Quarterly Report to Stockholders

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

as of September 30, 2020

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the third quarter of 2020. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2019 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.AgLoan.com, or can be obtained free of charge by calling our corporate headquarters at (707) 545-1200. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, Colorado, and New Mexico, as well as the states of Nevada and Hawaii. The Association possesses an extremely strong geographic and commodity diversification within the Farm Credit System.

Forward Looking Statements

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2019 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Chief Executive Officer Succession

Chief Executive Officer Byron Enix has announced his retirement from a long career within the Farm Credit System. The Board of Directors of the Association executed a preexisting CEO succession plan which included a nationwide search process. This culminated in the appointment of Curt Hudnutt as the Association's next Chief Executive Officer. Mr. Hudnutt holds an MBA from the University of Northern Iowa, and also earned degrees in finance and Spanish. He previously led the Rural division for Rabobank, North America and possesses a demonstrated history of leading a growth-oriented company within financial services and agricultural lending, including nearly twenty years in relationship management, credit administration, and risk. He also is a third-generation farmer/landowner with a 400-acre corn and soybean operation. Mr. Hudnutt joined the Association on October 19 and Mr. Enix will retire on January 31, 2021.

COVID-19 Impact to Association Operations

The Association continues to closely monitor the impact of the COVID-19 worldwide pandemic to its operations and borrowers. At the onset of the pandemic, the Association activated its disaster recovery and business interruption procedures, and our employees began working remotely in compliance with shelter in place orders. Our borrowers are able to conduct business with us through the use of online banking and other technologies. The Association has developed a phased approach that will allow branches to open in accordance with their state and local recommendations. Customers can obtain up-to-date information on each office location at www.agloan.com/locations.

COVID-19 Customer Assistance and Loan Relief Options

The Association created several customer assistance and loan relief programs for eligible borrowers as a result of COVID-19. Loan assistance programs include term and mortgage payment deferrals for up to six months, interest-only payment options and loan maturity extensions for up to twelve months, as well as lease payment deferrals. These loan assistance programs are available for borrowers through March 1, 2021. The Association is also assisting customers in navigating various national, state, local, and private relief programs available to farmers and ranchers.

Management's Discussion and Analysis

The Association is a participating lender in the SBA's Paycheck Protection Program (PPP), which, through August 8, 2020, offered loans designed to provide direct incentive for small businesses to keep their workers employed. Under the program, if loan proceeds are used for payroll, rent, mortgage interest, or utilities, and other conditions are met, SBA will forgive the loan and accrued interest of the borrower. If not forgiven, a PPP loan will bear interest at a fixed 1.00% rate with up to a five year maturity and payments deferred for six months. These loans are 100% guaranteed by SBA. Through the August conclusion of the program, the Association originated over $128 million in PPP loans, providing relief for an estimated 17,000 jobs.

Overall Economic Outlook and Commodity Review

The continued effects of the COVID-19 pandemic pressure the agricultural economy. Overall economic recovery has been mixed, although most economists have opined that the outlook at the end of the third quarter is far from worst-case scenarios contemplated at the onset of the pandemic. While U.S. hiring gains slowed, the unemployment rate fell to 7.9% in September, compared to a high of 14.7% reached in April 2020. Unemployment currently is in line with previous economic recessions. Inflation remains subdued which has allowed for additional monetary accommodation. On July 1, the United States-Mexico-Canada Agreement (USMCA) entered into force. The agreement is generally seen as favorable for farmers and ranchers as its terms provide new market access for certain agricultural commodities, especially dairy, while preserving the zero-tariff platform for other commodities.

After the financial markets experienced extreme volatility and entered a bear market, equity markets have rallied from March lows. The S&P 500 Index and Nasdaq Composite each hit multiple record highs during the third quarter, with both indexes up more than 26% since the end of March.

The Federal Open Market Committee lowered the federal funds rate twice in March to a target range between 0-0.25%, representing the largest emergency rate reduction in its history and a return to levels similar to those during the Great Recession. The Federal Reserve also resumed quantitative easing policies to provide additional liquidity into the market. At its September meeting, the Federal Reserve signaled rates would remain near zero for at least 3 years. The Federal Reserve also indicated it would permit inflation to rise modestly above its 2% target prior to raising benchmark rates, which represent a significant policy change from historical practices.

