities	298,300	28	(245)	298,083	2.38
Asset-backed securities	88,292	42	(77)	88,257	2.72
Total available-for-sale liquidity investments	$ 5,751,399	$ 7,513	$ (79,981)	$ 5,678,931	2.61 %

Investments in the available-for-sale other investments portfolio at December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 37,781	$ -	$ (2,074)	$ 35,707	4.90 %

The following tables summarize the contractual maturity, fair value, amortized cost and weighted average yield of available-for-sale investments at March 31, 2019:

Investments in the available-for-sale liquidity portfolio:

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years	Total
Agency-guaranteed debt	$ -	$ 14,783	$ 148,251	$ -	$ 163,034
Corporate debt	97,396	247,992	15,103	-	360,491
Federal agency collateralized mortgage-backed securities					
GNMA	-	-	90,033	2,579,104	2,669,137
FNMA and FHLMC	1	83,655	432,240	1,560,249	2,076,145
U.S. Treasury securities	298,649	-	-	-	298,649
Asset-backed securities	-	75,529	1,487	25,016	102,032
Total fair value	$ 396,046	$ 421,959	$ 687,114	$ 4,164,369	$ 5,669,488
Total amortized cost	$ 395,805	$ 423,084	$ 694,891	$ 4,200,117	$ 5,713,897
Weighted average yield	2.61%	2.71%	2.31%	2.68%	2.63%

Investments in the available-for-sale other investments portfolio:

	Due after one year through five years	Due after five years through 10 years	Total
Fair value of agricultural mortgage-backed securities	$ 13,679	$ 20,808	$ 34,487
Total amortized cost	$ 14,287	$ 21,835	$ 36,122
Weighted average yield	4.80%	5.19%	5.04%

Other-Than-Temporarily Impaired Investments Evaluation

The following table shows available-for-sale liquidity portfolio investments by gross unrealized losses and fair value, aggregated by investment category and length of time, for securities that have been in a continuous unrealized loss position at March 31, 2019. The continuous loss position is based on the date the impairment was first identified:

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency-guaranteed debt	$ 4,649	$ (3)	$ 124,346	$ (2,255)	$ 128,995	$ (2,258)
Corporate debt	45,089	(22)	41,600	(373)	86,689	(395)
Federal agency collateralized mortgage-backed securities						
GNMA	250,137	(629)	1,450,376	(33,520)	1,700,513	(34,149)
FNMA and FHLMC	370,222	(1,168)	1,265,348	(19,945)	1,635,570	(21,113)
U.S. Treasury securities	124,560	(62)	24,974	(9)	149,534	(71)
Asset-backed securities	1,398	-	10,566	(9)	11,964	(9)
Total	$ 796,055	$ (1,884)	$ 2,917,210	$ (56,111)	$ 3,713,265	$ (57,995)

The bank evaluates investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. Impairment is considered to be other than temporary if an entity (i) intends to sell the security, (ii) is more likely than not to be required to sell the security before recovering its cost or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). For the three months ended March 31, 2019 and 2018, the bank did not recognize any other-than-temporary impairment credit losses and no securities were identified as OTTI at March 31, 2019 and 2018.

NOTE 3 — LOANS AND RESERVES FOR CREDIT LOSSES

Loans, including direct notes to district associations and other financing institutions (OFIs), participations purchased and other bank-owned loans, comprised the following categories at:

	March 31, 2019	December 31, 2018
Direct notes receivable from district associations and OFIs	**$ 12,079,459**	$ 11,823,267
Participations purchased	**6,403,656**	6,233,167
Other bank-owned loans	**229**	252
Total loans	**$ 18,483,344**	$ 18,056,686

A summary of the bank's loans by type follows:

	March 31, 2019	December 31, 2018
Direct notes receivable from district associations	**$ 12,038,721**	$ 11,786,926
Real estate mortgage	**691,193**	709,274
Production and intermediate term	**738,049**	731,302
Agribusiness		
Loans to cooperatives	**371,464**	321,233
Processing and marketing	**2,760,696**	2,658,208
Farm-related business	**77,857**	49,278
Communication	**408,762**	408,135
Energy (rural utilities)	**1,194,038**	1,199,509
Water and waste disposal	**132,454**	126,785
Lease receivables	**13,098**	13,420
Loans to other financing institutions	**40,738**	36,341
Mission-related	**16,274**	16,275
Total loans	**$ 18,483,344**	$ 18,056,686

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

The bank purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold, excluding syndications, at March 31, 2019.

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,008,532	$ 342,107	$ -	$ 2,383	$ 1,008,532	$ 344,490
Production and intermediate term	1,738,426	1,035,224	27,590	17,401	1,766,016	1,052,625
Agribusiness	2,280,080	992,539	-	-	2,280,080	992,539
Communication	512,991	103,898	-	-	512,991	103,898
Energy (rural utilities)	1,347,989	153,781	-	-	1,347,989	153,781
Water and waste disposal	148,982	16,340	-	-	148,982	16,340
Lease receivables	14,895	1,811	-	-	14,895	1,811
Mission-related	2,485	-	-	-	2,485	-
Direct note receivable from district associations	-	3,850,000	-	-	-	3,850,000
Total	**$ 7,054,380**	**$ 6,495,700**	**$ 27,590**	**$ 19,784**	**$ 7,081,970**	**$ 6,515,484**

The bank has purchased loan participations and Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) from associations in Capitalized Participation Pool (CPP) transactions. As a condition of the transactions, the bank redeemed common stock in the amount of 2.0 percent of the par value of the loans purchased, and the associations purchased bank stock equal to 8.0 percent of the purchased loans' par value and 1.6 percent of the AMBS' par value. There were no CPP loan purchases for the three months ended March 31, 2019. CPP loans held at March 31, 2019, totaled $122.4 million and were included in "Loans" on the balance sheet. The balance of the AMBS CPP was $34.5 million at March 31, 2019, and is included in "Investment securities" on the balance sheet.

The bank may also purchase loans from district associations in Non-Capitalized Participation Pool (NCPP) transactions. As a condition of these transactions, the bank redeemed common stock in the amount of 2.0 percent of the par value of the loans purchased. There were no NCPP loan purchases for the three months ended March 31, 2019. The NCPP loans' balance was $175.6 million at March 31, 2019, and were included in "Loans" on the balance sheet.

The bank is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the bank on such balances. There were no significant balances of ACPs at March 31, 2019, or December 31, 2018.

During 2012, the bank elected the fair value option for certain callable loans purchased on the secondary market at a significant premium. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets. The fair value of loans held under the fair value option totaled $9,263 at March 31, 2019. Fair value is used for both the initial and subsequent measurement of the designated instrument, with the changes in fair value recognized in net income. On these instruments, the related contractual interest income and premium amortization are recorded as Interest Income in the Statements of Comprehensive Income. The remaining changes in fair value on these instruments are recorded as net gains (losses) in "Noninterest Income" on the statements of comprehensive income. The fair value of these instruments is included in Level 2 in the fair value hierarchy for assets recorded at fair value on a recurring basis.

