These minutes reflect the business transacted at the December 12, 2019, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 10:31 a.m. Members of the Board present were:

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Member

Others present included Charles Rawls, General Counsel; Dale Aultman, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and three members of the general public. (A list of staff attendees is attached as Exhibit A.)

The Secretary read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Chairman Smith reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the Agenda as published.

Chairman Smith seconded the motion.

There being no further discussion, Chairman Smith called the question.

The Secretary polled the Board Members and the motion carried unanimously.

Mr. Hall noted that the Agenda did include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that meeting be closed as shown on the Agenda.

Chairman Smith seconded the motion.

There being no further discussion, Chairman Smith called the question.
The Secretary polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes
Minutes for November 14, 2019 Regular Board Meeting
(BM-12-DEC-19-01)

Mr. Hall moved to approve the minutes for the November 14, 2019, FCA Regular Board Meeting. Chairman Smith seconded the motion. There being no further discussion Chairman Smith called the question. The Secretary polled the Board Members and the motion carried unanimously. (BM-12-DEC-19-01)

(A copy of the official "Board Action Item” is attached as Exhibit C.)

Reports
Quarterly Report on Economic Conditions and FCS Condition and Performance

Dennis Shields of the Office of Data Analytics and Economics and Hal Johnson of the Office of Examination presented the Quarterly Report on Economic Conditions and FCS Condition and Performance. Chairman Smith asked if there were any questions or further discussion from the Board. There were no further questions or discussion. (A copy of the PowerPoint presentation is attached as Exhibit D.)

Semi-Annual Report on Office of Examination Operations

Hal Johnson of the Office of Examination presented the Semi-Annual Report on the Office of Examination Operations. Chairman Smith asked if there were any questions or further discussion from the Board. There were no further questions or discussion. (A copy of the PowerPoint presentation is attached as Exhibit E.)

Informational Briefing on YBS Reporting

Jeremy D’Antoni of the Office of Data Analytics and Economics and Sal Iannetta of the Office of Regulatory Policy presented the Informational Briefing on YBS Reporting. Chairman Smith asked if there were any questions or further discussion from the Board. There were no further questions or discussion.
New Business
Proposed Rule:
District Financial Reporting


Chairman Smith open the discussion for questions by the Board.

Chairman Smith asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Chairman Smith called for a motion on the staff’s recommendation.

Mr. Hall moved to approve the Proposed Rule: District Financial Reporting as recommended by staff.

Chairman Smith seconded the motion.

Chairman Smith asked if there was any further discussion.

There being no further discussion, Chairman Smith called the question.

The Secretary polled the Board Members and the motion carried unanimously. (BM-12-DEC-19-02)

(A copy of the official “Board Action Item” is attached as Exhibit F.)

CLOSED SESSION

Chairman Smith noted that this was a Closed Session and ensured that nonessential staff were not in the room so the Board could meet in Closed Session with the Office of Examination.

Chairman Smith convened the closed session of the meeting at 10:08 a.m. and instructed the Secretary to activate the electronic recording device so that the proceedings of the Closed Session were properly recorded as required by the Government in the Sunshine Act.

Chairman Smith then instructed the General Counsel to furnish the Secretary with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in Closed Session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit G.)

Office of Examination Quarterly Report

Roger Paulsen of the Office of Examination presented OE Quarterly Report.

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.
ADJOURNMENT

There being no further business to come before the Board, Chairman Smith indicated he would entertain a motion to adjourn the meeting.

Mr. Hall moved that the meeting be adjourned.

Chairman Smith seconded the motion.

Chairman Smith called the question.

The Secretary polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:31 a.m.

NOTATIONAL VOTE ACTIONS

There were six notational vote actions approved by the FCA Board from November 14, 2019, through December 11, 2019 as follows:

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Action Date</th>
<th>Voting Results</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>NV 19-29</td>
<td>11/20/2019</td>
<td>Approved</td>
<td>FCS of Hawaii ACA Subsidiaries Merge with American AgCredit ACA Subsidiaries</td>
</tr>
<tr>
<td>NV 19-30</td>
<td>11/20/2019</td>
<td>Approved</td>
<td>FCSBA 2020 Budget and Assessments</td>
</tr>
<tr>
<td>NV 19-31</td>
<td>11/22/2019</td>
<td>Approved</td>
<td>Appointment of Jeremy D’Antoni to Position of Director of Data Analytics and Economics</td>
</tr>
<tr>
<td>NV 19-32</td>
<td>11/20/2019</td>
<td>Approved</td>
<td>FCA 2020 Compensation Program</td>
</tr>
<tr>
<td>NV 19-33</td>
<td>12/05/2019</td>
<td>Approved</td>
<td>Move date of April 2020 FCA Board meeting from April 9 to April 16, 2020</td>
</tr>
<tr>
<td>NV 19-34</td>
<td>12/10/2019</td>
<td>Approved</td>
<td>Delegation of Authority to Approve or Disapprove Association Requests, as well as extend any such existing approvals, for Regulatory Relief from the Investment Eligibility Regulation</td>
</tr>
</tbody>
</table>

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on December 12, 2019.

/s/ Glen R. Smith  
Board Chairman and Chief Executive Officer

/s/ Dale L. Aultman  
Secretary to the Board

Approved: January 9, 2020
### STAFF PRESENT AT THE
### FCA REGULAR BOARD MEETING
### December 12, 2019

Glen R. Smith, Board Chairman / CEO  
Jeffery S. Hall, Board Member

<table>
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<th>OFFICE</th>
<th>OPEN SESSION</th>
<th>CLOSED SESSION</th>
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</thead>
<tbody>
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<tr>
<td>Roque-Brehm, Awilda</td>
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<tr>
<td>Calhoun, Gaye</td>
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<td>Coleman, Robert</td>
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<td>CLOSED SESSION</td>
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<tr>
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<td>Shields, Dennis</td>
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<td>Wynn, Wade</td>
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<td>Morgan, Matt</td>
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<td><strong>GENERAL PUBLIC</strong></td>
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</tbody>
</table>
PUBLIC ANNOUNCEMENT OF MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT

Farm Credit Administration Board
Regular Meeting
December 12, 2019

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held December 12, 2019. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: Parts of this meeting of the Board will be open to the public (limited space available) and parts will be closed. Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

Approval of Minutes
1 November 14, 2019

Reports
2 Quarterly Report on Economic Conditions and FCS Condition and Performance
3 Semi-Annual Report on Office of Examination Operations
4 Informational Briefing on YBS Reporting

New Business
5 Proposed Rule: District Financial Reporting

CLOSED SESSION

6 Office of Examination Quarterly Report

/s/ December 2, 2019
Dale Aultman
Secretary to the Board

1Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).
FCA BOARD ACTION ON

Minutes for November 14, 2019

BM-12-DEC-19-01

Effective Date: December 12, 2019
Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for November 14, 2019, regular Board Meeting.

DATED THIS 12th DAY OF DECEMBER 2019

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board
Quarterly Report on FCS Condition
December 12, 2019

Dennis A. Shields
Hal Johnson
Topics for Open Session

▸ Economic Conditions Affecting the Farm Credit System
  ▪ Trade and farm income
  ▪ Crop insurance indemnities
  ▪ Farm prices and risks in 2020

▸ FCS Condition and Performance
  ▪ System growth and loan portfolio
  ▪ Earnings and capital
  ▪ Financial Institution Rating System (FIRS)
Economic Conditions Affecting the Farm Credit System

Dennis A. Shields
Chief Economist
Office of Data Analytics and Economics
U.S. soybean exports to China try to regain traction; pork exports advance in 2019

Source: USDA/FAS.
Farm income is lifted by Market Facilitation Program payments

$ billion in 2019 dollars

U.S. net cash farm income (includes government payments)

1998-2018 average = $106.6 bil.

Market Facilitation Program payments

2019 forecast of net cash farm income is $119.0 billion.

Based on USDA’s historical forecast accuracy, farm income could be as low as $115.1 billion or as high as $136.2 billion.

Source: USDA/ERS, November 27, 2019.
Crop insurance indemnities provide support to areas experiencing poor weather in 2019

Source: FCA analysis of USDA/RMA data.

Notes: Includes corn, soybeans, wheat, sorghum, cotton, and rice. Total liability is amount equal to a complete crop loss (after deductible is incurred).