Throughout the year, the federal government has taken action in response to COVID-19, including direct cash payments to most Americans, extended unemployment benefits, and federal loan guarantees. Additionally, portions of enacted legislation, such as the CARES Act, provide support to agricultural producers. This includes direct support to the USDA, child nutrition programs, the Commodity Credit Corporation, and the Supplemental Nutrition Assistance Program. Agricultural producers were generally able to continue production as an essential service exempt from local shelter-in-place restrictions. The USDA has also announced a second round of the Coronavirus Food Assistance Program (CFAP), which will provide additional support to agricultural producers.

The Association's territory remains susceptible to natural disasters. Fire damage in California has exceeded four million acres for 2020. However, due to the Association's diversification across its defined territory and across the United States through its capital markets lending portfolio, directly affected borrowers are not expected to have a material impact on the Association.

The Association's commodity portfolio remains well-diversified. Wine grapes and wine and field crops lead our commodity portfolio at 17.7% and 14.7%, respectively followed by dairies and dairy products at 11.4%, tree fruits & nuts at 11.2%, beef at 9.9%, and forest products at 8.9%. The top six commodities make up 73.8% of the total portfolio with the remaining 26.2% spread over sixteen additional categories, including an "Other" category. The bulk of the Association's wine portfolio continues to be centered in the super- and ultra-premium segments of the wine market. Field crops consist primarily of wheat, corn, soybeans, alfalfa, sorghum, and other grains. Tree fruits and nuts consists primarily of almonds, walnuts and orchards in California's Central Valley and Hawaii.

Following is a summary of economic conditions among the Association's significant commodities:

- **Wine grapes and wine:** Fires in California have dealt adversity to the wine industry. Prior to the fires, wine sales had already decreased relative to 2019. Although direct-to-consumer sales experienced double-digit growth, it was not enough to offset overall losses experienced as a result of restaurants and other on-premises sales lost as a result of COVID-19 related government restrictions. Due to expected smoke taint from fires, some wine and grape brokerages have estimated that the crop value in four prominent northern California counties could be down 20% from its historical average, representing a loss which could near $500 million. Red wine varieties were affected most due to the later harvest window. Overall demand is also shifting to non-tainted areas such as California's Central Valley. Because of the resultant supply shock, prices in the bulk wine market have already significantly increased, with some premium varietals doubling from a year ago. Although it is still too early to estimate the full impact of the California fires, anticipated crop insurance payments and a rising bulk market could partially offset an overall temporary decline.

- **Field Crops:** Prices for most grains significantly improved in the third quarter for several reasons. On the supply side, severe storms in the Corn Belt and some Midwest drought issues have lowered corn and soybean production estimates. Additionally, the USDA slightly lowered production estimates for both major importers and exports. Reductions in global supply shifted additional demand to the U.S., which had high carryover stocks. Improved demand and slightly lower production have resulted in improved cash prices for most producers. CFAP payments should also support farm incomes for grain producers.

- **Dairy:** The dairy industry continued along a recovery path from a difficult second quarter. During the quarter, milk prices overall improved, while input costs stabilized and income from government programs supported overall profitability. The first installment of the Coronavirus Food Assistance Program paid a total of nearly $1.75 billion to dairies. A second CFAP installment is set to pay roughly $1.2 per hundredweight for milk, subject to total payout caps and other eligibility requirements. Dairy cow values have also increased recently, which is typically an indicator of enhanced sentiment. Due to government purchases, demand is likely to be stable through the remainder of the year.

- **Tree fruits and nuts:** Overall sentiments for tree fruits and nuts are improved in response to a USDA forecast of a 16% increase in cash receipts due to higher production and price stability. If realized, the forecast would be the second highest since 2008. Government payments from CFAP funds have also supported the industry. The 2020 almond crop is expected to be a record-setting 2.8 to 2.9 billion pound crop, down slightly from a 3.0 billion forecast. Both domestic shipments and exports experienced double digit increases in the third quarter. Overall, almond prices are expected to be slightly lower than 2019, but somewhat offset by improved yields. Walnut production is also expected to crack previous levels and could reach 780,000 tons. As a result, the industry broadly expects declining walnut prices. Overall cherry margins are expected to be positive but would not make up for 2019 losses.

