AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS

2020 FINANCIAL INFORMATION

AgFirst Farm Credit Bank and District Associations December 31, 2020 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of condition and results of operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the years ended December 31, 2020, 2019, and 2018. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

The Associations are structured as cooperatives, and each Association is owned by its borrowers. AgFirst also operates as a cooperative. The District Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders jointly own AgFirst. As such, the benefits of ownership flow to the same farmer/rancher-borrowers that the System was created to serve.

As of December 31, 2020, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

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). The Funding Corporation issues a variety of Federal Farm Credit Banks Consolidated Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System banks. Each System bank has exposure to Systemwide credit risk because each bank is jointly and severally liable for all Systemwide debt issued.

AgFirst provides funding and related services to the District Associations, which, in turn, provide loans and related services to agricultural and rural borrowers. AgFirst has in place with each of the District Associations, a revolving line of credit, referred to as a "Direct Note", which is eliminated in this combined District report. Each Association primarily funds its lending and general corporate activities by borrowing through its Direct Note. Virtually all assets of the Associations secure the Direct Notes. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association, including the subsidiaries of the Associations.

AgFirst and the Associations are chartered to serve eligible borrowers in Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia, Puerto Rico, and portions of Kentucky, Louisiana, Ohio, and Tennessee. As of December 31, 2020, two other Farm Credit Banks (FCBs) and an Agricultural Credit Bank (ACB), through a number of associations, provided loans and related services to eligible borrowers in the remaining portion of the United States. While owned by its related associations, each FCB manages and controls its own business activities and operations. The ACB is owned by its related associations as well as other agricultural and rural institutions, including agricultural cooperatives. Associations are not commonly owned or controlled and each manages and controls its own business activities and operations.

While combined District statements reflect the financial and operational interdependence of AgFirst and its Associations, AgFirst does not own or control the Associations. AgFirst publishes Bank-only audited financial statements (electronic version of which is available on AgFirst's website at **www.agfirst.com**) that may be referred to for a more complete analysis of AgFirst's financial condition and results of operations.

Financial Highlights

(dollars in thousands)

As of December 31,	2020	2019	2018
Total loans	**$ 32,170,077**	$ 30,718,991	$ 29,592,224
Allowance for loan losses	**(220,261)**	(211,077)	(209,657)
Net loans	**31,949,816**	30,507,914	29,382,567
Total assets	**42,447,462**	40,331,696	38,625,732
Total shareholders' equity	**7,107,520**	6,672,951	6,473,552

Year Ended December 31,	2020	2019	2018
Net interest income	**$ 1,250,634**	$ 1,054,662	$ 1,035,097
Provision for (reversal of allowance for) loan losses	**3,646**	12,097	23,227
Noninterest income (expense), net	**(517,703)**	(489,800)	(425,398)
Net income	**$ 729,285**	$ 552,765	$ 586,472
Net interest income as a percentage of average earning assets	**3.07 %**	2.73 %	2.79 %
Net (chargeoffs) recoveries to average loans	**0.02 %**	(0.04)%	(0.02)%
Return on average assets	**1.75 %**	1.40 %	1.55 %
Return on average shareholders' equity	**10.22 %**	8.10 %	9.03 %
Operating expense as a percentage of net interest income and noninterest income	**43.27 %**	48.52 %	45.47 %
Average loans	**$ 31,495,735**	$ 30,024,891	$ 28,703,679
Average earning assets	**40,755,472**	38,692,772	37,052,762
Average assets	**41,692,290**	39,349,694	37,744,205

Management's Discussion & Analysis of Financial Condition & Results of Operations

IMPACTS OF THE COVID-19 GLOBAL PANDEMIC

The spread of COVID-19 has created a global public-health crisis that has negatively impacted the global economy, significantly increased unemployment levels and disrupted global supply and demand chains. Unprecedented actions were and continue to be taken by governments, businesses and individuals to slow or contain the spread of COVID-19, including quarantines, "stay at home" orders, school closings, travel bans and restrictions that substantially limited daily activities and forced many businesses to curtail or cease operations. The actions to contain the pandemic vary by country and by state in the United States.

