AGRIBANK DISTRICT 2020 FINANCIAL INFORMATION

Unaudited

AGRIBANK, FCB AND DISTRICT ASSOCIATIONS

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AgriBank FARM CREDIT BANK

AgriBank District Financial Information
AgriBank, FCB and District Associations
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INTRODUCTION AND DISTRICT OVERVIEW

AgriBank, FCB ("AgriBank" or "the Bank") and District Associations ("Associations") are part of the Farm Credit System (System or Farm Credit), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The System provides loans, leases and financial services to farmers, ranchers and rural businesses across the United States and Puerto Rico. This focus on rural communities and agriculture is the reason Farm Credit was established in 1916, and the System has been delivering on that mission ever since – helping fund America's food, fuel and fiber and supporting the rural communities America's farmers and ranchers call home.

Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC or the Insurance Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the four System Banks. Each System Bank has exposure to Systemwide credit risk, because each Bank is joint and severally liable for all Systemwide debt issued. Farm Credit Associations receive funding through one of the System Banks. System entities have specific lending authorities within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

AgriBank is primarily owned by 14 local Farm Credit Associations, which provide financial products and services to rural communities and agriculture. AgriBank obtains funds and provides funding and financial solutions to those Associations. AgriBank and the 14 Associations are collectively referred to as the District. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

The following commentary reviews the combined financial condition and results of operations of AgriBank and District Associations and provides additional specific information.

COVID-19 Pandemic

The spread of COVID-19 has created a global public-health crisis that has adversely impacted the worldwide economy, temporarily decreased liquidity in fixed income markets in March and April, significantly increased unemployment levels, and disrupted global supply and demand chains. Although production agriculture has fared better than expected during the second half of 2020, in part due to government ad-hoc support programs, uncertainties about the pace of economic recovery remain as COVID-19 cases continue to rise.

As the significance of the COVID-19 situation became apparent, AgriBank and District Associations implemented their respective Business Continuity Plans (BCP). In March and April, operations transitioned to alternative work environments. Beginning in June, operations at certain Associations began transitioning back to in-office on a location-by-location basis in accordance with each entity's BCP. However, due to the rise of COVID-19 cases in the later part of 2020 as well as state and local requirements, some Association locations reverted back to remote work environments and continue to be operating in that capacity. To date, the transition to alternative work environments has occurred without significant issues. Collectively, business continuity responses have allowed District entities to continue to serve the Farm Credit mission. The remote work environment has maintained the health of employees and allowed uninterrupted business functions. AgriBank is supporting District Associations as they continue to work with farmer-borrowers to offer appropriate solutions to meet their liquidity needs, which may include loan modifications for those borrowers impacted by the COVID-19 pandemic. AgriBank and District Associations have not had any significant changes to internal controls over financial reporting due to working remotely or related issues.

The U.S. government has instituted various programs in support of the COVID-19 pandemic economic recovery. Combined, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Paycheck Protection Program (PPP) and Health Care Enhancement Act, and the Consolidated Appropriations Act, 2021 allocated more than $3 trillion of support to the United States economy. Under these acts, approximately $940 billion was allocated to the newly created PPP and approximately

$46 billion was designated for financial support of producers of certain agricultural commodities and direct purchases of food for distribution to food banks and other non-profits.

The PPP is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). The purpose of the program is to support payroll and certain other financial needs of small businesses, including producers of agricultural products, during the COVID-19 pandemic. Numerous District Associations obtained approval from the SBA to participate as lenders in the PPP. Loan applicants who meet the PPP requirements and are eligible to receive financing under the Farm Credit Act and FCA regulations are able to borrow from District Associations under this program. The PPP provides for loan forgiveness if the loan proceeds are used in accordance with the terms of the program, with any amount not forgiven also guaranteed by the SBA. District Associations have successfully processed approximately $490 million in PPP loans during 2020 for customers with the majority being production and intermediate-term loans. District Associations continue to work with borrowers, including originating loans under this program.

The outlook for agriculture has improved remarkably during the second half of 2020. Strong forecasted net farm income was driven by ad-hoc government payments discussed above and commodity price increases in certain sectors, primarily crops. The challenging agriculture environment in recent years had eroded working capital for some producers; however, farm sector working capital has improved as a result of strong net farm income in 2020. Refer to the AgriBank 2020 Annual Report for additional information regarding agricultural conditions.

The overall impact of the COVID-19 pandemic on U.S. agriculture will depend on the severity and duration of the outbreak, the continued response by the federal and local governments, and levels of commodity prices, among many other factors. To date, the pandemic has not resulted in a material adverse impact to the AgriBank District Combined Financial Information. The extent to which the pandemic ultimately impacts the District will depend on future developments that are highly uncertain and cannot be predicted. Overall, agriculture will adjust, continuing to provide an essential service to the U.S. and global consumer.