2019 indemnities for 6 major program crops as a share of their total liability

6-crop indemnities as of 12/2/19

<table>
<thead>
<tr>
<th>Selected FCS geographic footprint</th>
<th>Indemnities ($ mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compeer</td>
<td>$535</td>
</tr>
<tr>
<td>Mid-America</td>
<td>$644</td>
</tr>
<tr>
<td>FCS of America</td>
<td>$1,265</td>
</tr>
<tr>
<td>Northwest FCS</td>
<td>$80</td>
</tr>
<tr>
<td>Amer. AgCredit</td>
<td>$147</td>
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<tr>
<td>U.S. total</td>
<td>$5,725</td>
</tr>
</tbody>
</table>
Farmers in the Corn Belt purchase relatively higher levels of crop insurance coverage

Average crop insurance coverage level in 2019 for combined corn, soybeans, wheat, sorghum, cotton, and rice

<table>
<thead>
<tr>
<th>Selected FCS geographic footprint</th>
<th>Average coverage level</th>
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</thead>
<tbody>
<tr>
<td>Compeer</td>
<td>81.2%</td>
</tr>
<tr>
<td>Mid-America</td>
<td>80.0%</td>
</tr>
<tr>
<td>FCS of America</td>
<td>78.4%</td>
</tr>
<tr>
<td>Northwest FCS</td>
<td>78.7%</td>
</tr>
<tr>
<td>American AgCredit</td>
<td>71.1%</td>
</tr>
<tr>
<td>U.S. total</td>
<td>77.1%</td>
</tr>
</tbody>
</table>

Source: FCA analysis of USDA/RMA data.

Note: Average coverage level in 2019 for 6 major program crops, weighted by crop value of insured acres. The insured absorbs the deductible (1 minus coverage %) before indemnity is paid.
For the 2020 crop year, another high soybean stocks-to-use ratio could keep a lid on prices

Source: FCA using USDA data (November 2019 WASDE for 2019 forecast; Baseline Projections for 2020 crop; ERS Oil Crops Yearbook for historical data).
Crop prices for the next 3 years are projected below reference prices (except soybeans)

Projected price weakness (relative to reference price) varies across growing regions

2020-2022 projected farm price as percentage of Farm Bill reference price
(combined corn, soybeans, wheat, sorghum, cotton, and rice)

<table>
<thead>
<tr>
<th>Selected FCS geographic footprint</th>
<th>Projected price as % of ref. price</th>
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<tbody>
<tr>
<td>Compeer</td>
<td>96.5%</td>
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<tr>
<td>Mid-America</td>
<td>97.5%</td>
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<tr>
<td>FCS of America</td>
<td>96.1%</td>
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<tr>
<td>Northwest FCS</td>
<td>89.4%</td>
</tr>
<tr>
<td>American AgCredit</td>
<td>90.2%</td>
</tr>
<tr>
<td>U.S. total</td>
<td>94.1%</td>
</tr>
</tbody>
</table>

Note: For each county, the 3-year average ratio (projected price/reference price) for each crop is weighted by the crop’s planted area.
Hog producer returns are expected above break-even in early 2020, but risks remain

- U.S. supply ramps up and demand prospects brighten
- Risk posed by African swine fever approaches U.S. agriculture from different angles

Hog share of total FCS loan portfolio = 2.4%

Source: 2018 FCS Information Statement.

Source: IHS Markit Agribusiness.
Government assistance for farmers in 2020

- Permanent disaster programs for livestock losses
- Crop insurance addresses within-season revenue or yield risk; coverage varies by System territory
- Farm program payments provide downside protection for some commodities (but they weren’t enough in 2018 and 2019)
- Tranche 3 payments from 2019 Market Facilitation Program?
- Additional assistance from the Administration or Congress?

Government payments as a share of net cash farm income (USDA)

<table>
<thead>
<tr>
<th></th>
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<td>15%</td>
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<td>16%</td>
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<td>8%</td>
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<td>8%</td>
<td>7%</td>
<td>10%</td>
<td>14%</td>
<td>11%</td>
<td>13%</td>
<td>19%</td>
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</tr>
</tbody>
</table>
Concluding comments

- As 2020 approaches, global crop supplies remain ample, limiting attractive pricing opportunities for U.S. farmers
- Farm financial conditions become more challenging next year in the absence of stronger markets or another injection of payments
- Expected livestock/dairy returns in early 2020 are positive, but trade and disease risk remains elevated; a recession would dim prospects
- Without broader foreign trade access, U.S. agriculture could become a “residual” supplier with farm prices remaining under pressure
Questions

THANK YOU
Farm Credit System Condition and Performance

as of
September 30, 2019

Hal Johnson
Sr. Financial Analyst
Office of Examination
Topics

- System growth
- Portfolio credit quality
- Earnings
- Capital
- FIRS
System reports little growth through the first nine months of 2019

