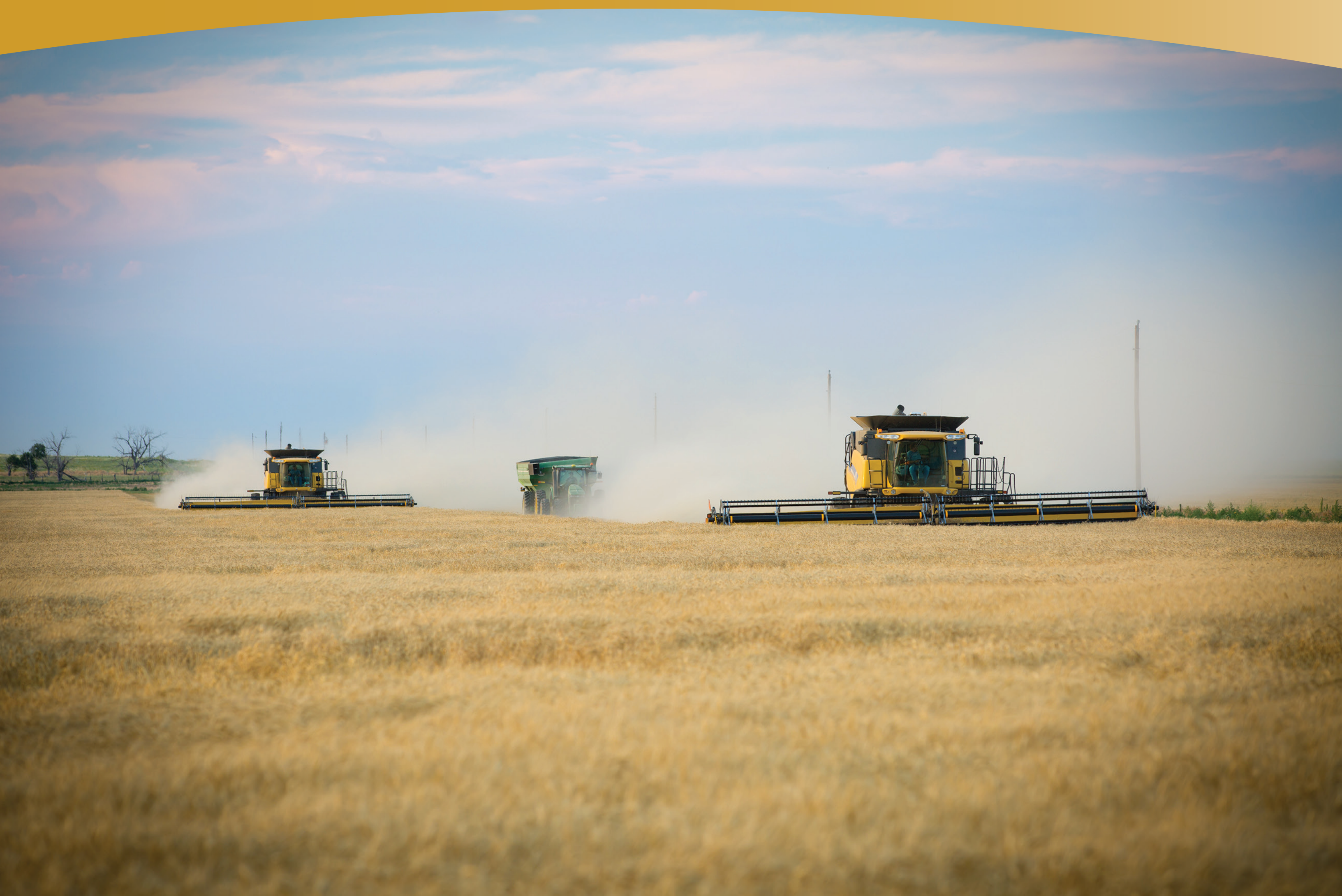
Premier Farm Credit

The Gold Standard in Ag Lending | PREMIERACA.com

3rd QUARTER REPORT 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA for the nine months ended September 30, 2020, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2019 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2019 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

