Premier Farm Credit

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1ST QUARTER REPORT 2021

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 (the Association) for the three months ended March 31, 2021, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2020 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 2020 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

The first quarter of 2021 proved to be as eventful as the previous year, despite early sentiment that calmer times were ahead. The year began with the storming of the U.S. Capitol by protestors on January 7, which led to violence and several deaths. This event was tied to the inauguration of the 46th President Joe Biden, who succeeded President Donald Trump in a hotly contested election marked by claims of fraud. A subsequent attempt to impeach President Trump post-office failed and drove further political division in the country. The financial world experienced its first-ever stock price manipulation situation driven by individual investors connected via a social media platform, who organized around supporting the stock of a video-game company and theater chain. The end result was billions of dollars of losses to several traditional hedge funds and a new focus on the role of individual investors in financial markets. President Joe Biden rolled out a $1.9 trillion stimulus plan that included another round of direct payments to citizens, and the Federal deficit came in larger than expected. The stock markets were mixed but overall higher, with Treasury-yields climbing along with the value of the dollar. The Federal Open Market Committee met in March and kept the Fed Funds rate in the 0-0.25% target range and expressed their intent to leave it there until 2023, despite rising bond rates and fears of inflation. The United States economy continues to have numerous impediments to a full recovery across certain sectors of the economy, unemployment levels remain high and economic output remains challenged. The COVID-19 pandemic remains a global public health crisis, although vaccines have been deployed and are in various stages based on specific areas of the United States. The outlook is cautiously optimistic for returns to more normal, though not pre-COVID, times with the acceleration of the vaccine rollout and the slow return to regular functions by many states. The citizens of the country remain deeply divided on political and social issues with no easy resolution in sight.

Premier Farm Credit's territory remained affected by the ongoing pandemic but with relatively stable conditions at quarter-end. Most producers have realized higher earnings than expected, due in large part to government payment support in 2020, which has eased the strain of the current downturn on many producers. Optimism for improving markets is increasing, as it appears that commodity values are poised to remain strong and offer earnings support for producers going forward. The government announced another round of Coronavirus Food Assistance Program payments to livestock and crop producers that will provide much-needed support and relief in the first half of 2021. The territory did receive favorable moisture in March but still lags in needed precipitation to break the serious drought. Producers are making 2021 growing season decisions with more uncertainty than in years past but with an eye on both management and the bottom line. Political and social challenges loom on the horizon for agriculture, as the large urban population remains out of touch with the reality of food production in our nation. Colorado in particular is facing a threat in the form of proposed Initiative 16, which would effectively end animal agriculture in our state and deal a deep blow to crop producers. Premier is actively working to support efforts to remove this measure from the 2022 ballot if possible, and if not, to support voter education efforts around the measure. We are also working to increase our presence and influence on behalf of our agricultural producers.

The U.S. government has continued to institute various programs in support of the COVID-19 recovery. In December 2020, Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which, among other provisions, allocated additional funding for Paycheck Protection Program (PPP) loans and allows certain existing PPP borrowers to apply for additional loans or draws on existing loans. The Association obtained approval to participate as a lender in the PPP in 2020 and has continued to provide funds to eligible borrowers during the first quarter of 2021. The impact of U.S. government support programs and stimulus on the broader agriculture economy and our customers in particular is uncertain at this time.

Association credit quality is anticipated to remain relatively stable through the end of 2021. The COVID-19 pandemic has heightened many risks, including credit risk, liquidity risk, market risk, and operational risk. The effectiveness of our mitigation efforts and the extent to which COVID-19 affects our business, results of operations and financial condition may depend on factors beyond our control. We cannot predict the severity and the duration of the impact of the COVID-19 pandemic. Buildings and operations remain open and functioning with good health guidelines and social distancing requirements in place. We remain focused on responding to this crisis and protecting the health and safety of our employees while continuing to serve our customers.

LOAN PORTFOLIO

Loans outstanding at March 31, 2021, totaled $761.2 million, a decrease of $3.0 million, or 0.4%, from loans of $764.2 million at December 31, 2020. The decrease was primarily due to operating loan repayments and principal reductions on term loans, partially offset by new loans booked.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2021, was $3.6 million, an increase of $334 thousand, or 10.3%, from the same period ended one year ago. The increase in net income was primarily attributed to credit loss reversal, increased net interest income, and decreased noninterest expenses, partially offset by decreased noninterest income.

