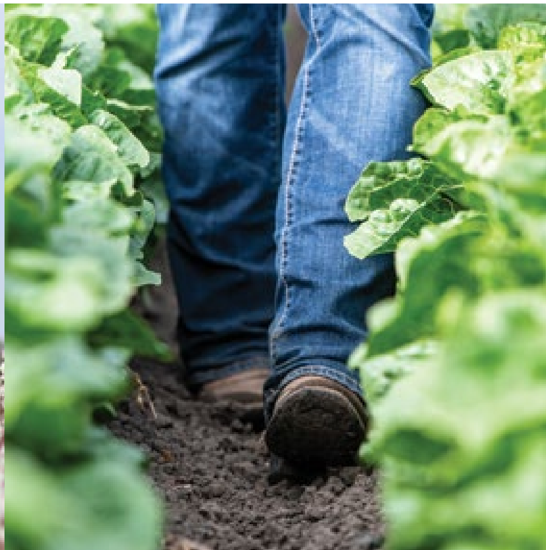
2020 ANNUAL REPORT

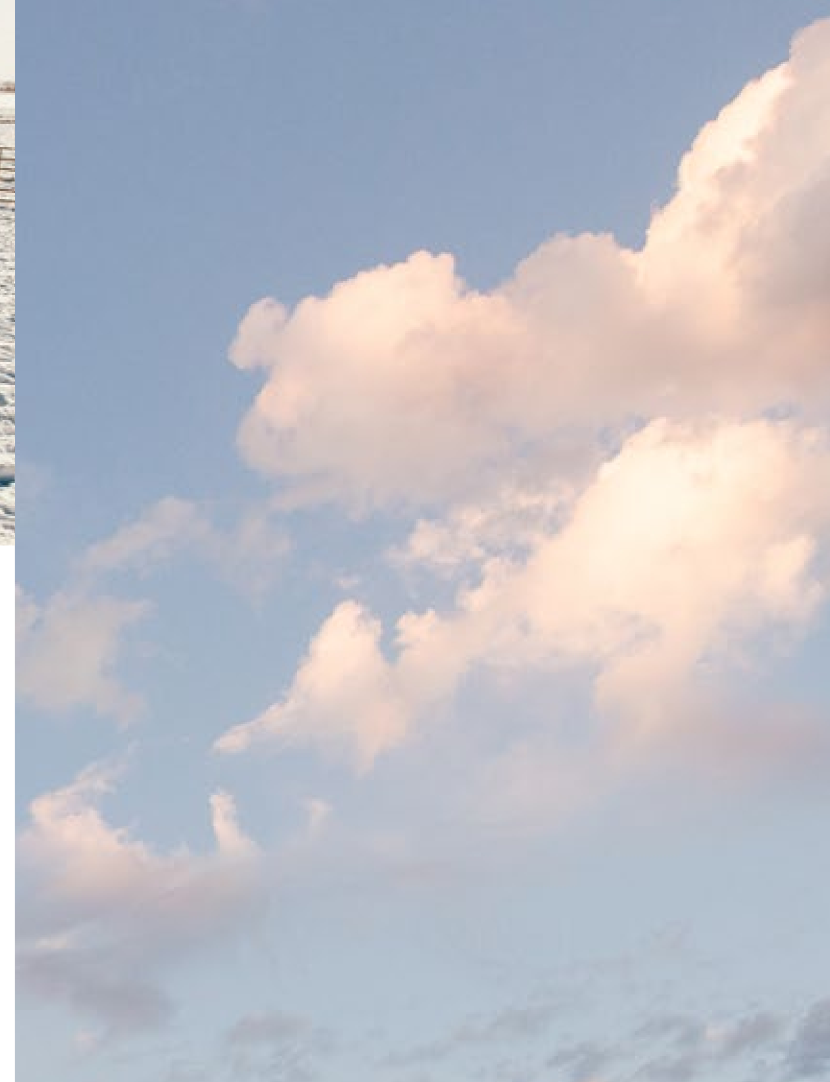
FIRMLY PLANTED
DEEPLY COMMITTED

American AgCredit

We have a passion for the land, a belief in hard work, a commitment to community. We're in the business of supporting agriculture. We stand strong. We stand together.

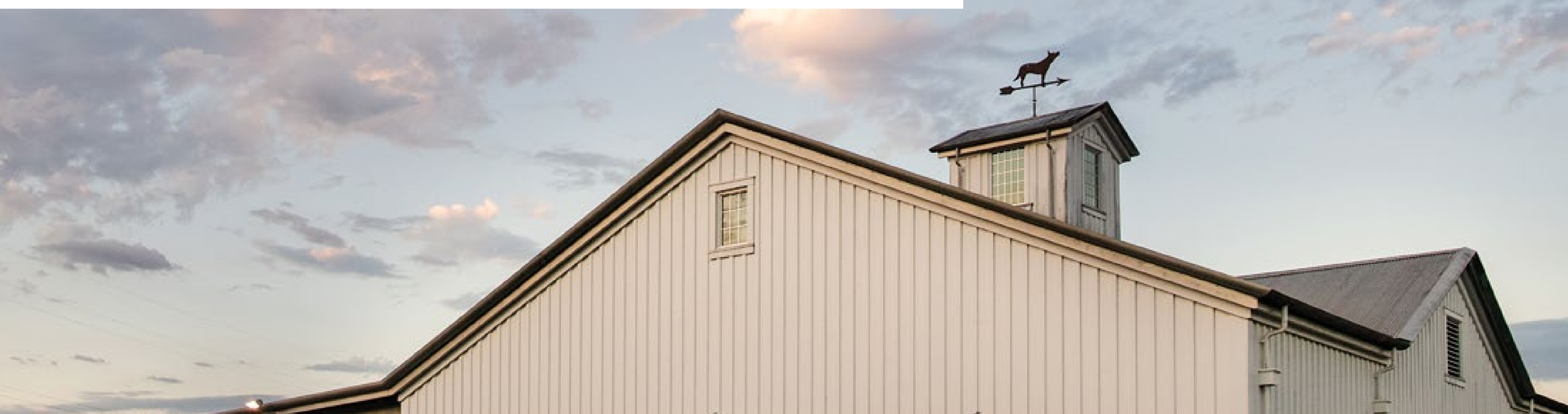
The power of partnership.





FIRMLY PLANTED
DEEPLY COMMITTED

2020 ANNUAL REPORT



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TO OUR **SHAREHOLDERS**

Wow! What a year. One for just about every record book. It sure put a lot of us to the test. It is when we are tested that we demonstrate our true character, and few tests have been as formidable as the year we have all just faced. While wildfire, excessive rain, and not enough rain continued in 2020 to varying degrees, we all collectively were challenged like never before by the global pandemic.

At the same time, we have seen the resiliency of our nation's farmers and ranchers on full display. Many producers had to quickly adapt to new labor challenges, and ways of growing, processing and selling their products. Similarly, we at American AgCredit had to adapt and evolve how we delivered financial services and solutions to our customers.

We responded to the pandemic by working with our customers to deliver new solutions and relief programs. Within our organization, we were able to rapidly shift to a remote workplace and continued to serve our customers without missing a beat. At the same time, we looked out and recognized the growing need to support the communities where we live and work.

Through our Local Community Impact program, we provided $340,000 to food banks and other nonprofit organizations focused on agriculture. Later, we made the decision to redirect funds from our employee holiday celebration to provide an additional $325,000 to the food banks that are so critical in our local communities.

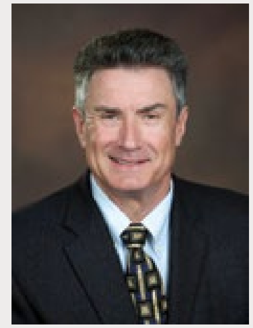
A diverse and resilient portfolio combined with your ingenuity allowed American AgCredit to have a strong performance overall, including another record year of growth and earnings. This of course allowed us to not only support our customers and communities but also return a strong patronage distribution. Our commitment to your success drives our efforts to deliver superior service as well as to continue finding ways to operate more efficiently. As a result of these continuous improvement efforts, we are pleased to once again return 1.0% back to you, our customers and owners, in the form of a cash patronage distribution. That translates to an expected $142 million in cash returned to our customer-owners for 2020.

Curt Hudnutt joined American AgCredit as its new President and Chief Executive Officer in October 2020.

“We have seen the resiliency of our nation’s farmers and ranchers on full display. Many producers had to quickly adapt to new labor challenges, and ways of growing, processing and selling their products.”

American AgCredit also had a transition in leadership in 2020. In January 2020, after 37 years with the Farm Credit System, Byron Enix announced his retirement effective January 2021. In October, the Board of Directors selected Curt Hudnutt as its new President and CEO. Curt’s career in agriculture spans 18 years and includes positions leading operations, business development, underwriting, and risk management. Most recently, Curt served as Head of Rural Banking for North America at Rabo Agrifinance. Byron transitioned into a consultative role to Curt in October to ensure the continuity of our approach to serving all of agriculture.

Looking forward we will continue to invest in technology to better meet your expectations as a customer. In 2021, you can expect to see us deliver even more new tools that will make it easier than ever to do business with us. It’s all part of our commitment to serving agriculture today, tomorrow, and for generations to come. As we look back again we say, “Wow, what an unprecedented year.” No question we continue to draw inspiration from the people who work tirelessly to feed, clothe, and shelter this nation. It drives us to support the important work that you do each and every day and we commit to continually serve you, our owners and customers, at the highest levels of respect and innovation. □



George Fontes
Board Chair

Curt Hudnutt
Chief Executive Officer
President

Byron Enix
Chief Executive Officer

MARCH 5, 2021

RESILIENCE AND RESOLVE: AGRICULTURE IN 2020

Over the past year, we have all faced an unprecedented set of challenges in the wake of a global pandemic. As much of the economy ground to a halt, we witnessed the resilience and resolve of our customers – the nation's farmers, ranchers, and agribusiness operators – as you worked tirelessly to keep grocery store shelves stocked and food on our dinner tables. This year we had the honor of working alongside you and witnessing your remarkable efforts in the face of adversity.

It's our mission to support agriculture, now and for the generations to come.

As the impacts of the pandemic on our economy grew, we launched relief programs, which were available to qualifying customers with a loan or lease. These programs allowed our customers to utilize much-needed capital to sustain their operations and to continue to feed the world.

1,100

CUSTOMERS PARTICIPATED IN AAC RELIEF PROGRAMS

more than

$50,000,000

IN LEASE AND LOAN PAYMENT PRINCIPAL **DEFERRALS**

"There is a common thread of partnership that has been so essential to our work over this past year. When faced with adversity, our customers show again and again that they can rise to the challenge."

— CURT HUDNUTT

During this period, the federal government also stepped in to provide much-needed support to agriculture and other businesses. Through the Small Business Administration’s Paycheck Protection Program (PPP) loans, more than 500 of our customer-owners secured over $128 million in funding with the assistance of American AgCredit. That funding helped preserve thousands of jobs, mostly in rural America.

more than
500 CUSTOMERS **SECURED A PPP LOAN**

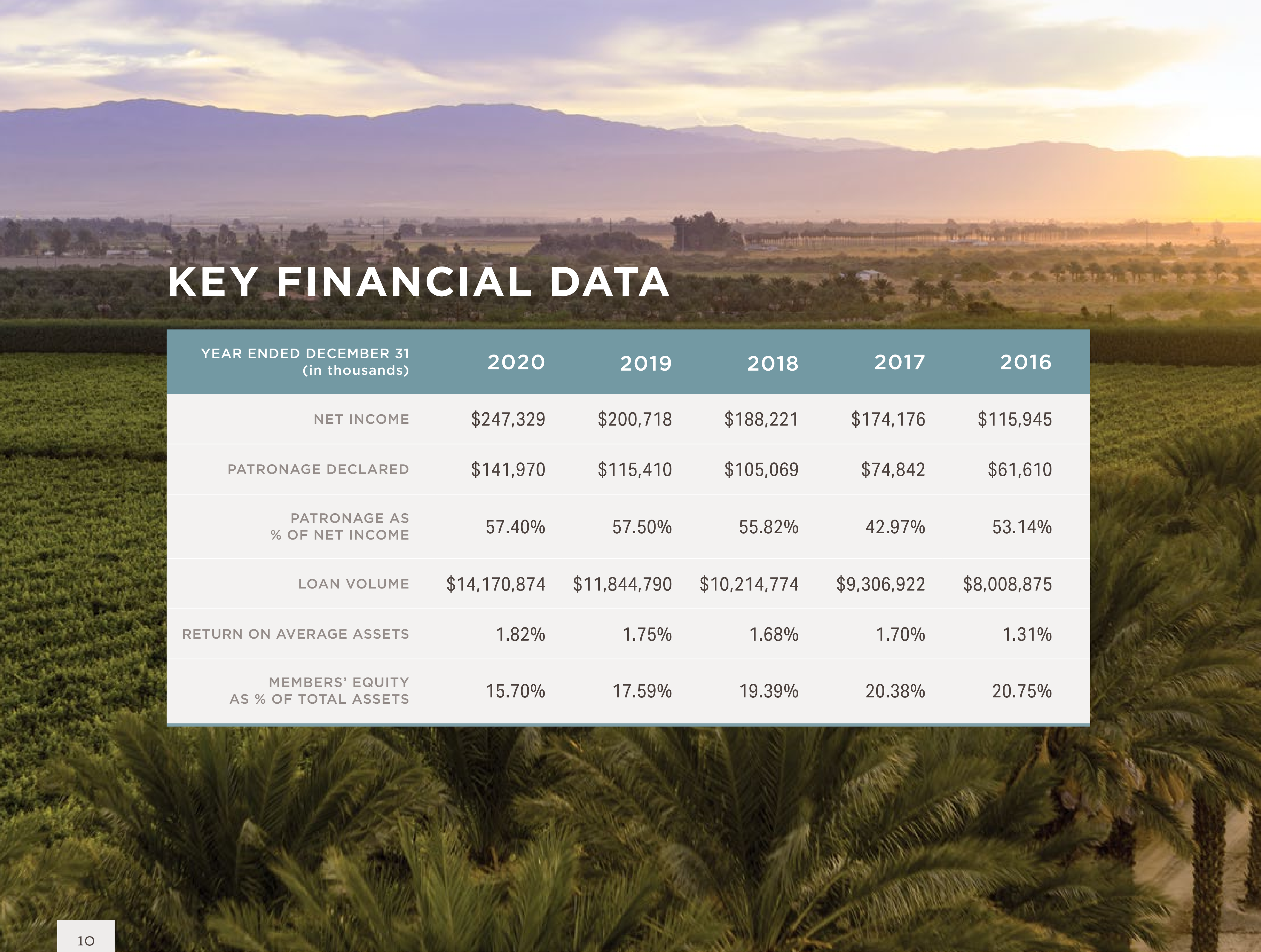
$128,000,000
IN **PPP FUNDING**

And while many of our offices needed to be available to our customers on an appointment-only basis for the safety of you and our employees, you once again adapted. During this past year we have witnessed the increased use of our digital technologies and are committed to continue to invest in solutions to bring you greater access to your information when and where you need it.

At the same time, our customers also experienced the damaging effects of wildfire in the wine-growing regions of California. To date, our crop insurance team has helped producers secure more than $60 million in insurance claims during a very challenging harvest season, while sharing timely information in 10 smoke taint insurance webinars immediately after the fires.

This year has also been a testament to the strength and generosity of our communities. As the rise in food insecurity became apparent, our employees and nonprofit partners stepped up to feed more families in need. Through our Local Community Impact and holiday giving programs, we were able to contribute $665,000 to nonprofits providing food assistance and other support in our communities.

As we look back on 2020, the memory of our agricultural community rising to meet each new challenge leaves a lasting impression on all of us. The work that you do each day is critical, and we appreciate the opportunity to serve you. □



KEY FINANCIAL DATA

YEAR ENDED DECEMBER 31 (in thousands)	2020	2019	2018	2017	2016
NET INCOME	$247,329	$200,718	$188,221	$174,176	$115,945
PATRONAGE DECLARED	$141,970	$115,410	$105,069	$74,842	$61,610
PATRONAGE AS % OF NET INCOME	57.40%	57.50%	55.82%	42.97%	53.14%
LOAN VOLUME	$14,170,874	$11,844,790	$10,214,774	$9,306,922	$8,008,875
RETURN ON AVERAGE ASSETS	1.82%	1.75%	1.68%	1.70%	1.31%
MEMBERS' EQUITY AS % OF TOTAL ASSETS	15.70%	17.59%	19.39%	20.38%	20.75%

FINANCIAL HIGHLIGHTS

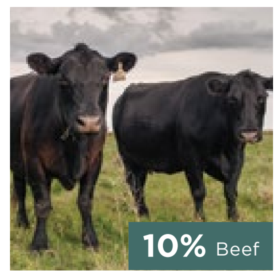
(in millions)	2020	2019	2018
CALIFORNIA	$7,293.2	$6,029.3	$5,307.8
KANSAS	1,668.3	1,568.4	1,401.5
COLORADO	1,321.3	1,106.1	950.6
NEVADA	223.8	197.4	183.5
HAWAII	110.0	83.7	-
OTHER	3,554.3	2,859.9	2,371.4
TOTAL	**$14,170.9**	**$11,844.8**	**$10,214.8**

LOAN VOLUME BY STATE

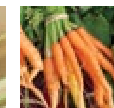
We maintain a diverse and healthy loan portfolio by serving all segments of agriculture. Risks that may be associated with a particular geographic region – such as adverse weather, land pricing, or commodity markets – may be offset by stronger performance in our other regions, thereby reducing pressure on the overall portfolio.

COMMODITIES FINANCED

A diverse loan portfolio can also reduce the risks associated with a measurable downturn in any one agricultural commodity. By serving a wide range of commodities and types of operations, we are able to mitigate risk and ensure that any material stress on the entire portfolio is minimized.


10% Beef


14% Field Crops


4% Vegetables


12% Tree Fruits & Nuts


8% Forest Products


22% Other


18% Vineyards & Wineries


12% Dairies

PATRONAGE REPORT

This year, our Board again voted to approve our cash patronage distribution at a full 1.0%, resulting in a record $142 million cash back to you, our loyal customers.

Our efforts to maintain a diversified loan portfolio, balanced across commodities and locations, help minimize the impacts of stress on any individual sector. We also continue to improve on our business processes and operating efficiency. As a result of these efforts, we are able to share more profit with our members than ever before. Again, we did this by finding efficiency gains in the business, not by charging you more. In fact, we lowered the spread we charge to our cost of money.

This year marks the 16th consecutive year the Association has paid cash patronage.

The Association's consolidated financial statements are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates.

In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with generally accepted accounting principles in the United States of America. Other financial information included in this Annual Report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors and review staff perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as needed. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. Their report is located on page 32. The Association is also examined by the Farm Credit Administration (FCA), regulator of the Farm Credit System.

The Association's Audit Committee of the Board of Directors, which is composed of directors who are not employees, has overall responsibility for the Association's system of internal control over financial reporting. The Audit Committee of the Board of Directors meets periodically with management, FCA, outside consulting firms, and the internal auditors and independent external auditors to review the manner in which each of these groups perform their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. These internal auditors, independent external auditors, and regulators also have access to the Audit Committee of the Board of Directors and its individual members at any time.

The undersigned certify that they have reviewed the 2020 Annual Report and that it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

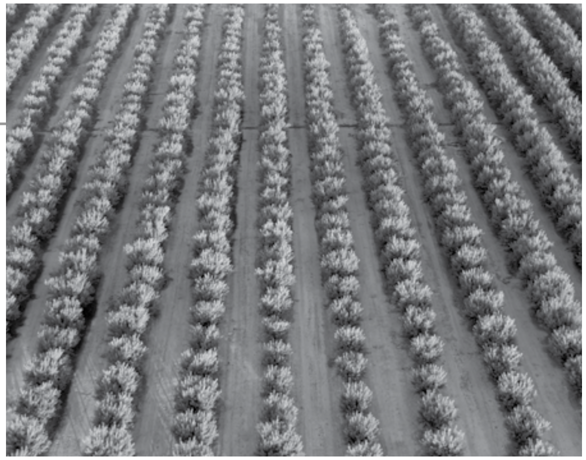
MARCH 5, 2021

George Fontes
Board Chair

Curt Hudnutt
Chief Executive Officer

Vern Zander
Chief Financial Officer

AUDIT COMMITTEE REPORT



The Audit Committee (Committee) is composed of six members of the Board of Directors. In 2020, eight Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities.

The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditors for 2020. The Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Charter.

The fees paid for professional services rendered for the Association by its independent auditors, PwC, during 2020 were $415,042 for audit and audit-related services and $72,500 for tax services.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and Audited Financial Statements for the year ended December 31, 2020 (Audited Financial Statements), with management. The Committee also reviewed with PwC the matters required to be discussed by the Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provided reports on significant matters to the Committee.

The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded these services to be compatible with maintaining the independent auditors' independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's 2020 Annual Report and for filing with the FCA.

MARCH 5, 2021

Thomas G. Stegman
Audit Committee Chair

2020 AUDIT COMMITTEE MEMBERS

John Caldwell (term expired August 2020)
Cyril Chappellet (term began August 2020)
Derek Davis (term expired August 2020)
Janet Konkel (term began August 2020)
Brian Maloney
Larry Solari
Thomas G. Stegman
Thomas Teixeira

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements.

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2020. In making the assessment, management used the framework in Internal Control — Integrated Framework (2013), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the COSO criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2020, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2020.