CURRENT OVERVIEW

Through the third quarter of 2020, the general economy has continued to experience unsettled conditions due to the ongoing COVID-19 pandemic, rising political and social unrest, extreme weather events, trade issues, and general economic conditions. In the United States, schools resumed both virtually and in-person, testing both the pandemic recovery and ability of schools, employers and communities to adapt. Many communities are grappling with the closures of businesses and services as a result of the pandemic. The November election and political climate continue to polarize the country, as socially motivated riots and protests challenged law enforcement and wreaked havoc on communities. According to the U.S. Department of Labor, the unemployment rate declined to 12.6 million and 7.9% at the end of September, with notable job gains in leisure and hospitality, retail trade, health care/social assistance and in professional and business services. This marked the 5th consecutive month of decline but was still 4.4% and 6.8 million jobs higher than the rate in February 2020. Consumer spending continued to rise, and the Fed credited the $3.3 trillion in relief spending authorized by Congress with driving the recovery and asked lawmakers for more. This seems unlikely until later in the year given the current political climate. Stocks surged through much of the third quarter before waning in September. Continued trade progress and setbacks with China have continued to affect the markets. The Federal Open Market Committee (FOMC) voted in September to maintain the Fed Funds rate at 0.25%, which is expected to remain for some time. Large fires across the west, tropical storms in the east, and a surprise derecho storm that swept across the Midwest have caused significant damage with long-term physical and financial impacts.

Locally, producers continued to grapple with challenges related to the COVID-19 pandemic, unfavorable markets and poor growing conditions. Much of our lending territory progressed into the extreme drought category during the third quarter, impacting crop yields and livestock gains. Continued government support of the agricultural sector promises some relief, along with the support of crop insurance, with the final results yet to be seen. The fall corn harvest began relatively early this year, as several crop harvest periods that are usually separated by weeks blended together due to the difficult weather conditions. Livestock continue to be weaned early and additional feed sources sought in many cases due to the lack of precipitation. Area producers predominantly continue to manage both risk and costs to the best of their abilities. Earnings or losses remain yet to be determined for most operations for the current year. Premier Farm Credit remains positioned to provide customized loan solutions for borrowers experiencing financial stress in lieu of a blanket deferment program, in an effort to best meet the needs of each customer. We also continue to diligently work through the Paycheck Protection Program, having processed $1.2 million in applications. Credit quality continues to reflect improvement due to favorable loan performance and retiring debt. It is anticipated that credit quality in our direct and purchased portfolios will remain relatively stable. Premier Farm Credit remains well-capitalized and positioned to support operations through potential challenges. The current environment continues to pose heightened risks, including credit risk, liquidity risk, market risk, operational risk, health risk and political risk.

Business operations for Premier Farm Credit remained affected by the pandemic, but continue to be high-functioning, particularly with some easing of restrictions. All location lobbies remain open, with good health guidelines and social distancing and physical barriers in place. Staff continued to work both remotely and on-location as needed for each situation. Management continues to share illness and COVID-related procedures, information, and best practices with staff and is committed to keeping the wellness and safety of our employees, customers and stakeholders a top priority. Northeast Colorado is currently experiencing an uptick in COVID cases and it remains to be seen how effective policy responses will be given the unique attributes of the continuing pandemic. Outward watchfulness is also being utilized as our area has not been widely affected but also has not been immune to social unrest. We will continue to monitor developments on all fronts and remains ready to adjust business operations in response as needed.

LOAN PORTFOLIO

Loans outstanding at September 30, 2020, totaled $757.2 million, an increase of $45.9 million, or 6.46%, from loans of $711.3 million at December 31, 2019. The increase was primarily due to new loans booked and increased usage of operating lines of credit during 2020, partially offset by loan prepayments and principal reductions on term loans.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2020, was $10.3 million, a decrease of $945 thousand, or 8.41%, from the same period ended one year ago. The decrease in net income was primarily attributed to an $11 thousand credit loss reversal in the first nine months of 2020 compared to a $576 thousand credit loss reversal in the same time period last year, and increased noninterest expenses.