The following is a summary of the transactions on loans for which the fair value option has been elected for the three months ended March 31, 2019:

Balance at January 1, 2019	**$ 9,345**
Net loss on financial instruments under fair value option	**(6)**
Premium amortization	**(76)**
Balance at March 31, 2019	**$ 9,263**

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2019	December 31, 2018
Nonaccrual loans:		
Energy & water/waste disposal	**$ 10,150**	$ 10,276
Agribusiness	**7,329**	8,257
Real estate mortgage	**835**	953
Total nonaccrual loans	**18,314**	19,486
Accruing restructured loans:		
Mission-related	**2,569**	2,531
Total accruing restructured loans	**2,569**	2,531
Total high-risk assets	**$ 20,883**	$ 22,017

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

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2019		December 31, 2018	
Real estate mortgage:				
Acceptable	**96.3**	**%**	96.5	%
OAEM	**0.1**		1.1	
Substandard/Doubtful	**3.6**		2.4	
	100.0	**%**	100.0	%
Production and intermediate term:				
Acceptable	**95.3**	**%**	95.2	%
OAEM	**0.6**		-	
Substandard/Doubtful	**4.1**		4.8	
	100.0	**%**	100.0	%
Agribusiness:				
Acceptable	**99.6**	**%**	99.5	%
OAEM	**-**		0.2	
Substandard/Doubtful	**0.4**		0.3	
	100.0	**%**	100.0	%
Energy & water/waste disposal:				
Acceptable	**96.6**	**%**	98.8	%
OAEM	**0.4**		0.4	
Substandard/Doubtful	**3.0**		0.8	
	100.0	**%**	100.0	%
Communication:				
Acceptable	**99.9**	**%**	96.4	%
OAEM	**0.1**		**3.6**	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Direct notes to associations:				
Acceptable	**93.8**	**%**	93.7	%
OAEM	**6.2**		6.3	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Loans to other financing institutions:				
Acceptable	**100.0**	**%**	100.0	%
OAEM	**-**		-	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Mission-related:				
Acceptable	**100.0**	**%**	100.0	%
OAEM	**-**		-	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Lease receivables:				
Acceptable	**100.0**	**%**	100.0	%
OAEM	**-**		-	
Substandard/Doubtful	**-**		-	
	100.0	**%**	100.0	%
Total loans:				
Acceptable	**95.3**	**%**	95.3	%
OAEM	**4.1**		4.3	
Substandard/Doubtful	**0.6**		0.4	
	100.0	**%**	100.0	%

The following tables provide an age analysis of past due loans (including accrued interest) for the entire loan portfolio (including nonaccrual loans) as of:

March 31, 2019:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment > 90 Days and Accruing**
Real estate mortgage	**$ 540**	**$ 835**	**$ 1,375**	**$ 696,638**	**$ 698,013**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**742,299**	**742,299**	**-**
Agribusiness	**-**	**-**	**-**	**3,227,805**	**3,227,805**	**-**
Energy & water/waste disposal	**-**	**-**	**-**	**1,334,924**	**1,334,924**	**-**
Communication	**-**	**-**	**-**	**409,038**	**409,038**	**-**
Lease receivables	**-**	**-**	**-**	**13,139**	**13,139**	**-**
Direct notes to associations	**-**	**-**	**-**	**12,069,449**	**12,069,449**	**-**
Loans to OFIs	**-**	**-**	**-**	**40,852**	**40,852**	**-**
Mission-related	**-**	**-**	**-**	**16,412**	**16,412**	**-**
Total	**$ 540**	**$ 835**	**$ 1,375**	**$ 18,550,556**	**$ 18,551,931**	**$ -**

December 31, 2018:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ -	$ 1,236	$ 1,236	$ 713,882	$ 715,118	$ -
Production and intermediate term	-	-	-	734,377	734,377	-
Agribusiness	-	-	-	3,046,354	3,046,354	-
Energy & water/waste disposal	-	-	-	1,333,469	1,333,469	-
Communication	-	-	-	408,266	408,266	-
Lease receivables	-	-	-	13,463	13,463	-
Direct notes to associations	-	-	-	11,816,423	11,816,423	-
Loans to OFIs	-	-	-	36,435	36,435	-
Mission-related	-	-	-	16,520	16,520	-
Total	$ -	$ 1,236	$ 1,236	$ 18,119,189	$ 18,120,425	$ -

Additional impaired loan information is as follows:

	At March 31, 2019			At December 31, 2018		
Impaired loans with a related allowance for credit losses:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Energy & water/waste disposal	**$ 9,842**	**$ 9,867**	**$ 2,674**	$ 10,277	$ 10,277	$ 2,679
Loans to cooperatives	**7,157**	**7,247**	**3,527**	7,684	7,684	3,527
Mission-related	**176**	**176**	**51**	172	172	50
Total	**$ 17,175**	**$ 17,290**	**$ 6,252**	$ 18,133	$ 18,133	$ 6,256
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 835**	**$ 835**	**$ -**	$ 953	$ 1,236	$ -
Loans to cooperatives	**172**	**172**	**-**	572	572	-
Processing and marketing	**-**	**1,192**	**-**	-	1,192	-
Energy & water/waste disposal	**307**	**7,930**	**-**	-	7,623	-
Mission-related	**2,393**	**2,393**	**-**	2,359	2,359	-
Total	**$ 3,707**	**$ 12,522**	**$ -**	$ 3,884	$ 12,982	$ -
Total impaired loans:						
Real estate mortgage	**$ 835**	**$ 835**	**$ -**	$ 953	$ 1,236	$ -
Processing and marketing	**-**	**1,192**	**-**	-	1,192	-
Energy & water/waste disposal	**10,149**	**17,797**	**2,674**	10,277	17,900	2,679
Loans to cooperatives	**7,329**	**7,419**	**3,527**	8,256	8,256	3,527
Mission-related	**2,569**	**2,569**	**51**	2,531	2,531	50
Total	**$ 20,882**	**$ 29,812**	**$ 6,252**	$ 22,017	$ 31,115	$ 6,256

	For the Three Months Ended			
	March 31, 2019		March 31, 2018	
Impaired loans with a related allowance for credit losses:	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Energy & water/waste disposal	**$ 10,060**	**$ -**	$ 243	$ -
Loans to cooperatives	**7,327**	**-**	172	-
Mission-related	**170**	**3**	200	4
Total	**$ 17,557**	**$ 3**	$ 615	$ 4
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 900**	**$ -**	$ 3,323	$ -
Energy & water/waste disposal	**10**	**-**	7	-
Loans to cooperatives	**253**	**-**	-	-
Mission-related	**2,334**	**36**	2,380	36
Total	**$ 3,497**	**$ 36**	$ 5,710	$ 36
Total impaired loans:				
Real estate mortgage	**$ 900**	**$ -**	$ 3,323	$ -
Energy & water/waste disposal	**10,070**	**-**	250	-
Loans to cooperatives	**7,580**	**-**	172	-
Mission-related	**2,504**	**39**	2,580	40
Total	**$ 21,054**	**$ 39**	$ 6,325	$ 40

At March 31, 2019, impaired loans of $17.2 million had a related specific allowance of $6.3 million, while the remaining $3.7 million of impaired loans had no related specific allowance as a result of adequate collateralization.

The average recorded investment in impaired loans for the three months ended March 31, 2019, was $21.1 million. The bank recognized interest income of $39 on impaired loans during the three months ended March 31, 2019.

