AgCountry Farm Credit Services, ACA

Quarterly Report
March 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

AgCountry Farm Credit Services, ACA
Post Office Box 6020
Fargo, ND 58108-6020
(701) 282-9494
www.agcountry.com
acndinternet@agcountry.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

The coronavirus outbreak has harmed communities and disrupted economic activity in many countries, including the United States. Global financial conditions have also been significantly affected. Available economic data show the United States economy came into this challenging period on a strong footing. Information received since the Federal Open Market Committee (Committee) last met indicates that the labor market remained strong through February and economic activity rose at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate remained low. Although household spending rose at a moderate pace, business fixed investment and exports remained weak. More recently, the energy sector has come under stress. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2.0%. Market-based measures of inflation compensation have declined; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The effects of the coronavirus is expected to weigh on economic activity in the near term and pose risks to the economic outlook. Considering these developments, the Committee decided to lower the target range for the federal funds rate to 0.00% to 0.25%. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. This action will help support economic activity, strong labor market conditions, and inflation returning to the Committee's symmetric 2.0% objective. The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy.

In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2.0% inflation objective. This assessment will consider a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Net cash income for 2019 is forecasted to increase $15.5 billion to $119.0 billion, an increase of 15.0%. Net farm income is forecasted at $92.5 billion in 2019, an increase of $8.5 billion or 10.2%. If realized, this would be the highest level in real terms since 2013.

Farm cash receipts for all commodities are forecasted to increase $2.2 billion, or 0.6%, to $374.2 billion in 2019. Total animal/animal product receipts are forecasted to increase $0.3 billion or 0.1% and total crop receipts are forecasted to increase $1.9 billion or 1.0% from 2018 forecasted levels.

Specific Production Conditions

Corn, soybeans, wheat, and sugar beets continue to be the primary cash crops produced in our territory.

Corn: The March 31, 2020, Prospective Plantings Report published by the United States Department of Agriculture (USDA) forecasted planted acres of 97.0 million, an increase of 7.3 million acres or 8.0% from the prior year. According to the survey, corn acres are forecasted to increase or remain unchanged in 38 of the 48 estimating states. Corn stocks in all positions on March 1, 2020, totaled 8.0 billion bushels, a decrease of 8.0% from the prior year. United States corn production is forecasted at 13.7 billion bushels for the 2019/20 season, a decrease from the 14.3 billion bushels forecasted for the 2018/19 season. Yields are forecasted at 168.0 bushels per acre compared to 176.4 bushels per acre forecasted for the 2018/19 season. The forecasted 2019/20 season average farm prices for corn is $3.80 per bushel.

Soybeans: The March 31, 2020, Prospective Planting Report forecasted 83.5 million soybean acres in 2020, an increase of 10.0% from the prior year. According to the survey, planted acres are forecasted to increase or remain unchanged in 22 of the 29 estimating states. Soybeans stored in all positions on March 1, 2020, decreased 17.0% from the prior year. The forecasted season average soybean price for 2019/20 is $8.70 per bushel.

Sugar Beets: U.S. beet sugar production for 2019/20 is forecasted at 4.3 million short tons, raw value (STRV), a decrease of 126,820 STRV from the February forecast. Forecasted beginning stocks remain unchanged at 1,783,000 STRV. Imports from Mexico have decreased 551,844 STRV to 1.2 million based on lower sugar supply availability in Mexico. Forecasted U.S. sugar exports remain unchanged in recent months at 35,000 STRV. Forecasted deliveries for human consumption remain unchanged from the February forecast of 12.2 million. Ending stocks are forecasted at 887,559 STRV with an estimated stocks-to-use ratio of 7.2%, a decrease from 12.4% forecasted in February. Prices for #16 U.S. raw sugar have fluctuated in recent months, varying between $0.26 and $0.27 cents per pound.

Wheat: All wheat planted area for 2020 is forecasted at 44.7 million acres, a decrease of 1.0% from the prior year. This represents the lowest all wheat planted area for the United States since records began in 1919. The 2020 winter wheat planted area, forecasted at 30.8 million acres, decreased 1.0% from the prior year. The 30.8 million acres are comprised of 21.7 million acres of Hard Red Winter, 5.7 million acres of Soft Red Winter, and 3.4 million acres of White Winter. Other spring wheat planted area for 2020 is forecasted at 12.6 million acres, of which 11.9 million acres are Hard Red Spring wheat. This is a decrease of 1.0% from the prior year. Durum planted area for 2020 is forecasted at 1.3 million acres, a decrease of 4.0% from the prior year. The forecasted season average wheat price received by producers is $4.55 per bushel.