The extent to which the COVID-19 pandemic impacts the AgFirst District's results of operations and financial condition depends on future developments that are highly uncertain and cannot be predicted. The scope, duration and full effects of COVID-19 (including the possibility of further surges or variants of COVID-19), the timing and efficacy of the vaccinations, and the actions to contain the impact of COVID-19 are rapidly evolving and still not fully known, but it is clear that the pandemic and related efforts to contain it have disrupted global economic activity, adversely affected the functioning of financial markets, increased unemployment levels and economic and market uncertainty, and disrupted trade and supply chains, potentially leading to future credit deterioration. The negative economic, market and social developments arising from the COVID-19 pandemic created a high level of uncertainty causing investors to shift toward cash, and highly-rated cash-like investments during March 2020. This, in turn, reduced flexibility to issue certain types of debt securities; in particular, intermediate to long-term fixed rate non-callable debt and callable debt with longer non-call periods. During this period, as investor demand moved to highly-rated shorter-term debt instruments, the Bank maintained access to the short-term debt market. In addition, although less accessible, moderate amounts of longer-term debt were issued as market demand allowed. During the latter part of April 2020, funding flexibility improved to near normal pre-COVID-19 levels.

COVID-19 Support Programs
On March 13, 2020, the President of the United States declared the COVID-19 outbreak as a national emergency. In response, the Farm Credit Administration (FCA), other federal banking regulators and the Financial Accounting Standards Board (FASB) issued guidance on restructurings of loans through loan modifications, such as payment deferrals and extensions of repayment terms, which would not be considered as troubled debt restructurings if made on a good faith basis in response to the national emergency.

The District has developed payment deferral programs for borrowers directly affected by market disruptions caused by the COVID-19 pandemic. Programs vary by loan portfolio, entity and geographic location. These actions are designed to help farmers and ranchers preserve liquidity.

On March 27, 2020, Congress passed the CARES Act. Among other provisions, the CARES Act provided funding and authority to bolster United States Department of Agriculture (USDA) programs. On April 17, 2020, the USDA announced a $19 billion Coronavirus Food Assistance Program (CFAP), that provided $16 billion of direct support based on actual losses for agricultural producers where prices and market supply chains have been impacted. The $16 billion included approximately $10 billion of funding targeted to livestock and dairy producers, $4 billion for row crop producers, $2 billion for specialty crop producers, and $500 million for other specialty crops. Additionally, $3 billion was allocated for direct purchases of fresh produce, dairy and meat for distribution to food banks and other non-profits. As of January 31, 2021, the USDA provided $10.5 billion of direct relief to producers under CFAP.

The CARES Act also appropriated $349 billion for the Paycheck Protection Program (PPP), a guaranteed loan program administered by the U.S. Small Business Administration (SBA), which commenced on April 3, 2020. The purpose of the program is to support payroll and certain other financial needs of small businesses during the COVID-19 pandemic. Agricultural producers, farmers and ranchers with 500 or fewer employees or that fit within the revenue-based standard are eligible for PPP loans.

Applicants who are otherwise eligible to receive financing under the Farm Credit Act and FCA regulations are able to apply for PPP loans from a District Association. At the time it was passed, the CARES Act provided for loan forgiveness if an employer used at least 75 percent of the loan for payroll costs and would be reduced proportionally by any reduction in full-time equivalent employees compared to the prior year and a 25 percent or greater reduction in full-time equivalent employee compensation. Loan payments required under the program can be deferred for up to six months.

On April 23, 2020, Congress passed the PPP and Health Care Enhancement Act that provides $484 billion in additional funding to replenish and supplement key programs under the CARES Act. The Act provides an additional $310 billion for PPP, $60 billion for small business disaster loans and grants, $75 billion for hospital and health care providers and $25 billion for testing.

On June 5, 2020, the president signed the Paycheck Protection Program Flexibility Act of 2020, which amends the SBA Act and the CARES Act. Specifically, this Act establishes a minimum maturity of five years for a paycheck protection loan with a remaining balance after forgiveness. The bill also extends the "covered period" during which a loan recipient may use such funds for certain expenses while remaining eligible for forgiveness. The extension is to 24 weeks from the date of origination or December 31, 2020, whichever occurs first. The bill also reduces the payroll cost requirements from 75 percent to 60 percent and raises the non-payroll portion of a forgivable loan amount from the current 25 percent up to 40 percent.

On August 8, 2020, the PPP was closed and the SBA ceased to accept applications from participating lenders. Eighteen District Associations were approved as PPP lenders and made $148.3 million in loans and recorded approximately $5.0 million in loan-related fee income. At December 31, 2020, approximately $131.1 million of PPP loans remained outstanding across the District.

On September 21, 2020, the USDA implemented an expansion to the Coronavirus Food Assistance Program, known as CFAP 2. This program will provide $14 billion of financial support to producers of certain agricultural commodities who face continuing market disruptions and significant marketing costs.