MARCH 5, 2021

Curt Hudnutt
Chief Executive Officer

Vern Zander
Chief Financial Officer

FIVE-YEAR SUMMARY OF
SELECTED FINANCIAL DATA

December 31 (in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
CONSOLIDATED STATEMENTS OF CONDITION DATA					
Loans	$14,170,874	$11,844,790	$10,214,774	$9,306,922	$8,008,875
Less: allowance for loan losses	(33,211)	(25,807)	(21,359)	(19,588)	(19,241)
Net loans	**14,137,663**	**11,818,983**	**10,193,415**	**9,287,334**	**7,989,634**
Investment in and receivable from CoBank	533,452	440,264	384,306	354,876	298,189
Accrued interest receivable	114,735	111,419	98,197	80,155	61,707
Other property owned	4,160	4,779	–	–	–
Other assets	304,130	287,977	252,673	252,707	208,014
Total assets	**$15,094,140**	**$12,663,422**	**$10,928,591**	**$9,975,072**	**$8,557,544**
Obligations with maturities of one year or less	$6,047,560	$5,914,753	$5,331,253	$3,944,170	$6,783,899
Obligations with maturities greater than one year	6,677,425	4,521,088	3,481,418	3,999,899	–
Total liabilities	**12,724,985**	**10,435,841**	**8,812,671**	**7,944,069**	**6,783,899**
Preferred stock	175,623	127,955	125,766	126,910	128,620
Common capital stock and participation certificates	10,212	9,545	8,791	8,714	7,805
Unallocated retained surplus	1,520,252	1,420,692	1,336,892	1,254,530	1,154,462
Additional paid in capital	683,656	683,656	656,723	656,723	490,564
Accumulated other comprehensive loss	(20,588)	(14,267)	(12,252)	(15,874)	(7,806)
Total members' equity	**2,369,155**	**2,227,581**	**2,115,920**	**2,031,003**	**1,773,645**
Total liabilities and members' equity	**$15,094,140**	**$12,663,422**	**$10,928,591**	**$9,975,072**	**$8,557,544**

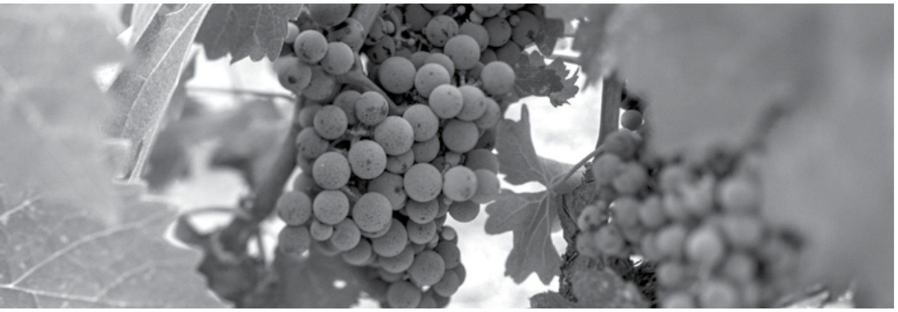
Year Ended December 31 (in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
CONSOLIDATED STATEMENTS OF INCOME DATA					
Net interest income	$368,417	$307,483	$267,660	$255,083	$212,452
Provision for credit losses	(9,435)	(5,312)	(2,477)	(2,634)	(12,812)
Patronage distribution from Farm Credit institutions	89,299	63,275	66,336	52,160	45,460
Non-interest expense, net	(200,950)	(164,710)	(143,283)	(130,429)	(129,148)
Provision for income taxes	(2)	(18)	(15)	(4)	(7)
Net income	**$247,329**	**$200,718**	**$188,221**	**$174,176**	**$115,945**

CONSOLIDATED
KEY FINANCIAL RATIOS

Year Ended December 31	2020	2019	2018	2017	2016
Return on average assets	1.82%	1.75%	1.68%	1.70%	1.31%
Return on average members' equity	10.41%	8.93%	7.86%	7.78%	5.67%
Net interest margin	2.88%	2.86%	2.83%	2.90%	2.84%
Net charge-offs as a percentage of average loans	0.01%	0.01%	0.00%	0.03%	0.04%
As of December 31					
Members' common equity as a percentage of total assets	15.70%	16.58%	18.23%	19.11%	19.24%
Members' total equity as a percentage of total assets	14.53%	17.59%	19.39%	20.38%	20.75%
Debt as a ratio to members' equity	5.37:1	4.68:1	4.16:1	3.91:1	3.82:1
Allowance for credit losses as a percentage of loans	0.27%	0.25%	0.24%	0.24%	0.28%
Allowance for loan losses as a percentage of loans	0.23%	0.22%	0.21%	0.21%	0.24%
Common Equity Tier 1 (CET1) capital	11.55%	13.40%	14.75%	15.37%	n/a
Tier 1 capital	11.55%	13.40%	14.75%	15.37%	n/a
Total capital	11.79%	13.60%	14.94%	15.57%	n/a
Tier 1 leverage	13.16%	15.33%	16.86%	17.61%	n/a
Unallocated retained earnings and URE equivalents (UREE) leverage	13.94%	15.67%	17.24%	19.08%	n/a
Permanent capital ratio	12.83%	14.58%	15.99%	16.65%	17.94%
Other Information					
Cash patronage distributions declared (in thousands)	$141,970	$115,410	$105,069	$74,842	$61,610
Preferred stock dividends declared (in thousands)	$1,318	$3,200	$2,657	$1,370	$701
Loans serviced for others (in millions)	$5,755	$5,159	$4,162	$4,783	$4,200

MANAGEMENT'S DISCUSSION & ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries American AgCredit, FLCA and American AgCredit, PCA (collectively the Association or American AgCredit) as of December 31, 2020, with comparisons to prior years. This 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. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report.



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. Annual reports are mailed to all stockholders within 90 days after year-end and are available on our website within 75 days after year-end; quarterly reports are available on our website within 40 days after each calendar quarter-end.

FORWARD-LOOKING INFORMATION

Certain information included in this discussion constitutes forward-looking statements and information that is based on management's belief, as well as certain assumptions made by and with information currently available to management. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. When used in this discussion, words such as "anticipates," "projects," "expects," "believes," "estimates," "could," "should," and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations and projections will prove to be correct. Such forward-looking statements are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks materialize, or should such underlying assumptions prove to be incorrect, actual results may vary materially from those anticipated, projected, or expected. Among key factors that may have a direct bearing on operating results include: fluctuations in the economy; the relative strengths and weaknesses in the agricultural credit sectors and in the real estate market; regional weather conditions and trends; the actions taken by the Federal Reserve for the purpose of managing the economy; the continued growth of the agricultural market consistent with recent historical experience; the continued influx of government payments to borrowers; the discontinuance of LIBOR; the continued effect of the COVID-19 pandemic; and Farm Credit Administration (FCA) mandates and rulings.

BUSINESS OVERVIEW

FARM CREDIT SYSTEM STRUCTURE AND MISSION

American AgCredit is one of 68 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served rural communities and agricultural producers for over 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The FCA is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

OUR STRUCTURE AND FOCUS

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 makes short- and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans. To meet the diverse needs of its borrowers, the Association is structured along geographical and business industry lines that allow for specialized transactions that are unique to various types of customers. The Association's success is highly dependent upon the customer experience it can provide to its borrowers. Business priorities are to serve the needs of all eligible customers, increase loan volume, improve operating efficiencies, build capital, increase profitability, and invest in the people and technological resources that will ensure future success.

As part of the System, the Association obtains funding from CoBank, ACB (CoBank). CoBank is a cooperative of which the Association is a member. CoBank and its affiliated associations and AgVantis Inc. (AgVantis) are collectively referred to as "the District."

The Association, along with our borrowers' investment in our Association, is materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge on CoBank's website, www.CoBank.com, or may also be obtained at no charge by calling (800) 542-8072 or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111. Annual reports are available within 75 days after year-end and quarterly reports are available within 40 days after the calendar quarter-end.

COVID-19 IMPACT

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 continue to conduct business with us through the use of online banking and other technologies. We are following state and local recommendations for each of our office locations. As such, some offices are open to walk-in traffic while others remain open by appointment only. Customers can obtain up-to-date information on each office location at www.AgLoan.com/locations.

The Association created several customer assistance and loan relief programs for eligible borrowers as a result of COVID-19. Loan assistance programs included term and mortgage payment deferrals for up to six months, interest-only payment options and loan maturity extensions for up to 12 months, as well as lease payment deferrals. These loan assistance programs were 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.

The Association is a participating lender in the Small Business Association's (SBA) Paycheck Protection Program (PPP), which initially concluded on August 8, 2020, and 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 1.0% rate with up to a five-year maturity and payments deferred for six months. These loans are 100% guaranteed by the SBA. Through the August conclusion of the initial program, the Association originated over $128 million in PPP loans, providing relief for an estimated 17,000 jobs. In December 2020, enacted legislation restarted the PPP loan program with additional funding and key changes on eligibility for second-time applicants' types of forgivable expenses while preserving the income tax deductibility of expenses paid with forgiven loans. The Association is a participating lender in the restarted PPP loan program.

ECONOMIC OVERVIEW

The agricultural economy entered 2020 with concerns over persistently low inflation, trade negotiations, and environmental conditions. The global economy was subsequently rocked by the emergence of the COVID-19 pandemic. 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 indicated it would permit inflation to rise modestly above its 2.0% target prior to raising benchmark rates, which represents a significant policy change from historical practices. As a result, most central bank officials expect rates to remain near zero until at least late 2023. Unprecedented instability in global financial markets and aforementioned interest rate cuts decreased liquidity in fixed income markets and reduced the flexibility for organizations to issue certain tenors and types of debt securities for a period of several weeks in March and April 2020. Starting in June, the Federal Reserve also began purchasing over $100 billion a month of Treasury Securities and mortgage bonds as a market liquidity measure.

The financial markets experienced extreme volatility and entered a bear market in a historically short period of time. However, equity markets rallied from March lows, with the S&P 500 experiencing a 16.0% gain for the entire 2020 calendar year. Unemployment precipitously increased to 14.7% in April, although it fell to 6.7% by December. The overall U.S. economy contracted 3.5% during 2020, representing the largest decline since just after World War II. However, the International Monetary Fund expects the U.S. economy to grow 5.1% in 2021.

Throughout the year, the federal government took unprecedented action in response to COVID-19, including direct cash payments to eligible Americans, extended unemployment benefits, and federal loan guarantees. Additionally, portions of enacted legislation, such as the Coronavirus Aid, Relief and Economic Security (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. On January 15, 2020, the Phase One trade agreement with China was signed and on July 1, the United States-Mexico-Canada Agreement (USMCA) entered into force. These agreements are generally seen as favorable for farmers and ranchers as their terms provide new market access for certain agricultural commodities, especially dairy, while preserving some zero-tariff platforms for other commodities. Early results on the Phase One deal indicate that through November, China had purchased $22.5 billion of covered agricultural products compared to a year-to-date target of $29.6 billion. Although purchases are below target, it is generally seen as an improvement over prior years' purchases from China.

In December 2020, the Federal government passed additional legislation with $13 billion in new agricultural support. This legislation provides another round of assistance under the Coronavirus Food Assistance Program (CFAP) in addition to other aid for farmers and ranchers. The legislation also provides for a new round of PPP loans, additional stimulus checks for eligible Americans, and temporarily extends a number of unemployment programs created by the CARES Act, which were to expire at year end.

The Association's territory remains susceptible to natural disasters. Persistent drought conditions within the Association's territory remains concerning. Rainfall was well below average through 2020, although precipitation in December provided a small amount of relief. Nevada and Colorado have large areas of exceptional drought, while California and Kansas have areas of extreme drought. Fire damage in California exceeded four million acres for 2020. As a result of drought, land values in some regional areas may be subdued, but low interest rates and significant influx of government payments have helped support land values in many areas. Additionally, due to the Association's diversification across its defined territory and across the United States through its capital markets lending portfolio, land values directly affected by drought are not expected to have a material impact on the Association. Availability of seasonal agricultural labor remains a concern as the pandemic and H-2A restrictions curbed the available labor force for agriculture.

COMMODITY REVIEW AND OUTLOOK

The following highlights the general health of agricultural commodities with the greatest concentrations in the Association's loan portfolio. Loan volume may fluctuate based upon the seasonal nature of agriculture, especially with respect to commodities that have a single harvest cycle per year. Major commodities financed by the Association are shown in the table in Note 3 to the consolidated financial statements.

VINEYARDS AND WINERIES

The wine industry entered the year with an excess of supply, initially causing overall downward pricing pressure. During the initial onset of COVID-19, the availability of labor shrank and new contracts for grapes dried up as some wineries pulled back from the market. Early frost in certain areas uprooted initial production plans. Softening global growth and higher exchange rates also weighed down global demand for U.S. wine. Although direct-to-consumer sales experienced double-digit growth in COVID-19's wake, it was not enough to offset overall losses experienced as a result of restaurants and other on-premise sales channels that were practically eliminated as a result of COVID-19-related government restrictions. Overall wine sales have decreased roughly 6.0% from the prior year. Wineries with multiple established selling channels were better positioned to weather difficult conditions. Some producers invested in replants to take unneeded acres out of production. Fires in California also dealt adversity to the wine industry in the fall, with reported losses approaching $500 million in some areas. Red wine varieties were affected most due to the fires occurring later in the harvest window. Because of the resultant supply shock caused by the fires, prices in the bulk wine market improved, with some premium varietals doubling from the prior year. Wine grape prices in non-smoke-tainted areas, such as California's Central Valley, also increased. On-premise sales are expected to remain well below historical averages as long as governmental authorities, especially in California, restrict patronage of tasting rooms and restaurants. Some wineries have offered limited 2021 grape contracts, and vineyard values are expected to be either stable or slightly lower than 2019 with potential upside in 2021.

FIELD CROPS

Prices for most grains and soybeans were subdued at the beginning of 2020 as relatively high stocks were met with uncertainty of demand. Despite COVID-19, at the end of 2020 field crop producers experienced significantly improved liquidity as a result of improved field crop prices and government support. Export demand from China has significantly improved as China has experienced some domestic production struggles and has imported the vast majority of purchases as agreed to in the Phase One trade agreement. Additionally, weather-related issues hurt grain production in many regions. The cut in grain production and additional demand from China significantly improved cash prices. On top of improved cash prices, many field crop producers will also benefit from government payments. On the supply side, adverse weather damaged hundreds of thousands of crop acres, causing most production estimates for 2020 to decline. However, this is expected to aid with bringing stocks down to more historical norms.

The USDA lowered U.S. corn production estimates by 2.2% in the World Agricultural Supply and Demand Estimate (WASDE) publication. Demand was also lowered, but by only 1.0%. The stocks-to-use ratio significantly improved as supply declined much more rapidly than demand. The largest beneficiary of improved exports to China has been grain sorghum. Notably, grain sorghum and corn prices have reached multi-year highs as the basis has turned strongly positive and cash prices are well above the USDA's initial 2020 estimate of $3.60 per bushel. In December, the USDA lowered estimated U.S. wheat production by a little more than 0.5% and increased total consumption by about 2.0%. Cash prices also increased with the improvement in stocks-to-use ratios. Producers who were able to store wheat post-harvest should benefit from improved prices. The USDA also lowered estimated soybean production by 1.0% and domestic consumption by about 0.25%. Stocks-to-use ratios declined, and prices have increased to multi-year highs. Most producers have reported average yields and slightly lower costs. The 2021 field crop performance will depend upon COVID-19 continued ramifications, exports to China, and the availability of future government payments.

TREE FRUITS AND NUTS

The tree fruit and nut industry entered 2020 with generally optimistic demand forecasts and stable financial conditions. The effects of the COVID-19 pandemic curbed some export demand and created some financial volatility. The first round of the Coronavirus Food Assistance Program (CFAP) provided significant financial assistance to tree fruit and nut producers. Tree nut production has remained on an upward trend for multiple years due to increased plantings and agronomic factors. Domestic demand for tree nuts remained strong, helping to offset increased production. Overall, most producers are expected to have stable to improved gross revenue as a result of strong yields and government support.

The 2020 almond crop was the largest crop on record by a wide margin, approaching 3 billion pounds. The sharp increase in supply has added pressure for shipments to keep pace and maintain stable prices. The 2020 walnut crop will also come close to meeting the high production estimate from the USDA. However, lower prices offset stronger yields, which resulted in 2020 revenue being comparable to 2019. Pistachio production was the largest harvest on record, topping 1 billion pounds. Newly planted orchards, often in areas where pistachios were previously not planted, have done very well. Shipments of almonds and pistachios, which improved in late 2020, will be key to maintaining profitable prices. Hawaiian crops remain impacted due to COVID-19 restrictions, which are severely impacting the agritourism business. While coffee prices are slightly higher than 2019 due to lower yields caused by excess moisture and the spread of the Coffee Berry Borer, macadamia nut prices have weakened.

DAIRIES

Although the dairy outlook was somewhat favorable entering into 2020, economic disruption caused by COVID-19 restrictions initially brought economic hardship to dairy processors and producers. Demand was sharply reduced by government closures of schools, convention centers, and restaurants. As the year progressed, government support programs such as the CFAP helped improve farmer prices and most dairy prices recovered some losses by mid-year. Many dairies were also able to take advantage of the PPP loan program to help offset costs in the early months of 2020. Payments from the Dairy Revenue Protection (DRP) program and Pasture, Rangeland, Forage (PRF) program have also been recognized as helping to support revenue flows. While Class III milk prices remain strong, Class IV milk prices have lagged. Strong export demand for grains, combined with some regional production issues, has forced most grain and other input prices higher. Additionally, the supply of by-products such as cottonseed meal, distillers grains, and soymeal have tightened, creating an environment of higher prices. Rising costs will challenge the dairy sector's ability to return to pre-COVID-19 margin levels in 2021, although government programs helped to buoy the sector. As evidence of some stability, dairy cow prices rebounded in the later portions of 2020.

BEEF

The beef industry entered 2020 with stronger prices. However, restrictions related to COVID-19 initially caused beef processing plants to close or limit production to reduce the possibility of exposure. This resulted in a sharp decrease in slaughter capacity, an excess supply of live cattle, and a decreased supply of wholesale beef. This caused retail beef prices to increase dramatically, while live cattle prices decreased. After the initial shock of the pandemic, beef slaughter ran at a historically high pace. As the supply of beef on the store shelf continues to catch up, retail prices have returned to recent averages. The decline in retail prices is generally held as a positive in the industry, as extremely high prices typically force consumers to substitute beef for cheaper proteins. Due to the steep decline during the initial lockdown, total pounds of beef slaughtered remains about 0.5% below 2019 levels. Cattle feeders caught in the early stages of the pandemic faced difficult margins, but profitability returned to the sector in the last quarter of 2020.

The cow-calf sector continues to manage through a worsening drought in the western U.S. Most cattle were taken off pasture earlier than normal, forcing many producers to purchase additional feed or sell older cows in the herd. Uncertainty surrounding 2021 grass conditions and the availability of winter feed have also weighed on demand for replacement cows. In particular, demand for small lots and older cows has been particularly weak with prices only slightly above cull or weigh prices. Prices for larger lots of younger cows have been more stable and have only modestly declined from recent averages. Higher feed costs are expected to be offset by higher live cattle prices, resulting in mostly profitable margins for at least the first half of 2021. Also, early indicators show CFAP payments and other government support has been used by producers to financially position operations heading into 2021.

FOREST PRODUCTS

The forest products industry logged a surprisingly strong 2020 calendar year. Demand has remained high through the pandemic, and prices for most products have been profitable. The industry worked around production curtailments due to COVID-19-related restrictions, hurricanes in the South, and fires in the western United States to keep a mostly profitable balance of supply and demand. Demand for lumber and other construction materials has been driven by record-setting levels of residential improvement spending. Following the initial shock of the pandemic, spending on residential improvements set record highs on an inflation-adjusted basis. In addition to strong residential improvement demand, housing starts have also rebounded sharply. Extremely low mortgage rates and increased construction have helped drive demand for new housing. Prices for construction materials such as panels, plywood and oriented strand board are at or near record prices. The prices of most other construction materials have also increased sharply alongside improved demand. Demand for tissue and containerboard has been particularly strong due to pandemic-related health habits and online shopping. In the timber market, prices for most logs have steadily increased following the initial months of the pandemic. Many timber companies have also begun the early stages of harvesting wood damaged from fires. Most in the industry are cautiously approaching their pace of production to keep the delicate balance of supply and demand in check. It is expected that most companies in this industry will cautiously manage through the early portions of 2021 and continue to keep a long-term focus on business operations.

FINANCIAL CONDITION

LOAN PORTFOLIO

The Association's loan portfolio consists of accrual loans, nonaccrual loans on which the accrual of interest has been suspended, and other loans such as sales contracts arising from the sale of property acquired through foreclosure. Loans were $14.2 billion as of December 31, 2020, compared to $11.8 billion and $10.2 billion for 2019 and 2018, respectively. The 2020 increase of $2.3 billion resulted in a 19.6% year-over-year growth rate and was due to strong organic loan growth. The following table illustrates the major loan volume categories from December 31, 2018 to December 31, 2020.

December 31	2020		2019		2018	
(in millions)	Loan Volume	Percent of Total	Loan Volume	Percent of Total	Loan Volume	Percent of Total
Real estate mortgage	$7,802.4	55.1%	$6,564.1	55.4%	$5,833.5	57.1%
Production and intermediate-term	3,132.1	22.1%	2,692.1	22.7%	2,227.9	21.8%
Agribusiness	2,747.6	19.4%	2,236.6	18.9%	1,823.9	17.9%
Rural infrastructure	445.2	3.1%	308.0	2.6%	288.6	2.8%
Other	43.6	0.3%	44.0	0.4%	40.9	0.4%
Total loans	**$14,170.9**	**100.0%**	**$11,844.8**	**100.0%**	**$10,214.8**	**100%**

Factors affecting the changes in loan volume categories are discussed below.

Real Estate Mortgage Loans: Real estate mortgage loan volume was $7.8 billion at December 31, 2020, compared to $6.6 billion and $5.8 billion at year-end 2019 and 2018, respectively. The 2020 increase of $1.2 billion resulted in an 18.9% year-over-year growth rate. Real estate mortgage loans increased by $730.6 million in 2019.

Production and Intermediate-Term Loans: Production and intermediate-term loan volume increased to $3.1 billion in 2020, compared to $2.7 billion and $2.2 billion at year-end 2019 and 2018, respectively. The $440.0 million increase resulted in a 16.3% annual growth rate. The portfolio grew by $464.2 million in 2019.

Agribusiness Loans: Agribusiness loans are primarily made to finance the throughput of agricultural goods to the marketplace. Such loans consist of long-term mortgages on processing facilities and equipment as well as short- and intermediate-term operating lines of credit. The agribusiness portfolio totaled $2.7 billion at year-end 2020, compared to $2.2 billion for 2019 and $1.8 billion for 2018. This loan portfolio increased by $511.0 million, or 22.8%, during 2020, compared to a $412.7 million increase in 2019.

Rural Infrastructure and Other Loans: These loan portfolios consist of rural infrastructure, agricultural export finance, and loans made for sales contracts and for homes located in rural areas. This portion of the portfolio accounted for less than 4.0% of the total loan portfolio in each of the years reported.

Small loans (less than $250 thousand) accounted for 63.4% of the total number of loans and 6.4% of loan volume at December 31, 2020. Credit risk on small loans, in many instances, is reduced by non-farm income sources. Loans greater than $5.0 million account for 2.7% of the total number of loans and 43.1% of the total loan volume.

