Quarterly Report to Stockholders

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

as of March 31, 2021

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the first quarter of 2021. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2020 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

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

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

Forward Looking Statements

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2020 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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 are able 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.

At the inception of the COVID-19 pandemic in early 2020, the Association created several customer assistance and loan relief programs for eligible borrowers. 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 twelve months, as well as lease payment deferrals. These loan assistance programs were available for borrowers through March 15, 2021. The Association continues to assist customers in navigating various national, state, local, and private relief programs available to farmers and ranchers.

The Association is also a participating lender in the Small Business Administration's (SBA) Paycheck Protection Program (PPP), which originally through August 8, 2020, offered loans designed to provide direct incentive for small businesses to keep their workers employed. Additional funding for PPP loans from the federal government became available late in 2020 and is available through May 31, 2021. 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% interest rate with up to a five-year maturity and payments deferred for six months. These loans are 100% guaranteed by SBA. Through March 31, 2021, the Association had originated $159.5 million of PPP loans.

Economic Overview

The general sentiment through the first portion of 2021 is anticipated economic growth for most sections of the economy. The United States Food and Drug Administration has permitted on an emergency basis, the use of several vaccines for COVID-19 and many states are in various stages of reopening their economies. The International Monetary Fund (IMF) is currently expecting real Gross Domestic Product (GDP) growth in nearly all developed countries in 2021, recently projecting 6% global growth in 2021, although that would represent a rebound rather than a full recovery. As economic activity picks up, sectors which were large agricultural product purchasers, such as schools, restaurants, conventions/arenas, and other tourist and hospitality business are expected to improve, which should have a positive impact on agriculture. Farmers and ranchers overall have experienced much improved liquidity (farm income to farm debt) continuing into 2021 because of strong cash receipts, especially from government payments including the PPP loan program and the Coronavirus Food Assistance Program (CFAP). However, some measures of solvency (farm debt to farm assets) have begun to increase, indicating remaining potential stress and/or unevenly distributed growth. Future macroeconomic performance coming out of the pandemic will also rely on global trade, including the negotiation of future trade deals with other countries by the United States.

Domestic U.S. equity markets have generally experienced gains in the first quarter of 2021. However, there was also price volatility, which is expected to continue throughout the year. U.S. hiring increased dramatically in March 2021, resulting in the unemployment rate falling to 6.0%. However, payroll levels are expected to remain below levels set before the onset of the pandemic into 2022. Corporate tax increases are being contemplated by the current administration, which the magnitude and effect on the economy is unknown. Certain long-term bond yields, such as for the 10-year Treasury, experienced increases in the first quarter of 2021. Federal Reserve Chairman Jerome Powell opined that increasing Treasury rates appear to reflect growing optimism about the economy’s prospects and most officials at the March Federal Reserve meeting expect to maintain the Federal Funds Rate near zero through 2023. While some Federal Reserve officials expressed the possibility of increased employment and spending coming faster than anticipated, resulting in a higher amount of inflation, the overall risk of this scenario materializing was not probable. Historically low interest rates have also caused increased demand for farmland, especially in the Midwestern United States.

Commodity Review and Outlook

The Association’s commodity portfolio remains well-diversified. Wine grapes and wine and field crops lead our commodity portfolio at 16.5% and 14.2%, respectively, followed by dairies and dairy products at 13.3%, tree fruits & nuts at 11.4%, beef at 10.0%, and forest products at 8.7%. The top six commodities make up 74.1% of the total portfolio with the remaining 25.9% spread over sixteen additional categories, including an "Other" category. The bulk of the Association's wine portfolio continues to be centered in the super- and ultra-premium segments of the wine market. Field crops consist primarily of wheat, corn, soybeans, alfalfa, sorghum, and other grains. Tree fruits and nuts consists primarily of almonds, walnuts and orchards in California’s Central Valley and Hawaii.