For the three months ended March 31, 2021, net interest income was $5.1 million, an increase of $162 thousand, or 3.3%, compared with the three months ended March 31, 2020. Net interest income increased as a result of increased loan volume compared to the same prior year period.

The credit loss reversal for the three months ended March 31, 2021, was $22 thousand, compared to provision for credit losses of $216 thousand for the same period ended one year ago. Improved credit quality contributed to a credit loss reversal for the three months ended March 31, 2021 compared to the prior period where additional provision for credit losses were made related to qualitative reserves and other adjustments relative to both funded and unfunded commitments.

Noninterest income decreased $107 thousand during the first three months of 2021 compared with the first three months in 2020 primarily due to the absence of a Farm Credit System Insurance Corporation (FCSIC) refund and decreases in mineral income and other noninterest income. These decreases were offset by increases in patronage and financially related services income. Also included in noninterest income in 2020 was a refund of $148 thousand from FCSIC. No refund was received in 2021. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2020 Annual Report to Shareholders for additional information.

We received mineral income of $79 thousand during the first three months of 2021, which is distributed to us quarterly by CoBank. The decrease for the three months ended March 31, 2021, compared with first three months of 2020 is primarily the result of a drop in crude oil and natural gas prices and production volumes in the first quarter of 2021.

During the first three months of 2021, noninterest expense decreased $42 thousand to $2.5 million, primarily due to decreases in employee benefit expenses, occupancy and equipment expenses, and other noninterest expenses. These decreases were partially offset by increased purchased service costs from AgVantis and higher Farm Credit Insurance Fund premiums.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2021, was $183.8 million, an increase from $180.2 million at December 31, 2020. This increase is due to net income, the amortization of pension costs included in the net periodic benefit cost, and an increase in net stock.

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 Secured Overnight Financing Rate (SOFR) or any other alternative reference rate will become the benchmark to replace LIBOR. Because we engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on the Association and our borrowers. Management has documented a LIBOR transition plan to address the phase out of LIBOR rates in the future, including any updates to processes and loan servicing technology.

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
May 6, 2021

Michael Grauberger
President & CEO
May 6, 2021

Jeffrey L. Schumacher
Chief Financial Officer
May 6, 2021

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2021	December 31 2020
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 761,199**	$ 764,184
Less allowance for loan losses	**2,055**	2,155
Net loans	**759,144**	762,029
Cash	**2,560**	11,507
Accrued interest receivable	**7,338**	9,937
Investment in CoBank, ACB	**23,582**	23,515
Premises and equipment, net	**746**	775
Prepaid benefit expense	**2,928**	3,125
Other assets	**3,291**	4,398
Total assets	**$ 799,589**	$ 815,286
LIABILITIES		
Note payable to CoBank, ACB	**$ 592,777**	$ 607,925
Advance conditional payments	**18,925**	15,262
Accrued interest payable	**720**	778
Patronage distributions payable	**-**	4,500
Accrued benefits liability	**784**	783
Reserve for unfunded commitments	**440**	361
Other liabilities	**2,160**	5,492
Total liabilities	**615,806**	635,101
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**852**	845
Unallocated retained earnings	**183,167**	179,587
Accumulated other comprehensive income/(loss)	**(236)**	(247)
Total shareholders' equity	**183,783**	180,185
Total liabilities and shareholders' equity	**$ 799,589**	$ 815,286

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 March 31 2021	2020
INTEREST INCOME		
Loans	**$ 7,175**	$ 8,284
Total interest income	**7,175**	8,284
INTEREST EXPENSE		
Note payable to CoBank, ACB	**2,082**	3,332
Other	**11**	32
Total interest expense	**2,093**	3,364
Net interest income	**5,082**	4,920
(Credit loss reversal)/Provision for credit losses	**(22)**	216
Net interest income after credit loss reversal/provision for credit losses	**5,104**	4,704
NONINTEREST INCOME		
Financially related services income	**80**	57
Loan fees	**110**	110
Patronage distribution from Farm Credit institutions	**650**	562
Farm Credit Insurance Fund distribution	**-**	148
Mineral income	**79**	126
Other noninterest income	**54**	77
Total noninterest income	**973**	1,080
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,218**	1,369
Occupancy and equipment	**98**	114
Purchased services from AgVantis, Inc.	**476**	430
Farm Credit Insurance Fund premium	**220**	102
Supervisory and examination costs	**77**	73
Other noninterest expense	**403**	446
Total noninterest expense	**2,492**	2,534
Income before income taxes	**3,585**	3,250
Provision for income taxes	**5**	4
Net income	**3,580**	3,246
COMPREHENSIVE INCOME		
Amortization of retirement costs	**11**	13
Total comprehensive income	**$ 3,591**	$ 3,259