On December 27, 2020, the President of the United States signed the Consolidated Appropriations Act, 2021 (CAA). The CAA includes $900 billion for COVID-19 relief in the form of direct payments to households, jobless aid, support for small businesses and many other stimulus measures. Approximately $13 billion of relief has been designated for the agricultural sector. The CAA also authorizes the SBA to make new and additional PPP loans and modifies the CARES Act for this purpose. This Act authorizes funds of $284.5 billion for PPP loans, which includes $35 billion for first-time borrowers. PPP loans under the new law will be open through March 31, 2021.

RESULTS OF OPERATIONS

Net Income

District net income totaled $729.3 million for the year ended December 31, 2020, an increase of $176.5 million from 2019. Net income of $552.8 million for the year ended December 31, 2019 was a decrease of $33.7 million from 2018. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income *(dollars in thousands)*	**Year Ended December 31, 2020**	**2019**
Net income (for prior year)	$ 552,765	$ 586,472
Increase (decrease) due to:		
Total interest income	(188,160)	134,646
Total interest expense	384,132	(115,081)
Net interest income	195,972	19,565
Provision for loan losses	8,451	11,130
Noninterest income	(2,361)	(36,821)
Noninterest expense	(25,105)	(27,578)
Provision for income taxes	(437)	(3)
Total increase (decrease) in net income	176,520	(33,707)
Net income	$ 729,285	$ 552,765

Interest Income

Total interest income for the year ended December 31, 2020 was $1.610 billion, a decrease of $188.2 million, as compared to the same period of 2019. Total interest income for the year ended December 31, 2019 was $1.798 billion, an increase of $134.6 million, as compared to the same period of 2018. The decrease in interest income in 2020 resulted primarily from lower yields on earning assets as borrowers refinanced at lower interest rates due to reductions in interest rates during the year. For 2019, interest income increased primarily as a result of higher earning asset volume. The average yield on interest earning assets decreased 70 basis points from 2019 to 2020 and increased 16 basis points from 2018 to 2019. The average volume of interest earning assets increased $2.063 billion in 2020 and $1.640 billion in 2019.

The following table illustrates the impact of volume and yield changes on interest income:

Net Change in Interest Income *(dollars in thousands)*	**Year Ended December 31, 2020-2019**	**2019-2018**
Current year increase (decrease) in average earning assets	$ 2,062,700	$ 1,640,010
Prior year average yield	4.65 %	4.49 %
Interest income variance attributed to change in volume	95,845	73,618
Current year average earning assets	40,755,472	38,692,772
Current year increase (decrease) in average yield	(0.70) %	0.16 %
Interest income variance attributed to change in yield	(284,005)	61,028
Net change in interest income	$ (188,160)	$ 134,646

Interest Expense

Total interest expense for the year ended December 31, 2020 was $359.1 million, a decrease of $384.1 million, as compared to the same period of 2019. Total interest expense for the year ended December 31, 2019 was $743.2 million, an increase of $115.1 million, as compared to the same period of 2018. The decrease in interest expense for 2020 was primarily attributed lower average rates paid on average System debt obligations whereas the increase in interest expense in 2019 was primarily due to higher average rates paid on average System debt obligations.

The following table illustrates the impact of volume and rate changes on interest expense:

Net Change in Interest Expense *(dollars in thousands)*	**Year Ended December 31,** 2020-2019	2019-2018
Current year increase (decrease) in average interest-bearing liabilities	$ 1,997,608	$ 1,307,071
Prior year average rate	2.32 %	2.05 %
Interest expense variance attributed to change in volume	46,397	26,750
Current year average interest-bearing liabilities	33,997,323	31,999,715
Current year increase (decrease) in average rate	(1.26) %	0.27 %
Interest expense variance attributed to change in rate	(430,529)	88,331
Net change in interest expense	$ (384,132)	$ 115,081

The COVID-19 impact on interest rates provided the Bank opportunities to call and replace $43.043 billion of debt for the year ended December 31, 2020. The average rate reduction (i.e., the difference between the rates on the called bonds and the rates on the replacement bonds) was 63 basis points for 2020, resulting in interest expense savings of $954.8 million, net of debt extinguishment expense of $65.5 million, over the remaining life of the bonds of 4.27 years. While the average cost of debt during 2019 was higher than 2018, lower interest rates in the latter part of 2019 resulted in the call and replacement of $18.005 billion for the year ended December 31, 2019. For 2019, the average rate reduction for called bonds was 39 basis points, resulting in interest expense savings of $303.1 million, net of debt extinguishment expense of $30.0 million, over the remaining life of the bonds of 4.91 years. No debt was called during the year ended December 31, 2018. Replacement bonds generally have terms similar to those of the bonds being replaced.