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

- **Wine grapes and wine:** The outlook for wine grapes and wine depends heavily upon the evolution of the COVID-19 pandemic, especially with respect to the ability of tasting rooms and other hospitality sector businesses to reopen and attract patrons. Wineries with a strong direct-to-consumer model continue to weather the pandemic, while those tied to food and accommodation services are still struggling to rebound. Some wineries have benefited from strong demand of “jug” wine and new products, such as wine seltzers. Fires in Sonoma and Napa counties during the fall of 2020 continue to ripple through the industry. Already projected to be a small crop, fire damage caused total grapes crushed in these areas to decline by over 35% as compared to 2019. Physical and smoke damage as well as general uncertainty over the 2020 vintage quality has caused a sharp decline in 2020 grape prices. This has been offset by indemnity payments received and government cash receipts from the PPP loan program and CFAP. Additionally, the bulk wine market, which was at historically high inventory levels a year ago, has seen an increase in purchases to supplement the reduced 2020 vintage. Central Valley varietals in the bulk market are experiencing a shortage in inventory and strong prices, as wineries in fire damaged areas reached south to supplement inventory. Producers with a strong capital position or more direct marketing models will be better able to weather the overall challenges facing the wine grapes and wine industry.
- **Field Crops:** Optimism regarding profitability within the field crop industry continued to increase through the first quarter of 2021. Strong government payments and improved grain prices have led to significantly increased liquidity for many farmers. Furthermore, grain prices are expected to remain strong due to tight inventory levels and a weaker U.S. dollar, which will help

improve export markets, especially to China. Other indirect performance indicators, such as sales of four-wheel-drive tractors and self-propelled combines, also eclipsed recent averages. However, drought conditions worsened throughout the quarter, especially in Colorado. Persistent drought will severely cut yields for wheat and fall crop growth will be stunted. Corn and soybean prices have held at very strong levels due to decreased production estimates, tight inventory stocks, and improved exchange rates. Wheat remains at mostly above year ago levels but have declined somewhat from recent highs.

- **Dairy:** Milk production has steadily grown heading into 2021 and current futures prices indicate a mostly profitable year for both Class III and pooled price dairies. The United States Department of Agriculture (USDA) currently forecasts 2021 production to increase 1.5 percent from 2020 levels, with continuing increases through 2025. Despite increased production, the U.S. herd size is only expected to increase slightly in 2021 and then remain somewhat stable through 2025. This divergence in milk production and herd size gains is caused by large efficiency gains in milk produced per cow. Importantly, a more efficient dairy herd helps to offset periods of rising feed costs, especially in areas experiencing drought conditions. A modest increase in total dairy consumption also is expected through 2025. Some dairy products, especially butter, are working through high stock levels primarily caused by the effects of government pandemic shutdowns. The USDA forecasts prices for butter to return to historical price averages, whey and cheese to remain near historical price averages, and non-fat dried milk to move well above recent price averages. However, high feed input costs are expected to offset some, but not all, price gains. Dairy managers will need to carefully consider and manage feed rations to help capture the benefits of potentially stronger prices.

- **Tree fruits and nuts:** Cash receipts for tree fruits and nuts continue to exhibit signs of growth. Production levels, although slightly lower than previously estimated, continue to set records. The export market additionally has begun to improve after some struggles through 2020. Overall, most producers should be able to break even as stronger production and government payments offset lower prices. Almond production is expected to fall short of the previous USDA production estimate of three billion meat pounds, however it still should be the largest crop on record. Pistachio production is still expected to be near or above one billion meat pounds, however shipments will need to continue to reach historic highs to keep prices stable. Walnuts also continue to experience high production levels, although a weak U.S. dollar could aid the export markets.

- **Beef:** Demand for beef has generally improved, with slaughter running at historically high levels despite a brief period of Midwest cold weather in the first quarter which caused widespread power interruptions. Strong slaughter rates have helped to stabilize retail prices which significantly spiked at the onset of the pandemic. Retail price normalization is also expected to help beef compete against alternative proteins for both retail space and consumer wallet share. Prices for both lighter calves and finished cattle gradually improved through the first quarter. Most cow-calf and feedlot operators expect an above-breakeven 2021. The USDA also recently estimated that 2021 beef exports will be 6 percent higher than in 2020. Drought in some areas, especially in California, Nevada, and Colorado, have forced many producers to keep their cattle on feed at record highs. Rising feed costs are of concern as a result of higher grain prices. Lower ethanol production has also caused reduced availability of distillers grain, a byproduct of the production process also used for feed. The U.S. herd size may contract slightly as a result of rising feed costs and drought.