- **Beef:** Cattle prices within the Association's territory have generally improved through the third quarter. Most notably, calf prices have rebounded from recent lows. Current beef slaughter levels are running at historical highs after a precipitous drop during the onset of the pandemic. As slaughter capacity rebounded, prices for heavier cattle have slightly increased. Generally, subdued feed prices have offset profitability concerns raised by drought, although margins remain tight. Ranchers in certain drought regions who signed up for Pasture Rangeland Forage are likely to receive an indemnity payment to offset additional feed costs. At retail locations, prices for some beef products, such as ground beef, have returned to lower pre-pandemic levels. Beef exports have improved, helping to offset some demand losses to the food sector.

- **Forest products:** While demand largely follows the economic conditions of housing and construction spending, recent forest fires in the western United States and hurricanes in the South have shifted the dynamics in the forest products industry. It is too early to know the precise extent of damage incurred, however it is very likely that the wood from these regions will be salvaged wood. Timber managers typically have two to three years to cut burned wood before the quality is degraded to unprofitable levels. Demand for most construction materials remained stable through the third quarter as demand related to home improvement projects continued. As a result, lumber prices have improved to recent highs. Some industry professionals have raised concern that an expected influx of salvaged wood over the next year could dampen prices.

Abnormally dry or drought conditions continued to be of concern in a portion of the Association's territory. Areas of California, Nevada, and Colorado have seen worsening drought conditions as spring precipitation was below average. Areas of southern Colorado are in extreme drought conditions, while some areas in northwest Kansas are in moderate drought conditions.

Management's Discussion and Analysis

Loan Portfolio

Total loan volume exceeded $13.3 billion at September 30, 2020, an increase of $1.5 billion from $11.8 billion at December 31, 2019. The increase was caused both by draws on existing facilities and new originations, partially offset by anticipated seasonal loan repayments. On a year-over-year basis, loan volume increased by $2.2 billion when compared to September 30, 2019, resulting in a growth rate of 19.9%. Although credit quality has slightly decreased to 98.1% from 98.6% at December 31, 2019, the Association's overall credit quality remains strong. We will continue to monitor the effect of COVID-19 on our borrowers' credit quality and any resulting impact on our allowance for loan losses.

In addition to the $13.3 billion of loan and lease volume reported on our balance sheet, we serviced an additional $5.9 billion of loan volume for other institutions as of September 30, 2020.

Nonearning Assets

Nonaccrual loan volume increased by $13.7 million to $56.0 million at September 30, 2020, compared to $42.2 million at December 31, 2019. The change in nonaccrual loan volume was primarily due to transfers to nonaccrual status and disbursements on nonaccrual loans of $31.7 million, partially offset by $14.2 million year-to-date net repayments on nonaccrual loans and charge-offs of nonaccrual loans of $2.9 million. Nonaccrual loan volume represented just 0.42% of total loan volume at the end of September 30, 2020, compared to 0.44% at September 30, 2019 and 0.36% at December 31, 2019.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded commitments. The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current economic and environmental conditions. Total allowance for credit losses was $37.4 million at September 30, 2020, which included a $32.9 million allowance for loan losses and a $4.5 million reserve for unfunded commitments.

Financial Condition and Results of Operations

Net Income for the nine months ended September 30, 2020 was $176.5 million compared to $142.8 million for the same period last year, an increase of $33.6 million. The change in net income was primarily due to the following reasons.

- Net interest income increased by $41.6 million year-over-year due to growth in accrual loan volume.
- Provision for credit losses increased by $5.8 million year-over-year primarily due to an increase in loan volume.
- Noninterest income increased by $18.2 million year-over-year. The increase was primarily due to a $14.5 million increase in patronage from other Farm Credit institutions and $3.7 million in fees related to the origination of PPP loans.
- Noninterest expense increased by $20.5 million compared to the same period last year, driven by a $22.1 million increase in salaries and benefits, offset by decreases in occupancy and equipment and other operating expenses.