Combined Financial Highlights

AgriBank, FCB and District Associations

(dollars in thousands)

As of December 31,	**2020**	2019	2018
Total loans	**$127,525,576**	$115,179,594	$109,081,975
Allowance for loan losses	**511,139**	519,665	490,772
Net loans	**127,014,437**	114,659,929	108,591,203
Total assets	**151,141,745**	135,232,861	128,599,161
Total shareholders' equity	**25,802,440**	24,726,836	23,490,090

For the year ended December 31,	**2020**	2019	2018
Net interest income	**$3,434,482**	$3,258,773	$3,095,566
Provision for credit losses	**40,835**	52,018	83,034
Net fee income	**123,106**	67,705	65,315
Net income	**2,262,461**	2,180,042	2,129,503
Net interest margin	**2.4 %**	2.5 %	2.5 %
Return on average assets	**1.6 %**	1.7 %	1.7 %
Return on average shareholders' equity	**8.9 %**	8.9 %	9.3 %
Operating and other expenses as a percentage of net interest income and non-interest income	**38.4 %**	36.5 %	35.6 %
Net loan chargeoffs as a percentage of average loans	**(0.04)%**	(0.02)%	(0.03)%
Average loans	**$120,562,643**	$110,591,563	$104,983,099
Average earning assets	**140,523,800**	128,219,739	121,669,201
Average assets	**143,067,593**	130,680,585	123,897,714

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net income was $2.3 billion for the year ended December 31, 2020, an increase of $82.4 million, or 3.8 percent, compared to the same period of the prior year. Net interest income remained strong and increased due to growth in loan volume across the District as well as a favorable rate environment. Non-interest income increased as well compared to the same period of the prior year. These increases were partially offset by increased non-interest expense. The increase in non-interest income was mainly attributable to significantly higher fee and prepayment income throughout the District. The increase in non-interest expense was mainly due to higher salaries and employee benefits and purchased services across the District as well as increased Farm Credit System Insurance premiums.

The increase in net interest income, combined with other factors, allowed District Associations to issue patronage distributions of $1.0 billion, an increase of $146 million from the previous year.

Net Interest Income

Net interest income increased $175.7 million, or 5.4 percent, compared to the same period of the prior year, primarily due to increased loan volume across the District, and to a lesser extent, the impact of increases in the positive contribution from funding activities. Net interest margin was 2.4 percent for the year ended December 31, 2020, a slight decrease compared to the same period of the prior year.

Provision for (Reversal of) Credit Losses

The provision for credit losses was $40.8 million for the year ended December 31, 2020, decreased when compared to the same period of the prior year. Any reserves for unfunded commitments and letters of credit are recorded in "Other liabilities" on the Combined Balance Sheets.

These are unprecedented times with uncertainty around the longer-term impact of the COVID-19 pandemic. The allowance analyses performed at each of the District institutions reflect estimated losses in the respective loan portfolios and considered the impact of the pandemic during 2020. The year-over-year fluctuations for the District's provision for credit losses can be impacted by economic conditions in individual agricultural sectors. These fluctuations may vary among District institutions due to each institution's portfolio composition and analysis of allowance for loan losses.

The overall provision decreased compared to the prior year, primarily due to strong net farm income, commodity price increases in specific sectors, and Federal aid to farmers and businesses. Partially offsetting this overall decline, were additional provision for credit losses due to temporary market disruptions related to the pandemic, primarily in the ethanol, dairy, and livestock industries.

Diminished government support could negatively impact the broader economy, as well as certain agriculture sectors. Additionally, shifting global trade patterns and disruptive weather both domestically and internationally could create volatility and stress in the agriculture sector and uncertainty remains in light of the pandemic. Each of these factors could translate into declines in credit quality, which may impact provision for credit losses across the District.

Non-interest Income

The increase in non-interest income was driven by fee income related to prepayments and other fees at District Associations due to the lower interest rate environment, which allowed many Associations' borrowers to significantly lower their borrowing costs compared to the prior year. These increases were partially offset by decreased mineral income as economic uncertainty and significant decline in demand resulted in lower levels of oil and gas prices during much of 2020 compared to 2019.

Non-interest Expense

Overall, non-interest expense increased, primarily driven by salaries and employee benefits. The growth in salaries and employee benefits was primarily due to increased workforce, increased compensation levels, and higher incentive compensation at certain District Associations driven by strong operating results.