Cattle: The USDA National Agricultural Statistics Service (NASS) released its semiannual cattle report on January 31, 2020. This provided a snapshot of the U.S. cattle inventory on January 1, 2020. The forecasted cattle and calves were 94.4 million head, a decrease from 94.8 million head in the prior year. All cows and heifers that have calved were forecasted at 40.7 million head, a decrease of 1.0% from 41.0 million head in the prior year. Beef production forecasts for 2020 were increased by 240 million pounds to 27.7 billion pounds due to a faster pace of fed cattle slaughter and heavier dressed weights. Cattle price forecasts were decreased due to price weaknesses and higher production. Prices for fed steers are forecasted to average $188 per cwt, a decrease of 6.0% from the prior year. The beef import forecast was increased on higher expected imports of processing-grade beef. Beef export forecasts were decreased due to weaker demand from overseas.

Hogs: U.S. inventory of all hogs and pigs on March 1, 2020, was 77.6 million head, an increase of 4.0% from the prior year but a decrease of 1% from December 1, 2019. Breeding inventory is reported at 6.4 million head, a marginal increase from the prior year. Market hog inventory was 71.3 million head, an increase of 4.0% from the prior year. First quarter pork production forecast was increased to 7.4 billion pounds, an increase of 8% over prior year. Strong slaughter hog numbers are anticipated to continue through the end of the first quarter. Increased hog demand is forecasted to cause an increase in the first quarter hog prices compared to the prior year. First quarter live equivalent 51.0% to 52.0% lean hog prices are forecasted to average $40.56 per cwt, an increase of nearly 4.0% from prior year but below most producers' cost of production breakeven point. Pork exports in 2020 increased nearly 39.0% in January over the prior year due primarily to significant production deficits in China resulting from African Swine Fever.

Dairy: Dairy export forecasts on a skim-solids milk-equivalent basis have been increased due to robust exports in January, improved access to China's markets, and the impact of drought on New Zealand's dairy sector. However, with the potential effects of Coronavirus (COVID-19), expectations for higher dairy export forecasts have been tempered. Recent weakening of dairy product prices, higher expected milk production, and lowered expectations for global demand have decreased the all-milk price forecasts for 2020. The all-milk price is forecasted at $18.25 per cwt, a decrease of $0.60 from February's forecast of $18.85 per cwt.

Ethanol: Ethanol production for the first quarter of 2020 has remained strong. Data for the U.S. Energy Information Administration indicated ethanol production of over 1.0 million barrels per day consistently from January through the first part of March. Demand cannot keep up with this production, resulting in ethanol stocks steadily increasing from 22.5 million barrels on January 3, 2020, to 24.6 million barrels on March 13, 2020. Data after March 13, 2020, is not yet available, but the results of the COVID-19 pandemic are expected to be felt throughout the industry. Demand for gas is anticipated to decrease significantly as most of the country is at a standstill and will remain that way for the foreseeable future.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $8.0 billion at March 31, 2020, an increase of $264.6 million from December 31, 2019. The increase was primarily due to growth in the agribusiness portfolio.

Portfolio Credit Quality

The portfolio credit quality improved from December 31, 2019. Adversely classified loans decreased to 2.6% of the portfolio at March 31, 2020, from 2.7% of the portfolio at December 31, 2019. Adversely classified loans are loans identified as showing some credit weakness outside internal credit standards. Portfolio credit quality is considered in assessing the reasonableness of the allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. Loans guaranteed to some level under the government programs totaled $316.3 million at March 31, 2020.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:		**March 31, 2020**		December 31, 2019
Loans:				
Nonaccrual	**$**	**30,155**	$	21,889
Accruing restructured		**1,887**		462
Accruing loans 90 days or more past due		**580**		512
Total risk loans		**32,622**		22,863
Other property owned		**140**		140
Total risk assets	**$**	**32,762**	$	23,003
Total risk loans as a percentage of total loans		**0.4%**		0.3%
Nonaccrual loans as a percentage of total loans		**0.4%**		0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans		**55.2%**		68.6%
Total delinquencies as a percentage of total loans		**0.5%**		0.3%

Note: Accruing loans include accrued interest receivable.