The major components of change in net income are summarized as follows.

Management's Discussion and Analysis

	For the Nine Months Ended		Increase (Decrease) in
	Sep. 30, 2020	**Sep. 30, 2019**	**Net Income**
Net interest income	$266,882	$225,244	$41,638
Provision for credit losses	(9,016)	(3,253)	(5,763)
Patronage income	58,583	44,055	14,528
Other income, net	21,264	17,601	3,663
Operating expenses	(161,254)	(140,787)	(20,467)
Provision for income taxes	(2)	(18)	16
Net income	**$176,457**	**$142,842**	**$33,615**

The following table shows the Association's year-to-date annualized return on average assets, return on equity, and net interest margin.

	September 30,	
	2020	**2019**
Return on average assets	1.77%	1.70%
Return on equity	10.06%	8.58%
Net interest margin	2.84%	2.84%

Liquidity and Funding

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments.

Members' Equity

The Association's capital position remains very strong. Total members' equity was $2.442 billion at the end of the third quarter, an increase of $214.1 million from $2.228 billion at December 31, 2019. The increase was primarily due to favorable year-to-date earnings along with a $39.6 million increase in preferred stock. The Association was in compliance with all capital ratio requirements at September 30, 2020. The Association's strong earnings and capital position enable us to effectively serve our mission, our customers and support our ability to maintain our cash patronage program.

Certification

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

George Fontes
Chairman

Byron Enix
Chief Executive Officer
(through October 18, 2020)

Curt Hudnutt
Chief Executive Officer
(as of October 19, 2020)

Vern Zander
Chief Financial Officer

November 9, 2020

Consolidated Statements of Condition *(dollars in thousands)*

	September 30, 2020	December 31, 2019
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$13,335,993	$11,844,790
Less: allowance for loan losses	(32,898)	(25,807)
Net loans	13,303,095	11,818,983
Accrued interest receivable	143,260	111,419
Investment in CoBank	395,443	392,959
Investment in AgDirect	16,283	14,105
Premises and equipment, net	122,446	127,454
Other property owned	4,160	4,779
Cash	13,260	60,006
Other assets	135,810	133,717
Total assets	**$14,133,757**	**$12,663,422**
LIABILITIES		
Notes payable to CoBank	$11,420,887	$10,074,698
Accrued interest payable	21,927	28,462
Funds Held accounts	143,782	97,211
Cash patronage and preferred stock dividends payable	4	115,413
Reserve for unfunded commitments	4,537	3,745
Other liabilities	100,942	116,312
Total liabilities	**11,692,079**	**10,435,841**
MEMBERS' EQUITY		
Preferred stock	167,518	127,955
Common stock and participation certificates	10,036	9,545
Additional paid-in capital	683,656	683,656
Unallocated retained surplus	1,592,484	1,420,692
Accumulated other comprehensive loss	(12,016)	(14,267)
Total members' equity	**2,441,678**	**2,227,581**
Total liabilities and members' equity	**$14,133,757**	**$12,663,422**