Loan Portfolio

District Loans by Loan Type

(in thousands)

December 31,	2020	2019	2018
Real estate mortgage	**$70,247,053**	$62,386,625	$59,810,146
Production and intermediate-term	**28,934,855**	27,943,774	26,888,339
Agribusiness:			
Loans to cooperatives	**1,550,794**	1,304,557	1,227,755
Processing and marketing	**14,770,664**	12,251,764	10,552,428
Farm-related businesses	**1,612,022**	1,431,031	1,288,785
Rural infrastructure:			
Power	**1,400,110**	1,230,179	1,175,525
Communications	**2,587,392**	2,138,173	1,761,466
Water/Wastewater	**234,874**	236,016	103,438
Rural residential real estate	**2,600,041**	2,655,840	2,708,589
Agricultural export finance	**384,186**	345,638	320,434
Lease receivables	**199,426**	203,767	207,450
Loans to other financing institutions	**610,952**	631,038	549,113
Mission related investments	**2,393,207**	2,421,192	2,488,507
Total	**$127,525,576**	$115,179,594	$109,081,975

District loans increased $12.3 billion, or 10.7 percent, from December 31, 2019. The increase in total loans was primarily due to real estate mortgage volume related to targeted marketing efforts across the District as well as decreasing interest rates which stimulated new originations. Agribusiness sector volume grew throughout 2020 related to new loans as well as increased draws in capital markets lending portfolios as a response to the economic environment, partially offset by pay downs during the second quarter.

The loan portfolio exhibits some seasonality relating to the patterns of operating loans made to crop producers. Operating loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. The degree of seasonality exhibited by the loan portfolio is diminished primarily due to growth in real estate mortgage, agribusiness and part-time farmer sectors. Consistent with prior years, production and intermediate-term loan volume increased in December 2020 as certain borrowers purchased inputs for next year's production for tax-planning purposes. However, these draws were significantly reduced, as certain crop farmers had liquidity available due to selling of current-year crop and the significant ad-hoc government support during 2020. PPP loan originations in the production and intermediate-term category also contributed to the increase.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. While the amounts represent the maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the District's lending activities is collateralized and, accordingly, the credit risk associated with lending activities is considerably less than the recorded loan principal and is considered in the allowance for loan losses.

While the District has concentrations in crops, these crops primarily represent staple commodities of agriculture – corn, soybeans and wheat. To some extent, there is further concentration in crops related to the investor real estate sector, as these loans are typically made for the purchase of land that is rented for crop production. However, the concentration in crops is geographically diverse, with multiple states being significant producers of these important commodities. While the commodity distribution represents the primary commodity of the borrower, many of the crop producers may also have livestock operations or other forms of diversification.

Certain District Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers are typically more susceptible to changes in the general economy, and the condition of the general economy will influence the credit quality of these segments of the portfolio. Due to the global pandemic, off-farm income may have been impacted by state or local business restrictions, government payments, or unemployment benefits.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. Severe fluctuations in commodity prices can negatively impact all District borrowers; however, recent cash grain price increases have contributed to increased net farm income in 2020 for certain producers.

Commodity Concentrations

December 31,	**2020**	2019	2018
Crops	**42 %**	43 %	44 %
Cattle	**9 %**	9 %	9 %
Investor real estate	**7 %**	6 %	7 %
Food products	**7 %**	6 %	6 %
Dairy	**6 %**	7 %	7 %
Other	**29 %**	29 %	27 %
Total	**100 %**	100 %	100 %

Other commodities consist primarily of loans in the pork, timber, poultry, rural residential real estate, and grain marketing and farm supply sectors, none of which represented more than 5 percent of the District loan portfolio.

Geographic Concentrations			
December 31,	**2020**	**2019**	**2018**
Iowa	**10 %**	11 %	11 %
Illinois	**9 %**	9 %	9 %
Minnesota	**8 %**	8 %	8 %
Nebraska	**8 %**	8 %	8 %
Indiana	**6 %**	6 %	6 %
Michigan	**6 %**	6 %	6 %
Wisconsin	**6 %**	6 %	6 %
Ohio	**5 %**	5 %	6 %
South Dakota	**5 %**	5 %	6 %
Other	**37 %**	36 %	34 %
Total	**100 %**	100 %	100 %

Other states consist primarily of loans in Missouri, North Dakota, Arkansas, Tennessee and Kentucky, none of which represented more than 5 percent of the District loan portfolio.

Loan Quality

The primary credit quality indicator utilized by the Bank and Associations is the FCA Uniform Loan Classification System, which 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 (Special Mention) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable.

District Loan Quality			
December 31,	**2020**	2019	2018
Acceptable	**92.2 %**	90.8 %	91.1 %
Special Mention	**4.3 %**	4.4 %	4.0 %
Substandard/Doubtful	**3.5 %**	4.8 %	4.9 %
Total	**100.0 %**	100.0 %	100.0 %

Overall, credit quality significantly improved due in part to higher prices for certain commodities and significant ad-hoc government payments to help offset the adverse impact of the COVID-19 pandemic on U.S. Agriculture. This has led to strong forecasted net farm income and improvement in farm sector working capital in 2020. Additionally, continued discipline in origination standards while also meeting demand for new loans in the low rate environment, has contributed to the strength in credit quality. Substandard/Doubtful loans, collectively called adverse loans, are loans AgriBank and District Associations have identified as showing some credit weakness outside the credit standards. No loans were categorized as loss as of December 31, 2020 or December 31, 2019.