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, 2019	$ 867	$ 170,325	$ (277)	$ 170,915
Comprehensive income		3,246	13	3,259
Stock issued	17			17
Stock retired	(30)			(30)
Balance at March 31, 2020	$ 854	$ 173,571	$ (264)	$ 174,161
Balance at December 31, 2020	$ 845	$ 179,587	$ (247)	$ 180,185
Comprehensive income		3,580	11	3,591
Stock issued	24			24
Stock retired	(17)			(17)
Balance at March 31, 2021	**$ 852**	**$ 183,167**	**$ (236)**	**$ 183,783**

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, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited first quarter 2021 financial statements should be read in conjunction with the 2020 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, 2020, as contained in the 2020 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, 2021. Descriptions of the significant accounting policies are included in the 2020 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 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 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 impact of the adoption was not material to the Association’s financial condition or its results of operations. We have begun to apply the optional accounting expedients to our loans as we incorporate fallback language into these agreements.

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. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’s financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follow:

(dollars in thousands)	**March 31, 2021**	December 31, 2020
Real estate mortgage	**$ 413,955**	$ 402,413
Production and intermediate-term	**147,832**	166,701
Agribusiness	**137,853**	137,845
Rural infrastructure	**49,868**	48,508
Rural residential real estate	**476**	372
Agricultural export finance	**11,215**	8,345
Total loans	**$ 761,199**	$ 764,184

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 March 31, 2021:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 41,249	$ 32,818
Production and intermediate-term	38,161	5,693
Agribusiness	135,058	-
Rural infrastructure	49,872	-
Agricultural export finance	11,215	-
Total	$ 275,555	$ 38,511

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:

	March 31, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**93.13%**	88.60%
OAEM	**3.99%**	8.41%
Substandard	**2.88%**	2.99%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**85.98%**	86.75%
OAEM	**6.55%**	7.15%
Substandard	**7.47%**	6.10%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.59%**	96.82%
OAEM	**2.93%**	2.71%
Substandard	**0.48%**	0.47%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**98.96%**	98.91%
OAEM	**1.04%**	1.09%
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	**92.85%**	90.44%
OAEM	**4.04%**	6.56%
Substandard	**3.11%**	3.00%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**March 31, 2021**	December 31, 2020
Nonaccrual loans		
Real estate mortgage	**$ 66**	$ 67
Agribusiness	**199**	202
Total nonaccrual loans	**$ 265**	$ 269
Total high risk assets	**$ 265**	$ 269

The Association had no nonaccrual loans, 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:

(dollars in thousands)	**March 31, 2021** Recorded Investment	**March 31, 2021** Unpaid Principal Balance	**March 31, 2021** Related Allowance	December 31, 2020 Recorded Investment	December 31, 2020 Unpaid Principal Balance	December 31, 2020 Related Allowance
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 66**	**$ 78**		$ 67	$ 78	
Agribusiness	**199**	**253**		202	417	
Total	**$ 265**	**$ 331**		$ 269	$ 495	

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.

The Association had no impaired loans with related allowance as of March 31, 2021 or December 31, 2020.

(dollars in thousands)	**For the Three Months Ended March 31, 2021** Average Impaired Loans	**For the Three Months Ended March 31, 2021** Interest Income Recognized	For the Three Months Ended March 31, 2020 Average Impaired Loans	For the Three Months Ended March 31, 2020 Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 66**	**$ -**	$ 77	$ -
Agribusiness	**201**	**-**	238	56
Total	**$ 267**	**$ -**	$ 315	$ 56

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

	March 31, 2021					
(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	$ 110	$ -	$ 110	$ 419,159	$ 419,269	$ -
Production and intermediate-term	441	-	441	149,026	149,467	-
Agribusiness	-	-	-	138,136	138,136	-
Rural infrastructure	-	-	-	49,954	49,954	-
Rural residential real estate	-	-	-	479	479	-
Agricultural export finance	-	-	-	11,232	11,232	-
Total	$ 551	$ -	$ 551	$ 767,986	$ 768,537	$ -