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

Consolidated Statements of Comprehensive Income *(dollars in thousands)*

(Unaudited)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
INTEREST INCOME				
Loans	$129,419	$143,445	$404,028	$418,178
Total interest income	**129,419**	**143,445**	**404,028**	**418,178**
INTEREST EXPENSE				
Notes payable CoBank	35,672	63,503	136,205	191,036
Funds Held and other interest	269	646	941	1,898
Total interest expense	**35,941**	**64,149**	**137,146**	**192,934**
Net interest income	**93,478**	**79,296**	**266,882**	**225,244**
(Provision for)/Reversal of credit losses	(85)	315	(9,016)	(3,253)
Net interest income after provision for credit losses	**93,393**	**79,611**	**257,866**	**221,991**
NON-INTEREST INCOME				
Patronage distributions from CoBank	12,852	11,714	37,220	33,785
Patronage distributions from other Farm Credit institutions	5,822	3,016	19,898	8,812
Patronage distributions from AgDirect	498	537	1,465	1,256
Loan origination fees	2,858	1,841	11,762	5,883
Servicing fees and late charges	920	782	1,879	3,097
Financially related services	1,869	1,311	3,409	3,360
Miscellaneous	(12)	1,039	4,214	5,463
Total non-interest income	**24,807**	**20,240**	**79,847**	**61,656**
NON-INTEREST EXPENSES				
Salaries and benefits	35,878	28,280	104,688	82,543
Occupancy and equipment expense	2,684	2,042	7,639	8,430
Insurance fund premiums	2,895	1,966	6,898	5,678
Supervisory and examination expense	552	771	2,174	2,303
Other operating expenses	15,251	15,872	39,855	41,833
Total non-interest expenses	**57,260**	**48,931**	**161,254**	**140,787**
Income before income taxes	60,940	50,920	176,459	142,860
Provision for income taxes	-	-	(2)	(18)
Net income	**$60,940**	**$50,920**	**$176,457**	**$142,842**
COMPREHENSIVE INCOME				
Actuarial gain in retirement obligation	751	582	2,251	1,746
Total comprehensive income	**$61,691**	**$51,502**	**$178,708**	**$144,588**

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

Consolidated Statements of Changes in Members' Equity *(dollars in thousands)*

For the Nine Months Ended September 30, 2019 and 2020

(Unaudited)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehen-sive Loss	Total Members' Equity
Balance at December 31, 2018	**$8,791**	**$125,766**	**$656,723**	**$1,336,892**	**$(12,252)**	**$2,115,920**
Comprehensive income				142,842	1,746	144,588
Common stock/participation certificates issued	779	157,953				158,732
Common stock/participation certificates retired	(482)	(136,741)				(137,223)
Equity issued or re-characterized upon combination	301		26,798			27,099
Preferred stock dividends paid		2,603				2,603
Preferred stock dividends accrued				(2,604)		(2,604)
Reversal of prior period patronage accrual				1,692		1,692
Balance at September 30, 2019	**$9,389**	**$149,581**	**$683,521**	**$1,478,822**	**$(10,506)**	**$2,310,807**
Balance at December 31, 2019	**$9,545**	**$127,955**	**$683,656**	**$1,420,692**	**$(14,267)**	**$2,227,581**
Comprehensive income				176,457	2,251	178,708
Common stock/participation certificates issued	987	160,813				161,800
Common stock/participation certificates retired	(496)	(122,303)				(122,799)
Preferred stock dividends paid		1,053				1,053
Preferred stock dividends accrued				(1,053)		(1,053)
Adjustment to prior period patronage accrual				(3,610)		(3,610)
Other				(2)		(2)
Balance at September 30, 2020	**$10,036**	**$167,518**	**$683,656**	**$1,592,484**	**$(12,016)**	**$2,441,678**

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

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (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 Stockholders (2019 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited third quarter 2020 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.

In the opinion of management, this unaudited financial information 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. 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.

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. American AgCredit has adopted this relief for qualifying loan modifications.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides optional expedients and exceptions for applying accounting guidance to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients generally allow for a continuance of a contract or hedging relationship when ordinarily accounting guidance would stipulate the creation of a new contract or designation of a hedging relationship. When elected, the optional expedients for contract modifications must be applied consistently for all similar eligible contracts or eligible transactions. The amendments in this guidance are effective for all entities as of March 12, 2020 through December 31, 2022. The Association is evaluating the impact of adoption on the institution’s financial condition and its results of operations.