GEOGRAPHIC CONCENTRATIONS

The Association's territory covers 38 California counties from the Oregon border to the Mexican border, the entire states of Nevada and Hawaii, and parts of central and southwest Kansas, northern Oklahoma, western Colorado, and northwest New Mexico. The geographical distribution of loan volume as of December 31, 2020, 2019, and 2018, is shown in the following table. The Association originates and services loans in areas outside of its chartered territory with the concurrence of the Farm Credit associations where those loans are physically located.

December 31	2020		2019		2018	
(in millions)	Loan Volume	Percent of Total	Loan Volume	Percent of Total	Loan Volume	Percent of Total
California	$7,293.2	51.5%	$6,029.3	50.9%	$5,307.8	52.0%
Kansas	1,668.3	11.8%	1,568.4	13.2%	1,401.5	13.7%
Colorado	1,321.3	9.3%	1,106.1	9.3%	950.6	9.3%
Nevada	223.8	1.6%	197.4	1.7%	183.5	1.8%
Hawaii	110.0	0.8%	83.7	0.7%	–	–
Other	3,554.3	25.0%	2,859.9	24.2%	2,371.4	23.2%
Total	**$14,170.9**	**100%**	**$11,844.8**	**100%**	**$10,214.8**	**100.0%**

We are party to a Territorial Approval Agreement (Agreement) with other associations in the states of Oklahoma, Colorado, Kansas, and New Mexico. The Agreement eliminates territorial restrictions and allows associations that are a party to the Agreement to make loans in any other association's territory regardless of a borrower's place of residence, location of operations, location of loan security, or location of headquarters. This Agreement can be terminated upon the earlier to occur of the following:

1) The time when all but one association has withdrawn as a party to the Agreement; or

2) December 31, 2025; or

3) When requested by FCA.

The Association routinely sells portions of large loans to other financial institutions to manage portfolio risk. These institutions are geographically dispersed and come from within the Farm Credit System, and from the commercial banking and life insurance industries. In addition, the Association has entered into participation agreements with these institutions in which the Association services the entire loan but retains ownership of only a small portion. Participating in or selling loans allows the Association to manage its lending limits and its internal capital requirements, as well as to diversify credit, commodity, geographic, and other risks. Neither the principal nor any unused commitments related to the participated or sold portion of these loans are included on the Association's Consolidated Statements of Condition. Participation and other multi-lender activity is summarized below.

December 31 (in millions)	**2020**	**2019**	**2018**
Loans sold to others	$4,743.3	$4,272.6	$3,393.4
Retained interest in sold loans	$1,847.8	$1,590.5	$1,292.4
Loans purchased from others	$3,054.6	$2,414.7	$2,000.8
Syndications serviced for others	$1,011.9	$886.6	$769.0

To further manage portfolio credit risk, the Association participates in a Federal Agricultural Mortgage Corporation (Farmer Mac) guarantee program. Under this program, the Association pays a guarantee fee to Farmer Mac to assume the balance of pre-designated loans if they become delinquent. Management considers these fees to be intrinsic credit enhancement costs that affect the yield on the pool of guaranteed loans. The Association paid $314 thousand, $304 thousand, and $182 thousand in guarantee fees during 2020, 2019, and 2018, respectively. These fees are included in interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac guaranteed loans at December 31, 2020, 2019, and 2018, were $64.6 million, $66.4 million, and $61.9 million, respectively.

HIGH-RISK ASSETS

FCA regulations specify three high-risk loan performance categories: nonaccrual, restructured, and loans 90 days past due still accruing interest. These are referred to as impaired loans. Loans outstanding, including accrued interest, for each loan performance category as of December 31 are as follows.

(in thousands)	**2020**	**2019**	**2018**
Nonaccrual	$51,541	$42,232	$38,544
Accruing restructured	10,872	13,408	10,903
Accrual > 90 days past due	509	–	348
Total impaired loans	62,922	55,640	49,795
Other property owned	4,160	4,779	–
Total high-risk assets	**$67,082**	**$60,419**	**$49,795**
Nonaccrual loans/total loans	0.36%	0.36%	0.38%
Nonaccrual loans current as to principal and interest	$30,222	$20,629	$24,639

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. Nonaccrual loan volume increased by $9.3 million in 2020, from $42.2 million at December 31, 2019, to $51.5 million at December 31, 2020. While the Association does not accrue interest on loans classified as nonaccrual, 58.6% of the nonaccrual loan volume at December 31, 2020, was current as to principal and interest compared to 48.9% at December 31, 2019, and 63.9% at year-end 2018.

Although high-risk asset volume could increase in the future, credit quality remained virtually unchanged despite the COVID-19 pandemic, ending 2020 at 98.5% as compared to 98.6% at the end of 2019. See the "Credit Risk Management" section of this discussion for further information on the Association's credit quality. Given the cyclical nature of agriculture, management anticipates that factors such as product oversupply, declining commodity prices, water issues, regulatory demands, changing interest rates, continued effects of COVID-19, and public demand for commodities could adversely impact high-risk volume over time. Supply and demand dynamics, including the threat or existence of trade tariffs, may negatively impact a number of U.S. agricultural segments. The potential for worsening drought conditions throughout our territory could have a negative impact on our borrowers and the credit quality of our loan portfolio. The Association's Risk Management Department proactively monitors and addresses portfolio risk.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded lending commitments. The allowance for credit losses is our best estimate of the amount of probable losses inherent in our loan portfolio as of the balance sheet date. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio and unfunded lending commitments, which generally considers types of loans, credit quality, specific industry conditions, general economic conditions, weather-related conditions, and changes in the character, composition, and performance of the portfolio, among other factors. The allowance for credit losses is calculated based on a historical loss model that takes into consideration various risk characteristics of our loan portfolio. We evaluate the reasonableness of this model and determine whether adjustments to the allowance are appropriate to reflect the risk inherent in the portfolio.

We maintain a reserve for unfunded lending commitments that reflects our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as the likelihood of disbursements and the likelihood of losses given disbursement are utilized in determining the reserve. This reserve totaled $4.5 million, $3.7 million, and $2.9 million at December 31, 2020, 2019, and 2018, respectively.

The ALL increased $7.4 million to $33.2 million in 2020, from $25.8 million in 2019. The increase was primarily the result of $8.7 million of provision for loan loss, partially offset by $1.3 million of net charge-offs. The additional provision was primarily due to COVID-19 impacts and incremental loan growth. Overall, charge-off activity remains low relative to the size of our loan portfolio. Comparative ALL coverage as a percentage of loans and certain other credit quality indicators as of December 31 is shown in the following table.

	2020	2019	2018
Allowance for loan losses as a percentage of:			
Total loans	0.23%	0.22%	0.21%
Impaired loans	52.78%	46.38%	42.89%

Further discussion of the allowance can be found in Note 3 to the consolidated financial statements.

OTHER ASSETS

Other assets were $165.9 million at December 31, 2020, an increase of $32.2 million when compared to year-end 2019. Other assets primarily consisted of $69.7 million of patronage receivable from Farm Credit institutions, $68.1 million of pension plan assets, and $10.7 million of other receivables and assets. The change was primarily due to an increase in pension plan assets of $13.1 million, and an $8.1 million increase in patronage receivables. Other assets were $133.7 million at December 31, 2019, an increase of $21.2 million compared to year-end 2018.

OTHER LIABILITIES

Other liabilities were $150.8 million at December 31, 2020, an increase of $34.5 million when compared to year-end 2019. Other liabilities primarily consisted of $60.0 million of pension liabilities, $49.3 million of short- and long-term incentive compensation payables, $9.9 million of Farm Credit System Insurance Corporation (FCSIC) payable, and $25.3 million of other liabilities. The year-over-year change was primarily due to a $14.9 million increase in incentive compensation due to a larger number of employees, a $10.1 million increase in pension liabilities due to increased service of employees within the nonqualified defined benefit plan, and a $2.2 million increase in FCSIC premium payable caused by increased direct note borrowings combined with higher premiums effective July 2020. Other liabilities totaled $116.3 million at December 31, 2019, an increase of $14.2 million when compared to year-end 2018.

RESULTS OF OPERATIONS

EARNINGS

The Association produced net income of $247.3 million in 2020, compared to $200.7 million in 2019 and $188.2 million in 2018. The $46.6 million increase in net income from 2019 was primarily due to a $60.9 million increase in net interest income as a result of exceptional loan growth, aided by a $27.6 million increase in non-interest income attributable to higher patronage income from other Farm Credit institutions and loan origination fees recognized. Non-interest expense increased by $37.8 million, largely driven by an increase in salaries and benefits and technology expenses, offset by decreases in other operating expenses.

The Association's 2019 net income of $200.7 million was $12.5 million higher than 2018's net income of $188.2 million. The increase was driven by a $39.8 million increase in net interest income as a result of strong organic loan growth. This was offset by a decrease in non-interest income of $7.5 million and an increase in non-interest expense of $17.0 million.

The major components of change in net income over the past two years are summarized as follows.

(in thousands)	2020 vs. 2019	2019 vs. 2018
Net income, prior year	$200,718	$188,221
(Decrease)/increase in interest income	(20,322)	89,517
Decrease/(increase) in interest expense	81,256	(49,694)
Increase in net interest income	60,934	39,823
Increase in provision for credit losses	(4,123)	(2,835)
Increase/(decrease) in non-interest income	27,552	(7,517)
Increase in non-interest expense	(37,768)	(16,971)
Decrease/(increase) in income tax benefit/provision	16	(3)
Increase in net income	**46,611**	**12,497**
Net income, current year	**$247,329**	**$200,718**

NET INTEREST INCOME

The table below provides an analysis of the individual components of the change in net interest income for 2020 and 2019.

(in thousands)	2020 vs. 2019	2019 vs. 2018
Net interest income, prior year	$307,483	$267,660
Increase in net interest income due to changes in:		
Net interest margin	2,156	2,844
Volume of average earning assets	58,191	36,596
Margin/volume combination	587	383
Increase in net interest income	**60,934**	**39,823**
Net interest income, current year	**$368,417**	**$307,483**

2020 net interest income was $368.4 million, compared to $307.5 million in 2019 and $267.7 million in 2018. The 2020 increase of $60.9 million represents a 19.8% increase over 2019 and was primarily due to strong growth in loan volume. Average earning assets grew by $2.0 billion during 2020, representing an annual growth rate of 18.9%.

Net interest income in 2019 increased 14.9% from $267.7 million in 2018 to $307.5 million. The $39.8 million increase was driven by strong organic accrual loan volume growth. Average earning assets increased in 2019 by $1.3 billion, representing an annual growth rate of 13.8%.

	2020	2019	2018
Average rate on earning assets	4.19%	5.17%	4.93%
Average rate on interest-bearing liabilities	1.53%	2.75%	2.56%
Net interest margin	2.87%	2.85%	2.82%

The Association administers its variable-rate loans based on its cost of funds. Adjustments to borrower variable rates have generally followed changes in the Prime Rate. Management closely monitors interest rate movements and will adjust variable rates to customers to preserve adequate net interest income to sustain the growth of the Association.

The Association has a differential pricing policy for interest rates, which is based on loan size, servicing requirements, and credit risk of a loan. Management's objective is to maintain interest rates that are competitive with other lenders providing similar-type loans.

PROVISION FOR CREDIT LOSSES

Management reviews the allowance for loan losses and the reserve for unfunded lending commitments on a quarterly basis and makes adjustments that reflect the changing risks in the portfolio. Generally speaking, increased loan volume and unfunded commitments will require additional allowance for credit losses. The Association's strong 2020 loan volume growth combined with some effects due to COVID-19 resulted in a $9.4 million provision for credit losses, compared to a $5.3 million provision for credit losses in 2019. The 2019 provision was largely driven by strong loan growth. The Association recorded a provision for credit losses in 2018 of $2.5 million.

NON-INTEREST INCOME

Non-interest income consists primarily of patronage from Farm Credit institutions, loan origination and servicing fees, insurance income, and other gains and losses. Total non-interest income was $116.8 million in 2020, compared to $89.3 million in 2019 and $96.8 million in 2018. The $27.6 million increase in non-interest income during 2020 was primarily due to a $13.9 million increase in CoBank patronage caused by a special patronage of approximately $10.5 million, an $11.9 million increase in patronage income from other Farm Credit institutions caused by higher participations sold balances, and a $6.7 million increase in loan origination fees, offset by a $1.1 million decrease in servicing fees. Included in loan and origination fees are $3.6 million recognized in connection with the origination of PPP loans. The Association also recognized a $3.3 million loss on early extinguishment of debt, recorded in other losses/gains, net.

Total non-interest income was $89.3 million in 2019, compared to $96.8 million in 2018. The $7.5 million decrease in non-interest income during 2019 was primarily due to a $3.4 million decrease in CoBank direct note patronage caused by CoBank's revised target patronage levels, a $3.1 million FCSIC premium refund decrease, a $3.7 million decrease in loan origination fees due to more loans with fees recognized at origination, and a $1.4 million increase in servicing fees and late charges.

During August 2017, CoBank announced changes to its capital plans and patronage programs for eligible customer-owners designed to address a number of marketplace challenges. The changes are intended to strengthen CoBank's long-term capacity to serve customers' borrowing needs, enhance CoBank's ability to capitalize future customer growth, and ensure equitability among different customer segments. The new target patronage levels took effect during 2018 and were reflected in patronage distributions made in March 2019. Affiliated associations transitioned to their new target patronage levels over a multi-year period, which ended in 2020.

NON-INTEREST EXPENSES

Non-interest expenses consist of salaries and benefits, occupancy and equipment costs, purchased services, technology, insurance fund premiums, supervisory expenses, and other operating costs. Non-interest expenses were $228.5 million in 2020, compared to $190.7 million in 2019 and $173.7 million in 2018. The $37.8 million increase in non-interest expenses in 2020 was primarily driven by a $32.4 million increase in salaries and benefits, a $1.6 million increase in purchased services, and a $5.0 million increase in technology expenses. These increases were

offset by decreases in occupancy and equipment expense of $1.0 million and other operating expenses of $2.2 million. Decreases in these categories were primarily due to the Association's employees transitioning to work-at-home arrangements, thereby resulting in a decrease in expenses such as travel, training, and utilities. The $17.0 million increase in non-interest expenses in 2019 was primarily driven by a $5.8 million increase in salaries and benefits and $9.3 million increase in purchased services, offset by a $2.2 million decrease in technology expenses.

PROVISION FOR INCOME TAXES

The Association's effective tax rate is primarily affected by the mix of taxable and tax-exempt lending activities. Due to the level of tax-exempt lending activities and the patronage program, the provision for income taxes remains an insignificant component of the Association's net earnings.

ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss (AOCL) arises from the recognition of an unfunded nonqualified defined benefit pension plan liability and is a component of total members' equity. The liability and the associated other comprehensive loss will fluctuate from year to year depending on the plan's performance and underlying actuarial assumptions and obligations. The actual loss or income to be realized as pension liabilities paid will not be determinable until the liabilities expire. See Note 11 to the consolidated financial statements for further discussion.

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 cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction, 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.

The Association's primary source of funds (excluding capital) and largest liability is its direct loan from CoBank. As further described in Note 7 to the consolidated financial statements, this direct loan is governed by a General Financing Agreement (GFA), is collateralized by a pledge of substantially all the Association's assets, and is subject to regulatory borrowing limits. The GFA includes financial and credit metrics that, if not maintained, can result in increases to our funding costs. The GFA also requires compliance with FCA regulations regarding liquidity. To meet this requirement, the Association closely manages its funding activity and is allocated a share of CoBank's liquid assets for liquidity calculation purposes. The Association is currently in compliance with the GFA and does not foresee any issues with obtaining funding or maintaining liquidity. The Association applies substantially all cash received to the direct loan and draws all cash disbursements from it. The Association's ability to incur debt from other sources is subject to statutory and regulatory restrictions.

CoBank's primary source of funds is the issuance of Farm Credit System debt securities through the Federal Farm Credit Banks Funding Corporation. The continued liquidity of the Association is therefore directly dependent upon the ability of the Farm Credit System to continue to sell debt securities at competitive rates. Historically, this access has provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. As previously noted, unprecedented instability in global financial markets and interest rate cuts by the Federal Reserve decreased liquidity in some debt markets for a short period of time in March and April; however, the market disruption was short-lived and the Association anticipates continued access to the funding necessary to support its lending and business operations.

The Association primarily utilizes a block-funding methodology for funding. In addition to its blocks of debt, the Association also utilizes a daily revolving line of credit with CoBank for liquidity purposes. The interest rate on the revolving line may periodically be adjusted by CoBank based on the terms and conditions of the borrowing.

The Association also obtains funding from customer Funds Held accounts and Class H Preferred Stock (H stock), both of which currently pay an interest rate that is comparable to the short-term interest rate component that is paid on the direct loan with CoBank. Both Funds Held accounts and H stock investments are variable rate and uninsured. From a funding perspective, in combination they provide a cost-effective alternative to borrowing on our direct loan with CoBank. Both are offered to customers of the Association as investment vehicles for excess operating funds. Restrictions apply to the purpose for which the Funds Held may be withdrawn, the maximum dollar amount a customer may maintain in Funds Held, and the maximum amount a customer may invest in H stock.

The United Kingdom's Financial Conduct Authority, which is the regulatory agency that supervises LIBOR, announced in July 2017 that it will phase out its support of LIBOR by the end of 2021, and it could not guarantee the stability of this benchmark rate beyond that date. Since that announcement, various industry work groups have begun preparing for an anticipated phaseout. The Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate (SOFR) in April 2018 as a new alternative benchmark rate for U.S. dollar-denominated derivatives and loans. SOFR is currently a measure of overnight secured borrowing, but the financial industry plans to create term reference rates based on SOFR derivatives and futures markets. SOFR has become the most likely index to replace LIBOR.

In the fourth quarter of 2020, it was announced that the one-week and two-month U.S. Dollar LIBOR tenors would end as originally planned after December 31, 2021. All other tenors would continue to be published through June 2023. U.S. regulators announced support for existing debts to continue referencing LIBOR through June 2023. However, the agencies also stated that entering into new LIBOR-referenced contracts after 2021 would present safety and soundness risks. The continuance of the one-month LIBOR rate would allow for most legacy contracts to mature before LIBOR is fully phased out. The Association has developed a multi-year LIBOR phaseout transition plan, which is defining an orderly road map of actions. The transition plan reduces LIBOR exposures over time and prepares for a phaseout of the rate altogether.

ASSET / LIABILITY MANAGEMENT

In the normal course of lending activities, the Association is subject to interest rate risk. The asset/liability management objective is monitored and managed within interest rate risk limits designed to target reasonable stability in net interest income over an intermediate planning horizon and to preserve a relatively stable market value of equity over the long term. Mismatches and exposure in interest rate re-pricing and indices of assets and liabilities can arise from product structures, customer activity, capital reinvestment, and liability management. While the Association actively manages interest rate risk within the policy limits approved by the Association's Board of Directors through the strategies established by the Market Risk Committee (MRC), there is no assurance that these mismatches and exposures will not adversely impact earnings and capital. The overall objective is to develop competitively priced and structured loan products for the customers' benefit and fund these products with an appropriate blend of equity and debt obligations.

The interest rate gap analysis shown in the table below presents a comparison of interest-earning assets and interest-bearing liabilities in defined time segments at December 31, 2020. The analysis shows how the Association is positioned by comparing the amount of assets and liabilities that re-price at various time periods in the future. The interest rate gap analysis is a static indicator that does not reflect future changes in repricing characteristics and may not necessarily indicate the sensitivity of net interest income in a changing interest rate environment. The value of this analysis can be limited given factors such as the differences between interest rate indices on loans and the underlying funding, the relative changes in the levels of interest rates over time, and optionality included in loans and the respective funding that can impact future earnings and market value.

December 31, 2020 (in thousands)	**1 Month or Less**	**Over 1 Month to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total**
Interest-earning assets:						
Floating rate loans	$6,337,499	$1,858,035	$1,451	$–	$–	$8,196,985
Adjustable rate loans	4,313	8,883	5,405	7,805	–	26,406
Fixed rate loans, prepayable	271,855	418,761	413,070	2,097,609	1,150,396	4,351,691
Fixed rate loans	24,805	81,836	87,894	794,290	555,426	1,544,251
Nonaccrual loans	30,246	2,099	1,508	17,688	–	51,541
Total interest-earning assets	**$6,668,718**	**$2,369,614**	**$509,328**	**$2,917,392**	**$1,705,822**	**$14,170,874**
Interest-bearing liabilities:						
Floating rate debt	$4,364,857	$250,000	$–	$–	$–	$4,614,857
Adjustable rate debt	–	–	–	–	–	–
Discount notes	399,700	2,099,294	249,992	–	–	2,748,986
Fixed rate debt, callable	34,930	508,808	598,654	84,766	39,938	1,267,096
Fixed rate debt	29,940	244,712	263,688	2,356,040	733,244	3,627,624
Funds Held	146,415	–	–	–	–	146,415
Total interest-bearing liabilities	**$4,975,842**	**$3,102,814**	**$1,112,334**	**$2,440,806**	**$773,182**	**$12,404,978**
Interest rate sensitivity gap	**$1,692,876**	**($733,200)**	**($603,006)**	**$476,586**	**$932,640**	**$1,765,896**
Cumulative gap	**$1,692,876**	**$959,676**	**$356,670**	**$833,256**	**$1,765,896**	
Cumulative gap/total interest-earning assets	11.95%	6.77%	2.52%	5.88%	12.46%	

The Association's re-pricing gap as of December 31, 2020, can be characterized as asset sensitive over a one-year period. An asset-sensitive position indicates that the Association has more interest-rate-sensitive assets than interest-rate-sensitive liabilities for particular time periods into the future. Given some of the inherent weaknesses with interest rate gap analysis, simulation models are used to develop additional interest-rate-sensitivity measures and estimates. The assumptions used to produce anticipated results are periodically reviewed and models are tested to help ensure reasonable performance. Various simulations are produced for net interest income and market value of equity. These simulations help to assess interest rate risk and make adjustments as needed to the products and related funding strategies.