While credit quality is currently strong, agricultural economic stress could continue due to future volatility of commodity prices, market disruptions from the global pandemic, uncertainty in the domestic and global economy, as well as uncertain trade policy. Continued projected stress in the agriculture industry may result in an increase in adverse credit quality and related allowance for loan losses and provision for loan losses, as direct government payments are expected to decline.

Nonperforming Assets

(in thousands)

December 31,	**2020**	2019	2018
Nonaccrual Loans:			
Real estate mortgage	**$441,529**	$482,613	$454,787
Production and intermediate-term	**206,185**	257,621	224,889
Agribusiness	**17,042**	67,218	60,166
Rural infrastructure	**—**	23,683	27,120
Rural residential real estate	**22,178**	25,903	28,375
Other	**1,372**	1,131	1,321
Total nonaccrual loans	**$688,306**	$858,169	$796,658
Accruing Restructured Loans:			
Real estate mortgage	**$52,435**	$61,335	$59,329
Production and intermediate-term	**16,500**	16,315	17,867
Agribusiness	**1,832**	3,937	3,004
Rural residential real estate	**1,650**	1,706	1,947
Total accruing restructured loans	**$72,417**	$83,293	$82,147
Accruing Loans 90 Days or More Past Due:			
Real estate mortgage	**$4,600**	$3,010	$8,954
Production and intermediate-term	**3,461**	4,751	5,695
Agribusiness	**—**	395	—
Rural residential real estate	**86**	84	337
Other	**45,629**	38,303	27,257
Total accruing loans 90 days or more past due	**$53,776**	$46,543	$42,243
Total nonperforming loans	**$814,499**	$988,005	$921,048
Other property owned	**17,071**	31,492	47,267
Total nonperforming assets	**$831,570**	$1,019,497	$968,315

Note: Accruing loans include accrued interest receivable.

The Other category is composed of certain assets originated under the Mission Related Investment authority and finance leases.

Most District Associations have implemented borrower relief programs related to the COVID-19 pandemic. The programs are generally for borrowers with acceptable credit quality, who have experienced COVID-19 pandemic related financial difficulty. The relief comes in a variety of ways, but most predominantly payment deferral for a specified period of time with some programs offering short maturity extensions. To date, there have not been significant actions taken under these programs that materially impact the AgriBank District. However, these programs are dependent on the prolonged and dynamic nature of the economic disruption and may evolve further to adapt to changing circumstances. District Associations continue to work with each borrower on a case-by-case basis, which may involve loan restructurings outside the COVID-19 pandemic relief programs.

Overall, the decrease in nonperforming assets has been driven primarily by higher prices for certain commodities, ad-hoc government support, and improved borrower production. Further, District Associations have exercised diligence in credit administration and servicing, which has led to the resolution of certain nonperforming accounts.

Accruing loans 90 days or more past due increased primarily in the Mission Related loan category. These Mission Related loans are generally guaranteed by the USDA.

Aging Analysis of Loans

(in thousands) **As of 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
Real estate mortgage	**$131,104**	**$121,211**	**$252,315**	**$70,759,463**	**$71,011,778**
Production and intermediate-term	**111,129**	**92,167**	**203,296**	**29,090,056**	**29,293,352**
Agribusiness	**2,007**	**9,095**	**11,102**	**17,985,698**	**17,996,800**
Rural infrastructure	**—**	**—**	**—**	**4,227,467**	**4,227,467**
Rural residential real estate	**10,037**	**5,832**	**15,869**	**2,597,320**	**2,613,189**
Other	**132,205**	**46,765**	**178,970**	**3,437,105**	**3,616,075**
Total	**$386,482**	**$275,070**	**$661,552**	**$128,097,109**	**$128,758,661**

As of 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
Real estate mortgage	$158,010	$150,728	$308,738	$62,884,100	$63,192,838
Production and intermediate-term	144,023	113,407	257,430	28,159,618	28,417,048
Agribusiness	7,266	16,221	23,487	15,028,558	15,052,045
Rural infrastructure	—	—	—	3,611,039	3,611,039
Rural residential real estate	43,215	5,843	49,058	2,621,022	2,670,080
Other	118,637	39,258	157,895	3,463,088	3,620,983
Total	$471,151	$325,457	$796,608	$115,767,425	$116,564,033

As of 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
Real estate mortgage	$162,493	$116,328	$278,821	$60,293,800	$60,572,621
Production and intermediate-term	211,265	109,034	320,299	27,020,582	27,340,881
Agribusiness	6,230	3,808	10,038	13,119,852	13,129,890
Rural infrastructure	—	—	—	3,046,431	3,046,431
Rural residential real estate	17,977	7,626	25,603	2,697,941	2,723,544
Other	53,471	28,162	81,633	3,502,208	3,583,841
Total	$451,436	$264,958	$716,394	$109,680,814	$110,397,208

Note: Accruing loans include accrued interest receivable.