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Disposal	Lease Receivables	Direct Notes to Associations	Loans to OFIs	Mission-Related	Total
Allowance for Credit Losses										
Balance at December 31, 2018	$ 120	$ 799	$ 5,975	$ 364	$ 4,635	$ 29	$ -	$ -	$ 52	$ 11,974
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision for credit losses (loan loss reversal)	(2)	31	572	(42)	(304)	3	-	-	2	260
Other *	1	2	(9)	(7)	(18)	-	-	-	-	(31)
Balance at March 31, 2019	$ 119	$ 832	$ 6,538	$ 315	$ 4,313	$ 32	$ -	$ -	$ 54	$ 12,203
Individually evaluated for impairment	$ -	$ -	$ 3,527	$ -	$ 2,674	$ -	$ -	$ -	$ 51	$ 6,252
Collectively evaluated for impairment	119	832	3,011	315	1,639	32	-	-	3	5,951
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2019	$ 119	$ 832	$ 6,538	$ 315	$ 4,313	$ 32	$ -	$ -	$ 54	$ 12,203
Balance at December 31, 2017	$ 117	$ 954	$ 2,679	$ 364	$ 3,439	$ -	$ -	$ -	$ 86	$ 7,639
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	120	-	-	-	-	-	120
Provision for credit losses (loan loss reversal)	(18)	(54)	3,381	(94)	1,570	83	-	-	(11)	4,857
Other *	3	(24)	(489)	3	(237)	-	-	-	8	(736)
Balance at March 31, 2018	$ 102	$ 876	$ 5,571	$ 393	$ 4,772	$ 83	$ -	$ -	$ 83	$ 11,880
Individually evaluated for impairment	$ -	$ -	$ 3,412	$ -	$ 2,791	$ -	$ -	$ -	$ 73	$ 6,276
Collectively evaluated for impairment	102	876	2,159	393	1,981	83	-	-	10	5,604
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2018	$ 102	$ 876	$ 5,571	$ 393	$ 4,772	$ 83	$ -	$ -	$ 83	$ 11,880
Recorded Investments in Loans Outstanding:										
Ending balance at March 31, 2019	$ 698,013	$ 742,299	$ 3,227,805	$ 409,038	$ 1,334,924	$ 13,139	$ 12,069,449	$ 40,852	$ 16,412	$ 18,551,931
Individually evaluated for impairment	$ 835	$ -	$ 7,329	$ -	$ 10,150	$ -	$ 12,069,449	$ -	$ 2,569	$ 12,090,332
Collectively evaluated for impairment	$ 697,178	$ 742,299	$ 3,220,476	$ 409,038	$ 1,324,774	$ 13,139	$ -	$ 40,852	$ 13,843	$ 6,461,599
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at March 31, 2018	$ 513,691	$ 635,416	$ 3,008,745	$ 362,497	$ 1,333,263	$ 14,408	$ 11,503,797	$ 41,964	$ 16,490	$ 17,430,271
Individually evaluated for impairment	$ 3,004	$ -	$ 7,739	$ -	$ 11,250	$ -	$ 11,503,797	$ -	$ 2,646	$ 11,528,436
Collectively evaluated for impairment	$ 510,687	$ 635,416	$ 3,001,006	$ 362,497	$ 1,322,013	$ 14,408	$ -	$ 41,964	$ 13,844	$ 5,901,835
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

* Reserve for losses on letters of credit recorded in other liabilities

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2019, the total recorded investment in TDR loans was $10.8 million, including $8.2 million classified as nonaccrual and $2.6 million classified as accrual, with specific allowance for loan losses of $3.6 million. Additional commitments to lend to borrowers whose loans have been modified in TDRs were $1.7 million at March 31, 2019, and there were no additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2018.

The following table summarizes TDR loan balances by loan type:

	Loans Modified as TDRs		TDRs in Nonaccrual Status	
	March 31, 2019	December 31, 2018	**March 31, 2019**	December 31, 2018
Agribusiness	**$ 7,419**	$ 7,684	**$ 7,419**	$ 7,684
Real estate mortgage	**835**	1,236	**835**	1,236
Mission-related	**2,569**	2,531	**-**	-
Total	**$ 10,823**	$ 11,451	**$ 8,254**	$ 8,920

There were no loans designated as troubled debt restructurings during the three months ended March 31, 2019. During the period there were no payment defaults on loans that were restructured during the previous 12 months. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

NOTE 4 — LEASES

The bank evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases are included in other assets for right-of-use (ROU) assets and other liabilities for lease liabilities on the balance sheet.

ROU assets represent the bank's right to use an underlying asset for the lease term and lease liabilities represent the bank's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. The bank's lease terms may include options to extend or terminate the lease when it is reasonably certain that the bank will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

On September 30, 2003, the bank entered into a lease for approximately 102,500 square feet of office space to house its headquarters facility. The lease was effective September 30, 2003 and its term was from September 1, 2003 to August 31, 2013. On November 16, 2010, the bank entered into a lease amendment which extended the term of the lease to August 3, 2024. In addition, the lease amendment included expansion of the leased space to approximately 111,500 square feet of office space. Under the terms of the lease amendment, the bank will pay annual base rental ranging from $18 per square foot in the first year to $26 per square foot in the last year. Lease expenses for the facility including certain operating expenses passed through from the landlord were $1,022 and $1,002 for the three months ended March 31, 2019, and 2018, respectively.

The bank entered into a lease for copiers and a lease for postage machines on September 15, 2016, and June 1, 2017, respectively. The copier lease was effective September 15, 2016 and its term is from September 15, 2016 to March 15, 2020. The postage lease was effective June 1, 2017 and its term is from June 1, 2017 to August 31, 2020. Lease expenses for the copiers and postage were $75 and $61 for the three months ended March 31, 2019, and 2018, respectively.

Adoption of the leasing standard is as follows:

	Balance Sheet Classification	As of March 31, 2019	As Previously Reported December 31, 2018	Lease Standard Adjustment	As Restated January 1, 2019
Operating leases	Operating lease right-of-use asset-building	**$ 10,234**	$ -	$ 10,658	$ 10,658
	Operating lease right-of-use asset-other	**227**	-	281	281
Total lease assets		**$ 10,461**	$ -	$ 10,939	$ 10,939
Operating leases	Operating lease right-of-use liabilities-building	**$ 13,424**	$ -	$ 13,942	$ 13,942
	Operating lease right-of-use liabilities-other	**227**	-	281	281
Total lease liabilities		**$ 13,651**	$ -	$ 14,223	$ 14,223

The components of lease expense were as follows:

Classification on Statement of Comprehensive Income	**Three Months Ended March 31, 2019**
Occupancy and equipment	**$ 1,097**

Other information related to leases was as follows:

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	**$ 670**
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	**$ -**

The weighted-average remaining lease term for the building, copier and postage leases is 5.35 years and the weighted-average discount rate is 2.83%. The discount rates were determined using the bank's incremental borrowing rate for bonds for terms relative to the lease terms. The following are the undiscounted cash flows for the operating leases at March 31, 2019:

	Maturities of Lease Liabilities
Remainder of 2019	$ 2,040
2020	2,625
2021	2,639
2022	2,718
2023	2,800
Thereafter	1,868
Total undiscounted cash flows	14,690
Less interest expense	1,039
Lease liability	**$ 13,651**

The lease expense for leases with terms of 12 months or less was $53 and $8 for the three months ended March 31, 2019, and 2018, respectively.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

The bank is primarily liable for its portion of Systemwide debt obligations. Additionally, the bank is jointly and severally liable for the consolidated Systemwide bonds and notes of the other System banks. Total consolidated bank and Systemwide obligations of the System at March 31, 2019, were approximately $281.08 billion.