The Association's Asset/Liability Management Board policy establishes limits for changes in net interest income and market value of equity sensitivities. These limits are measured and reviewed by MRC monthly and reported to the Board at least quarterly. The Board policy limit for net interest income is a negative 10.0% change, and the market value of equity policy limit is a negative 15.0% change, given parallel and instantaneous shocks of interest rates up and down 200 basis points. In instances when the rate on the three-month U.S. Treasury bill is less than 4.0%, FCA guidelines provide the Regulatory Down Policy shock measure should be used in lieu of the down 200 basis point measure, with that measure equal to one-half of the three-month U.S. Treasury bill rate. This was the case as of December 31, 2020, with the Regulatory Down Policy shock measure being at 0.03%. The GFA also uses these simulation results to assess the interest rate risk position and whether corrective action is necessary. The following table shows the percentage impacts to net interest income and market value of equity using parallel and instantaneous interest rate increases of 100 basis points and 200 basis points. In all scenarios, the underlying assumptions and strategies are held constant so that results are comparable from scenario to scenario. However, actual results would differ to the extent changes in strategy were undertaken to mitigate the unfavorable impact of interest rate changes. As of December 31, 2020, all interest rate risk-related measures were within the Board policy limits, GFA requirements, and management guidelines.

December 31, 2020	Regulatory Down Policy Shock	+ 1% Shock	+ 2% Shock
Change in net interest income	(0.05)%	(0.96)%	2.07%
Change in market value of equity	0.09%	(3.38)%	(6.21)%

CREDIT RISK MANAGEMENT

The Association utilizes a portfolio risk management process to evaluate and monitor the risk associated with major commodity groups, credit classifications, unsecured loans, and purchased loans. This process employs the use of shock analysis to determine the impact of significant credit deterioration in any one group on the portfolio as a whole. Credit classification trends are identified and monitored as an early warning sign of potential non-performing assets. The Association employs management personnel to perform the risk management process that the Board of Directors oversees. In addition, the Association conducts internal credit reviews to evaluate the effectiveness of the process.

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in the Association's loan portfolio (including letters of credit and unfunded loan commitments) and is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies, and procedures. Underwriting standards are developed and utilized to determine an applicant's operational, financial, and management resources available for repaying debt within the terms of the note or loan agreement. Underwriting standards include, among other things, an evaluation of the following:

- **Character:** borrower integrity and credit history;
- **Capacity:** repayment capacity of the borrower based on cash flows from operations or other sources of income;
- **Collateral:** protection of the lender in the event of default and a secondary source of loan repayment;
- **Capital:** ability of the operation to survive unanticipated risks; and
- **Conditions:** intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, the Association cannot have loan commitments to one borrower totaling more than 15.0% of regulatory capital. Additionally, the Association has set lending limits to manage loan concentration. Lending limits are established for individual loan size, commodity, special lending programs, and geographic concentrations. The Association has established internal lending delegations to properly control the loan approval process. Delegations to staff are based on the Association's risk-bearing ability, loan size, complexity, type, and risk, as well as the expertise of the credit staff member. Larger and more complex loans are typically approved by a loan committee with the most experienced and knowledgeable credit staff serving as members.

One method for managing concentration is through the use of participation programs with other System and non-System institutions. Buying and selling loan volume, within and outside the System, can help reduce concentrations and manage growth and capital positions while allowing for a sharing of credit risk. Concentrations and credit risk are also managed through the utilization of government guarantee programs and Farmer Mac guarantee programs. The Association has further diversified concentrations in agricultural production by developing rural residence, part-time farmer, and agribusiness portfolios. Rural residents and part-time farmers often derive a significant portion of earnings from nonagricultural sources, thus helping diversify repayment risk to sources other than agricultural production income.

The majority of Association lending is first-mortgage real estate lending. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured either by real or personal property. Collateral evaluations are made within FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. Certain appraisals must be performed by individuals with a state certification or license.

The Association utilizes a Combined System Risk Model (Model) in its loan and portfolio management processes. The Model is a two-dimensional risk rating system that estimates each loan's probability of default and loss given default. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The Model estimates loan losses with levels of risk granularity, particularly related to acceptable loans. The Model's 14-point scale provides for nine acceptable categories, one other assets especially mentioned (OAEM) category, two substandard categories, one doubtful category, and one loss category. This Model also serves as the basis for future economic capital modeling.

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

	2020	2019	2018
Acceptable and OAEM	98.5%	98.6%	98.4%
Substandard	1.5%	1.4%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**

Despite the effects of COVID-19, the Association's credit quality remained strong during 2020. Acceptable and OAEM as a percentage of total loans was 98.5%, a minimal decrease from 98.6% during 2019. In addition to COVID-19, credit quality was impacted by the global economic conditions and other challenges facing agriculture. The Association's Acceptable and OAEM credit quality increased from 98.4% in 2018 to 98.6% at year-end 2019. The credit quality of the Association's loan portfolio remains strong due to our geographical and commodity diversification and our continued emphasis on sound underwriting standards. Agriculture remains a cyclical business that is heavily influenced by production, operating costs, commodity prices, and global economic conditions. Each of these can be significantly impacted by uncontrollable events. Credit quality is expected to face continued pressure in 2021 due to commodity price volatility, fluid trade negotiations, continued ramifications of COVID-19, and other potentially adverse global conditions. In addition, drought continues to negatively impact water conditions in our lending territory.

CREDIT COMMITMENTS

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2020.

(in thousands)	Due 1 Year or Less	Due After 1 Year Through 3 Years	Due After 4 Years Through 5 Years	Due After 5 Years	Total
Commitments to extend credit	$930,002	$1,509,486	$859,709	$900,525	$4,199,722
Standby letters of credit	40,286	10,496	830	6,463	58,075
Total commitments	**$970,288**	**$1,519,982**	**$860,539**	**$906,988**	**$4,257,797**

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their contractual amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and the Association applies the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success and our ability to serve our mission. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Members' equity at December 31, 2020, totaled $2.4 billion, compared with $2.2 billion at December 31, 2019, and $2.1 billion at December 31, 2018. The $141.6 million increase in 2020 was primarily due to net income of $247.3 million, partially offset by $142.0 million of cash patronage distributions declared to our customers. Our capital position is reflected in the following ratio comparisons.

	2020	2019	2018
Total capital (in millions)	$2,369.2	$2,227.6	$2,115.9
Debt to capital	5.37:1	4.68:1	4.16:1
Capital to net loans	16.7%	18.8%	20.8%
Capital to total assets	15.7%	17.6%	19.4%
Capital to total liabilities	18.6%	21.3%	24.0%

As a prudent business practice, the Association has established a capital adequacy plan that outlines objectives related to maintaining a stable, secure capital base. Permanent capital, as defined by FCA regulations, is generated from two sources: retained earnings and at-risk stock. Retained earnings (including additional paid in capital) represented 93.0%, 94.5%, and 94.2%

of total capital at December 31, 2020, 2019, and 2018, respectively. For a description of classes of stock and regulatory capital requirements, as well as a description of the Association's Capital Adequacy Plan, please see Note 8 to the consolidated financial statements. The Board and management consider current capital ratios to be adequate in view of anticipated loan growth, operating performance, and identified risks.

Association bylaws require each borrower to invest in the capital stock of the Association. The Association may require additional capital contributions in accordance with federal regulations. Equities purchased by members and surplus accumulated from earnings provide the capital resources used in the Association's operations.

The Board of Directors has adopted an Obligating Resolution to distribute 2021 patronage-sourced earnings to patrons of the Association, contingent upon the Association achieving certain capital criteria.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan to consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance-sheet liabilities, and other conditions warranting additional capital.

As shown in the following table, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay cash patronage distributions, retire equities, pay preferred stock dividends, and pay discretionary senior executive incentive compensation.

	Minimum Requirement with Buffer	As of December 31, 2020	As of December 31, 2019	As of December 31, 2018
Common Equity Tier 1 ratio	7.00%	11.55%	13.40%	14.75%
Tier 1 capital ratio	8.50%	11.55%	13.40%	14.75%
Total capital ratio	10.50%	11.79%	13.60%	14.94%
Tier 1 leverage ratio	5.00%	13.16%	15.33%	16.86%
URE and UREE leverage ratio	1.50%	13.94%	15.67%	17.24%
Permanent capital ratio	7.00%	12.83%	14.58%	15.99%

REGULATORY MATTERS

As of December 31, 2020, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

MERGERS AND ACQUISITIONS

On July 1, 2019, the Association acquired the assets and assumed the liabilities of Farm Credit Services of Hawaii, ACA (FCS Hawaii) for consideration of shares of the Association's voting common stock for an equal number of shares of FCS Hawaii's Class C voting common stock issued and outstanding, both of which have a par value of $5 per share. Assets acquired totaled $85.2 million, of which $75.1 million was outstanding loans. Liabilities assumed totaled $58.0 million.

REPORT OF
INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS OF AMERICAN AGCREDIT, ACA

We have audited the accompanying consolidated financial statements of American AgCredit, ACA and its subsidiaries (the Association), which comprise the consolidated statements of condition as of December 31, 2020, 2019, and 2018, and the related consolidated statements of comprehensive income, of changes in members' equity, and of cash flows for the years then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American AgCredit, ACA and its subsidiaries as of December 31, 2020, 2019, and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

CHARLOTTE, NORTH CAROLINA
MARCH 5, 2021

CONSOLIDATED
STATEMENTS OF CONDITION

December 31 (in thousands)	**2020**	**2019**	**2018**
ASSETS			
Loans	$14,170,874	$11,844,790	$10,214,774
Less: allowance for loan losses	(33,211)	(25,807)	(21,359)
Net loans	**14,137,663**	**11,818,983**	**10,193,415**
Cash	61,128	60,006	47,482
Accrued interest receivable	114,735	111,419	98,197
Investment in CoBank	472,402	392,959	339,519
Investment in AgDirect	17,306	14,105	11,905
Premises and equipment, net	120,859	127,454	125,602
Other property owned	4,160	4,779	–
Other assets	165,887	133,717	112,471
Total assets	**$15,094,140**	**$12,663,422**	**$10,928,591**
LIABILITIES			
Notes payable to CoBank	$12,258,563	$10,074,698	$8,485,129
Funds Held accounts	146,415	97,211	94,491
Accrued interest payable	22,778	28,462	23,020
Cash patronage and preferred stock dividends payable	141,971	115,413	105,074
Reserve for unfunded commitments	4,482	3,745	2,861
Other liabilities	150,776	116,312	102,096
Total liabilities	**12,724,985**	**10,435,841**	**8,812,671**
Commitments and contingencies (Note 14)			
MEMBERS' EQUITY			
Preferred stock	175,623	127,955	125,766
Common stock and participation certificates	10,212	9,545	8,791
Additional paid-in capital	683,656	683,656	656,723
Unallocated retained surplus	1,520,252	1,420,692	1,336,892
Accumulated other comprehensive loss	(20,588)	(14,267)	(12,252)
Total members' equity	**2,369,155**	**2,227,581**	**2,115,920**
Total liabilities and members' equity	**$15,094,140**	**$12,663,422**	**$10,928,591**

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

CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31 (in thousands)	2020	2019	2018
INTEREST INCOME			
Loans	$536,994	$557,316	$467,799
Total interest income	**536,994**	**557,316**	**467,799**
INTEREST EXPENSE			
Notes payable to CoBank	167,335	247,433	198,468
Funds Held and other interest	1,242	2,400	1,671
Total interest expense	**168,577**	**249,833**	**200,139**
Net interest income	**368,417**	**307,483**	**267,660**
Provision for credit losses	(9,435)	(5,312)	(2,477)
Net interest income after provision for credit losses	**358,982**	**302,171**	**265,183**
NON-INTEREST INCOME			
Patronage distributions from CoBank	61,050	47,192	45,705
Patronage distributions from other Farm Credit institutions	26,324	14,435	19,049
Patronage distributions from AgDirect	1,925	1,648	1,582
Loan origination fees	15,265	8,544	12,200
Servicing fees and late charges	4,074	5,170	3,808
Financially-related services	6,444	6,232	5,457
Other (losses)/gains, net	(3,298)	155	232
Miscellaneous	5,049	5,905	8,765
Total non-interest income	**116,833**	**89,281**	**96,798**

For the Year Ended December 31 (in thousands)	2020	2019	2018
NON-INTEREST EXPENSES			
Salaries and employee benefits	143,491	111,130	105,361
Occupancy and equipment expense	11,332	12,283	10,998
Insurance fund premiums	9,944	7,726	6,654
Supervisory and examination expense	2,935	3,127	2,948
Purchased services	23,530	21,958	12,622
Technology	20,062	15,104	17,323
Other operating expenses	17,190	19,388	17,839
Total non-interest expenses	**228,484**	**190,716**	**173,745**
Net income before income taxes	**247,331**	**200,736**	**188,236**
Provision for income taxes	(2)	(18)	(15)
Net income	**$247,329**	**$200,718**	**$188,221**
COMPREHENSIVE INCOME			
Actuarial (loss)/gain in retirement obligation	(6,321)	(2,015)	3,622
Total comprehensive income	**$241,008**	**$198,703**	**$191,843**

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

CONSOLIDATED

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(in thousands)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
BALANCE AT DECEMBER 31, 2017	**$8,714**	**$126,910**	**$656,723**	**$1,254,530**	**$(15,874)**	**$2,031,003**
Comprehensive income				188,221	3,622	191,843
Common stock/participation certificates issued	1,239					1,239
Common stock/participation certificates retired	(1,162)					(1,162)
Preferred stock issued		261,760				261,760
Preferred stock retired		(265,564)				(265,564)
Preferred stock dividends paid		2,660				2,660
Preferred stock dividends declared				(2,657)		(2,657)
Patronage distribution declared				(105,069)		(105,069)
Reversal of prior-period patronage declared but not paid				1,867		1,867
BALANCE AT DECEMBER 31, 2018	**$8,791**	**$125,766**	**$656,723**	**$1,336,892**	**$(12,252)**	**$2,115,920**
Comprehensive income				200,718	(2,015)	198,703
Common stock/participation certificates issued	1,101					1,101
Common stock/participation certificates retired	(648)					(648)
Preferred stock issued		202,503				202,503
Preferred stock retired		(203,517)				(203,517)
Equity issued in connection with acquisition	301		26,933			27,234
Preferred stock dividends paid		3,203				3,203
Preferred stock dividends declared				(3,200)		(3,200)
Patronage distribution declared				(115,410)		(115,410)
Reversal of prior-period patronage declared but not paid				1,692		1,692
BALANCE AT DECEMBER 31, 2019	**$9,545**	**$127,955**	**$683,656**	**$1,420,692**	**$(14,267)**	**$2,227,581**
Comprehensive income				247,329	(6,321)	241,008
Common stock/participation certificates issued	1,374					1,374
Common stock/participation certificates retired	(707)					(707)
Preferred stock issued		221,700				221,700
Preferred stock retired		(175,353)				(175,353)
Preferred stock dividends paid		1,321				1,321
Preferred stock dividends declared				(1,318)		(1,318)
Patronage distribution declared				(141,970)		(141,970)
Adjustment to prior-period patronage declared				(4,479)		(4,479)
Other				(2)		(2)
BALANCE AT DECEMBER 31, 2020	**$10,212**	**$175,623**	**$683,656**	**$1,520,252**	**$(20,588)**	**$2,369,155**

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

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the Year Ended December 31 (in thousands)	**2020**	**2019**	**2018**
Cash flows from operating activities:			
Net income	$247,329	$200,718	$188,221
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	9,435	5,312	2,477
Depreciation and amortization	6,851	5,757	6,318
Loss on early extinguishment of debt	3,298	–	–
Amortization/accretion of loans and notes payable acquired in merger	–	(5,786)	(1,447)
Other property owned carrying value adjustments	619	–	–
Other (gains)/losses, net	(432)	(375)	(244)
Loss/(Gain) on sale of other assets	(187)	219	12
Stock patronage from CoBank	(2,484)	(2,477)	(2,629)
Change in operating assets and liabilities:			
Increase in accrued interest receivable	(3,316)	(12,285)	(18,063)
Increase in other assets	(27,727)	(8,806)	(7,607)
(Decrease)/Increase in accrued interest payable	(5,684)	5,442	2,837
Increase in other liabilities	29,076	8,137	3,902
Net cash provided by operating activities	**$256,778**	**$195,856**	**$173,777**
Cash flows from investing activities:			
Increase in loans, net	$(2,331,934)	$(1,568,962)	$(910,267)
Recovery of loans charged-off	1,922	1,876	2,173
Acquisition of premises and equipment, net	(482)	(4,718)	(3,198)
Purchase of CoBank stock, net	(76,959)	(44,899)	(24,588)
Proceeds from sale of premises and equipment	791	1,285	645
Net contributions to AgDirect, LLP	(3,201)	(2,201)	(880)
Contribution to mission-related investments	(2,089)	(1,292)	(180)
Cash acquired in mergers and acquisitions	–	363	–
Net cash used in investing activities	**$(2,411,952)**	**$(1,618,548)**	**$(936,295)**

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the Year Ended December 31 (in thousands)	**2020**	**2019**	**2018**
Cash flows from financing activities:			
Net draws on note payable to CoBank	$2,180,567	$1,538,006	$827,608
Increase in Funds Held accounts	49,204	1,646	7,892
Payments on lease liabilities	(599)	(499)	–
Cash patronage distributions paid	(119,890)	(103,376)	(72,975)
Issuance of common stock and participation certificates	1,374	1,101	1,239
Retirement of common stock and participation certificates	(707)	(648)	(1,162)
Issuance of preferred stock	221,700	202,503	261,760
Retirement of preferred stock	(175,353)	(203,517)	(265,564)
Net cash provided by financing activities	**$2,156,296**	**$1,435,216**	**$758,798**
Net increase/(decrease) in cash	$1,122	$12,524	$(3,720)
Cash at beginning of year	60,006	47,482	51,202
Cash at end of year	**$61,128**	**$60,006**	**$47,482**
Supplemental cash flow information:			
Cash paid for interest	$174,262	$248,186	$198,036
Cash for income taxes	$2	$18	$15

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING & FINANCING ACTIVITIES **For the Year Ended December 31** (in thousands)	**2020**	**2019**	**2018**
Cash patronage and preferred stock dividends currently payable	$141,971	$115,413	$105,075
Loan charge-offs	$3,215	$3,257	$2,382
Other property owned in settlement of loans	–	$4,779	–
Cash patronage accrual adjustment to prior year	$4,479	$1,692	$1,867
Preferred stock dividends paid	$1,321	$3,203	$2,660
Preferred stock dividends declared	$1,318	$3,200	$2,656
Right-of-use assets exchanged for lease liabilities	$664	–	–
Impact of merger transaction:			
Assets acquired	–	$85,187	–
Liabilities assumed	–	$57,953	–
Equity issued	–	$27,234	–

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

NOTE 1 – ORGANIZATION AND OPERATIONS

A. ORGANIZATION: American AgCredit, ACA, including its subsidiaries, American AgCredit, PCA, and American AgCredit, FLCA (collectively, the Association), is a member-owned cooperative that provides credit and credit-related services to and for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the state of Nevada and the following California counties: Alameda, Alpine, Amador, Calaveras, Contra Costa, Del Norte, El Dorado, Humboldt, Lake, Lassen, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Sierra, Siskiyou, Sonoma, Stanislaus, Tuolumne, and portions of Los Angeles, Fresno, and Trinity. In Kansas, the Association serves the counties of Barber, Barton, Butler, Chautauqua, Clark, Cloud, Comanche, Cowley, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Harvey, Haskell, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, McPherson, Meade, Mitchell, Morton, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Reno, Republic, Rice, Rooks, Rush, Russell, Saline, Scott, Sedgwick, Seward, Smith, Stafford, Stanton, Stevens, Sumner, Trego, and Wichita. In Oklahoma, the Association serves the counties of Kay, Noble, and Osage. In Colorado, the Association serves the counties of Adams, Arapahoe, Archuleta, Boulder, Clear Creek, Delta, Denver, Dolores, Douglas, Eagle, part of Elbert, Garfield, Gilpin, Grand, Gunnison, part of Hinsdale, Jackson, Jefferson, La Plata, Larimer, Mesa, Moffat, Montezuma, Montrose, Ouray, Pitkin, Rio Blanco, Routt, San Juan, San Miguel, part of Saquache, Summit, and Weld. In Hawaii, the Association serves the counties of Honolulu, Hawaii, Maui, and Kauai. The Association also serves the counties of San Juan and half of Rio Arriba that lies west of the Continental Divide in the state of New Mexico.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act).

At December 31, 2020, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB), and 68 associations. Each FCB and the ACB serve Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans, and/or Production Credit Associations (PCAs) that may originate and service short-term and intermediate-term loans. Agricultural Credit Associations (ACAs), FLCAs, and PCAs are collectively referred to as associations.

CoBank, its related associations, and AgVantis Inc. (AgVantis) are collectively referred to as "the District." CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. As of December 31, 2020, the District consisted of CoBank, 21 ACAs, which each have two wholly owned subsidiaries (a FLCA and a PCA), and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes. The Association also has a wholly owned subsidiary, AgCredit Holding Company LLC, whose sole purpose is to hold, manage, and liquidate foreclosed property.

American AgCredit participates in AgDirect, LLP (AgDirect), a trade credit financing program that includes originations and refinancings of agricultural equipment loans through independent equipment dealers. AgDirect is an entity created by Farm Credit Services of America (FCSA), which is responsible for the marketing, operation, and implementation of the program. FCSA serves as the master servicer for the program assets and provides periodic reporting to investor associations. At December 31, 2020, the Association's investment in AgDirect was $17.3 million, representing a 6.3% ownership in the partnership.

Congress has delegated authority to the Farm Credit Administration (FCA) to regulate the System banks and associations. The FCA examines the activities of System institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used to insure the timely payment of principal and interest on System-wide debt obligations (insured debt), ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes. The Insurance Fund is also available for discretionary uses by the FCSIC to provide assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the FCSIC, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

B. OPERATIONS: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow from the Association, and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses. The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results may differ from these estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The Consolidated Statements of Condition and the Consolidated Statements of Comprehensive Income were modified to provide additional information.

The consolidated financial statements include the accounts of American AgCredit, PCA and American AgCredit, FLCA. All significant inter-company transactions have been eliminated in consolidation.

A. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS: In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act allows entities to elect temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) modified as a result of COVID-19. If certain criteria are met, these loan modifications may not need to be classified as TDRs. The Association adopted this relief for qualifying loan modifications. This relief expired for Farm Credit institutions on December 31, 2020.

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 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. As of December 31, 2020, the Association has not materially modified any contracts which would be eligible for the optional expedients. However, the expedients will be elected for future qualifying modifications.

In August 2018, the 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 amortize 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 Association adopted this new standard prospectively on January 1, 2020; therefore, there was no impact to the Association's prior period consolidated financial position, results of operations, or cash flows.