Risk assets totaled $32.8 million, $23.0 million in the three months ended March 31, 2020, and 2019, respectively. Risk assets increased $9.8 million at March 31, 2020, and have remained at acceptable levels. Total risk loans as a percentage of total loans are 0.4%, 0.3% in 2020, and 2019, respectively. Risk assets are within our established risk management guidelines.

Nonaccrual loans increased $8.3 million at March 31, 2020, primarily due to three customers moving to nonaccrual in the real estate mortgage portfolio. Nonaccrual loans remained at an acceptable level at March 31, 2020, and December 31, 2019.

Accruing restructured loans increased $1.4 million at March 31, 2020, primarily due to one loan in the production and intermediate-term portfolio.

Allowance for Loan Losses

AgCountry estimates the allowance for loan losses based on losses on loans inherent in the 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, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**March 31, 2020**	December 31, 2019
Allowance as a percentage of:		
Loans	**0.3%**	0.4%
Nonaccrual loans	**88.6%**	123.2%
Total risk loans	**81.9%**	118.0%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31,	**2020**	2019
Net income	**$ 37,979**	$ 29,642
Return on average assets	**1.9%**	1.6%
Return on average members' equity	**8.4%**	6.9%

Changes presented in the preceding profitability information chart relate directly to:

- changes in net income discussed in this section,
- changes in average assets discussed in the Loan Portfolio section, and
- changes in average members' equity discussed in the Funding, Liquidity, and Capital section.

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31,	**2020**	2019	**Increase (decrease) in net income**
Net interest income	**$ 49,386**	$ 47,501	**$ 1,885**
(Reversal of) provision for credit losses	**(308)**	3,445	**3,753**
Non-interest income	**19,444**	15,916	**3,528**
Non-interest expense	**29,881**	30,391	**510**
Provision for (benefit from) income taxes	**1,278**	(61)	**(1,339)**
Net income	**$ 37,979**	$ 29,642	**$ 8,337**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the three months ended March 31,	**2020 vs 2019**
Changes in volume	**$ 3,979**
Changes in interest rates	**(2,022)**
Changes in nonaccrual income and other	**(72)**
Net change	**$ 1,885**

Net interest income included income on nonaccrual loans that totaled $0.2 million, and $0.3 million in 2020, and 2019, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered, or when the loan is paid in full. Net interest income increased $1.8 million in the three months ended March 31, 2020, from 2019, which included a $3.9 million increase for volume changes, offset by a $2.0 million decrease in interest rate changes, and a $.07 million decrease in nonaccrual loan income in three months ended March 31, 2020, compared to in the three months ended March 31, 2019.

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was related to the estimate of losses in the portfolio for the applicable years.

Non-Interest Income

Non-interest income increased $3.5 million at March 31, 2020. Non-interest income includes $11.2 million of patronage income, $3.7 million of financially related services income, $2.2 million of fee income, $1.6 million from an Allocated Insurance Reserve Accounts (AIRA) distribution, and $0.9 million of other non-interest income.

Patronage Income: AgCountry receives patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands) For the three months ended March 31,	2020	2019
Wholesale patronage	**$ 8,016**	$ 4,867
Pool program patronage	**3,064**	2,887
Other Farm Credit Institution patronage	**94**	--
Total patronage income	**$ 11,174**	$ 7,754
Form of patronage distributions:		
Cash	**$ 11,174**	$ 7,754
Total patronage income	**$ 11,174**	$ 7,754

Patronage income increased $3.4 million, primarily due to an increase in wholesale patronage, which is largely a result of a higher patronage rate, and an increase in the note payable for the first three months of 2020 compared to the same period of 2019.

Provision for (Benefit from) Income Taxes

The change in provision for (benefit from) income taxes was primarily related to our estimate of taxable income and book tax differences.

FUNDING, LIQUIDITY, AND CAPITAL

AgCountry borrows from AgriBank, under a note payable, in the form of a line of credit. The note payable is scheduled to mature on June 30, 2021. The note payable will be renegotiated no later than the maturity date. The repricing attributes of the line of credit generally correspond to the repricing attributes of the loan portfolio, which significantly reduces the market interest rate risk. Due to the cooperative structure of the Farm Credit System and because AgCountry is a stockholder of AgriBank, the borrowing relationship is expected to continue into the foreseeable future. The other source of lendable funds is from equity.

The components of cost of funds associated with the note payable include:

- a marginal cost of debt component,
- a spread component, which includes cost of servicing, cost of liquidity, and AgriBank profit, and
- a risk premium component, if applicable.