Refer to Note 2 in our 2019 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. The Association is evaluating the impact of adoption of these standards on its financial condition and results of operations.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

	September 30, 2020		December 31, 2019	
	Amount	**Percentage**	**Amount**	**Percentage**
Real estate mortgage	$7,357,974	55.2%	$6,564,171	55.4%
Production and intermediate-term	2,947,728	22.1%	2,692,055	22.7%
Agribusiness	2,555,234	19.2%	2,236,569	18.9%
Rural infrastructure	431,414	3.2%	308,040	2.6%
Agricultural export finance	41,562	0.3%	41,558	0.4%
Rural residential real estate	2,081	0.0%	2,397	0.0%
Total loans	**$13,335,993**	**100.0%**	**$11,844,790**	**100.0%**

PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at September 30, 2020:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	**Sold**	**Purchased**	**Sold**	**Purchased**	**Sold**
Real estate mortgage	$388,576	$1,784,168	$0	$0	$388,576	$1,784,168
Production and intermediate-term	567,423	917,653	-	-	567,423	917,653
Agribusiness	1,582,203	2,092,318	-	-	1,582,203	2,092,318
Rural infrastructure	399,926	65,706	-	-	399,926	65,706
Agricultural export finance	41,562	-	-	-	41,562	-
Total	**$2,979,690**	**$4,859,845**	**$0**	**$0**	**$2,979,690**	**$4,859,845**

Notes to the Consolidated Financial Statements *(continued)*

CREDIT QUALITY

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, and
- **Loss:** Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of September 30, 2020, the allowance for loan losses is adequate based on information currently available.

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

	As of September 30, 2020						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	%	**Amount**	%	**Amount**	%	**Amount**
Real estate mortgage	$7,116,701	95.4%	$195,366	2.6%	$155,476	2.0%	$7,467,543
Production and intermediate-term	2,805,086	94.5%	108,953	3.7%	56,923	1.8%	2,970,962
Agribusiness	2,497,912	97.4%	53,722	2.1%	13,737	0.5%	2,565,371
Rural infrastructure	408,411	94.5%	-	0.0%	23,220	5.5%	431,631
Rural residential real estate	1,936	92.6%	25	1.2%	129	6.2%	2,090
Agricultural export finance	41,656	100.0%	-	0.0%	-	0.0%	41,656
Total	**$12,871,702**	**95.4%**	**$358,066**	**2.7%**	**$249,485**	**1.9%**	**$13,479,253**

	As of December 31, 2019						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Real estate mortgage	$6,341,996	95.5%	$201,923	3.0%	$98,171	1.5%	$6,642,090
Production and intermediate-term	2,547,730	93.8%	119,081	4.4%	48,541	1.8%	2,715,352
Agribusiness	2,211,839	98.5%	13,062	0.6%	21,187	0.9%	2,246,088
Rural infrastructure	281,642	91.3%	23,219	7.5%	3,545	1.1%	308,406
Rural residential real estate	2,174	90.4%	85	3.5%	146	6.1%	2,405
Agricultural export finance	41,868	100.0%	-	0.0%	-	0.0%	41,868
Total	**$11,427,249**	**95.6%**	**$357,370**	**3.0%**	**$171,590**	**1.4%**	**$11,956,209**

Notes to the Consolidated Financial Statements *(continued)*

IMPAIRED ASSETS

Impaired assets (including related accrued interest) are as follows:

	September 30, 2020	December 31, 2019
Nonaccrual loans:		
Real estate mortgage	$39,763	$28,849
Production and intermediate-term	7,605	7,579
Agribusiness	8,457	5,681
Rural residential real estate	129	123
Total nonaccrual loans	55,954	42,232
Accruing restructured loans:		
Real estate mortgage	10,984	13,390
Production and intermediate-term	18	18
Total accruing restructured loans	11,002	13,408
Accruing loans > 90 days past due:		
Real estate mortgage	526	-
Production and intermediate-term	-	-
Total accruing loans > 90 days past due	526	-
Total impaired loans	**67,482**	**55,640**
Other property owned	4,160	4,779
Total impaired assets	**$71,642**	**$60,419**

Additional impaired loan information is as follows:

	At September 30, 2020			For the Nine Months Ended September 30, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$7,030	$7,631	$2,520	$4,550	$0
with no related allowance for credit losses	60,452	81,815	-	57,020	4,062
Total	**$67,482**	**$89,446**	**$2,520**	**$61,570**	**$4,062**

	At September 30, 2019			For the Nine Months Ended September 30, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$5,534	$6,115	$1,613	$11,553	$20
with no related allowance for credit losses	56,041	78,073	-	69,859	2,666
Total	**$61,575**	**$84,188**	**$1,613**	**$81,412**	**$2,686**