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 became effective for fiscal years ending after December 15, 2020. The Association adopted this new standard on December 31, 2020, on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan 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. In November 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, with early adoption permitted. 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.

B. LOANS AND ALLOWANCE FOR LOAN LOSSES: Long-term real estate mortgage loans generally have maturities ranging up to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less.

Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Loans acquired in a business combination are initially recognized at fair value based on current interest rates and taking into account the borrowers' credit quality; therefore, no "carryover" of the allowance for loan losses is permitted. The difference between the book value and fair value of these loans at acquisition date is accreted into interest income during the estimated remaining life of the acquired loans. Those loans with evidence of credit quality deterioration at purchase price are required to follow the relevant accounting guidance. This guidance addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. Subsequent decreases to expected principal cash flows will result in a charge to the provision for loan losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. For variable rate loans, expected future cash flows were initially based on the rate in effect at acquisition; expected future cash flows are recalculated as rates change over the lives of the loans.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectibility of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be transferred to accrual status when contractual principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified as doubtful or loss. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

On September 10, 2020, the FCA issued a final rule on criteria to reinstate nonaccrual loans that clarifies the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule also revised the criteria by which loans are reinstated to accrual status, and it revised the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status. The application of this rule did not impact the classification of the Association's recorded nonaccrual balances at December 31, 2020.

A restructured loan constitutes a troubled debt restructuring if, for economic or legal reasons related to the debtor's financial difficulties, the Association grants a concession to the debtor that it would not otherwise consider. In a restructure, the Association may grant certain monetary concessions to the borrower through modifications to the contractual term of the loan. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program, are borrower-specific, and may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

Loan origination fees and certain direct origination costs for mortgage loans and commercial loans with terms greater than one year are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment of the yield of the related loan.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. When loans are sold, the sale terms comply with requirements under ASC Topic 860, "Transfers and Servicing."

The Association uses a two-dimensional loan rating model based on internally generated combined System risk-rating guidance and actual Association loss history that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a 9 to other assets especially mentioned, and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provision for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic and environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty, imprecision, and variability. Changes in the overall global economy, agricultural economy and environment, and their impact on borrower repayment capacity will cause various judgments, evaluations, and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following macro-economic factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values; commodity prices; exports; government assistance programs; regional economic effects; and weather-related influences.

A specific allowance may be established for impaired loans under GAAP. Impairment of these loans is measured by the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, by the loan's observable market price, or fair value of the collateral, if the loan is collateral dependent.

The reserve for unfunded lending commitments is based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

C. CASH: Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

D. INVESTMENT IN COBANK: The Association's required investment in CoBank is in the form of Class A stock. The minimum required investment is 4.0% of the prior year's average direct loan volume. The investment in CoBank is composed of patronage-based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the prior 10-year average of such participations sold to CoBank. The Association has elected the alternative to measure its investment in CoBank at cost, as no readily determinable fair value is available.

E. OTHER PROPERTY OWNED: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in losses on other property owned, net in the Consolidated Statements of Comprehensive Income.

F. PREMISES AND EQUIPMENT: Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization computed by the straight-line method over the estimated useful lives of the assets. Useful lives for buildings are 39 years and range from four to seven years for furniture, equipment, and automobiles. Progress payments for assets under construction or development are held in construction in progress and do not begin depreciation until the asset is designated as complete and placed in service by the Association. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

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.

The institution purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to non-interest expense. Costs associated with designing software configuration, installation, coding programs and testing systems are capitalized and amortized using the straight-line method over three years.

G. OTHER ASSETS AND OTHER LIABILITIES: Other assets are composed primarily of patronage receivables from other Farm Credit institutions, investment in the nonqualified deferred compensation plan, and investment in AgDirect. Significant components of other liabilities primarily include accounts payable, employee benefits, and reserve for unfunded commitments.

H. FUNDS HELD ACCOUNTS: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such Funds Held is restricted, the Funds Held are netted against the borrower's related loan balance. Unrestricted Funds Held are included in liabilities in the Consolidated Statements of Condition. Restricted Funds Held are primarily associated with mortgage loans, while unrestricted Funds Held are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Funds Held are not insured. Interest is generally paid by the Association on Funds Held accounts.

I. EMPLOYEE BENEFIT PLANS: Certain employees of the Association participate in either the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employee's Retirement Plan (Eleventh Plan) (together Ninth and Eleventh Retirement Plans or Pension Plans) and/or the Farm Credit Foundations' Defined Contribution/401(k) Plan (Defined Contribution Plan). The Ninth and Eleventh Retirement Plans are noncontributory defined benefit plans. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Ninth Plan was closed to employees beginning January 1, 2007. The Eleventh Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. In this portion of the plan, the Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code (401(k)). The Association matches a certain percentage of employee contributions to the 401(k). Employees hired on or after January 1, 1998, are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also participates in the Former Ninth and Eleventh District Employers Restoration Plan (Restoration Plan). This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the plans are offset by the benefits payable from the Pension Plans.

Certain eligible employees may also participate in a nonqualified deferred compensation plan, which is included in other assets and other liabilities in the Consolidated Statements of Condition, where they are able to defer a portion of their compensation. The Association matches a certain percentage of employee contributions to the plan.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical Plan and Retiree Life Plan. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. Accounting standards require the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

J. INCOME TAXES: As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly owned PCA subsidiary. The ACA, which is the holding company, and the PCA subsidiary are subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation.

The Association elected to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the financial statements and tax bases of assets and liabilities. In addition, a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings.

At December 31, 2020, deferred income taxes have not been provided on approximately $78.7 million of patronage refunds received from the Bank before January 1, 1993 – the adoption date of accounting guidance on income taxes. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently invest these undistributed earnings in CoBank, thereby indefinitely postponing their conversion to cash.

The Association has not provided deferred income taxes on amounts allocated to the Association that relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to Association's borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings. CoBank currently has no plans to distribute unallocated CoBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

For state tax purposes, the Association can exclude from taxable income all patronage-sourced income. Therefore, the provision for state income taxes is made only on non-patronage-sourced taxable earnings.

K. PATRONAGE INCOME FROM FARM CREDIT INSTITUTIONS: Patronage income from Farm Credit institutions is accrued by the Association in the year earned.

L. OTHER COMPREHENSIVE INCOME/LOSS: Other comprehensive income/loss refers to revenue, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of members' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/loss refers to the balance of these transactions. The Association records other comprehensive income/loss associated with the liability under the Restoration Plan.

M. FAIR VALUE MEASUREMENT: Accounting guidance defines fair value, establishes a framework for measuring fair value, and specifies disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include assets held in trust funds that relate to the Association's deferred compensation plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Level 2: Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current, or principal market information is not released publicly; (c) inputs other than quoted prices that are observable, such as interest rates and yield curves, prepayment speeds, credit risks, and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include loans acquired in an acquisition or merger, impaired loans, and other property owned.

The fair value disclosures are presented in Note 15.

N. OFF-BALANCE-SHEET CREDIT EXPOSURES: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

O. ACQUISITION ACCOUNTING: The FASB guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. For the Association, because the stock is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring Association would identify and estimate the acquisition date fair value of the equity interests (net assets) of the acquired Association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, are measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The excess value received, by the acquiring Association from the acquired Association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

On July 1, 2019, the Association acquired the assets and assumed the liabilities of Farm Credit Services of Hawaii, ACA (FCS Hawaii) for consideration of shares of the Association's voting common stock for an equal number of shares of FCS Hawaii's Class C voting common stock issued and outstanding, both of which have a par value of $5 per share. The transaction was accounted for as an asset acquisition, as prescribed by Accounting Standards Codification (ASC 805-50, Business Combinations). Assets acquired totaled $85.2 million, of which $75.1 million was outstanding loans. Liabilities assumed totaled $58.0 million.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

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

December 31	2020	2019	2018
Real estate mortgage	$7,802,390	$6,564,171	$5,833,468
Production and intermediate-term	3,132,095	2,692,055	2,227,848
Agribusiness	2,747,599	2,236,569	1,823,927
Rural infrastructure	445,199	308,040	288,646
Agricultural export finance	41,563	41,558	38,078
Rural residential real estate	2,028	2,397	2,807
Total	**$14,170,874**	**$11,844,790**	**$10,214,774**

The unamortized premium on loans acquired in mergers remaining at December 31, 2020 and 2019 was $0, and December 31, 2018 was $2.0 million.

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 FCA regulations. All loans sold to others are sold without recourse. The following table presents information regarding participations purchased and sold as of December 31, 2020.

December 31, 2020	Other Farm Credit Institutions		Non–Farm Credit Institutions		Total	
	PARTICIPATIONS PURCHASED	PARTICIPATIONS SOLD	PARTICIPATIONS PURCHASED	PARTICIPATIONS SOLD	PARTICIPATIONS PURCHASED	PARTICIPATIONS SOLD
Real estate mortgage	$429,507	$1,832,647	$–	$–	$429,507	$1,832,647
Production and intermediate-term	577,874	930,842	–	–	577,874	930,842
Agribusiness	1,591,234	1,916,114	–	–	1,591,234	1,916,114
Rural infrastructure	414,440	63,732	–	–	414,440	63,732
Agricultural export finance	41,563	–	–	–	41,563	-
Total	**$3,054,618**	**$4,743,335**	**$–**	**$–**	**$3,054,618**	**$4,743,335**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

December 31	2020		2019		2018	
Vineyards and wineries	$2,404,511	18%	$2,084,960	18%	$1,728,353	17%
Field crops	2,037,113	14%	1,736,060	15%	1,598,564	16%
Trees fruits and nuts	1,750,959	12%	1,300,043	11%	1,146,315	11%
Dairies	1,704,228	12%	1,499,381	13%	1,307,418	13%
Beef	1,404,048	10%	1,253,163	10%	1,078,009	10%
Forest products	1,162,992	8%	1,055,969	9%	989,393	10%
Vegetables	566,638	4%	469,236	4%	363,423	4%
Other	3,140,385	22%	2,445,978	20%	2,003,299	19%
Total	**$14,170,874**	**100%**	**$11,844,790**	**100%**	**$10,214,774**	**100%**

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum.

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 December 31, 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 December 31.

December 31	2020	2019	2018
Real estate mortgage			
Acceptable	95.73%	95.48%	96.49%
OAEM	2.30	3.04	2.04
Substandard/Doubtful	1.97	1.48	1.47
	100.00%	100.00%	100.00%
Production and intermediate-term			
Acceptable	94.29%	93.83%	94.94%
OAEM	3.97	4.39	3.23
Substandard/Doubtful	1.74	1.78	1.83
	100.00%	100.00%	100.00%
Agribusiness			
Acceptable	97.83%	98.48%	98.10%
OAEM	1.80	0.58	0.02
Substandard/Doubtful	0.37	0.94	1.88
	100.00%	100.00%	100.00%
Rural infrastructure			
Acceptable	100.00%	91.32%	98.69%
OAEM	0.00	7.53	1.31
Substandard/Doubtful	0.00	1.15	–
	100.00%	100.00%	100.00%
Rural residential real estate			
Acceptable	94.16%	90.40%	88.77%
OAEM	0.00	3.52	3.18
Substandard/Doubtful	5.84	6.08	8.05
	100.00%	100.00%	100.00%
Agricultural export finance			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/Doubtful	–	–	–
	100.00%	100.00%	100.00%
Total loans			
Acceptable	95.96%	95.58%	96.51%
OAEM	2.50	2.99	1.92
Substandard/Doubtful	1.54	1.43	1.57
	100.00%	100.00%	100.00%

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms. The following table presents information relating to impaired loans (including accrued interest).

December 31	2020	2019	2018
Nonaccrual:			
Current as to principal and interest	$30,222	$20,629	$24,639
Past due	21,319	21,603	13,905
Total nonaccrual loans	**51,541**	**42,232**	**38,544**
Accrual:			
Accrual > 90 days past due	509	–	348
Accruing restructured loans	10,872	13,408	10,903
Total impaired accrual loans	**11,381**	**13,408**	**11,251**
Total impaired loans	**$62,922**	**$55,640**	**$49,795**

Commitments to lend additional funds to debtors whose loans were classified as impaired at December 31 was $629 thousand for 2020, $1.8 million for 2019, and $2.9 million for 2018.

High-risk assets consist of impaired loans and other property owned. The following table presents these in a more detailed manner than the previous table. These non-performing assets (including accrued interest) are as follows:

December 31	2020	2019	2018
Nonaccrual loans:			
Real estate mortgage	$40,246	$28,849	$16,132
Production and intermediate-term	6,538	7,579	7,905
Agribusiness	4,638	5,681	14,491
Rural residential real estate	119	123	16
Total nonaccrual loans	**51,541**	**42,232**	**38,544**
Accruing restructured loans:			
Real estate mortgage	10,854	13,390	10,903
Production and intermediate-term	18	18	–
Total accruing restructured loans	**10,872**	**13,408**	**10,903**
Accruing loans 90 days or more past due:			
Real estate mortgage	–	–	348
Production and intermediate-term	509	–	–
Total accruing loans 90 days or more past due	**509**	**–**	**348**
Total impaired loans	**62,922**	**55,640**	**49,795**
Other property owned	4,160	4,779	–
Total high-risk-assets	**$67,082**	**$60,419**	**$49,795**

Additional impaired loan information follows:

	At December 31, 2020			For the Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$2,181	$2,289	$1,322	$977	$–
Production and intermediate-term	827	1,106	304	459	–
Agribusiness	–	–	–	2,881	–
Total	**$3,008**	**$3,395**	**$1,626**	**$4,317**	**$–**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$48,919	$55,917	$–	$51,286	$2,738
Production and intermediate-term	6,238	18,733	–	5,574	453
Agribusiness	4,638	6,990	–	1,301	1,884
Rural residential real estate	119	145	–	103	2
Total	**$59,914**	**$81,785**	**$–**	**$58,264**	**$5,077**
Total impaired loans:					
Real estate mortgage	$51,100	$58,206	$1,322	$52,263	$2,738
Production and intermediate–term	7,065	19,839	304	6,033	453
Agribusiness	4,638	6,990	–	4,182	1,884
Rural residential real estate	119	145	–	103	2
Total	**$62,922**	**$85,180**	**$1,626**	**$62,581**	**$5,077**

Additional impaired loan information, continued.

	At December 31, 2019			For the Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Production and intermediate-term	$420	$443	$129	$146	$20
Agribusiness	5,062	5,179	1,387	2,147	1
Total	**$5,482**	**$5,622**	**$1,516**	**$2,293**	**$21**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$42,239	$49,483	$–	$32,305	$2,709
Production and intermediate-term	7,177	17,709	–	3,458	616
Agribusiness	619	4,602	–	12	47
Rural residential real estate	123	137	–	22	–
Total	**$50,158**	**$71,931**	**$–**	**$35,797**	**$3,372**
Total impaired loans:					
Real estate mortgage	$42,239	$49,483	$–	$32,451	$2,709
Production and intermediate–term	7,597	18,152	129	5,605	636
Agribusiness	5,681	9,781	1,387	12	48
Rural residential real estate	123	137	–	22	–
Total	**$55,640**	**$77,553**	**$600**	**$56,119**	**$3,393**

	At December 31, 2018			For the Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Production and intermediate-term	$4,464	$6,187	$739	$1,801	$1
Agribusiness	5,385	5,570	3,043	3,090	127
Total	**$9,849**	**$11,757**	**$3,782**	**$4,891**	**$128**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$27,383	$35,281	$–	$34,705	$1,725
Production and intermediate-term	3,441	12,294	–	5,309	759
Agribusiness	9,106	12,037	–	6,868	469
Rural residential real estate	16	28	–	18	1
Total	**$39,946**	**$59,640**	**$–**	**$46,900**	**$2,954**
Total impaired loans:					
Real estate mortgage	$27,383	$35,281	$–	$34,705	$1,725
Production and intermediate-term	7,905	18,481	739	7,110	760
Agribusiness	14,491	17,607	3,043	9,958	596
Rural residential real estate	16	28	–	18	1
Total	**$49,795**	**$71,397**	**$747**	**$51,791**	**$3,082**

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. Unpaid principal balance represents the recorded principal balance of the loan.

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans.

For the Year Ended December 31	2020	2019	2018
Interest income recognized on:			
Nonaccrual loans	$4,532	$2,826	$2,485
Accruing restructured loans	516	567	573
Accrual loans 90 days or more past due	29	–	24
Interest income recognized on impaired loans	**$5,077**	**$3,393**	**$3,082**

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans follows.

For the Year Ended December 31	2020	2019	2018
Interest income that would have been recognized under the original loan terms	$9,261	$10,619	$6,763
Less: interest income recognized	(5,048)	(3,393)	(3,058)
Foregone interest income	**$4,213**	**$7,226**	**$3,705**

The following table provides an age analysis of past due loans (including accrued interest).

December 31, 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	$17,416	$9,549	$26,965	$7,859,300	$7,886,265
Production and intermediate-term	6,362	1,788	8,150	3,144,669	3,152,819
Agribusiness	1,268	4,572	5,840	2,751,381	2,757,221
Rural infrastructure	–	–	–	445,417	445,417
Rural residential real estate	97	21	118	1,917	2,035
Agricultural export finance	–	–	–	41,852	41,852
Total	**$25,143**	**$15,930**	**$41,073**	**$14,244,536**	**$14,285,609**

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**

December 31, 2018	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$22,002	$13,058	$35,060	$5,868,452	$5,903,512
Production and intermediate-term	9,840	507	10,347	2,236,191	2,246,538
Agribusiness	954	–	954	1,831,708	1,832,662
Rural infrastructure	–	–	–	289,052	289,052
Rural residential real estate	125	–	125	2,693	2,818
Agricultural export finance	–	–	–	38,389	38,389
Total	**$32,921**	**$13,565**	**$46,486**	**$10,266,485**	**$10,312,971**

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 nonaccrual, that occurred during the period presented. The Association had no new TDRs in 2020, $2.0 million in 2019, and $5.6 million in 2018.

Year Ended December 31, 2020	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$0	$0
Total	**$0**	**$0**

Year Ended December 31, 2019	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$1,952	$1,952
Total	**$1,952**	**$1,952**

Year Ended December 31, 2018	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$50	$50
Agribusiness	5,502	5,502
Total	**$5,552**	**$5,552**

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

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 Association had no TDRs for which there was a payment default during the years presented.

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $45 thousand at December 31, 2020.

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

December 31		2020	2019	2018
Loans Modified as TDRs	Real estate mortgage	$10,833	$11,423	$12,119
	Production and intermediate-term	18	1,952	801
	Agribusiness	–	–	5,359
	Total	**$10,851**	**$13,375**	**$18,279**
TDRs in Nonaccrual Status	Real estate mortgage	$2,614	$843	$1,238
	Production and intermediate-term	–	–	801
	Agribusiness	–	4,608	5,359
	Total	**$2,614**	**$5,451**	**$7,398**

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

Ending Balance at December 31, 2020	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$1,322	$10,493	$51,100	$7,835,165
Production and intermediate-term	304	13,395	7,065	3,162,022
Agribusiness	–	7,003	4,638	2,736,315
Rural infrastructure	–	503	–	445,417
Rural residential real estate	–	1	119	1,916
Agricultural export finance	–	190	–	41,852
Total	**$1,626**	**$31,585**	**$62,922**	**$14,222,687**

Ending Balance at December 31, 2019	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$–	$6,676	$42,239	$6,599,851
Production and intermediate-term	129	11,537	7,597	2,707,755
Agribusiness	1,387	5,316	5,682	2,240,406
Rural infrastructure	–	564	–	308,406
Rural residential real estate	–	2	122	2,283
Agricultural export finance	–	196	–	41,868
Total	**$1,516**	**$24,291**	**$55,640**	**$11,900,569**

Ending Balance at December 31, 2018	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$–	$5,294	$27,383	$5,876,129
Production and intermediate-term	739	7,838	7,905	2,238,633
Agribusiness	3,043	3,746	14,491	1,818,171
Rural infrastructure	–	506	–	289,052
Rural residential real estate	–	3	16	2,802
Agricultural export finance	–	190	–	38,389
Total	**$3,782**	**$17,577**	**$49,795**	**$10,263,176**

	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2020
Real estate mortgage	$6,676	$(373)	$689	$4,823	$11,815
Production and intermediate-term	11,666	(2,842)	1,076	3,799	13,699
Agribusiness	6,703	–	157	143	7,003
Rural infrastructure	564	–	–	(61)	503
Rural residential real estate	2	–	–	(1)	1
Agricultural export finance	196	–	–	(6)	190
Total	**$25,807**	**$(3,215)**	**$1,922**	**$8,697**	**$33,211**

	Balance at December 31, 2018	Charge-offs	Recoveries	Allowance from Acquisition Transaction	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2019
Real estate mortgage	$5,294	$-	$745	$918	$(281)	$6,676
Production and intermediate-term	8,577	(3,257)	1,109	482	4,755	11,666
Agribusiness	6,789	–	22	–	(108)	6,703
Rural infrastructure	506	–	–	–	58	564
Rural residential real estate	3	–	–	–	(1)	2
Agricultural export finance	190	–	–	–	6	196
Total	**$21,359**	**$(3,257)**	**$1,876**	**$1,400**	**$4,429**	**$25,807**

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2018
Real estate mortgage	$4,007	$(12)	$1,253	$46	$5,294
Production and intermediate-term	8,967	(1,822)	912	520	8,577
Agribusiness	5,929	(548)	8	1,400	6,789
Rural infrastructure	643	–	–	(137)	506
Rural residential real estate	4	–	–	(1)	3
Agricultural export finance	38	–	–	152	190
Total	**$19,588**	**$(2,382)**	**$2,173**	**$1,980**	**$21,359**

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income, along with the provision for loan losses.

A summary of the changes in the reserve for unfunded lending commitments follows:

Year Ended December 31	2020	2019	2018
Balance at the beginning of the year	$3,744	$2,861	$2,364
Provision for /(Reversal of) unfunded lending commitments	738	883	497
Balance at end of the year	**$4,482**	**$3,744**	**$2,861**

To mitigate the risk of loan losses, the Association may enter into Long-Term Standby Commitment to Purchase agreements with Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event a delinquency of four months occurs, subject to certain conditions. The balance of the loans under the Long-Term Standby Commitment to Purchase agreements was $64.6 million, $66.4 million, and $61.9 million at December 31, 2020, 2019, and 2018, respectively. Fees paid to Farmer Mac for such commitments totaled $314 thousand, $304 thousand, and $182 thousand for the years ended December 31, 2020, 2019, and 2018, respectively. These amounts are classified as interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac has not purchased any loans under this agreement.