Net Interest Income

Net interest income increased in 2020 and 2019, as illustrated by the following table:

District Analysis of Net Interest Income
Year Ended December 31,
(dollars in thousands)

	2020			2019			2018		
	Avg. Balance	Interest	Avg. Yield	Avg. Balance	Interest	Avg. Yield	Avg. Balance	Interest	Avg. Yield
Loans	$ 31,495,735	$ 1,446,870	4.59 %	$ 30,024,891	$ 1,571,525	5.23 %	$ 28,703,679	$ 1,462,622	5.10 %
Investments	9,030,846	160,823	1.78	8,432,013	221,309	2.62	8,298,932	199,533	2.40
Other	228,891	2,041	0.89	235,868	5,060	2.15	50,151	1,093	2.18
Total earning assets	40,755,472	1,609,734	3.95	38,692,772	1,797,894	4.65	37,052,762	1,663,248	4.49
Interest-bearing liabilities	33,997,323	(359,100)	1.06	31,999,715	(743,232)	2.32	30,692,644	(628,151)	2.05
Spread			2.89			2.33			2.44
Impact of capital	$ 6,758,149		0.18	$ 6,693,057		0.40	$ 6,360,118		0.35
Net Interest Income (NII) & NII to average earning assets		$ 1,250,634	3.07 %		$ 1,054,662	2.73 %		$ 1,035,097	2.79 %

Net interest income for the year ended December 31, 2020 was $1.251 billion compared to $1.055 billion for the same period of 2019, an increase of $196.0 million, or 18.58 percent. For the year ended December 31, 2019, net interest income increased $19.6 million, or 1.89 percent, from $1.035 billion in 2018. The net interest margin, which is net interest income as a percentage of average earning assets, was 3.07 percent, 2.73 percent, and 2.79 percent for the years ended December 31, 2020, 2019, and 2018, respectively, an increase of 34 basis points and a decrease of six basis points, respectively. The increase in net interest margin for 2020 was primarily due to lower rates paid on interest-bearing liabilities, which was achieved by calling debt in response to declining interest rates. The decrease in net interest margin for 2019 resulted primarily from higher rates paid on interest-bearing liabilities, partially offset by higher volume of interest-earning assets.

Provision for Loan Losses

AgFirst and the Associations measure risks inherent in their individual portfolios on an ongoing basis and, as necessary, recognize provision for loan loss expense so that appropriate reserves for loan losses are maintained. Provision for loan losses was a net expense of $3.6 million for the year ended December 31, 2020 compared to a net expense of $12.1 million and $23.2 million for the years ended December 31, 2019 and 2018, respectively. The decrease in net provision expense in both 2020 and 2019 was due primarily to a reduction in provision expense for specific credits compared to the prior year.

The $3.6 million in total net provision expense for the year ended December 31, 2020 consisted of $13.0 million of provision expense for general reserves and $9.4 million of net provision reversals for specific reserves. For 2020, provision expense for general reserves included certain qualitative reserves due to anticipated stress in certain sectors adversely impacted by the COVID-19 pandemic. Total net provision expense in 2020 primarily related to borrowers in the poultry ($9.5 million expense), other ($3.0 million expense), forestry ($2.9 million expense), rural home loan ($2.3 million expense), swine ($2.0 million expense), processing ($1.1 million expense), cattle ($1.0 million expense), nursery/greenhouse ($13.3 million reversal), other real estate ($3.3 million reversal), and dairy ($2.4 million reversal) segments.

The $12.1 million in total net provision expense for the year ended December 31, 2019 consisted of $10.4 million of provision expense for general reserves and $1.7 million of provision expense for specific reserves. Total net provision expense in 2019 primarily related to borrowers in the forestry ($3.2 million expense), processing ($3.1 million expense), other real estate ($2.8 million expense), poultry ($2.4 million expense), cotton ($1.5 million expense), dairy ($1.5 million expense), cattle ($1.2 million expense), swine ($1.2 million expense), grains ($1.2 million expense), field crops ($5.1 million reversal) and nursery/greenhouse ($2.4 million reversal) segments.

The $23.2 million in total net provision expense for the year ended December 31, 2018 consisted of $2.6 million of provision expense for general reserves and $20.6 million of provision expense for specific reserves. Total net provision expense in 2018 primarily related to borrowers in the field crops ($13.1 million expense), dairy ($4.9 million expense), poultry ($4.9 million expense), cotton ($2.3 million expense), and forestry ($3.6 million reversal) segments.

See the *Loan Portfolio* section below for further information.