- **Forest products:** Forest products continue to build upon a surprisingly strong 2020, a result of historically low interest rates and strong residential improvement sales which have caused increased demand for lumber. Supply has not been able to keep pace, partially as a result of recent fires and flooding in the South, which has damaged some of the supply, and also pandemic related workplace restrictions at mills. Residential improvement spending continues at a historically high level. Lumber price volatility has also significantly increased. As some longer-term interest rates increase, such as the 10-year Treasury, this may have a dampening effect on demand as other consumer loans, such as home equity loans or lines of credit, may become more expensive. Demand for other products, such as tissue and containerboard, continue to be strong due to pandemic related health habits and online shopping. Prices are eventually expected to correct back to more historical norms, and producers will need to monitor their pace of production later in the year to keep supply and demand balanced.

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

Management's Discussion and Analysis

Loan Portfolio

Total loan volume was $14.4 billion at March 31, 2021, an increase of $193.3 million from $14.2 billion at December 31, 2020. The increase was caused both by draws on existing facilities and new originations, partially offset by anticipated seasonal loan repayments. On a year-over-year basis, loan volume increased by $2.0 billion when compared to March 31, 2020, resulting in a growth rate of 16.3%. Although credit quality has slightly decreased to 98.1% at March 31, 2021 from 98.5% at December 31, 2020, the Association's overall credit quality remains strong. Credit quality is a measurement of loan volume classified as either "Acceptable" or "Other Assets Especially Mentioned" divided by total loan volume under the Farm Credit System 14 point probability of default rating scale. We will continue to monitor the effect of COVID-19 on our borrowers' credit quality and any resulting impact on our allowance for loan losses.

In addition to the $14.4 billion of loan and lease volume reported on our balance sheet, we serviced an additional $5.7 billion of loan volume for other institutions as of March 31, 2021.

Nonearning Assets

Nonaccrual loan volume increased by $7.5 million to $59.0 million at March 31, 2021, compared to $51.5 million at December 31, 2020. The change in nonaccrual loan volume was primarily due to transfers to nonaccrual status and disbursements on nonaccrual loans of $16.1 million, partially offset by $6.5 million year-to-date repayments on nonaccrual loans and charge-offs of nonaccrual loans of $1.2 million. Nonaccrual loan volume represented 0.41% of total loan volume at the end of March 31, 2021, compared to 0.31% at March 31, 2020 and 0.36% at December 31, 2020.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded commitments. The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current economic and environmental conditions. Total allowance for credit losses was $34.8 million at March 31, 2021, which included a $30.9 million allowance for loan losses and a $3.9 million reserve for unfunded commitments.

Financial Condition and Results of Operations

Net income for the three months ended March 31, 2021 was $83.0 million compared to $54.4 million for the same period last year, an increase of $28.6 million. The change in net income was primarily due to the following reasons:

- Net interest income increased by $18.6 million year-over-year due to growth in accrual loan volume and a slightly higher net interest margin. The Association's weighted average interest rate on its note payable to CoBank was 0.68% and 1.45% as of March 31, 2021 and 2020, respectively.

- Provision for credit losses decreased by $7.5 million year-over-year. The decrease was primarily caused by a larger provision recorded in March 31, 2020 as a result of conditions surrounding the COVID-19 pandemic, combined with more accurate information presently available as of March 31, 2021 regarding potential stress in the loan portfolio.

- Noninterest income increased by $1.7 million year-over-year. The increase was primarily due to a $3.7 million increase in patronage from other Farm Credit institutions and $1.1 million in fees related to the origination of PPP loans, offset by a return of excess Farm Credit System Insurance Corporation (FCSIC) insurance funds of $2.5 million, received in March 2020. No refund is expected in 2021.

- FCSIC insurance, a component of noninterest operating expense, increased by $2.7 million when compared to March 2020. The FCSIC board approved an insurance premium assessment rate on adjusted insured debt of 16 basis points for 2021, an increase from 11 basis points in 2020. Their board also approved continuing a 10 basis point assessment on nonaccrual loans.

- Noninterest operating expenses decreased by $803 thousand compared to the same period last year.