NOTE 4 – INVESTMENT IN COBANK

At December 31, 2020, the Association's investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4.0% of the Association's prior-year average direct loan balance. The 2020 requirement for capitalizing its patronage-based participation loans sold to CoBank is 8.0% of the Association's prior 10-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75.0% cash and 25.0% Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 12.13% of the outstanding common stock of CoBank at December 31, 2020.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

December 31	2020	2019	2018
Buildings and improvements	$122,386	$122,634	$122,911
Furniture and equipment	18,630	18,175	29,245
Land	13,226	13,331	13,370
Construction in progress	–	935	1,432
Vehicles	2,660	2,692	2,855
Premises and equipment at cost	156,902	157,767	169,813
Less: accumulated depreciation	(41,117)	(36,254)	(44,211)
Premises and equipment, net	**$115,785**	**$121,513**	**$125,602**

Future minimum lease payments under non-cancellable leases as of December 31, 2020, were as follows:

	Operating Leases	Finance Leases	Total
2021	$878	$621	$1,499
2022	738	409	1,147
2023	640	364	1,004
2024	596	66	662
2025	512	-	512
Thereafter	1,688	-	1,688
Total lease payments	**5,052**	**1,460**	**6,512**
Less: interest	–	(64)	(64)
Total	**$5,052**	**$1,396**	**$6,448**

Right-of-use assets, net of accumulated amortization, amounted to $5,074 for the year ended December 31, 2020, and are included with Premises and Equipment, net on the Consolidated Statements of Condition.

NOTE 6 – OTHER PROPERTY OWNED

Gains and losses on other property owned, as reflected on the Consolidated Statements of Income, consisted of the following:

December 31	2020	2019	2018
(Gains)/Losses on sale, net	$–	$–	$–
Carrying value adjustments	619	–	–
Operating expense, net	28	37	4
Losses on other property owned, net	**$647**	**$37**	**$4**

NOTE 7 – NOTES PAYABLE

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets to CoBank and is governed by a General Financing Agreement (GFA). The GFA is subject to renewal periodically in accordance with normal business practices and requires the Association to comply with certain covenants. The GFA matures on January 1, 2023. Management expects renewal of the GFA at that time. All of the Association's debt is block-funded through a direct note with CoBank. The weighted average interest rate is determined based on the terms and conditions of the Association's borrowing. The weighted average interest rate was 0.76% at December 31, 2020, compared with 1.98% at December 31, 2019, and 2.51% at December 31, 2018.

The fair value adjustment related to notes payable assumed in mergers at December 31, 2020, 2019, and 2018, was $0, $0, and $3.8 million, respectively.

Through the note payable, the Association was liable for the following:

December 31	2020	2019	2018
Fixed rate debt	$4,894,720	$3,851,234	$2,099,835
Floating rate debt	4,171,616	3,223,173	3,968,326
Discount notes	2,748,986	2,436,160	2,037,301
Daily revolving line of credit	443,241	564,131	379,667
Total	**$12,258,563**	**$10,074,698**	**$8,485,129**

Fixed rate debt typically has original maturities ranging from one to 30 years, and at December 31, 2020, included callable debt of $1,267.1 million, with a range of call dates between January 2021 and April 2025. Floating rate notes generally have maturities ranging from one year to five years. Discount notes have maturities from one day to 365 days. The daily revolving line of credit is renewed annually and is priced at the 30-day discount note rate.

The maturities of debt within the note payable to CoBank as of December 31, 2020, are shown below:

Year of Maturity	Amount	Weighted Average Interest Rate
2021	$5,581,138	0.34%
2022	2,885,773	0.42%
2023	542,564	1.29%
2024	1,086,530	1.42%
2025	340,566	1.96%
Subsequent years	1,821,992	1.81%
Total	**$12,258,563**	**0.76%**

Under the Farm Credit Act, the Association is obligated to borrow from CoBank, unless CoBank gives approval to borrow elsewhere.

NOTE 8 – MEMBERS' EQUITY

A description of the Association's capitalization requirements, capital protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided below.

A. COMMON STOCK AND PARTICIPATION CERTIFICATES

In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in common stock (for agricultural loans) or participation certificates (for rural home and farm-related business loans) in the Association as a condition of borrowing. In accordance with the Association's capitalization bylaws, the required investment is currently the lesser of $1,000 or 2.0% of the total borrower's commitment.

The borrower acquires ownership of the common stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. At the discretion of the Board of Directors, retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

B. ADDITIONAL PAID-IN CAPITAL

The additional paid-in capital represents the excess value received over the par value of capital stock and participation certificates issued, and arose from the issuance of American AgCredit capital stock and participation certificates in connection with mergers.

C. REGULATORY CAPITALIZATION REQUIREMENTS AND RESTRICTIONS

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, regulatory capital requirements for banks and associations were adopted. These requirements replaced the Core surplus and Total surplus requirements with Common Equity Tier 1, Tier 1 capital, and Total capital risk-based capital ratio requirements. The requirements also replaced the existing net collateral ratio for System banks with a Tier 1 leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents leverage ratio that are applicable to both the banks and associations. The Permanent capital ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past.

The following sets forth the regulatory capital ratio requirements and ratios at December 31:

Ratio	Primary Components of Numerator	Denominator	Ratios as of December 31, 2020	Ratios as of December 31, 2019	Ratios as of December 31, 2018	Minimum with Buffer*	Minimum Requirement
Common Equity Tier 1 (CET1) capital	URE, common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-adjusted assets	11.55%	13.40%	14.75%	7.00%	4.50%
Tier 1 capital	CET1 capital, non-cumulative perpetual preferred stock	Risk-adjusted assets	11.55%	13.40%	14.75%	8.50%	6.00%
Total capital	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-adjusted assets	11.79%	13.60%	14.94%	10.50%	8.00%
Tier 1 leverage**	Tier 1 capital	Total assets	13.16%	15.33%	16.86%	5.00%	4.00%
URE and URE equivalents (UREE) leverage	URE and URE equivalents	Total assets	13.94%	15.67%	17.24%	-	1.50%
Permanent capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-adjusted assets	12.83%	14.58%	15.99%	-	7.00%

*The Capital Requirements have a 3-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. There is no phase-in of the leverage buffer. Amounts shown reflect the full capital conservation buffer.

**Must include the regulatory minimum requirement for the URE and UREE leverage ratio.

1. Equities outstanding 7 or more years
2. Capped at 1.25% of risk-adjusted assets
3. Outstanding 5 or more years, but less than 7 years
4. Outstanding 5 or more years

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and cash patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

D. DESCRIPTION OF EQUITIES

Class A Common Stock: (Nonvoting, at-risk, no shares outstanding, $5 par value.) Class A Common Stock may be issued as a patronage distribution or in exchange for a like number of shares of Class C Common Stock when said holder has fully retired their loan or loans with the Association and has not had a borrowing relationship with the Association for two years. Class A Common Stock may be converted to Class C Common Stock if the holder becomes a borrower eligible to own Class C Common Stock, and to Class F Participation Certificates if the holder becomes a borrower eligible to own Class F Participation Certificates.

Class C Common Stock: (Voting, at-risk, 2,005,224 shares outstanding, $5 par value.) Each owner of Class C Common Stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

Class D Common Stock: (Nonvoting, at-risk, no shares outstanding, $1,000 par value.) Issued to CoBank or to any person through direct sale.

Class F Participation Certificates: (Nonvoting, at-risk, 37,166 shares outstanding, $5 par value.) Class F Participation Certificates may be issued or transferred to rural residents, persons furnishing farm-related services, or to other persons eligible to borrow for the purpose of qualifying for services offered by the Association who are not eligible to hold Class C Common Stock.

Class H Preferred Stock: (Limited voting, at-risk, 175,622,951 shares outstanding, $1 par value.) Class H Preferred Stock may be issued to, and may be acquired by, members and equity holders who, at the time of such issuance or acquisition, hold any class of common stock or participation certificates. Class H Preferred Stock is transferable only to another holder of Class H Preferred Stock, and then only after the transferor provides written notice to the Association in a form prescribed by the Association's Board. The holders of H stock are limited to voting on matters that would affect any preference accorded to the H stock and any amendments that would authorize a new class of preferred stock. Each holder of H stock is entitled to receive dividends in an amount equal to a specified percentage (Dividend Rate) as declared by the Board of Directors. The Dividend Rate is a per annum rate that may change monthly at the discretion of the Board, but is limited to 8.0% per annum. Dividends accrue daily and will accumulate until declared and paid in the form of additional shares of H stock. H stock is redeemable at par plus cumulative unpaid dividends. At December 31, 2020, the Dividend Rate was 0.60%.

H stock is considered "at-risk" as redemption of H stock is at the discretion of the Board and such redemption is not assured due to future financial operational or regulatory limitations on the Association. In the event of liquidation or dissolution of the Association and after satisfaction of all liabilities, each share of H stock is entitled to a first liquidation preference of any assets remaining, pro rata, to the extent of par value plus any accrued but unpaid dividends.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to those discussed above.

Losses that result in impairment of capital stock and participation certificates will be allocated to the common classes of equity described above on a pro rata basis and then to preferred stock. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of equities, beginning with preferred stock. After the retirement of stock, any remaining assets will be distributed to holders of allocated surplus as evidenced by nonqualified written notices of allocation. Any assets remaining after such distribution will be shared pro rata on a patronage basis by all common stock and certificate holders of record immediately before the liquidation distribution.

E. PATRONAGE DISTRIBUTIONS

The Association's bylaws provide for the payment of patronage distributions. All patronage distributions to a borrower shall be on such proportionate patronage basis as may be approved by the Association's Board of Directors, consistent with the requirement of Subchapter T of the Internal Revenue Code.

The Association's Board of Directors adopted a resolution establishing the distribution of 2020 patronage-sourced net earnings. The resolution established the cash patronage in the amount of 1.0% of the Association's borrowers' average daily loan balances and 0.85% on purchased participations. Cash patronage of $142.0 million will be distributed to qualified patrons in 2021. This amount was recognized as a liability on the Association's Consolidated Statements of Condition at December 31, 2020.

In December 2020, the Association's Board of Directors adopted an Obligating Resolution to distribute 2021 patronage-sourced earnings to patrons of the Association, contingent upon the Association maintaining certain capital criteria.

Cash patronage of $115.4 million and $105.1 million were paid on the Association's patronage-sourced earnings for 2019 and 2018, respectively. These amounts were recognized as a liability on the Association's balance sheet at December 31 in the year they were declared and paid in the first quarter of the following year. Cash patronage represented 1.0% of the Association's borrowers' average daily loan balances for both 2019 and 2018.

F. UNALLOCATED RETAINED SURPLUS

Net income can be distributed annually in the form of cash or allocated retained earnings; it may also be retained as unallocated retained earnings. Thus, unallocated retained earnings include patronage-sourced net income that is retained each year. The Board of Directors must approve any use of unallocated retained earnings.

G. ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS)

The Association reports accumulated comprehensive income/(loss) in its Consolidated Statements of Changes in Members' Equity. As more fully described in Note 11, other comprehensive income/(loss) results from the recognition of the Restoration Plan's net unamortized (losses) and gains and prior service costs or credits of $(6.3) million, $(2.0) million, and $3.6 million in 2020, 2019, and 2018, respectively. There were no other items affecting comprehensive income or loss.

NOTE 9 – PATRONAGE INCOME FROM SYSTEM INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association follows:

Year Ended December 31	2020	2019	2018
CoBank	$61,050	$47,192	$51,678
AgDirect, LLP	1,925	1,648	1,582
Other Farm Credit Institutions	25,763	14,255	12,896
FCS Insurance Exchange	561	180	180
Total	**$89,299**	**$63,275**	**$66,336**

Patronage distributed from CoBank is received in cash and stock. All other patronage is received in cash.

NOTE 10 – INCOME TAXES

The provision for income taxes follows:

Year Ended December 31	2020	2019	2018
Current federal tax provision	$–	$1	$13
Current state tax provision	2	17	2
Total provision for income taxes	**$2**	**$18**	**$15**

The following table quantifies the differences between the provision for income taxes and the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income of the Association.

Year Ended December 31	2020	2019	2018
Federal tax at statutory rate	$51,939	$42,154	$39,526
State tax, net	2	17	2
Tax-exempt FLCA income	(45,667)	(34,033)	(35,603)
Cash patronage distributions paid	(7,550)	(8,131)	(4,117)
Change in deferred tax valuation allowance	1,274	–	191
Other	4	11	16
Provision for income taxes	**$2**	**$18**	**$15**

Deferred tax assets and liabilities result from the following:

Year Ended December 31	2020	2019	2018
Gross deferred tax assets:			
Allowance for loan losses	$3,494	$2,798	$2,149
Deferred loan fees	2,082	1,546	828
Nonaccrual loan interest	1,049	874	669
Gross deferred tax asset	6,625	5,218	3,646
Gross deferred tax liabilities:			
Mineral depletion	(49)	(49)	(49)
Accrued CoBank patronage	(3,628)	(3,495)	(1,923)
Net deferred tax asset before valuation allowance	2,948	1,674	1,674
Deferred tax asset valuation allowance	(2,948)	(1,674)	(1,674)
Net deferred tax asset	**$–**	**$–**	**$–**

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

The Association had a valuation allowance of $2.9 million in 2020, $1.7 million in 2019, and $1.7 million in 2018. The Association will continue to evaluate the likely realization of these deferred tax assets and adjust the valuation allowance accordingly.

The Association had no uncertain tax positions to be recognized as of December 31, 2020, 2019, or 2018.

The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. There were no interest or penalties recognized in 2020, 2019, or 2018. The tax years that remain open for federal and major state income tax jurisdictions are 2017 and forward.

NOTE 11 – EMPLOYEE BENEFIT PLANS

Certain employees participate in the Ninth and Eleventh Retirement Plans, which are multi-employer defined benefit retirement plans. The Department of Labor has determined the plans to be governmental plans; therefore, the plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plans are not subject to ERISA, the plans' benefits are not insured by the Pension Benefit Guaranty

Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plans' termination is contingent on the sufficiency of the plans' net assets to provide benefits at that time. The plans are noncontributory and cover eligible employees. The assets, liabilities, and costs of the plans are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of these plans.

The defined benefit pension plans reflect an unfunded liability totaling $57.4 million for the Ninth Plan and $46.7 million for the Eleventh Plan at December 31, 2020. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date, based on assumed future compensation levels.

The projected benefit obligation and fair value of the multi-employer plan assets at December 31 follows:

(in millions)	2020	2019	2018
Projected benefit obligation			
Ninth Plan	$359.9	$333.7	$274.4
Eleventh Plan	$318.4	$299.3	$253.9
Fair value of plan assets			
Ninth Plan	$302.5	$252.5	$204.9
Eleventh Plan	$271.7	$228.4	$192.0

The amount of the pension benefits funding status is subject to many variables, including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding.

Costs and contributions for the multi-employer plans at December 31 follows:

(in millions)	2020	2019	2018
Total plan expenses for all participating employers			
Ninth Plan	$19.5	$6.8	$10.8
Eleventh Plan	$1.3	$3.6	$1.9
The Association's allocated share of plan expenses included in salaries and benefits			
Ninth Plan	$5.5	$1.8	$3.0
Eleventh Plan	$0.5	$1.3	$0.7
Total plan contributions for all participating employers			
Ninth Plan	$30.0	$20.0	$20.0
Eleventh Plan	$23.0	$16.0	$16.0
The Association's allocated share of plan contributions			
Ninth Plan	$8.7	$5.3	$5.6
Eleventh Plan	$9.0	$9.0	$5.3

While the plans are governmental plans and are not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plans with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the Pension Plans during 2021 is $53.0 million. The Association's allocated share of these pension contributions is expected to be $17.7 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables, including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are provided through the Farm Credit Foundations Retiree Medical Plan to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale based on years of service. The anticipated costs of these benefits were accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits) included in salaries and employee benefits were $23 thousand for 2020, $26 thousand for 2019, and $18 thousand for 2018. These expenses are equal to the Association's cash contributions for each year.

The Association participates in a nonqualified defined benefit Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Restoration Plan are offset by the benefits payable from the Pension Plans. Restoration Plan expenses included in salaries and employee benefits were $4.6 million for 2020, $4.0 million for 2019, and $4.6 million for 2018. The Restoration Plan experienced a current year net actuarial loss due to decreases in the discount rates utilized and other factors such as employee salaries and retirement rates.

The funded status and the amounts recognized in other liabilities in the Consolidated Statements of Condition for the Association's Restoration Plan follow:

Nonqualified Restoration Plan	2020	2019	2018
Change in benefit obligation:			
Benefit obligation at beginning of the period	$29,642	$25,787	$27,248
Service cost	905	696	735
Interest cost	674	931	756
Net actuarial loss/(gain)	9,323	4,341	(471)
Benefits paid	(2,485)	(2,113)	(2,481)
Benefit obligation at December 31	**$38,059**	**$29,642**	**$25,787**
Amounts recognized in other liabilities in the Consolidated Statements of Condition consist of:			
Projected benefit obligation	$38,059	$29,642	$25,787

The following table represents the amounts included in accumulated other comprehensive income (AOCI)/loss for the Restoration Plan:

	2020	2019	2018
Net actuarial loss	$20,588	$14,267	$12,252
Total amount recognized in AOCI/loss	**$20,588**	**$14,267**	**$12,252**

Information for pension plans with an accumulated benefit obligation in excess of plan assets for the Restoration Plans at December 31 was as follows:

	2020	2019	2018
Accumulated benefit obligation	$35,794	$23,559	$20,904
Fair value of plan assets	N/A	N/A	N/A

Information for pension plans with a projected benefit obligation in excess of plan assets for the Restoration Plan at December 31 was as follows:

	2020	2019	2018
Projected benefit obligation	$38,059	$29,642	$25,787
Fair value of plan assets	N/A	N/A	N/A

The net periodic pension expense for the Restoration Plan included in salaries and benefits in the Consolidated Statements of Income is composed of the following at December 31.

Nonqualified Restoration Plan	2020	2019	2018
Components of net periodic benefit cost:			
Service cost	$905	$696	$735
Interest cost	674	931	756
Net amortization and deferral	3,002	2,326	3,151
Net periodic cost	**$4,581**	**$3,953**	**$4,642**

Changes in benefit obligation recognized in accumulated other comprehensive income are included in the following table.

	2020	2019	2018
Current year net actuarial loss/(gain)	$9,323	$4,341	$(471)
Amortization of net actuarial gain	(3,002)	(2,326)	(3,151)
Total recognized in other comprehensive (income)/loss	**$6,321**	**$2,015**	**$(3,622)**

Weighted average assumptions used to determine benefit obligation at December 31 were as follows:

Nonqualified Restoration Plan	2020	2019	2018
Discount rate – Ninth Plan	1.65%	2.59%	4.06%
Discount rate – Eleventh Plan	1.03%	2.35%	3.81%
Rate of compensation increase – Ninth Plan	5.40%	5.00%	5.00%
Rate of compensation increase – Eleventh Plan	4.60%	5.50%	5.50%
Interest crediting rate – Ninth Plan	5.00%	5.00%	N/A
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

Nonqualified Restoration Plan	2020	2019	2018
Discount rate – Ninth Plan	1.65%	2.59%	4.06%
Discount rate – Eleventh Plan	1.03%	2.35%	3.81%
Rate of compensation increase – Ninth Plan	5.40%	5.40%	5.00%
Rate of compensation increase – Eleventh Plan	4.60%	4.60%	5.50%
Interest crediting rate – Ninth Plan	5.00%	5.00%	N/A
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

The Association estimates it will contribute $1.7 million to the Restoration Plans in 2021.

ESTIMATED FUTURE BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

2021	2022	2023	2024	2025	2026-2030
$1,653	$2,533	$2,074	$2,802	$1,552	$27,598

The Association participates in the Farm Credit Foundations Defined Contribution/401(k) Plan. The plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. The Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions to the 401(k). Employer contributions to the Defined Contribution plan included in salaries and employee benefits were $7.7 million in 2020, $6.7 million in 2019, and $5.3 million in 2018.

NOTE 12 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors or employees of the Association, their immediate families, and other organizations with which such directors or employees of the Association may be associated (related party borrowers). These loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and senior officers must be maintained at an acceptable or other assets especially mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either acceptable or OAEM within a year. If not, the director or senior officer must resign from the Board or employment.

Loan information to related parties for the years ended December 31 is shown below.

	2020	2019	2018
Beginning balance	$127,027	$125,977	$93,577
New loans	190,612	356,636	66,249
Repayments	(154,355)	(351,347)	(27,478)
Loans no longer related parties	(648)	(4,239)	(6,371)
Ending balance	**$162,636**	**$127,027**	**$125,977**

In the opinion of management, none of these loans outstanding at December 31, 2020, involved more than a normal risk of collectibility.

The Association also has business relationships with certain other System entities. The Association paid $458 thousand in 2020, $458 thousand in 2019, and $389 thousand in 2018 to Farm Credit Foundations for human resource services. As of December 31, 2020, the Association's investment in AgDirect was $17.3 million. Income recorded related to AgDirect was $1.9 million in 2020, $1.7 million in 2019, and $1.6 million in 2018.

NOTE 13 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2020, $4.2 billion of commitments to extend credit were outstanding.

Since many of these commitments and letters of credit are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements.

However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2020, $58.1 million of standby letters of credit were outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2021 to 2030. The maximum potential amount of future payments the Association is required to make under the guarantees is $58.1 million.

The Association maintains a reserve for unfunded commitments, which reflects management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed upon. The reserve totaled $4.5 million, $3.7 million, and $2.9 million at December 31, 2020, 2019, and 2018, respectively.

NOTE 15 – 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

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

Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized in the following table. During the years presented, there were no assets measured at fair value on a non-recurring basis categorized as Level 1 or Level 2.

	Hierarchy Level 3	Total Fair Value
2020		
Loans	$1,382	$1,382
Other property owned	$4,425	$4,425
2019		
Loans	$3,966	$3,966
Other property owned	$6,200	$6,200
2018		
Loans	$6,067	$6,067

Assets measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized below. During the years presented, there were no assets measured at fair value on a recurring basis categorized as Level 2 or Level 3.