Net interest income for the nine months ended September 30, 2020, was $14.9 million, an increase of $314 thousand, or 2.15%, compared with the nine months ended September 30, 2019. Net interest income increased as a result of increased average loan volume compared to the same prior year period.

The credit loss reversal for the nine months ended September 30, 2020, was $11 thousand, a decrease of $565 thousand, or 98.09%, from the credit loss reversal for the same period ended one year ago. The credit loss reversal decrease in 2020 includes an additional level of reserves to reflect inherent losses in our loan portfolio resulting from deterioration in the environment and business disruptions related to COVID-19. The credit loss reversal in 2019 was primarily related to the elimination of a management reserve related to the Republican Basin Well Users.

Noninterest income decreased $79 thousand during the first nine months of 2020 compared with the first nine months in 2019 primarily due to decreases in mineral income and CoBank patronage distributions. We received mineral income of $289 thousand during the first nine months of 2020, which is distributed to us quarterly by CoBank. The decrease compared with first nine months of 2019 is primarily the result of a significant drop in crude oil and natural gas prices and production volumes in the third quarter of 2020. Also included in noninterest income is a refund of $148 thousand from Farm Credit System Insurance Corporation (FCSIC), a decrease of $15 thousand compared with the refund in 2019. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2019 Annual Report to Shareholders for additional information. These decreases were partially offset with higher loan fee income, which is primarily due to increased conversion fees compared to the first nine months of 2019.

During the first nine months of 2020, noninterest expense increased $615 thousand to $7.7 million, primarily due to modest increases in salary and employee benefit expenses and increased costs of purchased services from AgVantis.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2020, was $181.2 million, an increase from $170.9 million at December 31, 2019. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, partially offset by net stock reductions.

OTHER MATTERS

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time we are unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Refer to the 2019 Annual Report for further information.

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

Lyndsey D. Graves
Chair of the Audit Committee
November 5, 2020

Michael Grauberger
President & CEO
November 5, 2020

Jeffrey L. Schumacher
Chief Financial Officer
November 5, 2020

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2020	December 31 2019
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 757,208**	$ 711,281
Less allowance for loan losses	**2,174**	2,178
Net loans	**755,034**	709,103
Cash	**1,777**	12,840
Accrued interest receivable	**13,839**	10,786
Investment in CoBank, ACB	**21,863**	21,782
Premises and equipment, net	**807**	910
Prepaid benefit expense	**3,022**	2,666
Other assets	**3,253**	4,463
Total assets	**$ 799,595**	$ 762,550
LIABILITIES		
Note payable to CoBank, ACB	**$ 602,302**	$ 568,955
Advance conditional payments	**11,751**	11,019
Accrued interest payable	**794**	1,219
Patronage distributions payable	**-**	5,500
Accrued benefits liability	**760**	757
Reserve for unfunded commitments	**370**	351
Other liabilities	**2,394**	3,834
Total liabilities	**618,371**	591,635
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**846**	867
Unallocated retained earnings	**180,616**	170,325
Accumulated other comprehensive income/(loss)	**(238)**	(277)
Total shareholders' equity	**181,224**	170,915
Total liabilities and shareholders' equity	**$ 799,595**	$ 762,550