In the normal course of business, the bank has various outstanding commitments and contingent liabilities, including the possibility of actions against the bank in which claims for monetary damages may be asserted. Management and legal counsel are not aware of any other pending lawsuits or actions. Upon the basis of current information, management and legal counsel are of the opinion that the ultimate liability, if any, resulting from lawsuits or other pending actions will not be material in relation to the financial position, results of operations or cash flows of the bank.

NOTE 6 — FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," of the 2018 Annual Report for a more complete description.

Assets and liabilities recorded at fair value on a recurring basis at March 31, 2019, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurements			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Federal funds	**$ 126,958**	$ -	$ 126,958	$ -
Investments available for sale:				
Agency-guaranteed debt	**163,034**	-	163,034	-
Corporate debt	**360,491**	-	360,491	-
Mortgage-backed securities	**4,745,282**	-	4,692,852	52,430
U.S. Treasury securities	**298,649**	-	298,649	-
Asset-backed securities	**102,032**	-	77,016	25,016
Mission-related and other available-for-sale investments	**34,487**	-	-	34,487
Loans valued under the fair value option	**9,263**	-	9,263	-
Derivative assets	**6,920**	-	6,920	-
Assets held in nonqualified benefit trusts	**774**	774	-	-
Collateral assets	**2,471**	2,471	-	-
Total assets	**$ 5,850,361**	$ 3,245	$ 5,735,183	$ 111,933
Liabilities:				
Derivative liabilities	**$ 30,373**	$ -	$ 30,373	$ -
Letters of credit	**618**	-	-	618
Total liabilities	**$ 30,991**	$ -	$ 30,373	$ 618

Loans With Fair Value Option

The bank has elected the fair value option for certain callable loans purchased on the secondary market at a significant premium. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets. Fair value is used for both the initial and subsequent measurement of the designated instrument, with the changes in fair value recognized in net income. On these instruments, the related contractual interest income and premium amortization are recorded as Interest Income in the statements of comprehensive income. The remaining changes in fair value on these instruments are recorded as net gains (losses) in "Noninterest Income" on the statements of comprehensive income. The fair value of these instruments is included in Level 2 in the fair value hierarchy for assets recorded at fair value on a recurring basis. The fair value of loans held under the fair value option totaled $9,263 at March 31, 2019.

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2019, to March 31, 2019:

	Assets			Liabilities	
	Asset-Backed Securities	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Letters of Credit	Net
Balance at January 1, 2019	$ -	$ -	$ 35,708	$ 676	$ 35,032
Net losses included in other comprehensive income	16	142	440	-	598
Purchases, issuances and settlements	25,000	52,288	(1,661)	(58)	75,685
Balance at March 31, 2019	$ 25,016	$ 52,430	$ 34,487	$ 618	$ 111,315

There were no transfers of assets or liabilities into or out of Level 1 from other levels during the three months ended March 31, 2019. Agricultural mortgage-backed securities (AMBS) are included in Level 3 due to limited activity or less transparency around inputs to their valuation. Mortgage-backed securities (or MBS) and asset-backed securities (or ABS) were included in Level 3 due to the fact that their valuation was based on Level 3 criteria (broker quotes). The liability for letters of credit are included in Level 3 as their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2019, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	$ 11,033	$ -	$ -	$ 11,033
Total assets	$ 11,033	$ -	$ -	$ 11,033

Assets and liabilities measured at fair value on a recurring basis at December 31, 2018, for each of the fair value hierarchy levels are summarized below:

	Total	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal Funds	$ 281,131	$ -	$ 281,131	$ -
Investments available for sale:				
Agency-guaranteed debt	167,923	-	167,923	-
Corporate debt	363,537	-	363,537	-
Mortgage-backed securities	4,761,131	-	4,761,131	-
U.S. Treasury securities	298,083	-	298,083	-
Asset-backed securities	88,257	-	88,257	-
Mission-related and other available-for-sale investments	35,708	-	-	35,708
Loans valued under the fair value option	9,345	-	9,345	-
Derivative assets	10,700	-	10,700	-
Assets held in nonqualified benefit trusts	682	682	-	-
Total assets	$ 6,016,497	$ 682	$ 5,980,107	$ 35,708
Liabilities:				
Derivative liabilities	$ 16,143	$ -	$ 16,143	$ -
Letters of credit	676	-	-	676
Total liabilities	$ 16,819	$ -	$ 16,143	$ 676

The following table represents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2018, to March 31, 2018:

	Assets: Mortgage-Backed Securities	Assets: Agricultural Mortgage-Backed Securities	Liabilities: Letters of Credit	Total
Balance at January 1, 2018	$ -	$ 43,317	$ 846	$ 42,471
Net losses (gains) included in other comprehensive income	95	(101)	-	(6)
Purchases, issuances and settlements	91,561	(2,065)	56	89,440
Balance at March 31, 2018	$ 91,656	$ 41,151	$ 902	$ 131,905

There were no transfers of assets or liabilities into or out of Level 1 from other levels during the three months ended March 31, 2018. Agricultural mortgage-backed securities (AMBS) are included in Level 3 due to limited activity or less transparency around inputs to their valuation. Mortgage-backed securities (or MBS) are included in Level 3 due to the fact that their valuation was based on Level 3 criteria (broker quotes). The liability for letters of credit is included in Level 3 due to a determination that their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2018, for each of the fair value hierarchy levels are summarized below:

	Fair Value Measurement			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	$ 11,875	$ -	$ -	$ 11,875
Total assets	$ 11,875	$ -	$ -	$ 11,875

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

March 31, 2019:		**Fair Value Measurements**			
	Total Carrying Amount	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets:					
Cash	**$ 24,895**	**$ 24,895**	**$ -**	**$ -**	**$ 24,895**
Net loans	**18,471,141**	**-**	**-**	**18,421,540**	**18,421,540**
Total assets	**$ 18,496,036**	**$ 24,895**	**$ -**	**$ 18,421,540**	**$ 18,446,435**
Liabilities:					
Bonds and notes	**$ 22,653,049**	**$ -**	**$ -**	**$ 22,672,114**	**$ 22,672,114**
Total liabilities	**$ 22,653,049**	**$ -**	**$ -**	**$ 22,672,114**	**$ 22,672,114**

December 31, 2018:		Fair Value Measurements			
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Cash	$ 129,478	$ 129,478	$ -	$ -	$ 129,478
Net loans	18,044,712	-	-	17,860,769	17,860,769
Total assets	$ 18,174,190	$ 129,478	$ -	$ 17,860,769	$ 17,990,247
Liabilities:					
Bonds and notes	$ 22,497,364	$ -	$ -	$ 22,367,133	$ 22,367,133
Total liabilities	$ 22,497,364	$ -	$ -	$ 22,367,133	$ 22,367,133

Valuation Techniques

As more fully discussed in Note 1, “Organization and Significant Accounting Policies,” authoritative accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. 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 of the 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. The following represent a brief summary of the valuation techniques used by the bank for assets and liabilities measured at fair value:

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. Among other securities, this would include certain mortgage-backed securities and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Level 3 assets at March 31, 2019, included the bank's AMBS portfolio, which is valued by the bank using a model that incorporates underlying rates and current yield curves. Level 3 assets at March 31, 2019 also included select mortgage-backed securities and asset-backed securities.