Assets Held in Nonqualified Benefits Trusts	Hierarchy Level 1	Total Fair Value
2020	$22,044	$22,044
2019	$20,352	$20,352
2018	$20,397	$20,397

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

VALUATION TECHNIQUES

As more fully discussed in Note 2, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities subject to fair value measurement:

A. Loans: Fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

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

Fair value of loans in a nonaccrual status is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows. For noncurrent nonaccrual loans, it is assumed that collection will result only from the disposition of the underlying collateral. Fair value of these loans is estimated to equal the aggregate net realizable value of the underlying collateral, discounted at an interest rate, which appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. Where the net realizable value of the collateral exceeds the legal obligation for a particular loan, the legal obligation is generally used in place of the net realizable value.

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans are collateral dependent. The fair value measurement process uses 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 of the hierarchy if the process uses independent appraisals and other market-based information.

B. Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation 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. Assets held in nonqualified benefits trusts are included in Other Assets in the Consolidated Statements of Condition.

C. 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 appraisals or other market-based information. As a result, these fair value measurements fall within Level 3 of the hierarchy. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 16 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 5, 2021, which is the date the financial statements were available to be issued.

OTHER REGULATORY DISCLOSURE INFORMATION

(UNAUDITED)

FINANCIAL STATEMENTS

The Association will post the annual report and quarterly reports to shareholders on the Association's website, www.AgLoan.com, approximately 40 days after the end of each calendar quarter for the quarterly reports and 75 days after year-end for the annual report. Copies of these reports may be obtained free of charge by contacting American AgCredit at P.O. Box 1120, Santa Rosa, CA 95402, or by calling (800) 800-4865.

DESCRIPTION OF PROPERTY

American AgCredit is headquartered in Santa Rosa, California. The Association owns and leases various facilities throughout the territory, which are described in this annual report.

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Other than ordinary routine litigation incidental to the business, there are no material legal proceedings pending to which the Association is a party, of which any of its property is the subject, or which involve claims that the Association may be required to satisfy. There are no enforcement actions in effect against the Association.

RELATIONSHIP WITH INDEPENDENT EXTERNAL AUDITORS

There has been no change in independent external auditors and no material disagreements on any matters of accounting principles or financial statement disclosures during the period.

BORROWER PRIVACY

As a customer-owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs. FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers, and employees. FCA regulations specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

BOARD OVERSIGHT

The Association is governed by a 20-member Board that oversees the management of our Association. Of these directors, 16 are elected by the stockholders and four are appointed by the elected directors. The Board represents the interests of stockholders and meets regularly to perform the following functions, among others:

- Select, evaluate, and compensate the chief executive officer;
- Establish the strategic plan and approve the annual operating plan and budget;
- Oversee the lending operations;
- Advise and counsel management on significant issues; and
- Oversee the financial reporting process, communications with stockholders, and legal and regulatory compliance.

DIRECTOR INDEPENDENCE

All directors must exercise sound judgment in deciding matters in the Association's interest. All directors are independent from the perspective that no management or staff serves as Board members. However, as a financial service cooperative, the Association is required by the Farm Credit Act and FCA regulations to have elected directors that have a loan relationship with the Association.

The elected directors, as borrowers, have a vested interest in ensuring the Association remains strong and successful. However, the borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of the Board. Annually, in conjunction with the independence analysis and reporting on loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

AUDIT COMMITTEE

The Audit Committee is composed of six members and is responsible for oversight of financial reporting and examinations. During 2020, eight meetings were held. The Audit Committee responsibilities include, but are not limited to, the following:

- Oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- Oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- Review and assessment of the impact of accounting and auditing developments on the consolidated financial statements; and
- Establishment and maintenance of procedures for the receipt, retention, and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls, and auditing matters.

COMPENSATION COMMITTEE

The Compensation Committee is responsible for the oversight of employee and director compensation. The committee is composed of six members and meets regularly to review and evaluate all aspects of compensation, including benefits programs. Eight meetings were held in 2020.

GOVERNANCE COMMITTEE

The Governance Committee is composed of six members. Five meetings were held in 2020. The committee oversees and evaluates matters of corporate governance and structure, including, without limitation: the director nomination and election process; evaluation and development of Board performance and processes; director orientation and continuing education; and the independence of directors. The Governance Committee's responsibilities include, but are not limited to, the following:

- Develop and recommend to the Board a set of corporate governance guidelines applicable to the Association;
- Conduct periodic reviews of the number of Board members and composition and make recommendations regarding any changes;
- Determine the qualifications, qualities, skills, and other expertise desired for directors;
- Oversee the annual Board self-evaluation; and
- Oversee the Nominating Committee process.

STRATEGY AND RISK COMMITTEE

The Strategy and Risk Committee (SRC) assists the Board in fulfilling its oversight responsibilities for strategic planning and the enterprise-wide risk management framework of the Association. The SRC is composed of the Board's vice chair and at least two additional Board members. In addition, the Association's CEO and at least two members of senior management shall attend every SRC meeting but shall not serve as members of the committee. Five meetings were held in 2020. The SRC's responsibilities include, but are not limited to, the following:

- Collaborate with management on the development and periodic update of the Association's overall strategy, business objectives, and strategic initiatives;
- Discuss and present recommendations to the Board related to the Association's mission, vision, risk appetite, and major programs;
- Develop the Association's merger criteria and evaluate potential merger partners;
- Oversee that management has identified and assessed the risks the Association faces;
- Ensure that risk is appropriately considered in strategy setting;
- Coordinate the risk oversight activities of the various standing committees of the Board;
- Coordinate with the Audit Committee to understand how the Association's internal audit plan is aligned with its key risks; and
- Recommend to the Board policies governing enterprise risk management.

ASSOCIATION DIRECTORS

It is the Association's policy to reimburse directors and senior officers for mileage as well as documented business expenses while serving in an official capacity. A copy of the Association's reimbursement policies is available to shareholders upon request. There were five regularly scheduled Board meetings in 2020. The committee meetings are called as needed to address Association business.

The following identifies all Board members who served during the year and describes the business activities and principal occupation for the past five years, as well as current committee assignments, for those directors serving on the Board during the year.

George Fontes, Chair
Term Expires: 2024
Committee(s): Executive

Mr. Fontes is a fourth-generation farmer in Salinas Valley, California. His family operation has included beef cattle, grain hay production, and vegetable farming. Currently, he owns and operates Fontes Farms LLC, providing farm management, equipment rental, and repair services. He was president and co-owner of Comgro Incorporated, growing lettuce, broccoli, mix lettuce, and spinach. He also serves on the board of Farm Credit Foundations. He attended five regularly scheduled Board meetings, seven special Board meetings, 18 committee meetings, and CEO Selection Committee meetings for which he was compensated $109,750.

Gary Harshberger, Vice Chair
Term Expires: 2023
Committee(s): Executive, Strategy and Risk

Mr. Harshberger is a farmer with an operation consisting of dryland and irrigated wheat, corn, milo, and soybeans. He operates Harshberger Enterprises, is president of Double H Farms Inc., and a member of Harshberger Land LLC, which are involved in farm commodity production. He is also involved in the ethanol industry as a director of Conestoga Energy. He attended five regularly scheduled Board meetings, seven special Board meetings, 19 committee meetings, and CEO Selection Committee meetings for which he was compensated $106,250.

Joe Alamo, Director
Term Expires: 2021
Committee(s): Executive, Governance

Mr. Alamo has been a partner in Alamo Dairy and Alamo Farms since 1997. He currently milks 4,000 cows and grows nearly 4,000 acres of corn, winter forage, alfalfa, and almonds. He is the Turlock Irrigation District Director, the California Farm Water Coalition Director, and past president and current member of the Central Counties Dairy Herd Improvement Association. He is also active with Western United Dairies, the Stanislaus County Farm Bureau, and the Turlock Pentecost Association. He attended five regularly scheduled Board meetings, seven special Board meetings, and 12 committee meetings for which he was compensated $84,500.

Berry Bortz, Director
Term Expires: 2022
Committee(s): Governance

Mr. Bortz farms in partnership with his family in eastern Pratt, southwest Reno, and southern Wichita counties in Kansas, producing corn, wheat, soybeans, alfalfa, cotton, sorghum, and bermuda. They also have a commercial and registered cow herd along with a feedlot, and is a partner in Next Gineration Inc. and Central Kansas cotton producers, which gins cotton for producers in south central Kansas. He attended five regularly scheduled Board meetings, seven special Board meetings, and five committee meetings for which he was compensated $76,000.

Robert Boynton, Director
Term Expires: 2022
Committee(s): Executive, Compensation

Mr. Boynton has been actively involved in agriculture for his entire professional life. He grew up on a small family dairy farm in Humboldt County, California, which he owns today. He has a PhD in ag economics from Michigan State University. Bob has an extensive agricultural business background, having served as Executive Director of the Dairy Institute of California and as Sr. VP of Marketing & Sales for Leprino Foods. He attended five regularly scheduled Board meetings, seven special Board meetings, 15 committee meetings, and CEO Selection Committee meetings for which he was compensated $95,750.

John Caldwell, Director
Term Expired: 2020
Committee(s): Audit

Mr. Caldwell resides in Longmont, Colorado. His business experience is in cattle feeding and brokerage, grain merchandising, and farming. He attended two regularly scheduled Board meetings, four special Board meetings, and seven committee meetings for which he was compensated $46,856.

Cyril Chappellet, Director
Term Expires: 2025
Committee(s): Audit

Mr. Chappellet is the President and CEO of Chappellet Vineyard and Winery, a family-owned and operated winemaking and vineyard operation established in 1967. Cyril oversees every aspect of the operation from farming and winemaking to finance, personnel, and sales. He also manages a 2,500-acre ranch adjacent to the vineyard property, which is used as a cattle operation. He attended two regularly scheduled Board meetings, four special Board meetings, and three committee meetings for which he was compensated $29,144.

Derek Davis, Director
Term Expired: 2020
Committee(s): Audit

Mr. Davis has 29 years of executive management experience, most recently as Executive VP/Chief Operating Officer at Teac America Inc., and has served on multiple boards. He has a master's degree in business administration from San Diego State University and is a certified public accountant. He owns an avocado ranch property in Valley Center, California. He attended two regularly scheduled Board meetings, four special Board meetings, and seven committee meetings for which he was compensated $47,856.

Randall Doll, Director
Term Expires: 2024
Committee(s): Compensation

Mr. Doll joined the Board of Directors in July 2014. He is a farmer and rancher in Butler County, Kansas, overseeing production of alfalfa, bluestem prairie hay, brome, milo, and wheat. He has extended family ranch and farming operations located in Barton, Finney, and Gray counties in Kansas. He also serves on the board of Farm Credit Council Services. He attended five regularly scheduled Board meetings, seven special Board meetings, and eight committee meetings for which he was compensated $76,500.

Marshall Ernst, Director
Term Expires: 2024
Committee(s): Compensation

Mr. Ernst grew up on a family farm in Wisconsin. He and his spouse own and operate Ernst Herefords, a registered cow/calf business focused on producing breeding stock for the commercial industry. Prior to that, Mr. Ernst spent 30 years in the food industry for several nationally branded food companies. He served as Senior Director of Livestock Operations for the National Western Stock Show in Denver. He majored in animal science at the University of Wisconsin. He attended five regularly scheduled Board meetings, five special Board meetings, and seven committee meetings for which he was compensated $76,000.

Kimberly Clauss Jorritsma, Director
Term Expires: 2025
Committee(s): Governance

Ms. Jorritsma is a third-generation dairy farmer and key member of Clauss Dairy Farms and Sunwest Jersey Dairy management teams in Hilmar, California. Clauss and Sunwest Jersey Dairy Farms are registered Jersey dairies and farming operations that employ over 50 people. She is a co-owner of Hilmar Cheese Company Inc., serving on their board of directors. Kimberly was the first female chairperson of the National Dairy Board, and currently serves on the board of the Dairy Council of California. She attended five regularly scheduled Board meetings, seven special Board meetings, and five committee meetings for which she was compensated $78,000.

Kirvin Knox, PhD, Appointed Director
Term Expires: 2025
Committee(s): Compensation

Dr. Knox resides in Fort Collins, Colorado. He is a retired academic, formerly Dean, College of Agricultural Sciences & Vice Provost for University Outreach at Colorado State University. His business experience is in energy, production agriculture, academic administration, and agriculture research. He attended five regularly scheduled Board meetings, seven special Board meetings, and eight committee meetings for which he was compensated $77,500.

Janet Konkel, Director
Term Expires: 2025
Committee(s): Audit

Ms. Konkel and her husband Mike operate a farm south of Kersey, Colorado, growing alfalfa hay and small grains. She worked for the National Western Stock Show in Denver and served for eight years as the Weld County Fair Coordinator in Greeley. She graduated from Colorado State University with a degree in agricultural business. She attended two regularly scheduled Board meetings, four special Board meetings, and three committee meetings for which she was compensated $29,144.

Brian Maloney, Director
Term Expires: 2021
Committee(s): Audit

Mr. Maloney is a fifth-generation farmer/rancher in south-central Kansas. The family-based operation includes wheat, corn, soybeans, sorghum, milo, hay, and beef cattle. Prior to joining the farming operation, Mr. Maloney spent 20 years working in the Farm Credit System, including Farm Credit of Southwest Kansas, CoBank, and the Farm Credit Administration. He attended five regularly scheduled Board meetings, seven special Board meetings, and 10 committee meetings for which he was compensated $79,000.

Kristin McMenomey, Appointed Director
Term Expires: 2023
Committee(s): Compensation

Mrs. McMenomey resides in Potter Valley, California. She and her husband, John, farm 200 acres of vineyard property in Potter Valley consisting of Chardonnay, Sauvignon Blanc, Merlot, Pinot Noir, and Pinot Gris. She has over two decades of government experience in purchasing, information technology, and risk management. Kristin served 17 years as a board member of the CSAC Excess Insurance Authority Board of Directors, including as vice president. She attended five regularly scheduled Board meetings, seven special Board meetings, and eight committee meetings for which she was compensated $77,500.

Jason Ochs, Director
Term Expires: 2022
Committee(s): Governance

Mr. Ochs is a member of Plum Creek Farms LLC in Syracuse, Kansas, an agricultural entity that produces dryland wheat, milo, and corn, and provides custom farming including harvesting, tillage, planting, and CRP management. He attended five regularly scheduled Board meetings, seven special Board meetings, and five committee meetings for which he was compensated $76,000.

Teresa Reimer, Director
Term Expires: 2023
Committee(s): Governance

Ms. Reimer resides on a ranch near Kalvesta, Kansas, and is a fifth-generation farmer and rancher. Her cattle operation consists of cow/calf, backgrounding, and finishing that is complemented by a dryland farm producing wheat, sorghum, and forages. She attended five regularly scheduled Board meetings, seven special Board meetings, and five committee meetings for which she was compensated $76,500.

David Santos, Director
Term Expires: 2022
Committee(s): Compensation, Strategy and Risk

Mr. Santos is an apricot, cherry, and almond farmer in Stanislaus County, California. He is a partner/owner in Lucich & Santos Farms, a diversified farming operation, and Blossom Hill Packing Company, a fresh fruit packing, shipping, and marketing company. He attended five regularly scheduled Board meetings, seven special Board meetings, and eight committee meetings for which he was compensated $89,000.

Larry Solari, Appointed Director
Term Expires: 2022
Committee(s): Audit

Mr. Solari is a certified public accountant and partner in BPM LLP located in Stockton, California. He was appointed as an outside director of the Association Board of Directors in January 1994. He attended five regularly scheduled Board meetings, seven special Board meetings, and 10 committee meetings for which he was compensated $76,500.

ASSOCIATION DIRECTORS (CONTINUED)

Thomas G. Stegman, Appointed Director
Term Expires: 2025
Committee(s): Executive, Audit

Mr. Stegman is retired. Most recently, he served as President and CEO of AgVantis. Prior to that, he served in various information technology management positions at Farm Credit Bank of Wichita, Kansas. Mr. Stegman was raised on a family farm in southwestern Kansas and now resides in Oro Valley, Arizona. He attended five regularly scheduled Board meetings, seven special Board meetings, and 17 committee meetings for which he was compensated $85,500.

Charles Talbott, Director
Term Expires: 2025
Committee(s): Governance, Strategy and Risk

Mr. Talbott resides in Palisade, Colorado. His business experience is in tree fruit and wine grape production, and he is in charge of the overall business and financial performance of the family operations. He attended five regularly scheduled Board meetings, seven special Board meetings, five committee meetings, and CEO Selection Committee meetings for which he was compensated $98,750.

Thomas Teixeira, Director
Term Expires: 2023
Committee(s): Audit, Strategy and Risk

Mr. Teixeira is partner-owner of Teixeira and Sons and grows over 9,000 acres of alfalfa, almonds, cantaloupes, corn, cotton, fresh-market tomatoes, processing tomatoes, parsley, garlic, and wheat. The company operates a tomato transplant greenhouse facility and is part owner in Pacific Ginning LLC, Eagle Valley Ginning LLC, and 360 Agri LLC. Pacific Ginning and Valley Ginning are cotton ginning operations and 360 is a custom cotton harvesting company. He attended five regularly scheduled Board meetings, seven special Board meetings, 10 committee meetings, and CEO Selection Committee meetings for which he was compensated $98,250.

For 2020, directors were compensated for their services based on annual retainers as follows:

Chair	$95,000
Vice Chair	$90,000
Audit Committee Chair	$85,000
Compensation Committee Chair	$82,500
Governance Committee Chair	$82,500
Committee Vice Chair	$77,500
Director	$75,000

Retainer amounts are adjusted for meeting absences or attendance at meetings in excess of scheduled Board meetings. The total compensation paid to directors for 2020, as described above, amounted to $1,690,250. The aggregate amount of compensation and reimbursements for travel, subsistence, and other related expenses for all directors was $2,088,295 for 2020, $1,823,493 for 2019, and $1,908,532 for 2018.

SENIOR OFFICERS

Curt Hudnutt, Chief Executive Officer

Mr. Hudnutt was hired as Chief Executive Officer on October 19, 2020. He previously led the Rural division for Rabobank, North America. Mr. Hudnutt has over 18 years of agricultural banking experience and has served in a variety of leadership roles, including operations, business development, underwriting, and risk management.

Byron E. Enix, Chief Executive Officer Emeritus

Mr. Enix was promoted to Chief Executive Officer on January 1, 2014. He previously served as Chief Operating Officer and Senior Vice President – Credit Heartland Region since 2012 and 2010, respectively. Prior to the Farm Credit Services of the Mountain Plains merger and since 2006, he served as Chief Financial Officer-Mountain Plains. He has 35 years of Farm Credit System experience in credit, operations, and finance. Mr. Enix retired from American AgCredit on January 31, 2021.

Greg Somerhalder, Chief Operating Officer

Mr. Somerhalder was promoted to Chief Operating Officer on March 1, 2014. He previously served as Chief Corporate Strategist since 2013. He has over 38 years of experience with Farm Credit in many areas of banking, including lending, credit, risk, and strategy. Mr. Somerhalder serves as a director of Farm Credit System Associations Captive Insurance Company. He also serves on the board of the Laham Family Foundation.

Rachel Angress, General Counsel

Ms. Angress was promoted to General Counsel in September 2013. She previously served as Deputy General Counsel from 2012. She has over 26 years of legal experience, including years of civil and bankruptcy litigation and general legal representation for many local financial institutions.

Mike Banks, Chief Credit Officer

Mr. Banks has served as Chief Credit Officer since January 1, 2017. He previously served as Senior Vice President for American AgCredit, leading the Association's Credit Management Department. He has over 26 years of service to the Farm Credit System, primarily focused in various lending and credit functions.

Roger Bastow, Chief Administrative Officer

Mr. Bastow has served as Chief Administrative Officer since 2009. He previously served as Senior Vice President – Finance and Operations from 1999 to 2009 at Farm Credit of the Heartland. He is a certified public accountant and has served in human resources, operations, and finance roles over the past 29 years in the Farm Credit System and is a member of the Farm Credit Foundations Trust Committee. Mr. Bastow retired from American AgCredit on January 31, 2021.

Chase Hafner, Chief Disruption Officer

Mr. Hafner has served as the Chief Disruption Officer for the Association since February 2020. Since joining the Association in 2014 he has served as a strategic executive in the Chief Technology Officer role as well as a prior role of Senior Vice President of IT. Prior to joining American AgCredit in 2014, he served as a CIO in the education sector and has dedicated his career to driving strategic results and transformations to fuel business performance.

Sean O'Day, Chief Banking Officer - Corporate

Mr. O'Day currently serves as the Chief Banking Officer for Corporate Banking. Agribusiness lending and Capital Markets operate under the Corporate Banking umbrella. Prior to assuming the position of Chief Banking Officer, Mr. O'Day served as Senior Vice President – Capital Markets. For the past 30 years, his focus has been in the areas of corporate finance and loan syndications, and he has a total of 41 years of Farm Credit System service.

Paula Olufs, Chief Customer Officer

Ms. Olufs has served as the Chief Customer Officer since February 2020. She leads the centers of excellence for customer experience, business transformation, product development, and product delivery, uniting the Association around a common vision and strategy for customer experience from the customer's perspective. Prior to her current position she served as the Chief Innovation Officer since 2016. She has over 34 years of Farm Credit experience.

Erik Person, Chief Audit Executive

Mr. Person has served as the Chief Audit Executive since 2017. He previously served as the Director of Operational Audit & Risk. Prior to joining the Association, Mr. Person served as Association's Engagement Manager for its Risk Consulting Services and several other Farm Credit System Institutions through Crowe, a national Public Accounting firm. Mr. Person is a Certified Internal Auditor and Certified Information Systems Auditor with over 20 years of audit experience within the diversified financial services industry.

Jerry Rose, Chief Risk Officer

Mr. Rose has served as Chief Risk Officer since 2013 and previously served as Senior Vice President – Risk Management since 2012. He has held risk and financial management roles for more than 30 years in the Farm Credit System. He also serves as a member of the Farm Credit Foundations Trust Committee.

Lynn Scherler, Chief Lending Officer

Mr. Scherler joined American AgCredit as Chief Lending Officer in October 2017. He previously served as President – Strategic Relationship Division for CoBank; as Interim President & CEO of Farm Credit of Southwest Kansas from October 2015 to March 2016; and a number of other relationship and leadership roles at CoBank. Mr. Scherler has more than 20 years of banking experience, 18 of which have been served in the Farm Credit System, with experience in the areas of relationship management, credit, and strategy.

Deb Seedorf, Chief Transformation Officer

Ms. Seedorf has served as Chief Transformation Officer since July 2018. She served as Chief Credit Delivery Officer 2016-2018 and Chief Process Officer since 2014. Prior to that, she served as Senior Vice President – Enterprise Solutions since 2012. She has over 25 years of Farm Credit experience in many areas including lending, operations, underwriting, human resources, finance, and accounting. Ms. Seedorf retired from American AgCredit on January 31, 2021.