Noninterest Income

Noninterest income for years ended December 31 is shown in the following table:

Noninterest Income	**For the Year Ended December 31,**			**Increase (Decrease)**	
(dollars in thousands)	**2020**	**2019**	**2018**	**2020/ 2019**	**2019/ 2018**
Loan fees	$ 41,402	$ 32,551	$ 31,477	$ 8,851	$ 1,074
Fees for financially related services	14,500	11,819	11,461	2,681	358
Lease income	3,743	4,776	3,412	(1,033)	1,364
Net impairment losses	(102)	(83)	—	(19)	(83)
Gains (losses) on investments, net	7,215	—	13	7,215	(13)
Gains (losses) on debt extinguishment	(65,475)	(30,034)	150	(35,441)	(30,184)
Gains (losses) on other transactions	20,651	9,942	5,422	10,709	4,520
Insurance premium refund	6,813	7,051	21,086	(238)	(14,035)
Other noninterest income	18,370	13,456	13,278	4,914	178
Total noninterest income	$ 47,117	$ 49,478	$ 86,299	$ (2,361)	$ (36,821)

Noninterest income decreased $2.4 million from 2019 to 2020 and decreased $36.8 million from 2018 to 2019. Significant line item dollar variances are discussed below.

Loan fees increased $8.9 million and $1.1 million for years ended December 31, 2020 and 2019, respectively, compared to the prior years. The increase for 2020 was primarily due to fee income of $5.0 million on loans made under the PPP. See *Impacts of the COVID-19 Global Pandemic* section above for further discussion of PPP. Increases in modification, servicing

and commitment fees also contributed to the higher loan fee income in 2020. For 2019, the increase resulted primarily from an increase in fee income related to the first lien residential mortgage portfolio of $976 thousand, mainly in loan origination and underwriting fees.

For the year ended December 31, 2020 compared to the prior year, fees for financially related services increased $2.7 million primarily due to a $2.2 million increase in crop/hail and multi-peril insurance income. The increase resulted primarily from new products and insurance required as a condition of participating in hurricane relief programs.

For the year ended December 31, 2020, building lease income declined $1.0 billion compared to the same period in 2019. During 2019, in conjunction with the application of ASC 842 - Leases, the Bank recognized an additional $958 thousand of lease income to comply with the new accounting standard.

During 2020, the Bank sold securities with a par value of approximately $55.9 million as part of investment portfolio maintenance, resulting in gains of $7.2 million. No securities were sold during 2019. In 2018, the Bank sold securities totaling $11.7 million which resulted in a net gain of $13 thousand. Amortizing securities that have relatively small remaining balances and correspondingly high administrative costs are periodically sold by the Bank as part of normal portfolio management activity.

Debt issuance expense is amortized into interest expense over the life of the underlying debt security. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through gains (losses) on debt extinguishment. Losses on debt extinguishment increased $35.4 million and $30.2 million for the years ended December 31, 2020 and 2019, respectively. Call options were exercised on bonds totaling $43.043 billion in 2020 and $18.005 billion in 2019. No bonds were called in 2018. Debt is called to take advantage of favorable market interest rate changes. The amount of debt issuance cost expensed is dependent upon both the volume and remaining maturity of the debt when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt.

For the years ended December 31, 2020 and 2019, gains on other transactions increased $10.7 million and $4.5 million, respectively. The increase in 2020 was primarily due to a $12.4 million increase in gains on the sale of rural residential loans. During 2020, loans were sold in order to capitalize on market premiums and manage risk during a period of market volatility. Such sales resulted in the recognition of gains totaling $14.8 million. In addition, an increase of $2.0 million in the fair value of mortgage servicing rights was recognized for the servicing rights associated with sold loans. The increases in 2020 were partially offset by a decrease of $1.7 million in gains on sales of assets which resulted primarily from the sale of an Association building in 2019 and a $996 thousand increase in the provision expense for unfunded commitments. Changes in the reserve for unfunded commitments result from fluctuations in both the balance and composition of unfunded commitments between periods. For 2019, the increase resulted primarily from a $3.9 million increase in market value gains on certain retirement plan trust assets and $1.1 million higher gains on sale of assets, primarily related to the sales of buildings and automobiles by four Associations in 2019. These increases were partially offset by $1.6 million lower gains resulting primarily from the Bank establishing interest rate lock and forward commitment derivatives in 2018 that resulted from the sale of loans from the first lien residential mortgage portfolio. These gains did not occur in 2019 because no residential mortgages loans were sold.

The District received $6.8 million, $7.1 million, and $21.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, in insurance premium refunds from the FCSIC which insures the System's debt obligations. The FCSIC refunds are nonrecurring and resulted from the assets of the FCSIC exceeding the secure base amount, as defined by the Farm Credit Act, at the end of the respective preceding year.

Other noninterest income increased by $4.9 million for the year ended December 31, 2020 compared to the prior year. This increase resulted primarily from an increase of $3.4 million in patronage income received from other Farm Credit institutions due to increased participations sold to them.