The Other category is composed of certain assets originated under the Mission Related Investment authority, loans to other financing institutions, agricultural export finance and finance leases.

Overall, delinquencies at December 31, 2020, decreased from the year ended 2019, due to strong net farm income and improvement in farm sector working capital in 2020.

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2019	**$229,972**	**$173,711**	**$88,143**	**$18,091**	**$6,598**	**$3,150**	**$519,665**
Provision for (reversal of) credit losses	**26,524**	**21,300**	**(4,739)**	**(2,391)**	**(418)**	**559**	**40,835**
Loan recoveries	**2,335**	**12,589**	**582**	**231**	**272**	**—**	**16,009**
Loan charge-offs	**(7,734)**	**(35,540)**	**(12,259)**	**(6,743)**	**(499)**	**(2)**	**(62,777)**
Reclassification from (to) reserve for unfunded commitments*	**—**	**(2,593)**	**—**	**—**	**—**	**—**	**(2,593)**
Balance as of December 31, 2020	**$251,097**	**$169,467**	**$71,727**	**$9,188**	**$5,953**	**$3,707**	**$511,139**
As of December 31, 2020							
Ending balance: individually evaluated for impairment	**25,052**	**31,479**	**3,583**	**—**	**245**	**383**	**60,742**
Ending balance: collectively evaluated for impairment	**226,045**	**137,988**	**68,144**	**9,188**	**5,708**	**3,324**	**450,397**
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2020	**$71,011,778**	**$29,293,352**	**$17,996,800**	**$4,227,467**	**$2,613,189**	**$3,616,075**	**$128,758,661**
Ending balance: individually evaluated for impairment	**498,564**	**226,146**	**18,874**	**—**	**23,914**	**47,001**	**814,499**
Ending balance: collectively evaluated for impairment	**70,513,214**	**29,067,206**	**17,977,926**	**4,227,467**	**2,589,275**	**3,569,074**	**127,944,162**

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2018	$226,295	$161,872	$72,745	$16,728	$7,767	$5,365	$490,772
Provision for (reversal of) credit losses	3,286	31,623	18,901	1,363	(940)	(2,215)	52,018
Loan recoveries	2,989	7,692	895	—	359	—	11,935
Loan charge-offs	(2,598)	(23,732)	(4,398)	—	(588)	—	(31,316)
Reclassification from (to) reserve for unfunded commitments*	—	(3,744)	—	—	—	—	(3,744)
Balance as of December 31, 2019	$229,972	$173,711	$88,143	$18,091	$6,598	$3,150	$519,665
As of December 31, 2019							
Ending balance: individually evaluated for impairment	20,123	33,373	24,873	7,606	330	22	86,327
Ending balance: collectively evaluated for impairment	209,849	140,338	63,270	10,485	6,268	3,128	433,338
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2019	$63,192,838	$28,417,048	$15,052,045	$3,611,039	$2,670,080	$3,620,983	$116,564,033
Ending balance: individually evaluated for impairment	546,958	278,687	71,550	23,683	27,693	39,434	988,005
Ending balance: collectively evaluated for impairment	62,645,880	28,138,361	14,980,495	3,587,356	2,642,387	3,581,549	115,576,028

*Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2017	$196,748	$156,184	$54,817	$14,030	$8,965	$5,315	$436,059
Provision for (reversal of) credit losses	36,757	26,062	17,360	3,171	(366)	50	83,034
Loan recoveries	4,314	5,582	688	—	582	—	11,166
Loan charge-offs	(11,524)	(24,020)	(120)	(473)	(1,414)	—	(37,551)
Adjustment due to merger							—
Reclassification from (to) reserve for unfunded commitments*	—	(1,936)	—	—	—	—	(1,936)
Balance as of December 31, 2018	$226,295	$161,872	$72,745	$16,728	$7,767	$5,365	$490,772
As of December 31, 2018							
Ending balance: individually evaluated for impairment	20,866	30,214	25,351	7,619	520	127	84,697
Ending balance: collectively evaluated for impairment	205,428	131,658	47,394	9,109	7,247	5,239	406,075
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2018	$60,572,621	$27,340,881	$13,129,890	$3,046,431	$2,723,543	$3,583,842	$110,397,208
Ending balance: individually evaluated for impairment	523,070	248,451	63,170	27,120	30,659	28,578	921,048
Ending balance: collectively evaluated for impairment	60,049,551	27,092,430	13,066,720	3,019,311	2,692,884	3,555,264	109,476,160

*Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

Investments

AgriBank is responsible for meeting the District's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the Bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets.

The portfolio has remained liquid and unrealized losses resulting from temporary market factors in March reversed in the second quarter as investment market values increased due to a reduction in market volatility and credit spreads. Overall, market mechanisms are functioning well, but demand and supply imbalances continue to influence some segments.