<table>
<thead>
<tr>
<th>Total Assets 9/30/19</th>
<th>$354.0 billion</th>
<th>+0.4% Qtr +1.4% YTD</th>
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</thead>
<tbody>
<tr>
<td>Gross Loans 9/30/19</td>
<td>$276.1 billion</td>
<td>-0.04% Qtr +1.0% YTD</td>
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### Quarterly System Loan Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Loan Portfolio</th>
<th>RE Mortgage (47%)</th>
<th>Prod. &amp; Intermediate (19%)</th>
<th>Agribusiness (17%)</th>
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<tbody>
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<td>3Q-16</td>
<td>-0.7%</td>
<td>2.7%</td>
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<td>4Q-17</td>
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<td>1Q-18</td>
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<td>1Q-19</td>
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<tr>
<td>2Q-19</td>
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<td>3Q-19</td>
<td>0.0%</td>
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Source: FCS Information Statements
Credit stress edges higher; risk varies by region and sector

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<thead>
<tr>
<th>Nonperforming Assets (9/30/19)</th>
<th>$2.549 billion</th>
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<tr>
<td>Qtr Chg.</td>
<td>+ $19M or 0.8%</td>
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<tr>
<td>YTD Chg.</td>
<td>+ $267M or 11.7%</td>
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<th>Delinquencies (1) (9/30/19)</th>
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<td>Q2 '19</td>
<td>0.36%</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>0.29%</td>
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(1) accruing loans 30 days or more past due as a % of accruing loans

(1) calculated as a percentage of gross loans outstanding and other property owned (OPO)

Source: FCS Information Statements
Loans classified less than Acceptable are up in 2019 for all major loan types

% of Loans classified less than Acceptable by Loan Type

Source: FCS Information Statements
System’s financial condition is sound; year-to-date earnings stable

### System Earnings

**year-to-date through September**

- **System Net Income**
  - Sep-10: 2,633
  - Sep-11: 2,994
  - Sep-12: 3,158
  - Sep-13: 3,499
  - Sep-14: 3,569
  - Sep-15: 3,481
  - Sep-16: 3,589
  - Sep-17: 3,716
  - Sep-18: 4,012
  - Sep-19: 4,055

- **Provision for Loan Losses**
  - Sep-10: 188
  - Sep-11: 7
  - Sep-12: 9
  - Sep-13: 68
  - Sep-14: 218
  - Sep-15: 188
  - Sep-16: 146
  - Sep-17: 95

Source: FCS Information Statements

### Net Interest Spread (YTD annualized)

- Q3 ’19: 2.02%
- Q2 ’19: 2.00%
- Q3 ’18: 2.13%

### Net Interest Margin (YTD annualized)

- Q3 ’19: 2.41%
- Q2 ’19: 2.40%
- Q3 ’18: 2.45%

### % increase in YTD Average Earning Assets

(compared to the same period a year ago)

- Sep-11: 7.1%
- Sep-12: 1.9%
- Sep-13: 6.3%
- Sep-14: 7.0%
- Sep-15: 6.4%
- Sep-16: 9.8%
- Sep-17: 4.1%
- Sep-18: 4.2%
- Sep-19: 5.2%
The System is strongly capitalized

Capital and Liquidity
- as of September 30, 2019 -

- Total Regulatory Capital levels:
  Banks: 16.1% to 19.1%
  Associations: 13.5% to 39.5%

- The System’s liquidity position equaled 177 days of coverage

- Days of available liquidity for the 4 funding banks ranged from 149 to 232 days

Source: FCS Information Statements

Note: Restricted capital represents capital associated with the Insurance Fund.
System FIRS ratings

FIRS Ratings

- Composite FIRS ratings reflect the System’s solid financial performance and acceptable portfolio credit quality
- Over 90% of System Banks and Associations have a Composite FIRS rating of 1 or 2
- Institutions rated 3 or lower account for less than 2.5% of System assets

Source: FCA’s FIRS ratings database
Summary and final points

- Agricultural producers are facing tough times
  - Trade policy uncertainties, low margins, weak crop prices, large global stocks, changing markets

- Rising credit stress in the loan portfolio reflects the financial challenges confronting System borrowers

- System institutions are financially sound, well-capitalized, and have the risk-bearing capacity to respond to the credit needs of U.S. agriculture
Questions

