FIRST QUARTER
REPORT TO SHAREHOLDERS
2021

COLUSA-GLENN
FARM CREDIT

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

(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit Services of Colusa-Glenn, ACA (the "Association") and subsidiaries for the three months ended March 31, 2021, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2020 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Farm Credit Services of Colusa-Glenn, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2020 CoBank Annual Report to Shareholders and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at Farm Credit Services of Colusa-Glenn, ACA, 2970 Davison Court, Colusa, California 95932, or calling (530) 458-2163.

GENERAL

We have continued to grow and diversify our loan portfolio, maintain good credit quality, effectively manage operating costs, and remain well capitalized through the quarter ended March 31, 2021. Our success is due, in part, to our conservative lending approach, the financial stability and support of our member-base, proactive portfolio risk management, and our commitment to providing excellent customer service. There have been challenges that the Association and its members have had to overcome in the past few years including commodity price and interest rate volatility. Commodity prices across the United States have experienced significant volatility over the past ten years due to various factors including, but not limited to, the strength of the U.S. Dollar and related decreased global demand for our exports, trade and tariff issues, deterioration and slowing of global economies, and various other factors specific to the commodity in question. Compounding this volatility, the impact of the COVID-19 pandemic continues to weigh on markets. Market pricing remains volatile as a result and we cannot yet predict the short- and long-term impact the pandemic will have on the U.S. and global economies. Our primary concern with these factors is their impact on our members' working capital, overall financial position, and the collateral values supporting our loans. We continue to monitor changes in market conditions impacting the agricultural products we finance to ensure that we continue to provide the best customer service to our members while operating in a safe and sound manner.

The COVID-19 pandemic remains a global public health crisis, although vaccines have been deployed and are in various stages based on specific areas of the United States. The United States economy continues to have numerous impediments to a full recovery across certain sectors of the economy. Unemployment levels remain high and economic output remains challenged. We have been focused on responding to this crisis and protecting the health and safety of our employees while continuing to serve our members. We cannot predict the severity and the duration of the impact of the COVID-19 pandemic. The COVID-19 operating environment continues to cause uncertainty on the Association's business, results of operations and financial condition.

The U.S. government has continued to institute various programs in support of the COVID-19 recovery. In December 2020, Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which, among other provisions, allocated additional funding for Paycheck Protection Program (PPP) loans and allows certain existing PPP borrowers to apply for additional loans or draws on existing loans. The Association obtained approval to participate as a lender in the PPP and has continued to provide funds to eligible borrowers during the first quarter of 2021. The impact the U.S. government support programs and stimulus on the broader agriculture economy and our members in particular is uncertain at this time.

The COVID-19 pandemic has heightened many risks, including credit risk, liquidity risk, market risk, and operational risk. The effectiveness of our mitigation efforts and the extent to which COVID-19 affects our business, results of operations and financial condition may depend on factors beyond our control.

LOAN PORTFOLIO

Loans outstanding at March 31, 2021, totaled $497.3 million, a decrease of $37.1 million, or 6.9%, from loans of $534.4 million at December 31, 2020. The decrease was attributable to seasonal repayments on commercial loans, scheduled annual mortgage payments, loan payoffs, and delayed advances on lines of credit to borrowers for preparation and planting of rice due to drought concerns within our territory.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2021, was $2.5 million, an increase of $251 thousand, or 11.1%, from $2.3 million for the three months ended March 31, 2020. This increase is attributable to increased net interest income, credit loss reversal and noninterest income partially offset by increased noninterest expenses.

Net interest income for the three months ended March 31, 2021, was $3.6 million, an increase of $222 thousand, or 6.6%, from $3.4 million for the three months ended March 31, 2020. The increase is attributable to increased loan volume and widening spreads, partially offset by decreased equity earnings.

The credit loss reversal for the three months ended March 31, 2021, was $94 thousand, a decrease of $262 thousand from the provision for loan losses of $168 thousand for the same period ended one year ago. The credit loss reversal through March 31, 2021, is due to decreased loan volume.