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30 2020	2019	For the nine months ended September 30 2020	2019
INTEREST INCOME				
Loans	**$ 7,520**	$ 8,614	**$ 23,435**	$ 25,943
Total interest income	**7,520**	8,614	**23,435**	25,943
INTEREST EXPENSE				
Note payable to CoBank, ACB	**2,439**	3,733	**8,444**	11,185
Other	**7**	41	**45**	126
Total interest expense	**2,446**	3,774	**8,489**	11,311
Net interest income	**5,074**	4,840	**14,946**	14,632
Credit loss reversal	**(218)**	(66)	**(11)**	(576)
Net interest income after credit loss reversal	**5,292**	4,906	**14,957**	15,208
NONINTEREST INCOME				
Financially related services income	**215**	217	**329**	287
Loan fees	**143**	154	**424**	304
Patronage distribution from Farm Credit institutions	**602**	612	**1,751**	1,865
Farm Credit Insurance Fund distribution	**-**	-	**148**	163
Mineral income	**61**	130	**289**	428
Other noninterest income	**34**	31	**141**	114
Total noninterest income	**1,055**	1,144	**3,082**	3,161
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,593**	1,294	**4,404**	3,724
Occupancy and equipment	**121**	110	**324**	328
Purchased services from AgVantis, Inc.	**430**	410	**1,290**	1,230
Farm Credit Insurance Fund premium	**151**	111	**359**	333
Supervisory and examination costs	**61**	72	**207**	215
Other noninterest expense	**419**	488	**1,150**	1,289
Total noninterest expense	**2,775**	2,485	**7,734**	7,119
Income before income taxes	**3,572**	3,565	**10,305**	11,250
Provision for income taxes	**5**	5	**14**	14
Net income	**3,567**	3,560	**10,291**	11,236
COMPREHENSIVE INCOME				
Amortization of retirement costs	**13**	14	**39**	42
Total comprehensive income	**$ 3,580**	$ 3,574	**$ 10,330**	$ 11,278

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2018	$ 862	$ 161,486	$ (285)	$ 162,063
Comprehensive income		11,236	42	11,278
Stock issued	33			33
Stock retired	(28)			(28)
Balance at September 30, 2019	$ 867	$ 172,722	$ (243)	$ 173,346
Balance at December 31, 2019	$ 867	$ 170,325	$ (277)	$ 170,915
Comprehensive income		10,291	39	10,330
Stock issued	42			42
Stock retired	(63)			(63)
Balance at September 30, 2020	**$ 846**	**$ 180,616**	**$ (238)**	**$ 181,224**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2019, are contained in the 2019 Annual Report to Shareholders. These unaudited third quarter 2020 financial statements should be read in conjunction with the 2019 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2019, as contained in the 2019 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2020. Descriptions of the significant accounting policies are included in the 2019 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. The Association has adopted this relief for qualifying loan modifications**.**

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association is evaluating the impact of adoption on its financial condition and its results of operations.

In December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations, nor will the guidance impact the presentation of taxes for prior periods in the 2020 interim or year-end financial statements.

In August 2018, the 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 became 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. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or 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 adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

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 became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but will impact the fair value measurements disclosures.

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 was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. On October 16, 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

(dollars in thousands)	**September 30, 2020**	December 31, 2019
Real estate mortgage	**$ 400,275**	$ 383,380
Production and intermediate-term	**166,827**	166,869
Agribusiness	**132,564**	116,145
Rural infrastructure	**46,832**	37,082
Rural residential real estate	**59**	154
Agricultural export finance	**10,651**	7,651
Total Loans	**$ 757,208**	$ 711,281

The Association purchases and 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 at September 30, 2020:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 39,008	$ 26,305
Production and intermediate-term	37,701	3,517
Agribusiness	130,067	-
Rural infrastructure	46,832	-
Agricultural export finance	10,651	-
Total	$ 264,259	$ 29,822

One credit quality indicator utilized by the Association 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.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2020	December 31, 2019
Real estate mortgage		
Acceptable	**88.18%**	85.78%
OAEM	**8.76%**	9.11%
Substandard	**3.06%**	5.11%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**86.94%**	83.55%
OAEM	**5.83%**	6.93%
Substandard	**7.23%**	9.52%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**97.51%**	95.91%
OAEM	**1.96%**	2.84%
Substandard	**0.53%**	1.25%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**94.80%**	91.37%
OAEM	**1.13%**	6.64%
Substandard	**4.07%**	1.99%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**90.08%**	87.34%
OAEM	**6.36%**	7.36%
Substandard	**3.56%**	5.30%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