Noninterest Expenses

Noninterest expenses for years ended December 31 are shown in the following table:

Noninterest Expenses	**For the Year Ended December 31,**			**Increase (Decrease)**	
				2020/	**2019/**
(dollars in thousands)	**2020**	**2019**	**2018**	**2019**	**2018**
Salaries and employee benefits	$ 338,414	$ 315,177	$ 304,769	$ 23,237	$ 10,408
Occupancy and equipment	27,808	46,792	43,834	(18,984)	2,958
Insurance Fund premiums	26,976	23,891	22,465	3,085	1,426
Other operating expenses	168,332	149,849	138,864	18,483	10,985
Losses (gains) from other property owned	2,257	2,973	1,172	(716)	1,801
Total noninterest expenses	$ 563,787	$ 538,682	$ 511,104	$ 25,105	$ 27,578

Noninterest expenses increased $25.1 million and $27.6 million for the years ended December 31, 2020 and 2019, respectively, compared to the prior years. Significant line item dollar variances are discussed below.

Salaries and employee benefits expenses increased $23.2 million and $10.4 million for the years ended December 31, 2020 and 2019, respectively. The increases for both 2020 and 2019 resulted primarily from increases of $25.0 million and $13.4 million, respectively, in higher salaries and incentives due to normal salary administration and an increase in headcount and in 2020 also due to higher performance-based incentives. The increase in 2019 was partially offset by a decrease in pension expense of $4.1 million primarily due to lower service costs.

Occupancy and equipment expenses decreased $19.0 million and increased $3.0 million, respectively, and other operating expenses increased $18.5 million and $11.0 million, respectively, for the years ended December 31, 2020 and 2019, compared to the prior years. In conjunction with the prospective application of new accounting guidance for internal-use software which was effective January 1, 2020, certain hardware and software depreciation and maintenance expenses totaling $21.6 million were included in other operating expenses in 2020 rather than in occupancy expense as previously reported. The increase in occupancy and equipment expenses in 2019 compared to 2018 resulted primarily from higher maintenance and lease costs. The increase in other operating expenses for 2020 was impacted by an increase of $9.7 million in consultant and professional fees predominantly related to District technology initiatives, partially offset by decreases of $7.3 million in travel and meeting costs, $2.9 million in training costs, and $2.8 million in public and member relations expenses due to the COVID-19 pandemic. The increase in other operating expenses in 2019 was primarily due to $6.4 million higher postretirement benefit plans non-service costs which resulted from lower expected return on plan assets and higher interest costs and an increase of $3.6 million in professional fees.

Insurance Fund premiums increased $3.1 million and $1.4 million for the years ended December 31, 2020 and 2019, respectively, compared to the prior years. The increase in 2020 was primarily due to an increase in the base annual premium rate for the second half of 2020. The base annual premium rate was 8 basis points for the first half of 2020 and 11 basis points for the second half of 2020, and 9 basis points in both 2019 and 2018. The FCSIC Board makes premium rate adjustments, as necessary, to maintain the secure base amount, which is based upon insured debt outstanding at System banks. The increase in Insurance Fund premiums in 2019 was primarily due to higher average debt balances in the 2019 period. The Insurance Fund premium rate was increased to 16 basis points for at least the first half of 2021.

Provision for Income Taxes

Provision for income taxes increased to $1.0 million in 2020 from $596 thousand in 2019.

LOAN PORTFOLIO

The District's aggregate loan portfolio consists primarily of loans made by the Associations to eligible borrowers located within their chartered territories. Diversification of the loan volume by FCA loan type at December 31 is shown in the following table:

Loan Types

(dollars in thousands)	2020		2019		2018	
Real Estate Mortgage	$ 16,849,843	52.38 %	$ 15,524,140	50.54 %	$ 14,832,199	50.12 %
Production and Intermediate-Term	6,758,318	21.01	6,919,544	22.53	7,081,438	23.93
Rural Residential Real Estate	3,480,143	10.82	3,815,624	12.42	3,592,326	12.14
Processing and Marketing	2,209,669	6.87	1,906,654	6.21	1,658,946	5.60
Loans to Cooperatives	750,943	2.33	614,977	2.00	573,169	1.94
Communication	734,958	2.28	609,970	1.99	531,590	1.80
Power and Water/Waste Disposal	606,739	1.89	589,989	1.92	601,693	2.03
Farm-Related Business	380,011	1.18	363,273	1.18	380,606	1.29
International	168,952	0.52	157,553	0.51	122,137	0.41
Loans to Other Financing Institutions (OFIs)	137,098	0.43	142,384	0.46	134,387	0.45
Other (including Mission Related)	83,094	0.26	62,851	0.20	73,090	0.25
Lease Receivables	10,309	0.03	12,032	0.04	10,643	0.04
Total	$ 32,170,077	100.00 %	$ 30,718,991	100.00 %	$ 29,592,224	100.00 %

Total loans outstanding were $32.170 billion at December 31, 2020, an increase of $1.451 billion, or 4.72 percent, compared to total loans outstanding at December 31, 2019. Loans outstanding at the end of 2019 increased $1.127 billion, or 3.81 percent, compared to December 31, 2018.