As permitted under Farm Credit Administration regulations, the banks are authorized to hold eligible investments. The regulations define eligible investments by specifying credit rating criteria, final maturity limit and percentage of portfolio limit for each investment type. At the time of purchase, mortgage-backed and asset-backed securities must be triple-A rated by at least one Nationally Recognized Statistical Rating Organization. The triple-A rating requirement puts the banks in a position to hold the senior tranches of securitizations. The underlying loans for mortgage-backed securities are residential mortgages, while the underlying loans for asset-backed securities are home equity lines of credit, small business loans, equipment loans or student loans.

To estimate the fair value of the majority of the investments held, including certain non-agency securities, the bank obtains prices from third-party pricing services.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans would be classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Derivatives

Exchange-traded derivatives valued using quoted prices would be classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include interest rate caps and interest rate swaps.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the LIBOR and Overnight Index Swap curves and volatility assumptions about future interest rate movements.

Collateral Assets (Cash Collateral Posted with a Counterparty)

Derivative contracts are supported by bilateral collateral agreements with counterparties requiring the bank to post collateral in the event certain dollar thresholds of credit exposure are reached. The market value of cash collateral posted with a counterparty is the face value plus accrued interest, as that approximates fair value.

Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans

Fair value is estimated by discounting the expected future cash flows using the banks' and/or the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the banks' and/or the associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

The bank has elected the fair value option for certain callable loans purchased on the secondary market at a significant premium. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets. Fair value is used for both the initial and subsequent measurement of the designated instrument, with the changes in fair value recognized in net income. The fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Accordingly, these assets are classified within Level 2.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under accounting impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Bonds and Notes

Systemwide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System debt instruments and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities and asset-backed securities are vendor pricing.

Quoted market prices may not be available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

	Valuation Technique(s)	**Unobservable Input**	**Range of Inputs**
Mortgage-backed securities	Vendor priced	-	-
Asset-backed securities	Vendor priced	-	-
Mission-related investments	Discounted cash flow	Prepayment rates	2.3% - 38.0%

With regard to impaired loans and OPO, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and OPO and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	**Input**
Federal funds sold	Carrying value	Par/principal
Investment securities available for sale	Quoted prices Discounted cash flow	Price for similar security Constant prepayment rate Appropriate interest rate yield curve
Loans held under the fair value option	Discounted cash flow	Price for similar security Constant prepayment rate Appropriate interest rate yield curve
Interest rate caps	Discounted cash flow	Appropriate interest rate yield curve Annualized volatility
Interest rate swaps	Discounted cash flow	Benchmark yield curve Counterparty credit risk Volatility

NOTE 7 — 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. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed 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 and amounts of collateral exchanged pursuant to our agreements.

		Amounts Not Offset in the Condensed Balance Sheet		
March 31, 2019	Gross Amounts of Assets/Liabilities Presented in the Condensed Balance Sheets	Cash Collateral Pledged	Investment Securities Received/Pledged as Collateral	Net Amount
Assets:				
Interest rate swaps and other derivatives	$ 6,920	$ -	$ -	$ 6,920
Liabilities:				
Interest rate swaps and other derivatives	$ 30,373	$ (2,470)	$ -	$ 27,903

At December 31, 2018, we had no cash collateral or investment securities received or pledged as part of the agreements.

NOTE 8 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The bank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest margin is not adversely affected by movements in interest rates. The bank considers the strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The bank may enter into derivative transactions to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Under interest rate swap arrangements, the bank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating-rate index. The bank may purchase interest rate options, such as caps, in order to reduce the impact of rising interest rates on its floating-rate debt.

At March 31, 2019, the bank held interest rate caps with a notional amount of $195.0 million and a net fair value asset of $202, and pay fixed interest rate swaps with a notional amount of $825.0 million and a net fair value liability of $23,655. The primary types of derivative instruments used and the amount of activity (notional amounts derivatives) during the three months ended March 31, 2019, are summarized in the following table:

	Pay-Fixed Swaps	Interest Rate Caps	Total
Balance at January 1, 2019	$ 825,000	$ 195,000	$ 1,020,000
Additions	-	-	-
Maturities/Amortizations	-	-	-
Balance at March 31, 2019	**$ 825,000**	**$ 195,000**	**$ 1,020,000**

To minimize the risk of credit losses, the bank deals with counterparties that have an investment grade or better credit rating from a major rating agency, and also monitors the credit standing and levels of exposure to individual counterparties. In addition, substantially all derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to another are reached, which thresholds may vary, depending on the counterparty's credit rating. The bank does not anticipate nonperformance by any of these counterparties. However, derivative contracts are reflected in the financial statements on a gross basis regardless of the netting agreement. At March 31, 2019, and December 31, 2018, counterparties' credit exposure to the bank was $21.0 million and $5.4 million, respectively. At March 31, 2019, the bank had posted $2.5 million of cash as collateral, and no counterparty has been required to post collateral. At December 31, 2018, the bank had posted no cash or securities as collateral, nor had any counterparty been required to post collateral.

Derivative – Counterparty Exposure

The following table represents the credit ratings of counterparties the bank has credit exposure with at March 31, 2019:

	Remaining Years to Maturity (1)					
	Less Than One to Five Years	More Than Five Years	Total	Exposure	Collateral Posted	Exposure Net of Collateral
Moody's Credit Rating						
A1	$ -	$ 9	$ 9	$ 9	$ -	$ 9
Aa2	4,444	(1,600)	2,844	2,844	-	2,844
Aa2	-	(20,162)	(20,162)	(20,162)	(2,470)	(17,692)
Aa3	2,275	(8,588)	(6,313)	(6,313)	-	(6,313)
Aa3	-	169	169	169	-	169
Total	**$ 6,719**	**$ (30,172)**	**$ (23,453)**	**$ (23,453)**	**$ (2,470)**	**$ (20,983)**

(1) Represents gain or loss positions on derivative instruments with individual counterparties. Net gains or losses represent the exposure to credit loss estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts within a maturity category. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty.

Cash Flow Hedges

The bank's derivative instruments at March 31, 2019 and December 31, 2018, which are designated and qualify as a cash flow hedge, all meet the standards for accounting treatment that presume full effectiveness. Thus, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income.

	Balance Sheet Location	**Fair Value March 31, 2019**	Fair Value December 31, 2018	**Balance Sheet Location**	**Fair Value March 31, 2019**	Fair Value December 31, 2018
Interest rate caps	Other assets	**$ 202**	$ 448	Other liabilities	**$ -**	$ -
Pay fixed swaps	Other assets	**6,718**	10,253	Other liabilities	**(30,373)**	(16,143)

	Gain Recognized in OCI on Derivatives at March 31, 2019	2018		**Amount of Gain (Loss) Reclassified From AOCI Into Income (Expense) at March 31, 2019**	2018
Interest rate caps	**$ 245**	$ 121	Interest expense	**$ (61)**	$ (30)
Pay fixed swaps	**17,649**	4,951	Interest income (expense)	**166**	28

NOTE 9 — CAPITAL

Effective January 1, 2017, the regulatory capital requirements for System banks and associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital and total capital risk-based capital ratios. The new regulations also added a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect.