THANK YOU
Semi-Annual Report on Office of Examination Operations
December 12, 2019

Hal Johnson
Office of Examination
Highlights of OE Operations

- Operating Plan Areas
  - Risk Supervision and Examination
  - Operational Efficiency and Effectiveness
  - Human Capital

- Summary
Risk Supervision & Examination

System Profile as of 9/30/19

72 Lending Institutions
4 Funding Banks
Assets from $26B to $136B

68 Associations
Assets from $54M to $30B

|$354.0 billion| Total Assets
|$276.1 billion| Gross Loans
|$4.1 billion| YTD Earnings

FCS Institution Activities and Guidance

- Onsite at all 4 funding banks, 64 of 68 associations, and several other related entities
- Issued 54 Reports of Examination and 37 Interim Activity Letters
  - Five institutions are under a higher level of supervisory oversight
- Other supervision and oversight activities
  - Internal / external communications
  - Examination manual updates and revisions

Source: FCS Information Statement
Supervision & Examination Initiatives

2019 NOP Risk Topics and Strategies:

▶ **Portfolio Risk | Navigating Rough Waters**
  - Credit Guidance (Risk ID & Servicing)
  - Bank Oversight
  - FCS Credit Scoring Systems
  - Stressed Industries

▶ **Internal Controls | Three lines of Defense**
  - Internal Controls (Audit)
  - ICFR Horizontal Examination Activity Informational Memorandum
  - Oversight Talking Points
Operational Efficiency & Effectiveness

- Examination tools / Ongoing technology initiatives
  - EDGe Phase II & III
  - FCS Loan Database and Data Mart
  - Technology use in examinations

- OE budget results

<table>
<thead>
<tr>
<th>Fiscal Year 2018</th>
<th>Budget (FTE)</th>
<th>Actual (FTE)</th>
<th>Variance</th>
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<tr>
<td>Expenditures ($M)</td>
<td>$35.0</td>
<td>$34.8</td>
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<td>FTE</td>
<td>178.4</td>
<td>175.3</td>
<td>3.1 FTE under</td>
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Human Capital Update

- Examiner development initiatives
- Fiscal yearend staffing levels

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<thead>
<tr>
<th>Category</th>
<th>Planned</th>
<th>Actual</th>
<th>Variance</th>
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<tbody>
<tr>
<td><strong>Total OE Staff</strong></td>
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<tr>
<td><strong>Beginning FY 2019</strong></td>
<td>177</td>
<td>181</td>
<td>4</td>
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<tr>
<td>Attrition/Retirements</td>
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<td>(25)</td>
<td>(9)</td>
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<td>Hirings</td>
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<td>15</td>
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<tr>
<td>- Associate Examiners</td>
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<tr>
<td>- Mid-Career</td>
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<td><strong>Ending FY 2019</strong></td>
<td>179</td>
<td>171</td>
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</table>

<table>
<thead>
<tr>
<th>Categories</th>
<th>Planned</th>
<th>Actual</th>
<th>Variance</th>
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<tr>
<td><strong>Commissioned Examiners</strong></td>
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<td><strong>Beginning FY 2019</strong></td>
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<tr>
<td>Newly Commissioned</td>
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<tr>
<td><strong>Ending FY 2019</strong></td>
<td>97</td>
<td>94</td>
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Summary

- Achieved examination objectives as planned while maintaining a strong onsite risk supervision and oversight presence
- Completed significant program activities, communications, examiner guidance, and risk analyses as part of accomplishing OE’s examination objectives
- Recruiting, training staff, and developing and retaining commissioned examiners remains a high priority
- Accomplished OE operating objectives within approved budget
Discussion

THANK YOU
FCA BOARD ACTION ON

Proposed Rule: District Financial Reporting

BM-12-DEC-19-02

Effective Date: December 12, 2019

THE FCA BOARD HEREBY:

- Approves the proposed rule that would amend regulations governing the presentation of related association financial information within a Farm Credit bank’s Annual Report to Shareholders; and
- Authorizes staff to make any technical or grammatical changes that may be necessary for publication in the Federal Register.

DATED THIS 12th DAY OF DECEMBER 2019

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board
CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of December 12, 2019, was properly closed to the public on the basis of the exemption set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).

_________________________  /s/_________________________
December 12, 2019                  Charles R. Rawls
Date                                      General Counsel