(dollars in thousands)	**September 30, 2020**	December 31, 2019
Nonaccrual loans		
Real estate mortgage	**$ 66**	$ 78
Agribusiness	**229**	758
Total nonaccrual loans	**$ 295**	$ 836
Total impaired loans	**$ 295**	$ 836
Total high risk assets	**$ 295**	$ 836

The Association had no accruing restructured loans, no accruing loans 90 days past due, and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2020			December 31, 2019		
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 66**	**$ 78**		$ 78	$ 83	
Agribusiness	**229**	**263**		758	987	
Total	**$ 295**	**$ 341**		$ 836	$ 1,070	

The Association had no impaired loans with related allowance as of September 30, 2020 or December 31, 2019.

Note: The recorded investment in the loan receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the loan receivable.

	For the Three Months Ended September 30, 2020		For the Three Months Ended September 30, 2019	
(dollars in thousands)	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 66**	**$ -**	$ 78	$ -
Production and intermediate-term	**2**	**-**	-	-
Agribusiness	**231**	**3**	1,037	(15)
Total	**$ 299**	**$ 3**	$ 1,115	$ (15)

(dollars in thousands)	For the Nine Months Ended September 30, 2020		For the Nine Months Ended September 30, 2019	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Agribusiness	**$ -**	**$ -**	$ 221	$ -
Total	**$ -**	**$ -**	$ 221	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 72**	**$ -**	$ 1,068	$ 303
Production and intermediate-term	**8**	**-**	-	-
Agribusiness	**234**	**107**	1,019	1
Total	**$ 314**	**$ 107**	$ 2,087	$ 304
Total impaired loans:				
Real estate mortgage	**$ 72**	**$ -**	$ 1,068	$ 303
Production and intermediate-term	**8**	**-**	-	-
Agribusiness	**234**	**107**	1,240	1
Total	**$ 314**	**$ 107**	$ 2,308	$ 304

The following tables provide an age analysis of past due loans (including accrued interest):

September 30, 2020 *(dollars in thousands)*	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 410,230	$ 410,230	$ -
Production and intermediate-term	18	-	18	170,314	170,332	-
Agribusiness	-	-	-	132,875	132,875	-
Rural infrastructure	-	-	-	46,879	46,879	-
Rural residential real estate	-	-	-	59	59	-
Agricultural export finance	-	-	-	10,672	10,672	-
Total	$ 18	$ -	$ 18	$ 771,029	$ 771,047	$ -

December 31, 2019 *(dollars in thousands)*	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 220	$ -	$ 220	$ 390,912	$ 391,132	$ -
Production and intermediate-term	5,537	-	5,537	163,925	169,462	-
Agribusiness	45	525	570	115,899	116,469	-
Rural infrastructure	-	-	-	37,170	37,170	-
Rural residential real estate	-	-	-	154	154	-
Agricultural export finance	-	-	-	7,680	7,680	-
Total	$ 5,802	$ 525	$ 6,327	$ 715,740	$ 722,067	$ -

A summary of changes in the allowance for loan losses is as follows:

(dollars in thousands)	Balance at June 30, 2020	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at September 30, 2020
Real estate mortgage	$ 481	$ -	$ -	$ (182)	$ 299
Production and intermediate-term	685	-	1	(16)	670
Agribusiness	851	-	-	(25)	826
Rural infrastructure	309	-	-	(1)	308
Rural residential real estate	1	-	-	(1)	-
Agricultural export finance	69	-	-	2	71
Total	$ 2,396	$ -	$ 1	$ (223)	$ 2,174

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at September 30, 2020
Real estate mortgage	$ 480	$ -	$ -	$ (181)	$ 299
Production and intermediate-term	796	-	3	(129)	670
Agribusiness	650	-	22	154	826
Rural infrastructure	219	-	-	89	308
Agricultural export finance	33	-	-	38	71
Total	$ 2,178	$ -	$ 25	$ (29)	$ 2,174