Notes to the Consolidated Financial Statements *(continued)*

DELINQUENCY

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

September 30, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$4,357	$8,962	$13,319	$7,454,224	$7,467,543
Production and intermediate-term	4,826	1,303	6,129	2,964,833	2,970,962
Agribusiness	504	4,572	5,076	2,560,295	2,565,371
Rural infrastructure	-	-	-	431,631	431,631
Rural residential real estate	-	129	129	1,961	2,090
Agricultural export finance	-	-	-	41,656	41,656
Total	**$9,687**	**$14,966**	**$24,653**	**$13,454,600**	**$13,479,253**

December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$19,324	$11,675	$30,999	$6,611,091	$6,642,090
Production and intermediate-term	4,198	4,837	9,035	2,706,317	2,715,352
Agribusiness	373	-	373	2,245,715	2,246,088
Rural infrastructure	-	-	-	308,406	308,406
Rural residential real estate	23	116	139	2,266	2,405
Agricultural export finance	-	-	-	41,868	41,868
Total	**$23,918**	**$16,628**	**$40,546**	**$11,915,663**	**$11,956,209**

TROUBLED DEBT RESTRUCTURINGS

A restructuring of debt constitutes a troubled debt restructuring (TDR) if the creditor for economic reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding TDRs, whether accrual or non-accrual, that occurred during the first nine months of 2020. The Association had no new TDRs in the first nine months of 2019.

	For the Nine Months Ended September 30, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$0	$0
Total	**$0**	**$0**

*Pre-modification represents the recorded investment prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable, 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 investment.

In the allowance for loan loss analysis, TDR loans are individually evaluated and a specific allowance is established based on the likelihood the current events will result in an anticipated loss on the individual loans.

The following table provides information on outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table at September 30, 2020:

	TDRs in Accrual Status		**TDRs in Nonaccrual Status**		**Total TDRs**	
	Sep. 30, 2020	**Dec. 31, 2019**	**Sep. 30, 2020**	**Dec. 31, 2019**	**Sep. 30, 2020**	**Dec. 31, 2019**
Real estate mortgage	$10,965	$11,423	$2,656	$843	$13,621	$12,266
Production and intermediate-term	18	1,952	-	-	18	1,952
Agribusiness	-	-	3,818	4,608	3,818	4,608
Total	**$10,983**	**$13,375**	**$6,474**	**$5,451**	**$17,457**	**$18,826**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $1.6 million at period end.

Notes to the Consolidated Financial Statements *(continued)*

ALLOWANCE FOR LOAN LOSSES

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

	Allowance for Loan Losses			**Recorded Investments in Loans Outstanding**		
	Balance at Sep. 30, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Sep. 30, 2020**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$10,939	$1,319	$9,620	$7,467,543	$51,274	$7,416,269
Production and intermediate-term	12,781	161	12,620	2,970,962	7,622	2,963,340
Agribusiness	7,817	1,040	6,777	2,565,371	8,457	2,556,914
Rural infrastructure	1,172	-	1,172	431,631	-	431,631
Rural residential real estate	1	-	1	2,090	129	1,961
Agricultural export finance	188	-	188	41,656	-	41,656
Total	**$32,898**	**$2,520**	**$30,378**	**$13,479,253**	**$67,482**	**$13,411,771**

	Allowance for Loan Losses			**Recorded Investments in Loans Outstanding**		
	Balance at Dec. 31, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Dec. 31, 2019**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$6,676	$0	$6,676	$6,642,090	$42,239	$6,599,851
Production and intermediate-term	11,666	129	11,537	2,715,352	7,597	2,707,755
Agribusiness	6,703	1,387	5,316	2,246,088	5,682	2,240,406
Rural infrastructure	564	-	564	308,406	-	308,406
Rural residential real estate	2	-	2	2,405	122	2,283
Agricultural export finance	196	-	196	41,868	-	41,868
Total	**$25,807**	**$1,516**	**$24,291**	**$11,956,209**	**$55,640**	**$11,900,569**