Noninterest income for the three months ended March 31, 2021, was $541 thousand, an increase of $34 thousand, or 6.7%, from $507 thousand for the same period ended one year ago. This is primarily due to an increase in patronage income of $122 thousand driven by an increase in our direct note balance coupled with an increase in the CoBank patronage rate, which increased 3 basis points year over year. Additionally, the Association received additional patronage income for participations sold to other Farm Credit associations. Also included in noninterest income in 2020 was a refund of $82 thousand from Farm Credit System Insurance Corporation (FCSIC). No refund was received in 2021. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2020 Annual Report to Shareholders for additional information.

Noninterest expense for the three months ended March 31, 2021, was $1.7 million, an increase of $262 thousand, or 18.0%, from $1.5 million for the three months ended March 31, 2020. The increase was primarily due to increased salary and employee benefits, Farm Credit Insurance Fund premiums, occupancy, and data processing, offset by a decrease in other noninterest expense. Salaries and employee benefits expense increased due to year over year merit increases coupled with additional staffing. Occupancy and equipment expense increased due to increased utility costs, real estate taxes, and depreciation for our new offices. Farm Credit Insurance Fund premiums increased due to an increase in the FCSIC rate coupled with an increase in the average net note payable, which has increased with loan volume. Data processing expense has increased year over year due to higher costs for technology and operational services provided by our service provider, AgVantis. Other noninterest expense decreased primarily due to decreased director, travel, office and public and member expenses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2021, was $123.7 million, an increase of $1.6 million, or 1.3%, from shareholders' equity of $122.1 million at December 31, 2020. This increase is due to net income and net stock issuances offset by accrued patronage distributions.

OTHER MATTERS

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021.

We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time we are unable to predict whether or when LIBOR will cease to be available or if Secured Overnight Financing Rate (SOFR) or any other alternative reference rate will become the

benchmark to replace LIBOR. Because we engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on the Association and our borrowers. Management has documented a LIBOR transition plan to address the phase out of LIBOR rates in the future, including any updates to processes and loan servicing technology.

FORWARD LOOKING INFORMATION

This discussion contains forward looking statements. These statements are not guarantees of future performance; future operations involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," or "will" are intended to identify forward-looking statements. These statements are based on management's assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements. We will not update any forward-looking statements to reflect events or circumstances arising after they are made.

CERTIFICATION

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

Michael Doherty
Chairman of the Board
May 10, 2021

Tim Elrod
President & Chief Executive Officer
May 10, 2021

Amy Ceballos
Chief Financial Officer
May 10, 2021

CONSOLIDATED STATEMENTS OF CONDITION
(In Thousands)

	March 31, 2021	December 31, 2020
	Unaudited	*Audited*
ASSETS		
Loans	$ 497,262	$ 534,356
Less allowance for loan losses	1,854	1,940
Net loans	495,408	532,416
Cash	888	2,505
Accrued interest receivable	4,603	5,479
Investment in CoBank, ACB	14,853	14,793
Premises and equipment, net	7,111	7,147
Other assets	1,795	3,162
Total assets	$ 524,658	$ 565,502
LIABILITIES		
Note payable to CoBank, ACB	$ 350,269	$ 412,797
Advance conditional payments	41,616	21,979
Accrued interest payable/(receivable)	116	(193)
Patronage distributions payable	949	4,250
Accrued benefits liability	98	98
Deferred tax liability	194	193
Unfunded disbursements	1,882	2,432
Reserve for unfunded commitments	313	321
Other liabilities	5,518	1,487
Total liabilities	400,955	443,364
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	537	535
Unallocated retained earnings	123,166	121,603
Total shareholders' equity	123,703	122,138
Total liabilities and shareholders' equity	$ 524,658	$ 565,502

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in Thousands)

	For the Three Months Ended March 31	
	2021	2020
INTEREST INCOME		
Loans	$ 4,193	$ 5,216
Total interest income	4,193	5,216
INTEREST EXPENSE		
Note payable to CoBank, ACB	577	1,704
Other	21	139
Total interest expense	598	1,843
Net interest income	3,595	3,373
(Credit loss reversal)/Provision for credit losses	(94)	168
Net interest income after credit loss reversal/provision for credit losses	3,689	3,205
NONINTEREST INCOME		
Financially related services income	1	1
Patronage distribution from Farm Credit Institutions	495	373
Farm Credit Insurance Fund distribution	-	82
Mineral income	1	2
Other noninterest income	44	49
Total noninterest income	541	507
NONINTEREST EXPENSE		
Salaries and employee benefits	940	818
Occupancy and equipment	139	80
Purchased services	196	191
Farm Credit Insurance Fund premium	141	61
Supervisory and examination costs	56	48
Data processing services	297	256
Other noninterest income	(54)	(1)
Total noninterest expense	1,715	1,453
Income before income taxes	2,515	2,259
Provision for/(Benefit from) income taxes	3	(2)
Net income/Comprehensive income	$ 2,512	$ 2,261