The Bank typically holds high quality investments and other short-term liquid assets on an available-for-sale basis. Refer to the AgriBank 2020 Annual Report for additional information about the Bank's investment portfolio. District Associations have regulatory authority to enter into certain guaranteed investments, typically mortgage-backed or asset-backed securities, and are primarily held to maturity. Refer to individual District Associations' 2020 annual reports for specific information about the investments at the District Associations. Investment securities held by AgriBank and District Associations are primarily debt securities that increase in value as interest rates fall.

Investment Information

(in thousands) **As of December 31, 2020**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
AgriBank investments	**$18,494,545**	**$96,378**	**$5,594**	**$18,585,329**
District Association investments	**1,682,457**	**54,861**	**6,865**	**1,730,453**
Total District investments	**$20,177,002**	**$151,239**	**$12,459**	**$20,315,782**

(in thousands) As of December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AgriBank investments	$14,366,148	$32,148	$30,138	$14,368,158
District Association investments	1,693,091	29,356	6,258	1,716,189
Total District investments	$16,059,239	$61,504	$36,396	$16,084,347

(in thousands) As of December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AgriBank investments	$14,080,602	$9,739	$92,599	$13,997,742
District Association investments	1,096,230	6,748	17,550	1,085,428
Total District investments	$15,176,832	$16,487	$110,149	$15,083,170

District Capital

AgriBank and District Associations believe a sound capital position is critical to long-term financial stability. AgriBank and District Associations maintain adequate capital to protect against unanticipated losses as well as to meet the District's growth needs. Total shareholders' equity increased $1.1 billion, primarily resulting from net income for the year ended December 31, 2020, partially offset by patronage accruals. Effective January 1, 2020, three District Associations implemented a change in regulatory interpretation of the accounting for non-interest bearing receivables related to capital stock and participation certificates. The capital stock and participation certificates will now be included within members' equity on the Combined Statements of Condition and a new contra line item titled "Capital stock and participation certificates receivable" has been added for the same amount. This change has no impact on the capital stock or participation certificates owned by the Associations' borrowers.

Accumulated Other Comprehensive Loss			
(in thousands)			
December 31,	**2020**	2019	2018
Investment securities activity	**$90,784**	$2,010	$(82,857)
Derivatives and hedging activity	**(201,629)**	(78,520)	34,005
Employee benefit plans activity	**(491,052)**	(479,891)	(473,623)
Total accumulated other comprehensive loss	**$(601,897)**	$(556,401)	$(522,475)

The increase in accumulated other comprehensive loss in 2020 primarily relates to unrealized losses from derivatives and hedging activity, attributable to the drop in interest rates observed in 2020, decreasing the value of our pay-fixed interest rate swaps designated as cash flow hedges. This was partially offset by unrealized gains on available-for-sale investment securities effected by declining interest rates during the year.

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations.

Regulatory Capital Requirements and Ratios

As of December 31, 2020	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations	
Risk adjusted:						
Common equity tier 1 capital ratio (CET1)	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5 %	7.0 %	**16.6 %**	**14.3 % -**	**26.8 %**
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.0 %	8.5 %	**17.3 %**	**14.7 % -**	**26.8 %**
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0 %	10.5 %	**17.4 %**	**15.2 % -**	**27.0 %**
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0 %	7.0 %	**17.3 %**	**15.0 % -**	**27.3 %**
Non-risk adjusted:						
Tier 1 leverage ratio	Tier 1 capital	4.0 %	5.0 %	**5.2 %**	**14.8 % -**	**23.0 %**
UREE leverage ratio	URE and URE Equivalents	1.5 %	1.5 %	**2.5 %**	**14.6 % -**	**24.0 %**

(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

Employee Benefit Plans

Eligible employees of AgriBank, District service organizations, and certain District Associations participate in various defined benefit retirement plans. The retirement plans are noncontributory, and the benefits are based on salary and years of service. As of January 1, 2007, District entities froze participation in their defined benefit pension plans and offered defined contribution retirement plans to all employees hired subsequent to the freeze. In addition, most District entities provide certain healthcare and other postretirement benefits to eligible retired employees. Employees may become eligible for healthcare and other postretirement benefits if they reach normal retirement age while working for District entities.