The bank's ratios were as follows:

Risk-adjusted	**Regulatory Minimums**	**Conservation Buffers***	**Total Regulatory Requirement**	**As of March 31, 2019**	As of December 31, 2018
Common equity tier 1 ratio	4.5%	2.5% *	7.0%	**9.49%**	9.92%
Tier 1 capital ratio	6.0	2.5 *	8.5	**15.87**	16.29
Total capital ratio	8.0	2.5 *	10.5	**16.00**	16.42
Permanent capital ratio	7.0	0.0	7.0	**15.89**	16.31
Non-risk-adjusted					
Tier 1 leverage ratio	4.0	1.0	5.0	**7.15**	7.39
UREE leverage ratio	1.5	0.0	1.5	**2.79**	3.08

*The 2.5 percent capital conservation buffer for the risk-adjusted ratios will be phased in over a three-year period ending on December 31, 2019.

Risk-adjusted assets have been defined by FCA regulations as the statement of condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months;
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status; and,
- Inclusion of unfunded commitments for direct notes from district associations.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.

- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the capital conservation and leverage buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

The components of the bank's risk-adjusted capital, based on 90-day average balances, were as follows at March 31, 2019:

(dollars in thousands)	**Common equity tier 1 ratio**	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	$ 821,356	$ 821,356	$ 821,356	$ 821,356
Common Cooperative Equities:				
Purchased other required stock ≥7 years	280,421	280,421	280,421	280,421
Allocated stock ≥7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥7 years	45,677	45,677	45,677	45,677
Noncumulative perpetual preferred stock	-	700,000	700,000	700,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	13,883	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(143,688)	(143,688)	(143,688)	(143,688)
Other regulatory required deductions	(262)	(262)	(262)	(262)
Total	**$ 1,039,546**	**$ 1,739,546**	**$ 1,753,429**	**$ 1,739,546**
Denominator:				
Risk-adjusted assets excluding allowance	$ 10,958,832	$ 10,958,832	$ 10,958,832	$ 10,958,832
Regulatory Adjustments and Deductions:				
Allowance for loan losses	-	-	-	(11,982)
Total	**$ 10,958,832**	**$ 10,958,832**	**$ 10,958,832**	**$ 10,946,850**

The components of the bank's risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2018:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 889,359	$ 889,359	$ 889,359	$ 889,359
Common Cooperative Equities:				
Purchased other required stock ≥7 years	267,785	267,785	267,785	267,785
Allocated stock ≥7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥7 years	39,429	39,429	39,429	39,429
Noncumulative perpetual preferred stock	-	700,000	700,000	700,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	14,155	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(142,322)	(142,322)	(142,322)	(142,322)
Other regulatory required deductions	(256)	(256)	(256)	(256)
Total	$ 1,090,037	$ 1,790,037	$ 1,804,192	$ 1,790,037
Denominator:				
Risk-adjusted assets excluding allowance	$ 10,988,322	$ 10,988,322	$ 10,988,322	$ 10,988,322
Regulatory Adjustments and Deductions:				
Allowance for loan losses	-	-	-	(12,317)
Total	$ 10,988,322	$ 10,988,322	$ 10,988,322	$ 10,976,005

The components of the bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at March 31, 2019:

(dollars in thousands)	**Tier 1 leverage ratio**	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	$ 821,356	$ 821,356
Common Cooperative Equities:		
Purchased other required stock ≥7 years	280,421	-
Allocated stock ≥7 years	36,042	-
Allocated equities:		
Allocated equities held ≥ 7 years	45,677	-
Noncumulative perpetual preferred stock	700,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(143,688)	(143,688)
Other regulatory required deductions	(262)	-
Total	**$ 1,739,546**	**$ 677,668**
Denominator:		
Total Assets	$ 24,483,601	$ 24,483,601
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(162,875)	(162,875)
Total	**$ 24,320,726**	**$ 24,320,726**

The components of the bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2018:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 889,359	$ 889,359
Common Cooperative Equities:		
Purchased other required stock ≥7 years	267,785	-
Allocated stock ≥7 years	36,042	-
Allocated equities:		
Allocated equities held ≥ 7 years	39,429	-
Noncumulative perpetual preferred stock	700,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(142,322)	(142,322)
Other regulatory required deductions	(256)	-
Total	$ 1,790,037	$ 747,037
Denominator:		
Total Assets	$ 24,382,460	$ 24,382,460
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(154,254)	(154,254)
Total	$ 24,228,206	$ 24,228,206

NOTE 10 — EMPLOYEE BENEFIT PLANS

In addition to pension benefits, the bank provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities. Bank employees hired after January 1, 2004, will be eligible for retiree medical benefits for themselves and their spouses at their expense but will be responsible for 100 percent of the related premiums. The following table summarizes the components of net periodic benefit costs for the bank's other postretirement benefit costs for the three months ended March 31,:

	Other Postretirement Benefits	
	2019	2018
Service Cost	**$ 55**	$ 68
Interest Cost	**129**	123
Amortization of prior service cost	**(19)**	(35)
Amortization of net actuarial loss	**-**	23
	$ 165	$ 179

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer, since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations).

NOTE 11 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive loss (AOCL) includes the accumulated balance of certain gains, losses or costs for which values are included in assets or liabilities on the balance sheets, but which have not yet been recognized in earnings. For the bank, these elements include unrealized gains or losses on the bank's available-for-sale investment portfolio, amortization of retirement benefit elements and changes in the value of cash flow derivative instruments.

The following table summarizes the changes in the balance of the components of AOCL for the three months ended March 31, 2019:

	Total	**Unrealized Loss on Securities**	**Retirement Benefit Plans**	**Cash Flow Derivative Instruments**
Balance, January 1, 2019	$ (81,693)	$ (74,541)	$ (27)	$ (7,125)
Change in unrealized losses on available-for-sale securities				
Net change in unrealized losses on investment securities	28,497	28,497		
Net change in unrealized losses on securities	28,497	28,497		
Change in postretirement benefit plans				
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(19)		(19)	
Net change in postretirement benefit plans	(19)		(19)	
Change in cash flow derivative instruments				
Unrealized loss on cash flow derivative instruments	(17,894)			(17,894)
Reclassification of amount recognized in interest expense	(105)			(105)
Net change in cash flow derivative instruments	(17,999)			(17,999)
Total other comprehensive (loss) income	**10,479**	**28,497**	**(19)**	**(17,999)**
Balance, March 31, 2019	**$ (71,214)**	**$ (46,044)**	**$ (46)**	**$ (25,124)**

The following table summarizes the changes in the balance of the components of AOCL for the three months ended March 31, 2018:

	Total	Unrealized Gain (Loss) on Securities	Retirement Benefit Plans	Cash Flow Derivative Instruments
Balance, January 1, 2018	$ (51,902)	$ (56,813)	$ (1,815)	$ 6,726
Change in unrealized gains on available-for-sale securities				
Net change in unrealized losses on investment securities	(29,374)	(29,374)		
Net change in unrealized losses on securities	(29,374)	(29,374)		
Change in postretirement benefit plans				
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(12)		(12)	
Net change in postretirement benefit plans	(12)		(12)	
Change in cash flow derivative instruments				
Unrealized gain on cash flow derivative instruments	5,072			5,072
Reclassification of amount recognized in interest expense	2			2
Net change in cash flow derivative instruments	5,074			5,074
Total other comprehensive (loss) income	(24,312)	(29,374)	(12)	5,074
Balance, March 31, 2018	$ (76,214)	$ (86,187)	$ (1,827)	$ 11,800

The following table summarizes reclassifications from AOCI to the statements of comprehensive income for the three months ended March 31,:

Component of AOCI	Amount Reclassified from AOCI		Affected Line in the Statement of Comprehensive Income
	2019	2018	
Amortization of net credits on post-retirement benefit plan	**$ (19)**	$ (12)	Salaries and employee benefits
Amortization on cash flow hedges	**(105)**	2	Interest expense
Total reclassifications	**$ (124)**	$ (10)	

NOTE 12 — SUBSEQUENT EVENTS

The bank has evaluated subsequent events through May 10, 2019, which is the date the financial statements were issued. There are no other significant subsequent events requiring disclosure as of May 10, 2019.

NOTE 13 — COMBINED DISTRICTWIDE FINANCIAL STATEMENTS

The accompanying financial statements exclude financial information of the bank's affiliated associations. The bank and its affiliated associations are collectively referred to as the "Texas District." The bank separately publishes certain unaudited combined financial information of the Texas District, including a condensed statement of condition and statement of income, which can be found on the bank's website at www.farmcreditbank.com. Such information is not incorporated by reference to, and should not be considered part of, this quarterly report.

ADDITIONAL REGULATORY INFORMATION – FARM CREDIT BANK OF TEXAS
(unaudited)

Disclosure Map

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

Disclosure Requirement	Description	March 31, 2019 Quarterly Report Reference
Scope of Application	Corporate entity and structure	Page 48
Capital Structure	Regulatory capital components	Page 49
Capital Adequacy	Risk-weighted assets	Page 50
	Regulatory capital ratios	Page 51
Capital Buffers	Quantitative disclosures	Pages 50-51
Credit Risk	Summary of exposures	Page 52
	Geographic distribution	Page 53
	Industry distribution	Page 52
	Contractual maturity	Page 52
	Impaired loans and allowance for credit losses	Note 3 – Pages 24-31
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Page 53
Credit Risk Mitigation	Exposures with reduced capital requirements	Page 53
Securitization	Securitization exposures	Pages 53-54
Equities	General description	Page 54
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	Page 54

The following disclosures contain regulatory disclosures as required under Farm Credit Administration (FCA) Regulation 628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total capital. Refer to Note 9 of the accompanying financial statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years or such shorter period beginning on January 1, 2017, and can be accessed at Farm Credit Bank of Texas' website at www.farmcreditbank.com.

FCA Regulation Section 628.62(a) requires each System bank to provide timely public disclosures at the end of each calendar quarter. Qualitative disclosures that typically do not change each quarter may be disclosed annually after the end of the fourth calendar quarter, provided that any significant changes are disclosed in the interim. FCA provided additional guidance that System banks must provide their first qualitative disclosures as of March 31, 2017, and again at the end of December 31, 2017, provided that any significant changes be disclosed in the interim. After that time, System banks may provide qualitative disclosures annually, as long as any significant changes are disclosed in the interim.

No other significant qualitative changes occurred for the first quarter of 2019 to be included within this disclosure as compared to the disclosures as of December 31, 2018.

Scope of Application

The disclosures herein relate to the Farm Credit Bank of Texas (FCBT or bank). The bank and its related associations are collective referred to as the Farm Credit Bank of Texas and affiliated associations (district). The bank has no subsidiaries; therefore the financial statements are only those of the bank and are not consolidated with any other entity; and no subsidiary exists that is below the minimum total capital requirement.

Capital Structure

The following table provides a summary of the bank's capital structure at March 31, 2019:

(dollars in thousands)		Three-Month Average Daily Balance
Common equity tier 1 capital (CET1)		
Common cooperative equities:		
Purchased other required stock ≥7 years	**$**	**280,421**
Allocated stock ≥7 years		**36,042**
Other required member purchased stock		-
Allocated equities:		
Qualified allocated equities subject to retirement		**45,677**
Nonqualified allocated equities subject to retirement		-
Nonqualified allocated equities not subject to retirement		-
Unallocated retained earnings		**821,356**
Paid-in capital		-
Regulatory adjustments and deductions made to CET1		**(143,950)**
Total CET1	**$**	**1,039,546**
Tier 1 capital		
Noncumulative perpetual preferred stock	**$**	**700,000**
Regulatory adjustments and deductions made to tier 1 capital		**-**
Total additional tier 1 capital		**700,000**
Total tier 1 capital	**$**	**1,739,546**
Total capital		
Common cooperative equities not included in CET1	**$**	**-**
Tier 2 capital elements (subordinated debt, allowance for loan losses)		**13,883**
Regulatory adjustments and deductions made to total capital		**-**
Total tier 2 capital		**13,883**
Total capital	**$**	**1,753,429**

There were no common cooperative equities not included in Tier 1 capital.

Capital Adequacy and Capital Buffers

The bank's risk-adjusted regulatory capital ratios are calculated by dividing the relevant total capital elements by risk-weighted assets. The following table provides the bank's risk-weighted assets at March 31, 2019:

(dollars in thousands)	Three-Month Average Daily Balance
On-Balance Sheet Assets:	
Exposures to sovereign entities	$ -
Exposures to supranational entities and Multilateral Development Banks	-
Exposures to government-sponsored entities (direct notes to associations)	2,374,313
Exposures to depository institutions, foreign banks and credit unions	3,222
Exposures to public sector entities	-
Corporate exposures, including borrower loans and exposures to other financing institutions	6,109,557
Residential mortgage exposures	-
Past due and nonaccrual exposures	27,999
Securitization exposures	97,932
Exposures to other assets	928,520
Total Risk-Weighted Assets, On-Balance Sheet	9,541,543
Off-Balance Sheet:	
Letters of Credit	61,199
Commitments	1,351,368
Over-the-Counter Derivatives	2,288
Unsettled transactions	55
Cleared transactions	-
All other off-balance sheet exposures	2,379
Total Risk-Weighted Assets, Off-Balance Sheet	1,417,289
Total Risk-Weighted Assets before Adjustments	**10,958,832**
Additions:	
Intra-System Equity Investments	143,950
Deductions:	
Regulatory Capital Deductions	(143,950)
Total Standardized Risk-Weighted Assets	**$ 10,958,832**

Capital Conservation and Leverage Buffers

As of March 31, 2019, the bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. The bank's capital conservation buffer is the lowest of the calculated buffer listed in the table below at 4.99 percent. The bank's leverage buffer of 3.15 percent is equal to the tier 1 leverage ratio minus the minimum tier 1 leverage ratio requirement. Because the bank's conservation and leverage buffers exceed the minimum buffer requirements of 2.5 percent and 1 percent, respectively, the bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $24,948 as of March 31, 2019.