AgCountry is not subject to a risk premium at March 31, 2020, or December 31, 2019.

Total members' equity increased $10.2 million from December 31, 2019, primarily due to net income for the period, partially offset by patronage distribution accruals and capital stock and participation certificates receivable. Changes in accumulated other comprehensive loss are related to a pension adjustment, changes to the Pension Restoration Plan, and a reduction to the Investment in FPI related to its pension plan. Refer to Note 9 in the 2019 Annual Report for more information on the Pension Restoration Plan.

The Farm Credit Administration (FCA) Regulations require AgCountry to maintain minimums for the common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires AgCountry to maintain minimums for the non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in the 2019 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	March 31, 2020	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.0%**	18.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.0%**	18.6%	6.0%	2.5%	8.5%
Total capital ratio	**18.4%**	18.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.1%**	18.6%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**20.1%**	20.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.3%**	21.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section and Note 7, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments.

OTHER MATTERS

Relationships with Other Farm Credit Institutions

SunStream Business Services: SunStream Business Services (SunStream) was previously a division of AgriBank. Effective April 1, 2020, SunStream is a System service corporation and AgCountry will continue to purchase services from SunStream. AgCountry purchases various services from SunStream, including tax reporting services, technology services, and insurance services.

COVID-19

AgCountry's objective is to ensure sound credit administration without significant disruption to our member base as various segments of agribusiness, producer, and consumer loans are likely to experience interruptions in their cash-flows due to COVID-19. AgCountry has implemented servicing options for loans to members disrupted by the effects of COVID-19. Members began utilizing the benefits of these programs on April 1, 2020. The programs allow different options to members, including the ability for loans extensions, payment deferrals, and re-amortizations of interest over the remaining loan period with no maturity date change. Interest payments may be deferred then capitalized prior to the start date of repayment of principal and interest. The programs also allow refinancing, bridge loans to fund payments, and interest only payment options. AgCountry's standard loan modification fees are waived as part of this program.

AgCountry does not anticipate a material increase in the number or volume of risk loans or a material impact to interest income. This is dependent on the duration of shutdowns and the economic recovery, and this is based on information available at this point in time and may change in the future months. Loans will be monitored and evaluated for credit deterioration. If the financial condition deteriorates to the level viability becomes in question or the loan defaults to ninety days past due without execution of a borrower written plan, the loan will follow the normal process and be moved to nonaccrual and/or evaluated for troubled debt restructuring.

CERTIFICATION

The undersigned have reviewed the March 31, 2020, Quarterly Report of AgCountry Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward Hegland
Chair of the Board
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
Chief Executive Officer
AgCountry Farm Credit Services, ACA

Brian S. McKay
Chief Financial Officer
AgCountry Farm Credit Services, ACA

May 4, 2020

CONSOLIDATED STATEMENTS OF CONDITION

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:		March 31, 2020		December 31, 2019
ASSETS				
Loans	**$**	**8,038,749**	$	7,774,194
Allowance for loan losses		**26,711**		26,974
Net loans		**8,012,038**		7,747,220
Investment in AgriBank, FCB		**203,922**		201,655
Accrued interest receivable		**81,958**		98,755
Premises and equipment, net		**37,251**		37,816
Deferred tax assets, net		**--**		1,117
Other assets		**76,041**		94,962
Total assets	**$**	**8,411,210**	$	8,181,525
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**6,507,267**	$	6,246,387
Accrued interest payable		**36,254**		37,928
Deferred tax liabilities, net		**161**		--
Patronage distribution payable		**15,750**		60,000
Other liabilities		**41,744**		37,386
Total liabilities		**6,601,176**		6,381,701
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**12,309**		12,151
Capital stock and participation certificates receivable (Note 7)		**(12,309)**		--
Additional paid-in capital		**304,385**		304,385
Unallocated surplus		**1,510,929**		1,488,700
Accumulated other comprehensive loss		**(5,280)**		(5,412)
Total members' equity		**1,810,034**		1,799,824
Total liabilities and members' equity	**$**	**8,411,210**	$	8,181,525