District Retirement Plans

(in thousands)	Pension Benefits		Other Benefits
December 31, 2020	Qualified	Non-qualified	
Projected benefit obligation	**$1,563,421**	**$57,557**	**$23,140**
Fair value of plan assets	**1,393,781**	**—**	**—**
Unfunded status	**(169,640)**	**(57,557)**	**(23,140)**
Accumulated benefit obligation	**$1,426,270**	**$42,947**	**N/A**
Assumptions used to determine benefit obligations:			
Discount rate	**2.5%**	**1.6%**	**0.70% - 2.48%**
Expected long-term rate of return	**4.8%**	**N/A**	**N/A**
Rate of compensation increase[(1)(2)]	**4.6%**	**4.6%**	**N/A**

(in thousands)	Pension Benefits		Other Benefits
December 31, 2019	Qualified	Non-qualified	
Projected benefit obligation	$1,421,126	$45,015	$21,832
Fair value of plan assets	1,200,332	—	—
Unfunded status	(220,794)	(45,015)	(21,832)
Accumulated benefit obligation	$1,298,942	$38,723	N/A
Assumptions used to determine benefit obligations:			
Discount rate	3.3%	2.7%	2.20% - 3.21%
Expected long-term rate of return	5.8%	N/A	N/A
Rate of compensation increase[(1)(2)]	6.8%	6.8%	N/A

(in thousands)	Pension Benefits		Other Benefits
December 31, 2018	Qualified	Non-qualified	
Projected benefit obligation	$1,272,063	$41,204	$20,600
Fair value of plan assets	997,613	—	—
Unfunded status	(274,450)	(41,204)	(20,600)
Accumulated benefit obligation	$1,125,682	$33,215	N/A
Assumptions used to determine benefit obligations:			
Discount rate	4.4%	4.0%	3.5% - 4.3%
Expected long-term rate of return	6.8%	N/A	N/A
Rate of compensation increase	5.3%	5.3%	N/A

(1) Beginning in 2019 the rate of compensation increase for the pension benefits was modified to an age-based scale beginning at 6.8%, decreasing ultimately to 3.5%

(2) Beginning in 2019, the AgriBank District Pension Restoration Plan (non-qualified) generally follows the same rate of compensation increase assumption as the AgriBank District Restoration Plan unless an alternative assumption is deemed necessary for an individual participating entity. Alternative assumption elections were not material to the District combined non-qualified plan.

Other Matters

AgriBank's approval is required for significant structure changes at District Associations including, but not limited to: merger, acquisition, liquidation, or reaffiliation to another Farm Credit District. Delta, ACA has notified AgriBank it is exploring various strategic initiatives that may impact its structure. AgriBank continues to work with Delta to obtain further information regarding the status of these strategic initiatives.

The FCA provided regulatory approval for the formation of the separate service entity, SunStream Business Services (SunStream) under Section 4.25 of the Farm Credit Act. Effective April 1, 2020, SunStream is owned by AgriBank and certain District Associations and will provide services to its owners and certain other Farm Credit Institutions. SunStream has been combined in the AgriBank District financial information. All intra-District transactions have been eliminated upon combination, resulting in no significant change to the Districtwide financial position or results of operations.

Select Information on AgriBank District Associations

(in thousands)

As of December 31, 2020	Wholesale Loan Amount	% of Wholesale Portfolio	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming [1] as a % of Total Loans	Return on Assets
Farm Credit Services of America	$26,876,616	27.5%	$33,678,225	$6,328,934	16.6%	0.6%	2.2%
Farm Credit Mid-America	20,738,979	21.2%	26,279,165	5,227,195	20.0%	1.1%	1.6%
Compeer Financial[2]	20,467,861	20.9%	24,942,271	4,115,405	15.2%	0.7%	1.9%
GreenStone Farm Credit Services	8,827,305	9.0%	10,967,234	2,020,118	16.8%	0.4%	2.6%
AgCountry Farm Credit Services[2]	6,832,777	7.0%	8,869,522	1,925,379	18.4%	0.2%	2.2%
FCS Financial	4,039,862	4.1%	5,079,800	991,827	17.7%	0.3%	1.9%
Farm Credit Illinois	3,616,253	3.7%	4,748,901	1,069,471	20.1%	0.1%	1.9%
AgHeritage Farm Credit Services	1,433,565	1.5%	1,805,376	364,592	17.4%	0.6%	2.1%
Farm Credit Services of Western Arkansas	1,318,159	1.3%	1,673,518	327,255	18.6%	0.6%	1.9%
Farm Credit Services of Mandan	1,073,388	1.1%	1,387,685	303,403	17.8%	0.7%	2.0%
Farm Credit Services of North Dakota	1,050,999	1.1%	1,408,561	347,898	20.8%	0.3%	2.0%
Farm Credit Midsouth	840,062	0.9%	1,095,753	245,549	18.9%	0.8%	1.5%
Farm Credit Southeast Missouri	628,749	0.6%	814,936	173,608	19.7%	0.2%	2.4%
Delta Agricultural Credit Association	32,933	0.1%	43,464	10,157	27.0%	0.9%	0.7%
Total	$97,777,508	100.0%	$122,794,411	$23,450,791			

[1] Nonperforming loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

[2] Loan amounts do not include fair value adjustments due to merger.