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited and in Thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2019	$ 506	$ 115,104	$ 115,610
Net income/Comprehensive income		2,261	2,261
Capital stock and participation certificates issued	18		18
Capital stock and participation certificates retired	(9)		(9)
Patronage distributions: Cash		(844)	(844)
Balance at March 31, 2020	$ 515	$ 116,521	$ 117,036
Balance at December 31, 2020	$ 535	$ 121,603	$ 122,138
Net income/Comprehensive income		2,512	2,512
Capital stock and participation certificates issued	9		9
Capital stock and participation certificates retired	(7)		(7)
Patronage distributions: Cash		(949)	(949)
Balance at March 31, 2021	**$ 537**	**$ 123,166**	**$ 123,703**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and in Thousands, Except Where Noted)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit Services of Colusa-Glenn, ACA (the 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 Shareholders. These unaudited first quarter 2021 financial statements should be read in conjunction with the 2020 Annual Report to Shareholders.

The accompanying unaudited 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 to Shareholders.

In the opinion of management, the unaudited financial information is complete and 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 to Shareholders. 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.

Recently Adopted or Issued Accounting Pronouncements

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 impact of the adoption was not material to the Association's financial condition or its results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association's loan portfolio as of March 31, 2021, and December 31, 2020, is as follows:

	March 31, 2021			December 31, 2020		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 299,191	$ 3,640	$ 302,831	$ 302,580	$ 4,326	$ 306,906
Production and intermediate-term	86,443	585	87,028	119,228	729	119,957
Agribusiness	75,290	273	75,563	80,839	385	81,224
Rural infrastructure	30,337	95	30,432	26,709	29	26,738
Agricultural export finance	6,001	10	6,011	5,000	10	5,010
Total loans	$ 497,262	$ 4,603	$ 501,865	$ 534,356	$ 5,479	$ 539,835

Participations Purchased and Sold

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the principal balances of participations purchased and sold as of March 31, 2021, and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Purchased	Sold	Purchased	Sold
Other Farm Credit Institutions:				
Real estate mortgage	$ 54,593	$ 43,388	$ 57,779	$ 42,514
Production and intermediate-term	15,067	11,786	15,602	11,502
Agribusiness	49,482	5,960	51,194	11,978
Rural infrastructure	30,337	-	26,709	-
Agricultural export finance	6,001	-	5,000	-
Total	$ 155,480	$ 61,134	$ 156,284	$ 65,994

The Association had no participation interests purchased from or sold to Non-Farm Credit Institutions at March 31, 2021, and December 31, 2020.

Loans by Credit Class

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.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of March 31, 2021, and December 31, 2020:

	March 31, 2021	December 31, 2020
Real estate mortgage:		
Acceptable	96.23%	98.79%
OAEM	1.87%	0.76%
Substandard	1.90%	0.45%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	91.74%	92.39%
OAEM	7.60%	7.41%
Substandard	0.66%	0.20%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	97.02%	97.23%
OAEM	2.98%	2.77%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	95.84%	97.20%
OAEM	2.90%	2.50%
Substandard	1.26%	0.30%
Total	100.00%	100.00%

High Risk Assets

High risk assets consist of impaired loans and other property owned. The Association had no nonaccrual loans, no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Impaired Loan Information

Additional impaired loan information as of March 31, 2021, and December 31, 2020, is as follows:

	March 31, 2021		December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for loan losses:				
Production and intermediate-term	$ -	$ 1,202	$ -	$ 1,202
Total	$ -	$ 1,202	$ -	$ 1,202

Note: The recorded investment in the loan receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the loan receivable.

There were no impaired loans with a related allowance for credit losses as of March 31, 2021, and December 31, 2020.