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31,	**2020**	2019
Interest income	**$ 85,714**	$ 86,793
Interest expense	**36,328**	39,292
Net interest income	**49,386**	47,501
(Reversal of) provision for credit losses	**(308)**	3,445
Net interest income after (reversal of) provision for credit losses	**49,694**	44,056
Non-interest income		
Patronage income	**11,174**	7,754
Financially related services income	**3,694**	4,161
Fee income	**2,150**	1,666
Allocated Insurance Reserve Accounts distribution	**1,554**	1,679
Other non-interest income	**872**	656
Total non-interest income	**19,444**	15,916
Non-interest expense		
Salaries and employee benefits	**17,600**	18,397
Other operating expense	**12,280**	11,982
Other non-interest expense	**1**	12
Total non-interest expense	**29,881**	30,391
Income before income taxes	**39,257**	29,581
Provision for (benefit from) income taxes	**1,278**	(61)
Net income	**$ 37,979**	$ 29,642
Other comprehensive income		
Employee benefit plans activity	**$ 132**	$ 101
Total other comprehensive income	**132**	101
Comprehensive income	**$ 38,111**	$ 29,743

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$ 12,587	$ 304,385	$ 1,390,854	$ (4,629)	$ 1,703,197
Net income	--	--	29,642	--	29,642
Other comprehensive income	--	--	--	101	101
Unallocated surplus designated for patronage distributions	--	--	(11,251)	--	(11,251)
Capital stock and participation certificates issued	175	--	--	--	175
Capital stock and participation certificates retired	(253)	--	--	--	(253)
Additions to capital stock and participation certificates receivable, net (Note 7)	--	--	--	--	--
Balance at March 31, 2019	$ 12,509	$ 304,385	$ 1,409,245	$ (4,528)	$ 1,721,611
Balance at December 31, 2019	$ 12,151	$ 304,385	$ 1,488,700	$ (5,412)	$ 1,799,824
Net income	**--**	**--**	**37,979**	**--**	**37,979**
Other comprehensive income	**--**	**--**	**--**	**132**	**132**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(15,750)**	**--**	**(15,750)**
Capital stock and participation certificates issued	**233**	**--**	**--**	**--**	**233**
Capital stock and participation certificates retired	**(75)**	**--**	**--**	**--**	**(75)**
Additions to capital stock and participation certificates receivable, net (Note 7)	**(12,309)**	**--**	**--**	**--**	**(12,309)**
Balance at March 31, 2020	**$ --**	**$ 304,385**	**$ 1,510,929**	**$ (5,280)**	**$ 1,810,034**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. AgCountry accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2020, are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

The Consolidated Financial Statements present the consolidated financial results of AgCountry Farm Credit Services, ACA and its subsidiaries AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

AgCountry has assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 that amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We are evaluating the deferral and have not yet determined if we will early adopt the standard. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2020**			December 31, 2019		
		Amount	%		Amount	%
Real estate mortgage	**$**	**3,332,079**	**41.4%**	$	3,261,426	42.0%
Production and intermediate-term		**2,107,586**	**26.2%**		2,131,112	27.4%
Agribusiness		**1,974,128**	**24.6%**		1,784,023	22.9%
Other		**624,956**	**7.8%**		597,633	7.7%
Total	**$**	**8,038,749**	**100.0%**	$	7,774,194	100.0%

The other category is primarily composed of energy, communication, agricultural export finance, waste water, and rural residential real estate related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 8,284**	**$ 7,209**	**$ 15,493**	**$ 3,364,007**	**$ 3,379,500**	**$ 519**
Production and intermediate-term	**17,475**	**6,787**	**24,262**	**2,110,647**	**2,134,909**	**61**
Agribusiness	**--**	**--**	**--**	**1,980,111**	**1,980,111**	**--**
Other	**--**	**--**	**--**	**626,187**	**626,187**	**--**
Total	**$ 25,759**	**$ 13,996**	**$ 39,755**	**$ 8,080,952**	**$ 8,120,707**	**$ 580**

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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 6,490	$ 2,820	$ 9,310	$ 3,305,762	$ 3,315,072	$ --
Production and intermediate-term	8,078	4,034	12,112	2,157,000	2,169,112	512
Agribusiness	630	41	671	1,789,518	1,790,189	--
Other	--	--	--	598,576	598,576	--
Total	$ 15,198	$ 6,895	$ 22,093	$ 7,850,856	$ 7,872,949	$ 512

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which all principal and interest may not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**March 31, 2020**	December 31, 2019
Volume with specific allowance	**$ 13,307**	$ 9,208
Volume without specific allowance	**19,315**	13,655
Total risk loans	**$ 32,622**	$ 22,863
Total specific allowance	**$ 5,084**	$ 3,569
For the three months ended March 31,	**2020**	2019
Income on accrual risk loans	**$ 37**	$ 18
Income on nonaccrual loans	**206**	278
Total income on risk loans	**$ 243**	$ 296
Average risk loans	**$ 25,954**	$ 34,981

Note: Accruing loans include accrued interest receivable.