Management's Discussion and Analysis

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

	For the Three Months Ended		Increase (Decrease) in
	Mar. 31, 2021	**Mar. 31, 2020**	**Net Income**
Net interest income	$105,349	$86,754	$18,595
Reversal of/(Provision for) credit losses	2,234	(5,261)	7,495
Patronage income	20,870	17,181	3,689
Other income, net	5,706	7,647	(1,941)
Operating expenses	(51,129)	(51,932)	803
Provision for income taxes	-	-	-
Net income	**$83,030**	**$54,389**	**$28,641**

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

	March 31,	
	2021	**2020**
Return on average assets	2.21%	1.72%
Return on equity	13.77%	9.57%
Net interest margin	2.97%	2.92%

Liquidity and Funding

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

Members' Equity

The Association's capital position remains strong. Total members' equity was $2.278 billion at the end of the first quarter, a decrease of $91.6 million from $2.369 billion at December 31, 2020. The decrease in equity is a result of the Association redeeming and retiring all Class H Preferred Stock on March 31, 2021. This was offset by strong year-to-date net income. The Association was in compliance with all capital ratio requirements at March 31, 2021. The Association's strong earnings and capital position enable us to effectively serve our mission and our customers and support our ability to maintain our cash patronage program.

Certification

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

George Fontes
Chairman

Curt Hudnutt
Chief Executive Officer

Vern Zander
Chief Financial Officer

May 10, 2021

Consolidated Statements of Condition *(dollars in thousands)*

	March 31, 2021	December 31, 2020
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$14,364,211	$14,170,874
Less: allowance for loan losses	(30,907)	(33,211)
Net loans	14,333,304	14,137,663
Cash	-	61,128
Accrued interest receivable	94,606	114,735
Investment in CoBank	475,173	472,402
Investment in AgDirect	18,013	17,306
Premises and equipment, net	119,146	120,859
Other property owned	4,160	4,160
Other assets	117,913	165,887
Total assets	**$15,162,315**	**$15,094,140**
LIABILITIES		
Notes payable to CoBank	$12,413,154	$12,258,563
Funds Held accounts	204,207	146,415
Accrued interest payable	21,227	22,778
Cash patronage and preferred stock dividends payable	30,322	141,971
Reserve for unfunded commitments	3,855	4,482
Other liabilities	212,020	150,776
Total liabilities	**12,884,785**	**12,724,985**
MEMBERS' EQUITY		
Preferred stock	-	175,623
Common stock and participation certificates	10,283	10,212
Additional paid-in capital	683,656	683,656
Unallocated retained surplus	1,603,013	1,520,252
Accumulated other comprehensive loss	(19,422)	(20,588)
Total members' equity	**2,277,530**	**2,369,155**
Total liabilities and members' equity	**$15,162,315**	**$15,094,140**

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

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

(Unaudited)	For the Three Months Ended March 31,	
	2021	**2020**
INTEREST INCOME		
Loans	$134,380	$143,470
Total interest income	**134,380**	**143,470**
INTEREST EXPENSE		
Notes payable CoBank	28,747	56,270
Funds Held and other interest	284	446
Total interest expense	**29,031**	**56,716**
Net interest income	**105,349**	**86,754**
Reversal of/(Provision for) credit losses	2,234	(5,261)
Net interest income after provision for credit losses	**107,583**	**81,493**
NON-INTEREST INCOME		
Patronage income from CoBank	14,638	11,798
Patronage income from other Farm Credit institutions	5,825	4,984
Patronage income from AgDirect	407	399
Loan origination fees	3,595	2,860
Servicing fees and late charges	326	300
Financially related services	910	956
Miscellaneous	875	3,531
Total non-interest income	**26,576**	**24,828**
NON-INTEREST EXPENSES		
Salaries and benefits	31,422	33,763
Occupancy and equipment expense	2,590	2,500
Insurance fund premiums	4,663	1,933
Supervisory and examination expense	719	811
Other operating expenses	11,735	12,925
Total non-interest expenses	**51,129**	**51,932**
Income before income taxes	83,030	54,389
Provision for income taxes	-	-
Net income	**$83,030**	**$54,389**
COMPREHENSIVE INCOME		
Actuarial gain in retirement obligation	1,166	750
Total comprehensive income	**$84,196**	**$55,139**