The following table provides average impaired loans:

	For the Three Months Ended March 31, 2021		For the Three Months Ended March 31, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ -	$ -	$ 95	$ 1
Production and intermediate-term	-	-	1	11
Total	$ -	$ -	$ 96	$ 12

Past Due Loans

The following tables provide an age analysis of past due loans (including accrued interest) as of March 31, 2021, and December 31, 2020:

As of 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	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 4,347	$ -	$ 4,347	$ 298,484	$ 302,831	$ -
Production and intermediate-term	1,290	-	1,290	85,738	87,028	-
Agribusiness	-	-	-	75,563	75,563	-
Rural infrastructure	-	-	-	30,432	30,432	-
Agricultural export finance	-	-	-	6,011	6,011	-
Total	$ 5,637	$ -	$ 5,637	$ 496,228	$ 501,865	$ -

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	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 306,906	$ 306,906	$ -
Production and intermediate-term	-	-	-	119,957	119,957	-
Agribusiness	-	-	-	81,224	81,224	-
Rural infrastructure	-	-	-	26,738	26,738	-
Agricultural export finance	-	-	-	5,010	5,010	-
Total	$ -	$ -	$ -	$ 539,835	$ 539,835	$ -

Allowance for Loan Losses

A summary of changes in the allowance for loan losses is as follows:

	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2021
Real estate mortgage	$ 312	$ -	$ -	$ 13	$ 325
Production and intermediate-term	1,141	-	-	59	1,200
Agribusiness	411	-	-	(138)	273
Rural infrastructure	70	-	-	(20)	50
Agricultural export finance	6	-	-	-	6
Total	$ 1,940	$ -	$ -	$ (86)	$ 1,854

	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2020
Real estate mortgage	$ 416	$ -	$ -	$ (74)	$ 342
Production and intermediate-term	732	-	22	185	939
Agribusiness	511	-	-	(12)	499
Rural infrastructure	40	-	-	(2)	38
Agricultural export finance	2	-	-	-	2
Total	$ 1,701	$ -	$ 22	$ 97	$ 1,820

Reserve for Unfunded Commitments

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

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

	For the Three Months Ended March 31	
	2021	2020
Balance at beginning of period	$ 321	$ 266
(Reversal of)/Provision for reserve for unfunded commitments	(8)	71
Total	$ 313	$ 337

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of March 31, 2021, and December 31, 2020, is as follows (including accrued interest):

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding		
As of March 31, 2021	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 325	$ -	$ 302,831	$ 302,831
Production and intermediate-term	-	1,200	-	87,028	87,028
Agribusiness	-	273	-	75,563	75,563
Rural infrastructure	-	50	-	30,432	30,432
Agricultural export finance	-	6	-	6,011	6,011
Total	$ -	$ 1,854	$ -	$ 501,865	$ 501,865

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding		
As of December 31, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 312	$ -	$ 306,906	$ 306,906
Production and intermediate-term	-	1,141	-	119,957	119,957
Agribusiness	-	411	-	81,224	81,224
Rural infrastructure	-	70	-	26,738	26,738
Agricultural export finance	-	6	-	5,010	5,010
Total	$ -	$ 1,940	$ -	$ 539,835	$ 539,835

Troubled Debt Restructuring

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the three months ended March 31, 2021, or March 31, 2020, and have no TDRs in the portfolio for the periods presented. The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the first three months of 2021 and 2020.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration, is as follows:

	As of March 31, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.92%	18.00%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.92%	18.00%	6.0%	2.5%	8.5%
Total capital ratio	18.29%	18.40%	8.0%	2.5%	10.5%
Permanent capital ratio	17.97%	18.06%	7.0%	-	7.0%
Non-Risk-Adjusted					
Tier 1 leverage ratio	20.80%	20.65%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	22.11%	21.38%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2020 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets held in nonqualified benefits trusts				
March 31, 2021	$ 2	$ -	$ -	$ 2
December 31, 2020	$ 2	$ -	$ -	$ 2

The Association had no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2021, or December 31, 2020.

Valuation Techniques

As more fully discussed in Note 2 to the 2020 Annual Report to Shareholders, 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 presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified 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.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, 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. These loans have fair value measurements that fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.

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