A summary of the changes in the Allowance for Loan Losses is as follows:

	September 30,	
	2020	**2019**
Allowance for Loan Losses		
Balance at beginning of year	$25,807	$21,359
Charge-offs	(2,855)	(805)
Recoveries	1,723	781
Provision for loan losses	8,223	1,246
Balance at end of quarter	**$32,898**	**$22,581**

NOTE 3 – LEASES

The balance sheet effect of operating leases, for office space, and finance leases, for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

Future minimum lease payments under non-cancellable leases as of September 30, 2020 were as follows:

	Operating Leases	Finance Leases	Total
2020 (excluding the nine months ended 9/30/20)	$231	$129	$360
2021	841	638	1,479
2022	682	421	1,103
2023	582	365	947
2024	557	34	591
Thereafter	2,200	-	2,200
Total lease payments	**5,093**	**1,587**	**6,680**
Less: interest	-	(88)	(88)
Total	**$5,093**	**$1,499**	**$6,592**

Right-of-use assets, net of accumulated amortization, amounted to $5.2 million for the period ended September 30, 2020.

NOTE 4 – MEMBERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of September 30, 2020. The Association exceeded all regulatory minimum capital requirements as of September 30, 2020.

	Regulatory Minimums	Capital Conservation Buffer	Total	Sep. 30, 2020	Dec. 31, 2019
Risk-adjusted:					
Common Equity Tier 1 Capital	4.5%	2.5%	7.0%	**11.79%**	**13.40%**
Tier 1 Capital	6.0%	2.5%	8.5%	**11.79%**	**13.40%**
Total Capital	8.0%	2.5%	10.5%	**12.04%**	**13.60%**
Permanent Capital	7.0%	0.0%	7.0%	**13.00%**	**14.58%**
Non-risk-adjusted:					
Tier 1 Leverage	4.0%	1.0%	5.0%	**13.42%**	**15.33%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**14.22%**	**15.67%**

Notes to the Consolidated Financial Statements *(continued)*

Association shareholders have approved a class of preferred stock known as H Stock. At September 30, 2020, 500 million shares of the stock were authorized at $1.00 par value. H Stock ownership is limited to existing common stockholders of the Association and is considered "at-risk." The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. At September 30, 2020, there were 167,518,352 shares of H Stock issued and outstanding. The dividend rate at September 30, 2020 was 0.60%.

The following tables present the activity in the accumulated other comprehensive income (loss), net of tax by component:

Balance at December 31, 2019	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	$(14,267)	$(14,267)
Amounts reclassified from accumulated other comprehensive loss	2,251	2,251
Net current period other comprehensive income	2,251	2,251
Balance at September 30, 2020	**$(12,016)**	**$(12,016)**

Balance at December 31, 2018	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	$(12,252)	$(12,252)
Amounts reclassified from accumulated other comprehensive loss	1,746	1,746
Net current period other comprehensive income	1,746	1,746
Balance at September 30, 2019	**$(10,506)**	**$(10,506)**

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

	For the Nine Months Ended		**Location of Gain/(Loss) Recognized in Statement of Income**
	Sep. 31, 2020	**Sep. 31, 2019**	
Pension and other benefit plans:			
Net actuarial gain	$2,251	$1,746	Salaries & Benefits
Total amounts reclassified	**$2,251**	**$1,746**	

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting standards define 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 to the 2019 Annual Report.

Assets and liabilities measured at fair value for each of the fair value hierarchy values are summarized below:

	September 30, 2020 Fair Value Measurement Using		December 31, 2019 Fair Value Measurement Using	
	Level 1	**Level 3**	**Level 1**	**Level 3**
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$20,767		$20,352	
Measured at fair value on a non-recurring basis:				
Loans		$4,510		$3,966
Other Property Owned		$4,425		$6,200

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

Valuation Techniques: 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 represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

Loans Evaluated for Impairment: For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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 of the hierarchy if the process uses independent appraisals and other market-based information.

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

Assets Held in Nonqualified 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.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 9, 2020, which is the date the financial statements were available to be issued.