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

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

For the Three Months Ended March 31, 2020 and 2021

(Unaudited)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehen-sive Loss	Total Members' Equity
Balance at December 31, 2019	**$9,545**	**$127,955**	**$683,656**	**$1,420,692**	**$(14,267)**	**$2,227,581**
Comprehensive income				54,389	750	55,139
Stock/participation certificates issued	289	73,799				74,088
Stock/participation certificates retired	(166)	(52,264)				(52,430)
Preferred stock dividends paid		583				583
Preferred stock dividends accrued				(587)		(587)
Balance at March 31, 2020	**$9,668**	**$150,073**	**$683,656**	**$1,474,494**	**$(13,517)**	**$2,304,374**
Balance at December 31, 2020	**$10,212**	**$175,623**	**$683,656**	**$1,520,252**	**$(20,588)**	**$2,369,155**
Comprehensive income				83,030	1,166	84,196
Stock/participation certificates issued	321	49,681				50,002
Stock/participation certificates retired	(250)	(225,575)				(225,825)
Preferred stock dividends paid		271				271
Preferred stock dividends accrued				(269)		(269)
Balance at March 31, 2021	**$10,283**	**$0**	**$683,656**	**$1,603,013**	**$(19,422)**	**$2,277,530**

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

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

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2020 are contained in the 2020 Annual Report to Stockholders (2020 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited first quarter 2021 financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020 as contained in the 2020 Annual Report.

In the opinion of management, this unaudited financial information reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2021. Descriptions of the significant accounting policies are included in the 2020 Annual Report. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association adopted this guidance as of January 1, 2021.

Refer to Note 2 in our 2020 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. The Association is evaluating the impact of adoption of these standards on its financial condition and results of operations.

Notes to the Consolidated Financial Statements *(continued)*

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2021		December 31, 2020	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$8,024,886	55.9%	$7,802,390	55.1%
Production and intermediate-term	3,000,541	20.9%	3,132,095	22.1%
Agribusiness	2,853,215	19.8%	2,747,599	19.4%
Rural infrastructure	442,193	3.1%	445,199	3.1%
Agricultural export finance	41,564	0.3%	41,563	0.3%
Rural residential real estate	1,812	0.0%	2,028	0.0%
Total loans	**$14,364,211**	**100.0%**	**$14,170,874**	**100.0%**

PARTICIPATION INTERESTS

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

The following table presents information regarding participations purchased and sold at March 31, 2021. The Association had no participations purchased from or sold to non-Farm Credit institutions at March 31, 2021.

	Other Farm Credit Institutions	
	Participations Purchased	Participations Sold
Real estate mortgage	$492,852	$1,752,991
Production and intermediate-term	591,717	958,848
Agribusiness	1,644,712	1,908,986
Rural infrastructure	411,147	63,585
Agricultural export finance	41,564	-
Total	**$3,181,992**	**$4,684,410**

CREDIT QUALITY

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- **Acceptable:** Assets are expected to be fully collectible and represent the highest quality,
- **Other Assets Especially Mentioned (OAEM):** Assets are currently collectible but exhibit some potential weakness,
- **Substandard:** Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- **Doubtful:** Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- **Loss:** Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of March 31, 2021, 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 March 31, 2021						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$7,776,034	96.1%	$165,759	2.1%	$148,440	1.8%	$8,090,233
Production and intermediate-term	2,842,115	94.1%	113,763	3.8%	64,502	2.1%	3,020,380
Agribusiness	2,756,190	96.3%	51,542	1.8%	54,569	1.9%	2,862,301
Rural infrastructure	442,428	100.0%	-	0.0%	-	0.0%	442,428
Rural residential real estate	1,705	93.8%	-	0.0%	112	6.2%	1,817
Agricultural export finance	41,658	100.0%	-	0.0%	-	0.0%	41,658
Total	**$13,860,130**	**95.9%**	**$331,064**	**2.3%**	**$267,623**	**1.8%**	**$14,458,817**

	As of December 31, 2020						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$7,549,864	95.7%	$181,442	2.3%	$154,959	2.0%	$7,886,265
Production and intermediate-term	2,972,700	94.3%	125,286	4.0%	54,833	1.7%	3,152,819
Agribusiness	2,697,367	97.8%	49,731	1.8%	10,123	0.4%	2,757,221
Rural infrastructure	445,417	100.0%	-	0.0%	-	0.0%	445,417
Rural residential real estate	1,916	94.2%	-	0.0%	119	5.8%	2,035
Agricultural export finance	41,852	100.0%	-	0.0%	-	0.0%	41,852
Total	**$13,709,116**	**96.0%**	**$356,459**	**2.5%**	**$220,034**	**1.5%**	**$14,285,609**