Combined Balance Sheets

AgriBank, FCB and District Associations

(unaudited)

(in thousands)

December 31,	2020	2019	2018
Assets			
Cash	**$693,784**	$740,810	$670,856
Federal funds and securities purchased under resale agreements	**639,700**	1,050,000	1,698,100
Investments	**20,267,786**	16,061,249	15,093,972
Loans	**127,525,576**	115,179,594	109,081,975
Allowance for loan losses	**511,139**	519,665	490,772
Net loans	**127,014,437**	114,659,929	108,591,203
Accrued interest receivable	**1,276,783**	1,433,680	1,357,081
Premises and equipment, net	**672,210**	658,150	577,523
Other assets	**577,045**	629,043	610,426
Total assets	**$151,141,745**	$135,232,861	$128,599,161
Liabilities			
Bonds and notes	**$121,499,542**	$107,118,958	$102,181,163
Member investment bonds	**1,530,022**	1,207,874	942,181
Accrued interest payable	**273,685**	408,135	405,784
Patronage distribution payable	**1,034,558**	879,177	732,471
Other liabilities	**1,001,498**	891,881	847,472
Total liabilities	**125,339,305**	110,506,025	105,109,071
Shareholders' equity			
Preferred stock	**350,000**	350,000	350,000
Capital stock and participation certificates	**344,536**	315,806	311,527
Capital stock and participation certificates receivable	**(113,357)**	—	—
Additional paid-in capital	**2,084,988**	2,084,988	2,084,988
Allocated retained earnings	**322,664**	374,125	426,967
Unallocated retained earnings	**23,326,757**	22,083,612	20,771,011
Accumulated other comprehensive loss	**(601,897)**	(556,401)	(522,475)
Noncontrolling interest	**88,749**	74,706	68,072
Total shareholders' equity	**25,802,440**	24,726,836	23,490,090
Total liabilities and shareholders' equity	**$151,141,745**	$135,232,861	$128,599,161

Combined Statements of Income

AgriBank, FCB and District Associations

(unaudited)

(in thousands)

For the year ended December 31,	**2020**	**2019**	2018
Interest Income			
Loans	**$4,796,526**	$5,279,393	$4,824,300
Investment securities and other earning assets	**251,787**	440,817	362,395
Total interest income	**5,048,313**	5,720,210	5,186,695
Interest Expense	**1,613,831**	2,461,437	2,091,129
Net interest income	**3,434,482**	3,258,773	3,095,566
Provision for credit losses	**40,835**	52,018	83,034
Net interest income after provision for credit losses	**3,393,647**	3,206,755	3,012,532
Non-interest income			
Net fee income	**123,106**	67,705	65,315
Financially related services income	**176,887**	170,924	168,686
Net gains on sales of investments and other assets	**4,427**	1,986	1,504
Mineral income	**33,993**	53,638	67,185
Allocated Insurance Reserve Accounts	**24,188**	25,526	65,941
Other (loss) income	**5,170**	(6,088)	9,814
Total non-interest income	**367,771**	313,691	378,445
Non-interest expense			
Salaries and employee benefits	**842,280**	773,340	734,576
Occupancy and equipment	**137,395**	125,701	105,997
Purchased services	**98,823**	83,207	77,180
Farm Credit System Insurance Corporation expense	**99,368**	85,533	81,201
Other expense	**281,584**	240,495	241,463
Total non-interest expense	**1,459,450**	1,308,276	1,240,417
Income before income taxes	**2,301,968**	2,212,170	2,150,560
Provision for income taxes	**39,507**	32,128	21,057
Net income	**$2,262,461**	$2,180,042	$2,129,503

DISTRICT ASSOCIATIONS

Farm Credit Associations provide farmers with the capital they need to make their businesses successful.

AgriBank supports the following 14 Farm Credit Associations that serve rural communities and agriculture in 15 states. Under our cooperative structure, the farmers, ranchers and agribusinesses Farm Credit serves these local Associations, which in turn are the primary customers and owners of AgriBank.

AgCountry Farm Credit Services, ACA
1900 44th St. S.
Fargo, ND 58108
(701) 282-9494
www.agcountry.com

AgHeritage Farm Credit Services, ACA
119 E. Third St., Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590
(844) 426-6733
www.compeer.com

Delta Agricultural Credit Association
118 E. Speedway
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditil.com

Farm Credit Mid-America, ACA
12501 Lakefront Place
Louisville, KY 40299
(502) 420-3700
www.e-farmcredit.com

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.farmcreditmidsouth.com

Farm Credit Services of America, ACA
5015 S. 118th St.
Omaha, NE 68137
(402) 348-3333
www.fcsamerica.com

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554
(701) 663-6487
www.farmcreditmandan.com

Farm Credit Services of North Dakota, ACA
1400 31st Ave. S.W.
Minot, ND 58701
(701) 852-1265
www.farmcreditnd.com

Farm Credit Services of Western Arkansas, ACA
3115 W. 2nd Court
Russellville, AR 72801
(479) 968-1434
www.myaglender.com

Farm Credit Southeast Missouri, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.farmcreditsemo.com

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com