AgCountry had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at March 31, 2020.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, AgCountry may grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. A specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral is recorded.

TDR Activity

(in thousands) Three months ended March 31,	2020 Pre-modification	2020 Post-modification	2019 Pre-modification	2019 Post-modification
Real estate mortgage	$ 213	$ 213	$ --	$ --
Production and intermediate-term	1,400	1,400	--	--
Agribusiness	37	37	--	--
Total	$ 1,650	$ 1,650	$ --	$ --

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment in the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and unamortized adjustments to fair value on loans acquired through merger and may also reflect a previous direct charge-off of the investment.

The primary types of modification included extension of maturity and deferral of principal.

There were no TDRs that defaulted during the three months ended March 31, 2020, or 2019 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	March 31, 2020	December 31, 2019
Accrual status:		
Real estate mortgage	$ 464	$ 456
Production and intermediate-term	1,423	6
Agribusiness	--	--
Total TDRs in accrual status	$ 1,887	$ 462
Nonaccrual status:		
Real estate mortgage	$ 1,890	$ 2,913
Production and intermediate-term	337	370
Agribusiness	2,896	3,341
Total TDRs in nonaccrual status	$ 5,123	$ 6,624
Total TDRs:		
Real estate mortgage	$ 2,354	$ 3,369
Production and intermediate-term	1,760	376
Agribusiness	2,896	3,341
Total TDRs	$ 7,010	$ 7,086

There were no commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Three months ended March 31,	2020	2019
Balance at beginning of period	$ 26,974	$ 17,796
(Reversal of) provision for loan losses	(512)	3,120
Loan recoveries	253	101
Loan charge-offs	(4)	--
Balance at end of period	$ 26,711	$ 21,017

The (reversal of) provision for credit losses in the Consolidated Statements of Comprehensive Income includes a (reversal of) provision for loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in other liabilities in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) For the three months ended March 31,		2020		2019
Provision for credit losses	**$**	**204**	$	325
As of:		**March 31, 2020**		December 31, 2019
Accrued credit losses	**$**	**3,198**	$	2,994

NOTE 3: OTHER INVESTMENTS

AgCountry and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). AgCountry's total commitment is $14.0 million with varying commitment end dates through November 2023. Certain commitments may have an option to extend under certain circumstances. AgCountry's investment in the RBICs are recorded in other assets in the Consolidated Statements of Condition, and totaled $9.6 million at March 31, 2020, and $9.5 million at December 31, 2019.

The investments were evaluated for impairment. No investments were impaired at March 31, 2020, or December 31, 2019.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, AgCountry may have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. AgCountry does not anticipate any material losses because of these contingencies or commitments.

AgCountry may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, AgCountry management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2019 Annual Report for a more complete description of the three input levels.

AgCountry did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2020, or December 31, 2019.

Non-Recurring

AgCountry may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands) **As of March 31, 2020**	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 8,634**	**$ 8,634**
Other property owned	**--**	**--**	**147**	**147**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 5,921	$ 5,921
Other property owned	--	--	147	147

Valuation Techniques

Impaired loans: Represents the carrying amount of loans that were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other property owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

AgCountry has evaluated subsequent events through May 4, 2020, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.

NOTE 7: CAPITAL

Capitalization Requirements

In accordance with the Farm Credit Act and AgCountry's capitalization bylaws, each borrower is required to acquire capital stock or participation certificates in AgCountry as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time the loan is made. Borrowers are not currently required to make a cash investment to acquire capital stock or participation certificates; however, their obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with AgCountry. The capital stock and participation certificates are at-risk investments as described in the AgCountry capitalization bylaws. AgCountry retains a first lien on common stock or participation certificates owned by its borrowers. Stock is retired in accordance with AgCountry bylaws. Borrowers are responsible for payment of the cash investment upon demand by AgCountry. Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for capital stock and participation certificates at AgCountry, along with other Farm Credit Associations. The capital stock and participation certificates will be included within members' equity on the Consolidated Balance Sheets 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 AgCountry borrowers, borrowers retain all rights afforded to them by the Farm Credit Act.