Notes to the Consolidated Financial Statements *(continued)*

IMPAIRED ASSETS

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

	March 31, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$44,837	$40,246
Production and intermediate-term	9,607	6,538
Agribusiness	4,450	4,638
Rural residential real estate	112	119
Total nonaccrual loans	**59,006**	**51,541**
Accruing restructured loans:		
Real estate mortgage	10,678	10,854
Production and intermediate-term	19	18
Total accruing restructured loans	**10,697**	**10,872**
Accruing loans > 90 days past due:		
Production and intermediate-term	-	509
Total accruing loans > 90 days past due	**-**	**509**
Total impaired loans	**69,703**	**62,922**
Other property owned	4,160	4,160
Total impaired assets	**$73,863**	**$67,082**

Additional impaired loan information is as follows:

	At March 31, 2021			For the Three Months Ended March 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$4,238	$4,293	$2,255	$2,551	$0
with no related allowance for credit losses	65,465	87,459	-	57,821	1,122
Total	**$69,703**	**$91,752**	**$2,255**	**$60,372**	**$1,122**

	At March 31, 2020			For the Three Months Ended March 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$5,038	$5,242	$1,505	$3,733	$0
with no related allowance for credit losses	54,322	76,022	-	52,477	2,102
Total	**$59,360**	**$81,264**	**$1,505**	**$56,210**	**$2,102**

Notes to the Consolidated Financial Statements *(continued)*

DELINQUENCY

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

March 31, 2021	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	$18,152	$8,522	$26,674	$8,063,559	$8,090,233
Production and intermediate-term	7,531	3,781	11,312	3,009,068	3,020,380
Agribusiness	62	4,221	4,283	2,858,018	2,862,301
Rural infrastructure	-	-	-	442,428	442,428
Rural residential real estate	-	20	20	1,797	1,817
Agricultural export finance	-	-	-	41,658	41,658
Total	**$25,745**	**$16,544**	**$42,289**	**$14,416,528**	**$14,458,817**

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**

Notes to the Consolidated Financial Statements *(continued)*

TROUBLED DEBT RESTRUCTURINGS

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

The following table presents additional information regarding TDRs, whether accrual or non-accrual, that occurred during the first three months of 2021 and 2020.

	For the Three Months Ended March 31, 2021	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$0	$0
Total	**$0**	**$0**

	For the Three Months Ended March 31, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$37	$37
Total	**$37**	**$37**

*Pre-modification represents the recorded investment prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable, increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs, and may also reflect a previous direct write-down of the investment.

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

The following table provides information on outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table at March 31, 2021:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	Mar. 31, 2021	**Dec. 31, 2020**	**Mar. 31, 2021**	**Dec. 31, 2020**	**Mar. 31, 2021**	**Dec. 31, 2020**
Real estate mortgage	$10,658	$8,219	$2,595	$2,614	$13,253	$10,833
Production and intermediate-term	18	18	-	-	18	18
Total	**$10,676**	**$8,237**	**$2,595**	**$2,614**	**$13,271**	**$10,851**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $45 thousand at March 31, 2021.

Notes to the Consolidated Financial Statements *(continued)*

ALLOWANCE FOR LOAN LOSSES

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

	Allowance for Loan Losses			**Recorded Investments in Loans Outstanding**		
	Balance at Mar. 31, 2021	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Mar. 31, 2021**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$10,523	$1,311	$9,212	$8,090,233	$55,516	$8,034,717
Production and intermediate-term	13,032	944	12,088	3,039,233	9,626	3,029,607
Agribusiness	6,777	-	6,777	2,843,460	4,449	2,839,011
Rural infrastructure	419	-	419	442,428	-	442,428
Rural residential real estate	1	-	1	1,805	112	1,693
Agricultural export finance	155	-	155	41,658	-	41,658
Total	**$30,907**	**$2,255**	**$28,652**	**$14,458,817**	**$69,703**	**$14,389,114**