	Regulatory Minimums	Required Buffer	Ratios as of March 31, 2019	Calculated Buffer
Common equity tier 1 capital ratio*	4.5%	2.5%	9.49%	4.99%
Tier 1 capital ratio*	6.0%	2.5%	15.87%	9.87%
Total capital ratio*	8.0%	2.5%	16.00%	8.00%
Capital conservation buffer				4.99%
Tier 1 leverage ratio	4.0%	1.0%	7.15%	3.15%
Leverage buffer				3.15%

*The capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the FCA revised capital requirements, up to 2.5 percent beginning in 2020.

Credit Risk

System entities have specific lending authorities within their chartered territories. The bank is chartered to serve its associations in Texas, Alabama, Mississippi, Louisiana and most of New Mexico. Our chartered territory is referred to as the district. FCBT serves its chartered territory by lending to the district's Federal Land Credit Association (FLCA) and Agricultural Credit Associations (ACAs). The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in circumstances that may not otherwise be reflected in the PD and LGD such as flooding or drought. There was no allowance attributed to a geographic area as of March 31, 2019.

Refer to the Risk-Adjusted Asset table on page 50 for the bank’s total and average loans, investment securities, off -balance-sheet commitments and OTC derivatives. The following table illustrates the bank's total exposure (including commitments) by loan type as of March 31, 2019.

	Total Exposure
Direct notes receivable from district associations	$ 16,371,302
Real estate mortgage	760,622
Production and intermediate term	1,114,868
Agribusiness	
Loans to cooperatives	678,002
Processing and marketing	3,717,704
Farm-related business	165,001
Communications	451,409
Energy (rural utilities)	1,897,232
Water and waste disposal	170,297
Rural home	-
Agricultural export finance	-
Mission-related	16,274
Leases	13,183
Loans to other financing institutions	76,000
Total	$ 25,431,894

The following table provides an overview of the remaining contractual maturity of the bank’s credit risk portfolio categorized by exposure at March 31, 2019. The remaining contractual maturity for the bank’s direct notes from associations is included in the loans line item based on the contractual terms of the underlying association retail loans. Unfunded commitments for direct notes from associations reflects the aggregate remaining amount that the associations can borrow from the bank and is included in the table within one year or less column within the unfunded commitments line item.

(dollars in thousands)	**Due in one year or less**	**Due after one year through five years**	**Due after five years**	**Total**
Loans	$ 4,485,987	$ 8,679,077	$ 5,318,280	$ 18,483,344
Off-Balance-Sheet Commitments				
Financial letters of credit	58,287	19,787	-	78,074
Performance letters of credit	5,272	930	-	6,202
Commercial letters of credit	2,875	10	-	2,885
Unfunded commitments	5,120,972	1,667,653	72,764	6,861,389
Investments	396,046	435,638	4,872,291	5,703,975
Derivatives (notional)	-	280,000	740,000	1,020,000
Total	**$ 10,069,439**	**$ 11,083,095**	**$ 11,003,335**	**$ 32,155,869**

The following table illustrates the bank's total exposure (including commitments) by geographic distribution based on the headquarters location of the underlying retail loans for the bank and affiliated associations as of March 31, 2019:

State	Percentage
Texas	49 %
Mississippi	6
Alabama	6
Louisiana	3
California	3
All other states	33
	100 %

Refer to Note 3 for amounts of impaired loans with or with no related allowance, loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses.

Counterparty Credit Risk and Credit Risk Mitigation

The following table provides the total exposure covered by guarantees/credit derivatives for each separately disclosed credit risk portfolio and the risk-weighted asset amount associated with that exposure. The bank did not hold any purchased credit derivatives for its own credit portfolio, nor did it hold eligible financial collateral for its loan, investment and derivative portfolios at March 31, 2019.

Government Guaranteed Asset Type (dollars in thousands)	Three-Month Average Balance	Risk Weighting	Risk-Weighted Amount
Investments	$ 3,156,088	0%	$ -
Loans	2,357	0%	-
Total	$ 3,158,445		$ -

The table below shows derivative by underlying exposure type, segregated between interest rate caps and pay fixed swaps, both of which are traded in over- the-counter markets as of March 31, 2019.

	Notional	Gross Positive Fair Values
Interest rate caps	$ 195,000	$ 202
Pay fixed swaps	825,000	6,718
Total Derivatives	**$ 1,020,000**	**$ 6,920**

Securitization

The bank currently only participates in credit-related securitizations as investors through the purchase of highly rated asset-backed securities (ABS) as included in its investment portfolio. The bank also holds securitization exposures through the purchase of U.S. government and agency guaranteed securities. The bank has not transferred any exposures that it has originated or purchased from a third party in connection with a securitization of assets as of March 31, 2019, nor does it have any outstanding exposures that it intends to be securitized as of March 31, 2019. The bank did not recognize any gain or loss on securitized assets for the three months ended March 31, 2019. As of March 31, 2019, the bank did not retain any credit-related re-securitization exposures.

Below is an overview of our purchased securitization exposures held as of March 31, 2019, by exposure type and categorized by risk-weighting band and risk-based capital approach. As of March 31, 2019, the bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital.

Description of Securitization	Risk-Based Capital Approach	Exposure Amount (dollars in thousands)	Risk Weighted
Agency MBS:			
GNMA	Standardized Risk Weight	$ 2,693,873	0%
FNMA and FHLMC	Standardized Risk Weight	2,094,110	20%
Total Agency MBS		$ 4,787,983	
Asset-backed securities:			
Small Business Administration	Standardized Risk Weight	$ 25,000	0%
Asset-backed securities	Gross-up	20,789	20%-100%
Asset-backed securities	Gross-up	31,201	101%-125%
Asset-backed securities	Gross-up	22,535	126%-150%
Asset-backed securities	Gross-up	17,061	151%-175%
		91,586	119%
Total Asset-backed securities		$ 116,586	

Equities

The bank is a limited partner in certain Rural Business Investment Companies (RBICs) for various relationship and strategic reasons. These RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. These investments are accounted for under the equity method, as the bank is considered to have significant influence. These investments are not publicly traded, and the book value approximates fair value. The bank had no unrealized gains or losses not recognized either on the balance sheet or through earnings.

As of March 31, 2019 (dollars in thousands)	Disclosed in Other Assets	Life-to-Date Losses Recognized in Retained Earnings*
RBICs	$ 12,923	$ (3,446)

*Retained earnings is included in common equity tier 1 and total capital ratios

Interest Rate Risk

The following tables set forth the bank's projected annual net interest income and market value of equity for interest rate movements as prescribed by policy as of March 31, 2019, based on the bank's interest-earning assets and interest-bearing liabilities at March 31, 2019:

Basis points:	-119*	-100	+100	+200
Change in net interest income	8.81%	5.78%	0.17%	(0.32%)
Change in market value of equity	8.50%	7.30%	(7.82%)	(16.74%)

*When the 3-month Treasury bill is below 4.00 percent, the shock-down 200 scenario is replaced with a shock-down equal to half of the 3-month Treasury bill. The bank measures interest rate risk on a quarterly basis.

For interest rate risk management, the $700.0 million noncumulative perpetual preferred stock is included in liabilities.