In 2020, loan growth was primarily in the forestry, processing, utilities, field crops, poultry, grains, and corn segments. Loan growth was primarily in the forestry, rural home loans, field crops, swine, and processing segments in 2019.

Each loan in the District's portfolio is classified according to a Uniform Classification System, which is used by all System institutions. Below are the classification definitions:

- *Acceptable* – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- *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 facts, conditions and values that make collection in full highly questionable.
- *Loss* – Assets are considered uncollectible.

District credit quality remained relatively stable for the years presented. Credit quality of District loans including accrued interest at December 31 is shown in the following table:

Credit Quality	2020	2019	2018
Acceptable	95.29 %	94.79 %	95.32 %
OAEM	2.67 %	3.11 %	2.63 %
Substandard/doubtful/loss	2.04 %	2.10 %	2.05 %
Total	100.00 %	100.00 %	100.00 %

Delinquencies (loans 90 days or more past due) were 0.36 percent of total loan assets at year-end 2020 compared to 0.41 percent and 0.37 percent at year-end 2019 and 2018, respectively.

At December 31, 2020, nonperforming assets for the District represented 1.17 percent of total loans and other property owned, or $375.4 million, compared to 1.36 percent, or $416.5 million, for 2019, and 1.40 percent, or $413.2 million, for 2018. Nonperforming assets consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due, and other property owned.

The District recognized net loan recoveries of $5.5 million, net loan charge-offs of $10.7 million, and net loan charge-offs of $6.6 million in 2020, 2019, and 2018, respectively. As a percentage of total average loans, net loan recoveries for the District were 0.02 percent for 2020 compared to net charge-offs of 0.04 percent and 0.02 percent for 2019 and 2018, respectively. The Bank as well as each Association maintains an allowance for loan losses, determined by its management based upon its unique situation.

The District employs a number of risk management techniques to limit credit exposures. The District has adopted underwriting standards, individual borrower exposure limits, commodity exposure limits, and other risk management techniques. AgFirst and the Associations actively purchase and sell loan participations to enhance the diversification of their portfolios. The District utilizes guarantees from U.S. government agencies/departments, including the Federal Agricultural Mortgage Corporation (Farmer Mac), the Farm Service Agency, and the Small Business Administration, as well as state government guarantees to further limit credit exposures. At December 31, 2020, the District collectively had $2.869 billion (8.92 percent of the total loan portfolio) under such government or GSE guarantees, compared to $2.877 billion (9.37 percent) and $3.042 billion (10.28 percent) at December 31, 2019 and 2018, respectively.

As mentioned above, the Associations serve primarily all or a portion of fifteen states and Puerto Rico. Additionally, AgFirst and the Associations actively purchase and sell loans and loan participations with non-District institutions. The resulting geographic diversity is a natural credit risk-reducing factor. The geographic distribution of the District's loan volume outstanding by state at December 31 is shown in the following table:

	District Loan Volume by State		
State	**2020**	**2019**	**2018**
North Carolina	16 %	17 %	17 %
Georgia	11	12	11
Virginia	9	9	10
Pennsylvania	8	8	8
Florida	8	8	8
Ohio	7	7	7
South Carolina	6	6	6
Maryland	6	6	6
Alabama	4	4	4
Kentucky	3	3	3
Mississippi	2	2	2
Louisiana	2	2	2
Texas	2	2	2
Delaware	2	2	2
Other	14	12	12
Total	100 %	100 %	100 %

At December 31, 2020, only two states have loan volume representing 10.00 percent or more of the total. Commodity diversification, guarantees, and borrowers with significant reliance on non-farm income further mitigate the geographic concentration risk in these states.