	Allowance for Loan Losses			**Recorded Investments in Loans Outstanding**		
	Balance at Dec. 31, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Dec. 31, 2020**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$11,815	$1,322	$10,493	$7,886,265	$51,100	$7,835,165
Production and intermediate-term	13,699	304	13,395	3,169,087	7,065	3,162,022
Agribusiness	7,003	-	7,003	2,740,953	4,638	2,736,315
Rural infrastructure	503	-	503	445,417	-	445,417
Rural residential real estate	1	-	1	2,035	119	1,916
Agricultural export finance	190	-	190	41,852	-	41,852
Total	**$33,211**	**$1,626**	**$31,585**	**$14,285,609**	**$62,922**	**$14,222,687**

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

	March 31,	
	2021	**2020**
Allowance for Loan Losses		
Balance at beginning of year	$33,211	$25,807
Charge-offs	(1,233)	(857)
Recoveries	536	781
(Reversal of)/Provision for loan losses	(1,607)	1,246
Balance at end of quarter	**$30,907**	**$26,977**

NOTE 3 – LEASES

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

Future minimum lease payments under non-cancellable leases as of March 31, 2021 were as follows:

	Operating Leases	Finance Leases	Total
2021 (excluding the three months ended 3/31/21)	$656	$475	$1,131
2022	738	431	1,169
2023	639	361	1,000
2024	596	66	662
2025	512	-	512
Thereafter	1,688	-	1,688
Total lease payments	**4,829**	**1,333**	**6,162**
Less: interest	-	(41)	(41)
Total	**$4,829**	**$1,292**	**$6,121**

Right-of-use assets, net of accumulated amortization, amounted to $4.8 million for the period ended March 31, 2021.

NOTE 4 – MEMBERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of March 31, 2021. The Association exceeded all regulatory minimum capital requirements as of March 31, 2021.

	Regulatory Minimums	Capital Conservation Buffer	Total	Mar. 31, 2021	Dec. 31, 2020
Risk-adjusted:					
Common Equity Tier 1 Capital	4.5%	2.5%	7.0%	**10.63%**	**11.55%**
Tier 1 Capital	6.0%	2.5%	8.5%	**10.63%**	**11.55%**
Total Capital	8.0%	2.5%	10.5%	**10.86%**	**11.79%**
Permanent Capital	7.0%	0.0%	7.0%	**11.91%**	**12.83%**
Non-risk-adjusted:					
Tier 1 Leverage	4.0%	1.0%	5.0%	**12.03%**	**13.16%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**13.30%**	**13.94%**

Notes to the Consolidated Financial Statements *(continued)*

The Association has a class of preferred stock known as H Stock of which 500 million shares of the stock are authorized at $1.00 par value. H Stock ownership is limited to existing common stockholders of the Association and is considered "at-risk." The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. Effective March 31, 2021, the Board approved the redemption and retirement of all outstanding shares of H Stock. At March 31, 2021, there were no shares of H Stock issued and outstanding.

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

Balance at December 31, 2020	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	$(20,588)	$(20,588)
Amounts reclassified from accumulated other comprehensive loss	1,166	1,166
Net current period other comprehensive income	1,166	1,166
Balance at March 31, 2021	**$(19,422)**	**$(19,422)**

Balance at December 31, 2019	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	$(14,267)	$(14,267)
Amounts reclassified from accumulated other comprehensive loss	750	750
Net current period other comprehensive income	750	750
Balance at March 31, 2020	**$(13,517)**	**$(13,517)**

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

	For the Three Months Ended		**Location of Gain/(Loss) Recognized in Statement of Income**
	Mar. 31, 2021	**Mar. 31, 2020**	
Pension and other benefit plans:			
Net actuarial gain	$1,166	$750	Salaries & Benefits
Total amounts reclassified	**$1,166**	**$750**	

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2020 Annual Report.

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

	March 31, 2021 Fair Value Measurement Using		December 31, 2020 Fair Value Measurement Using	
	Level 1	**Level 3**	**Level 1**	**Level 3**
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$24,283		$22,044	
Measured at fair value on a non-recurring basis:				
Loans		$1,983		$1,382
Other Property Owned		$4,425		$4,425

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

Valuation Techniques: Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

Loans Evaluated for Impairment: For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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

Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2021, which is the date the financial statements were available to be issued.