(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
	December 31, 2020					
Real estate mortgage	$ -	$ -	$ -	$ 409,574	$ 409,574	$ -
Production and intermediate-term	25	-	25	169,092	169,117	-
Agribusiness	-	-	-	138,131	138,131	-
Rural infrastructure	-	-	-	48,566	48,566	-
Rural residential real estate	-	-	-	374	374	-
Agricultural export finance	-	-	-	8,359	8,359	-
Total	$ 25	$ -	$ 25	$ 774,096	$ 774,121	$ -

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

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2021
Real estate mortgage	$ 342	$ -	$ -	$ (17)	$ 325
Production and intermediate-term	636	-	1	(59)	578
Agribusiness	836	-	-	1	837
Rural infrastructure	302	-	-	(32)	270
Agricultural export finance	39	-	-	6	45
Total	$ 2,155	$ -	$ 1	$ (101)	$ 2,055

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2020
Real estate mortgage	$ 480	$ -	$ -	$ 35	$ 515
Production and intermediate-term	796	-	2	(100)	698
Agribusiness	650	-	22	204	876
Rural infrastructure	219	-	-	57	276
Rural residential real estate	-	-	-	1	1
Agricultural export finance	33	-	-	11	44
Total	$ 2,178	$ -	$ 24	$ 208	$ 2,410

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 March 31	
(dollars in thousands)	**2021**	2020
Balance at beginning of period	**$ 361**	$ 351
Provision for reserve for unfunded commitment	**79**	8
Total	**$ 440**	$ 359

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at March 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 325	$ 66	$ 419,203
Production and intermediate-term	-	578	-	149,467
Agribusiness	-	837	199	137,937
Rural infrastructure	-	270	-	49,954
Rural residential real estate	-	-	-	479
Agricultural export finance	-	45	-	11,232
Total	$ -	$ 2,055	$ 265	$ 768,272

	Allowance for Loan Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 342	$ 67	$ 409,507
Production and intermediate-term	-	636	-	169,117
Agribusiness	-	836	202	137,929
Rural infrastructure	-	302	-	48,566
Rural residential real estate	-	-	-	374
Agricultural export finance	-	39	-	8,359
Total	$ -	$ 2,155	$ 269	$ 773,852

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 three months ended March 31, 2021 or March 31, 2020 and have no TDRs in the portfolio for the periods presented.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2021 and 2020. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2021 and December 31, 2020.

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 March 31, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	18.49%	18.63%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.49%	18.63%	6.0%	2.5%	8.5%
Total capital ratio	18.78%	18.92%	8.0%	2.5%	10.5%
Permanent capital ratio	18.53%	18.67%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.24%	20.39%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	20.92%	20.86%	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 tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

	For the Three Months Ended March 31	
(dollars in thousands)	**2021**	2020
Pension and other benefit plans:		
Beginning balance	**$ (247)**	$ (277)
Amounts reclassified from accumulated other comprehensive loss	**11**	13
Net current period other comprehensive income	**11**	13
Ending balance	**$ (236)**	$ (264)

The following table represents reclassifications out of accumulated other comprehensive loss:

	Amount Reclassified from Accumulated Other Comprehensive Loss		
	For the Three Months Ended March 31		Location of Gain/Loss Recognized in Statement of Income
(dollars in thousands)	**2021**	2020	
Pension and other benefit plans:			
Net actuarial loss	**$ 11**	$ 13	Salaries and employee benefits
Total reclassifications	**$ 11**	$ 13	

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 2020 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				
March 31, 2021	**$ 822**	**$ -**	**$ -**	**$ 822**
December 31, 2020	$ 682	$ -	$ -	$ 682

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2021 or December 31, 2020.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value
(dollars in thousands)	Level 1	Level 2	Level 3	
Loans Held for Sale				
March 31, 2021	**$ -**	**$ -**	**$ 837**	**$ 837**
December 31, 2020	$ -	$ -	$ -	$ -

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2021 or December 31, 2020.

Valuation Techniques

As more fully discussed in Note 2 of the 2020 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. These loans have fair value measurements that 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.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 6, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.