(dollars in thousands)	Balance at June 30, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2019
Real estate mortgage	$ 479	$ -	$ -	$ 8	$ 487
Production and intermediate-term	653	-	-	30	683
Agribusiness	820	130	-	(42)	648
Rural infrastructure	221	-	-	9	230
Agricultural export finance	18	-	-	17	35
Total	$ 2,191	$ 130	$ -	$ 22	$ 2,083

(dollars in thousands)	Balance at December 31, 2018	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at September 30, 2019
Real estate mortgage	$ 1,132	$ -	$ -	$ (645)	$ 487
Production and intermediate-term	750	1	5	(71)	683
Agribusiness	683	130	-	95	648
Rural infrastructure	208	-	-	22	230
Agricultural export finance	17	-	-	18	35
Total	$ 2,790	$ 131	$ 5	$ (581)	$ 2,083

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2020**	2019	**2020**	2019
Balance at beginning of period	**$ 365**	$ 430	**$ 351**	$ 337
Provision for/(Reversal of) reserve for unfunded commitments	**5**	(88)	**19**	5
Total	**$ 370**	$ 342	**$ 370**	$ 342

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at September 30, 2020		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2020	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 299	$ 66	$ 410,164
Production and intermediate-term	-	670	-	170,332
Agribusiness	-	826	229	132,646
Rural infrastructure	-	308	-	46,879
Rural residential real estate	-	-	-	59
Agricultural export finance	-	71	-	10,672
Total	$ -	$ 2,174	$ 295	$ 770,752

	Allowance for Loan Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 480	$ 77	$ 391,055
Production and intermediate-term	-	796	-	169,462
Agribusiness	-	650	758	115,711
Rural infrastructure	-	219	-	37,170
Rural residential real estate	-	-	-	154
Agricultural export finance	-	33	-	7,680
Total	$ -	$ 2,178	$ 835	$ 721,232

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. The Association recorded no TDRs during the nine months ended September 30, 2020.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first nine months of 2020 and 2019. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at September 30, 2020 and December 31, 2019.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
(dollars in thousands)	**September 30, 2020**	December 31, 2019	**September 30, 2020**	December 31, 2019
Agribusiness	**$ -**	$ 267	**$ -**	$ 267
Total	**$ -**	$ 267	**$ -**	$ 267

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	As of September 30, 2020	As of December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	18.66%	19.14%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.66%	19.14%	6.0%	2.5%	8.5%
Total capital ratio	18.99%	19.45%	8.0%	2.5%	10.5%
Permanent capital ratio	18.71%	19.19%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.40%	20.85%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	20.87%	21.32%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following table presents the activity in the accumulated other comprehensive income/loss, net of tax by component:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2020**	2019	**2020**	2019
Pension and other benefit plans:				
Beginning balance	**$ (251)**	$ (258)	**$ (277)**	$ (285)
Amounts reclassified from accumulated other comprehensive loss	**13**	15	**39**	42
Net current period other comprehensive income	**13**	15	**39**	42
Ending balance	**$ (238)**	$ (243)	**$ (238)**	$ (243)

The following tables represent reclassifications out of accumulated other comprehensive loss:

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
(dollars in thousands)	**2020**	2019	
Pension and other benefit plans:			
Net actuarial loss	**$ 13**	$ 15	Salaries and employee benefits
Total reclassifications	**$ 13**	$ 15	

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
(dollars in thousands)	**2020**	2019	
Pension and other benefit plans:			
Net actuarial loss	**$ 39**	$ 42	Salaries and employee benefits
Total reclassifications	**$ 39**	$ 42	

NOTE 4 - 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 of the 2019 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
September 30, 2020	**$ 624**	**$ -**	**$ -**	**$ 624**
December 31, 2019	$ 736	$ -	$ -	$ 736

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2020 or December 31, 2019.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at September 30, 2020 or December 31, 2019.

Valuation Techniques

As more fully discussed in Note 2 of the 2019 Annual Report to Shareholders, 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. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are 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.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, 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. The fair value of these loans would fall under Level 2 hierarchy if the process uses independent appraisals and other market-based information.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 5, 2020, which is the date the financial statements were issued, and no material subsequent events were identified.