Gary Van Schuyver, Senior Vice President – Corporate Banking

Mr. Van Schuyver currently serves as the Senior Vice President – Corporate Banking. Prior to assuming the position, Mr. Van Schuyver served as Senior Vice President – Western District. He has over 34 years of service to the Farm Credit System, primarily focused on corporate finance, loan syndications, and agribusiness lending.

Vern Zander, Chief Financial Officer

Mr. Zander has served as Chief Financial Officer since 2012. He previously served as Vice President – Relationship Manager in the Association's Capital Markets Group. He is a certified public accountant and has been with American AgCredit for the last 18 years, with a total of 33 years of Farm Credit service.

SENIOR OFFICERS' COMPENSATION

The Compensation Committee of the Board of Directors (Compensation Committee) follows a comprehensive compensation philosophy where the objectives of the Compensation Plans (Plans) are to:

- Provide market-based compensation through base salary and annual and long-term incentive components that will allow the Association to attract, motivate, and retain superior executive talent;
- Place a portion of total compensation for the executive at risk and contingent upon the Association remaining financially sound and meeting established performance goals; and
- Ensure that long-term financial stability of the Association is emphasized over short-term results and decisions.

The Plans are designed to:

- Reward successful business year results through Annual Incentive Compensation Plans (ICP);
- Foster long-term financial stability through the Executive Long-Term Incentive Plan (ELTIP); and
- Significantly contribute to the retention of the President/Chief Executive Officer (CEO) and other Senior Officers.

The Association maintains the ICP for Senior Officers and employees that rewards performance based on objective criteria. The Compensation Committee annually reviews market information related to the level and mix of salaries, benefits, and incentive plans for the CEO and other Senior Officers. The ICP was revised in 2020 to enhance the alignment

Summary Compensation Table[1] (in thousands)

Name of Individual or Number in Group[2]	Year	Salary	Annual Incentive Compensation[3]	Executive Long-Term Incentive Compensation[3]	Change in Pension Value[4]	Deferred/ Perquisites[5]	Other[6]	Total
President & CEO:								
Curt Hudnutt	2020	$150	$113	$–	N/A	$12	$100	$375
Byron Enix	2020	$756	$520	$756	$1,779	$104	$894	$4,809
	2019	$725	$535	$618	$1,863	$63	$-	$3,804
	2018	$696	$466	$536	$1,331	$49	$1	$3,079
Aggregate number of Senior Officers and highly compensated employees (excluding CEO):								
Twelve[7]	2020	$4,035	$4,901	$782	$2,797	$1,072	$53	$13,640
Eight	2019	$2,624	$2,211	$1,525	$2,325	$701	$52	$9,438
Seven	2018	$2,235	$2,128	$1,140	$430	$702	$-	$6,635

1. Disclosure of the total compensation paid during 2020 to any designated senior officer or highly compensated employee is available to our shareholders upon request. Compensation amounts do not include earnings on nonqualified deferred compensation, as such earnings are not considered above-market or preferential.

2. The Senior Officers and highly compensated employees included above are those officers defined by FCA regulations Section 619.9310 and Section 620.6.

3. Annual Incentive compensation represent amounts earned in the reported fiscal year, which are paid in February of the subsequent year. The annual incentive compensation amounts are calculated based on relevant performance factors for the reported fiscal year. The ELTIP amounts are estimated based on the relevant performance factors included in this plan for the current fiscal year. For 2020, the amounts reflect estimated earned ELTIP for the new 3 year plan term, to be finalized and paid out at the end of the plan term (2022).

4. The Change in Pension Value from 2019 to 2020 is primarily due to the increase in years of service and age and changes in actuarial assumptions such as the discount rate.

5. Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment for certain other expenses, such as relocation, certain travel-related costs, wellness benefits, and life insurance benefits.

6. Represents amounts paid pursuant to plans in connection with retirement, severance payments, retirement gratuity, sign on, retention or discretionary cash bonus payments.

7. The number of senior officers increased in 2020 as the definition was refined to include all voting members of the Management Executive Committee and the General Counsel in accordance with FCA Regulations Section 619.9310.

of rewards with progress towards the organization's overall strategic initiatives. Certain Senior Officers participated in the ICP and ELTIP. Due to the cooperative business structure of the Association, the Plans do not contain stock-based compensation components. The ICP is administered by the Compensation Committee.

Select Senior Officers may also participate in a supplemental incentive compensation plan. Supplemental incentive compensation plans are administered by the Compensation Committee and include specialized earnings goals. Supplemental incentive compensation plans were revised in 2014 to enhance their alignment with risk associated with the activities the incentives were based on.

Certain Senior Officers participate in the Ninth Farm Credit District Pension Plan or the Eleventh Farm Credit District Employee's Retirement Plan (Pension Plans). These plans have been closed to new participants for many years.

SUMMARY COMPENSATION

Compensation earned by the CEO and aggregate compensation of other Senior Officers and highly compensated employees for the years ended December 31, 2020, 2019, and 2018 is disclosed in the accompanying table. Our current Board policy regarding reimbursements for travel, subsistence and other related expenses states that all employees, including Senior Officers, shall be reimbursed for actual reasonable travel and related expenses that are necessary and that support our business interests. A copy of our policy is available to shareholders upon request.

The Salary, Annual Incentive Compensation, and Executive Long-Term Incentive Compensation columns of the Summary Compensation Table include all amounts earned during 2020, 2019, and 2018 regardless of whether a portion of such compensation has been deferred by the CEO or other Senior Officers' elections pursuant to the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan) and/or the Farm Credit Foundations Nonqualified Deferred Compensation Plan (NQDC Plan). Individual compensation for any Senior Officer included here in the aggregate is available to shareholders upon written request.

In addition to base salary, substantially all eligible employees and executives could earn additional compensation under the Annual Incentive Plans, which are plans tied to the overall business performance and to the employee's performance. The Annual Incentive Plans were based on the fiscal year and were designed to motivate employees and executives to exceed annual performance targets established by the Board of Directors. In 2020, performance targets were established using one or more of the following factors: the Association's Performance Score, the Contractual Interbank Performance Agreement Score (CIPA), credit quality, efficiency ratio, new money (loan growth), portfolio retention, profit margin, return on assets, speed (processing time), net income and goals related to data, digital and talent business initiatives.

The Executive Long-Term Incentive Plan provides targeted long-term awards for Senior Officers if the long-term performance objectives of the Association are met. For each Senior Officer, a long-term incentive award percentage was established and communicated at the beginning of the plan term. The payout of the ELTIP award is three years after the plan commences and is conditioned upon satisfactory performance of the Senior Officer and the Association exceeding certain minimum thresholds related to the CIPA score and Income as determined in the plan. Executives that voluntarily terminate employment or do not maintain satisfactory performance forfeit these long-term awards.

The Deferred/Perquisites Compensation column of the Summary Compensation Table is primarily comprised of company contributions to benefit plans, taxable group term life insurance premiums, and long-term disability premiums. In 2020, the Association's employer matching contribution to Byron Enix's and Curt Hudnutt's accounts in the Defined Contribution Plan were $4,886 and $12,000, respectively and its contribution to Byron Enix's account in the NQDC Plan to restore the employer match that was limited due to restrictions in the Internal Revenue Code and compensation deferred was $35,505. For 2020, the Association's employer matching and non-elective contributions for the other Senior Officers' accounts in the Defined Contribution Plan were $297,557 and contributions to their accounts in the NQDC Plan were equal to $403,551.

All employees are reimbursed for travel and subsistence expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

PENSION BENEFITS

The table below shows certain pension benefit information by plan for the President/CEO and the Senior Officer group, including highly compensated employees, as of December 31, 2020. Curt Hudnutt, current President/CEO, is not eligible to participate in the Pension Plans.

Retirement Plan Table (dollars in thousands)

Name of Individual or Number in Group[1]	Plan Name	Number of Years of Credited Service[2]	Actuarial Present Value of Accumulated Benefits	Payments During Last Fiscal Year[3]
Byron Enix, President & CEO	Ninth Farm Credit District Pension Plan	38	$3,278	$–
	Former 9th and 11th District Employers Restoration Plan	38	$8,326	$–
Total			**$11,064**	**$–**
Aggregate Number of Senior Officers and Highly Compensated Employees[4] (excluding the CEO):				
Four	Ninth Farm Credit District Pension Plan or Eleventh Farm Credit District Employees' Retirement Plan	34	$12,073	$–
Four	Former 9th and 11th District Employers Restoration Plan	34	$3,890	$–
Total			**$15,963**	**$–**

1. The Senior Officers and the highly compensated employees included in the pension benefits disclosure are those defined by FCA regulations Section 619.9310 and Section 620.6.

2. For the Pension Plans and the Restoration Plan, this represents an average for the aggregate senior officer and highly compensated employee group.

3. Represents post-retirement benefit payments made during the last fiscal year.

4. Four of the twelve Senior Officers and Highly Compensated Employees defined by FCA regulations Section 619.9310 and Section 620.6, are participants in the Pension Plans.

RETIREMENT PLAN OVERVIEW: The President/CEO and certain Senior Officers participate in two defined benefit retirement plans: (a) the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Plan), which are qualified defined benefit plans (Pension Plans); and (b) the Former 9th and 11th District Employers Restoration Plan (Restoration Plan), which is a nonqualified retirement plan. Additionally, substantially all employees are eligible to participate in the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan), which has an employer matching contribution. Certain eligible employees participate in the Farm Credit Foundations Non-Qualified Deferred Compensation Plan (NQDC Plan), which allows individuals to defer compensation and which restores the benefits limited in the Defined Contribution Plan by restrictions in the Internal Revenue Code.

QUALIFIED PENSION PLANS: In general, the Ninth Plan provides participants with a 50% joint-and-survivor annuity benefit at normal retirement that is equal to 1.50% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by their years of benefit service, plus 0.25% of the amount by which the High 60 exceeds covered compensation multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a 50% joint-and-survivor annuity, such as a lump sum distribution. The pension valuation was determined using a blended approach assuming half of the benefits would be paid as a lump sum and half as an annuity at the participants earliest unreduced retirement age.

In general, the Eleventh Plan provides participants with a single life annuity benefit at normal retirement that is equal to 1.95% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a single life annuity. The pension valuation was determined using a blended approach assuming 30% of the benefits would be paid as a lump sum and 70% as an annuity at the participants earliest unreduced retirement age.

The Pension Plans pay benefits up to the applicable limits under the Internal Revenue Code.

NONQUALIFIED PENSION RESTORATION PLAN: The Restoration Plan is unfunded and not qualified for tax purposes. Benefits payable under this plan are equal to the excess of the amount that would be payable under the terms of the Pension Plans disregarding the limitations imposed under Internal Revenue Code Sections 401(a)(17) and 415, over the pension actually payable under the Pension Plans. The Restoration Plan also restores any benefits attributable to nonqualified deferred compensation excluded from the benefit determined under the Pension Plans. The Restoration Plan valuation was determined using an assumption that benefits would be paid as a lump sum at the participant's earliest unreduced retirement age.

The Association does not have a Supplemental Executive Retirement Program.

YOUNG, BEGINNING, AND SMALL FARMER & RANCHER PROGRAM

American AgCredit offers Young, Beginning, and Small (YBS) farmers and ranchers opportunities to invest in, build, and support their agribusiness. Through specific, tailored programs designed to meet the credit and related needs of YBS customers and potential customers in our chartered territory, we provide various layers of support throughout this market.

Per FCA regulations, qualified YBS programs serve farmers and ranchers by one or more of the following categories:

Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger

Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience

Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products

OUR YBS MISSION

Our mission is to provide credit and related services tailored to the specific needs of the YBS market via the following:

- Support of AgYouth Programs: Interest-free financing to young people for 4-H and FFA projects
- Host training focused on legacy and business continuity planning for generations of farmers and ranchers. Training provided free of charge for customers
- Support of youth programs in the community: Outreach and sponsorship of ag-related educational activities, such as ag training, exhibits, and other outreach
- Promote YBS program information, including web pages, brochures, and ad slicks: Awareness of programs to support new businesses and encourage young people to get involved in agriculture
- Provide scholarships to college students interested in working in or studying courses related to agriculture
- Offer paid internships: Professional training and paid work experience provided to young professionals interested in learning about opportunities in the agricultural industry, including financing, marketing, and communication

To facilitate credit offerings to this specialized customer base, we support financing programs and use government-guaranteed loan programs. We are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training, and insurance services for YBS farmers and ranchers.

DEMOGRAPHICS

To ensure that these groups are adequately serviced, demographic research known as AgCensus is completed by the U.S. Department of Agriculture every five years, and those demographics are compared to our borrower base. Part of adequately serving these segments is understanding how farming is changing within the Association's lending territory.

The latest data available is from the 2017 AgCensus (released in April 2019). It shows the number of farms within our chartered territory has declined more than 3.2% from 117,380 to 113,656. At the same time, overall farm size (acreage) has increased, marking a trend toward fewer but larger farms. Nationally, the number of young farmers, both co-operators and primary, increased from 2012. In our territory, young farmers comprise about 8.0% of total farm operators. Beginning farm operators comprise 28.0% of the market in our territory, while the small farm operator makes up 85.0% of the farms in the market. A few significant changes over the last five years include the following:

- The number of young farm operators did increase, but at the same time the average operator age increased. Farmers older than 65 now outnumber farmers younger than 35 by a 6:1 ratio.
- The number of beginning farmers increased, but the average age of a beginning farmer in 2017 was just over 46.
- The number of small farms increased from 2012. Many of the small farms reported being involved in commodities such as fruits, vegetables, and small livestock.

EXCEPTION PROGRAM

The Association's YBS Exception Program is tailored for those ag businesses that do not meet all underwriting criteria and exhibit higher-than-normal risk factors. The Exception Program offers unique financing criteria and additional benefits. This includes additional business support, education, training, and other incentives – allowing them to strengthen and prosper and, in the process, to develop avenues for the Association to fulfill its mission and serve all fields and levels of agriculture.

The following table outlines the percentage of loans in the loan portfolio (by number) to young and beginning farmers as of December 31, 2020, compared to the total number of loans in the portfolio.

Category (dollars in thousands)	**Number of Loans**	**Percent of Total Loans**	**Volume Outstanding**	**Percent of Total Volume**
Total loans and commitments outstanding at year-end	18,370	100.0%	$18,424,760	100.0%
Young farmers and ranchers	1,952	10.6%	$737,985	4.0%
Beginning farmers and ranchers	3,845	20.9%	$1,638,260	8.9%

The following table provides a breakdown of small-farmer and rancher loans by size as of December 31, 2020.

Number/Volume Outstanding (dollars in thousands)	**$0 – $50.0**	**$50.1 – $100.0**	**$100.1 – $250.0**	**$250.1 & Greater**
Total number of loans and commitments outstanding at year-end	3,667	2,505	4,104	8,094
Total number of loans to small farmers and ranchers	1,843	1,354	1,723	1,339
Percent of loans to small farmers and ranchers	50.26%	54.05%	41.98%	16.54%
Total loan volume outstanding at year-end	$90,948	$191,264	$700,133	$17,422,415
Total loan volume to small farmers and ranchers	$49,067	$102,256	$286,690	$741,497
Percent of loan volume to small farmers and ranchers	53.95%	53.46%	40.95%	4.25%

FUNDING OUTREACH

We believe that by supporting the full spectrum of agricultural efforts, all of agriculture benefits. American AgCredit, on its own and through alliance partnership with other Farm Credit associations, sponsors many events and activities to promote Farm Credit and the services offered by the System and to inform and educate young, beginning, and small farmers. They include a sampling of the following:

Young Farmer Leadership Conference: In support of the California Farm Bureau's Young Farm & Ranch Program, American AgCredit joined with CoBank, Farm Credit West, Fresno Madera Farm Credit, and Golden State Farm Credit to sponsor their Annual Leadership Conference. During 2020, the conference was held virtually and attended by over 200 YF&Rs from across California and neighboring states. Our 2020 sponsorship totaled $10,000.

California Foundation for Ag in the Classroom: American AgCredit partnered with CoBank, Farm Credit West, Fresno Madera Farm Credit, Colusa-Glenn Farm Credit and Yosemite Farm Credit to sponsor this not-for-profit organization dedicated to educating youth throughout California about the importance of agriculture in their daily lives. Contributions in the total amount of $15,000 were made in 2020, and the program is reviewed annually for future contributions.

Center for Land Based Learning (CLBL): Separately and partnering with CoBank and other Farm Credit associations in California, American AgCredit committed to a multi-year contribution totalling $100,000 to help fund CLBL's new headquarters building and 30-acre farm site, which serves as base for the California Farm Academy and Apprenticeship Program. The Farm Academy alumni are 56% black, indigenous, or people of color. Additional contributions of $20,000 allowed CLBL to pivot its FARMS (Farming, Agriculture, Resources Management for Sustainability) program amid the pandemic environment, offering webinars to high school students around the state, and transitioned to virtual field days. Additionally, American AgCredit offers leadership expertise with an employee serving as Chair for the Center for Land Based Learning's Board of Directors.

Colorado FFA: Through a comprehensive agricultural education program, the Colorado FFA Association teaches FFA members premier leadership skills, personal growth, and career success. American AgCredit is a star partner with Colorado FFA, giving over $30,000 in 2020 to the Colorado FFA Foundation. Our staff is equally committed to supporting the growth and development of youth in agriculture. American AgCredit also offers leadership to the Colorado FFA Foundation with an employee serving on the Colorado FFA Foundation Board of Directors. We are proud to have continued our support in 2020 with Colorado FFA.

Nevada Junior Livestock Show: The Nevada Junior Livestock Show (NJLS) provides an opportunity for Nevada youth to exhibit their livestock projects. NJLS encourages the growth of sportsmanship, leadership, citizenship, and responsibility in each of the youth exhibitors competing. In 2020, American AgCredit sponsored the show and the champion banners, provided a $2,000 scholarship, and purchased animals at the livestock sale. Total investment for NJLS in 2020 was over $7,500. Additionally, American AgCredit provides leadership to NJLS with an American AgCredit employee serving on the NJLS Board of Directors.

Nevada FFA: The Nevada FFA Foundation promotes agriculture education and career and technical education in the state of Nevada, while providing financial resources for agriculture education programs that support students to develop leadership, personal growth, and career success. In 2020, American AgCredit supported Nevada FFA through a $1,000 scholarship, sponsorship of career development events at the Nevada State FFA Convention, and funding for the Nevada FFA Greenhand Conference. Total support for the Nevada FFA Foundation in 2020 was over $8,000. American AgCredit also offers leadership to the Nevada FFA Foundation with an American AgCredit employee serving on the Nevada FFA Foundation Board of Directors.

Leadership Foundation of Hawaii: The Leadership Foundation of Hawaii (LFH) offers several programs to support the next generation in agriculture. Of particular interest is their focus on youth programs like 4-H and FFA, providing training and scholarship opportunities. Due to the pandemic, both the 4-H and FFA conventions were cancelled. A portion of American AgCredit's $15,000 contribution to LFH helped fund virtual career and mentorship programs.

GoFarm Hawaii: American AgCredit and CoBank have pledged $2million to support GoFarm Hawaii, a University of Hawaii program that provides business technical assistance, educational opportunities, and access to a suite of resources designed to remove barriers to farming and agribusinesses. In addition, they operate five beginning farmer training sites across four islands and an agricultural technician training program at the Waiawa Correctional Facility. American AgCredit is proud to support these valuable programs by providing farmers the tools they need to be successful.

Kansas Farm Bureau YF&R Leaders Conference: American AgCredit, as a part of the Farm Credit Associations of Kansas, sponsors the Kansas Farm Bureau YF&R Leaders Conference. The event was held in February 2020 in Manhattan, Kansas and provided a pivotal opportunity to network with approximately 500 young farmers and ranchers from across the state. This important partnership gives our alliance the opportunity to present a keynote speaker at the conference.

North American Intercollegiate Dairy Challenge: In partnership with CoBank, Farm Credit West, and Northwest Farm Credit, the Association sponsored this organization, which develops tomorrow's dairy leaders and enhances progress of the dairy industry by providing education, communication, and networking among students, producers, and agribusiness and university personnel. In 2020, $5,000 in sponsorship was provided.

YBS PROGRAM SAFETY AND SOUNDNESS

American AgCredit offers diverse and accessible financing options for qualified farmers and ranchers within our territory. The YBS program provides alternate financing and guarantee options for farmers and ranchers who are just getting started, as well as small or part-time operations. To better serve YBS customers, special lending qualifications and requirements allow young, beginning, and small farmers and ranchers access to financing, leasing, and other services for which they might not otherwise qualify.

Procedures have been established to streamline the delivery of these unique and other small loans utilizing credit scoring through the new Express Loan Program. Loans will continue to be made on a sound basis, with proper emphasis on the fundamentals of sound credit. Loans made under this program meet all our requirements for eligibility and scope of financing, interest rates, and length of term. Co-makers and guarantors (financially responsible family members or other individuals) and secondary collateral are utilized when available and appropriate to minimize risk. Excessively ambitious growth plans are restricted, and loans are closely monitored on a regular basis.

OFFICE LOCATIONS

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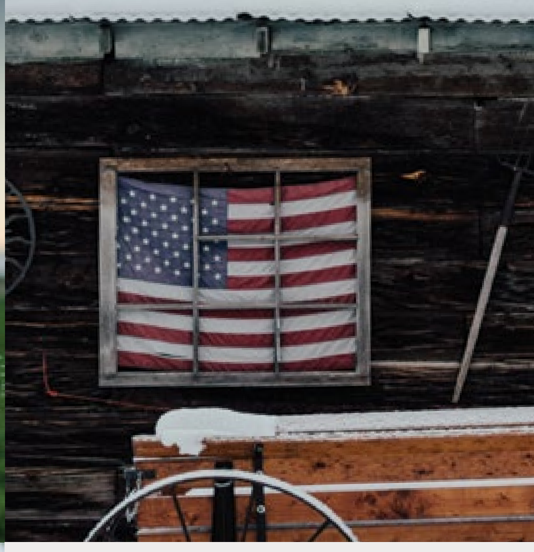
All owned office buildings and land are pledged to CoBank as collateral for the note payable.

The cover and color pages of this annual report were printed on 100% PCW recycled paper.






AMERICAN AGCREDIT
MONEY FOR AGRICULTURE