The District's credit portfolios are comprised of a number of segments having varying, and in some cases complementary, characteristics which helps mitigate credit risk. Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government. This system is used to assign commodity or industry categories based on the largest agricultural commodity of the customer. The aggregate credit portfolio of the District by major commodity segments based on borrower eligibility at December 31 is shown in the following table:

	Percent of Portfolio		
Commodity Group	**2020**	**2019**	**2018**
Forestry	14 %	14 %	13 %
Rural Home	11	12	12
Poultry	11	11	11
Field Crops	10	10	10
Cattle	7	7	7
Grains	6	6	7
Processing	5	4	4
Other Real Estate	4	4	5
Corn	4	4	4
Dairy	4	5	5
Utilities	4	3	3
Tree Fruits and Nuts	3	3	3
Swine	3	3	3
Nursery/Greenhouse	3	3	3
Cotton	2	3	3
Other	9	8	7
Total	100 %	100 %	100 %

As illustrated in the above chart, at December 31, 2020, 2019, and 2018, the District had concentrations of 10.00 percent or greater in only four commodities: forestry, rural home, poultry, and field crops. All four commodities have geographic dispersion over the entire AgFirst footprint.

Forestry is divided principally into hardwood and softwood production and value-added processing. The timber from hardwood production is further processed into furniture, flooring, and high-grade paper and is generally located at the more northern latitudes and higher elevations of the District. Softwood timber production is typically located in the coastal plains of the AgFirst District footprint and is used for building materials for the housing market and pulp to make paper and hygiene products. Timber producers at the Associations range in size from less than fifty acres to thousands of acres, with value-added processing being conducted at sawmills, planer mills, and paper mills.

The District's rural home loans consist primarily of first lien residential mortgages purchased by the Bank's Correspondent Lending Unit. At December 31, 2020, 30.61 percent of the loans in this portfolio include a long-term standby commitment to purchase (LTSP) from Federal National Mortgage Association (Fannie Mae) and/or Farmer Mac, thereby limiting credit risk to AgFirst. The LTSPs give AgFirst the right to deliver delinquent loans to the guarantor at par. The remaining loans are included in the Bank's allowance for loan losses methodology related to this portfolio.

Poultry concentrations within the District are dispersed among a large number of farm units producing poultry. Poultry concentration is further dispersed as production is segregated among chicken, turkey, and egg production.

The field crops commodity group represents a diverse group of commodities, including fruits, vegetables, and other non-grain crops, which are grown throughout the AgFirst District.

The diversity of income sources supporting District loan repayments, including a prevalence of non-farm income among the borrowers, further mitigates credit risk to AgFirst as demonstrated by the following table as of December 31:

	Percent of Portfolio		
Commodity Group	**2020**	**2019**	**2018**
Non-Farm Income	35 %	35 %	35 %
Grains	12	12	12
Poultry	10	10	10
Timber	7	7	7
Fruit and Vegetables	5	5	5
Dairy	4	4	4
Rural Utilities	4	3	3
Beef	3	3	4
Farm Related Business	3	3	3
Swine	3	3	3
Cotton	2	3	3
Nursery	2	2	2
Landlords	2	2	2
Tobacco	2	2	2
Other	6	6	5
Total	100 %	100 %	100 %

As a result of stable credit quality and the District's efforts to resolve problem assets, the District's high-risk assets continue to be a small percentage of the total loan volume and total assets. Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31,		
(dollars in thousands)	**2020**	**2019**	**2018**
Nonaccrual loans:			
Real estate mortgage	$ 114,349	$ 124,033	$ 115,131
Production and intermediate-term	92,212	108,890	113,667
Loans to cooperatives	–	6,352	7,492
Processing and marketing	3,374	3,035	3,395
Farm-related business	2,008	1,058	1,492
Rural residential real estate	18,897	20,150	19,691
Lease receivables	126	263	312
Total	$ 230,966	$ 263,781	$ 261,180
Accruing restructured loans:			
Real estate mortgage	$ 80,068	$ 72,970	$ 63,898
Production and intermediate-term	33,681	50,604	51,237
Processing and marketing	10,228	468	560
Farm-related business	512	345	389
Rural residential real estate	4,165	4,028	3,740
Lease receivables	24	47	–
Other (including Mission Related)	3,830	3,956	8,582
Total	$ 132,508	$ 132,418	$ 128,406
Accruing loans 90 days or more past due:			
Real estate mortgage	$ 596	$ 251	$ 104
Production and intermediate-term	20	257	603
Farm-related business	–	70	–
Rural residential real estate	535	–	145
Lease receivables	–	–	188
Total	$ 1,151	$ 578	$ 1,040
Total nonperforming loans	$ 364,625	$ 396,777	$ 390,626
Other property owned	10,751	19,749	22,538
Total nonperforming assets	$ 375,376	$ 416,526	$ 413,164
Nonaccrual loans as a percentage of total loans	0.72 %	0.86 %	0.88 %
Nonperforming assets as a percentage of total loans and other property owned	1.17 %	1.36 %	1.40 %
Nonperforming assets as a percentage of capital	5.28 %	6.24 %	6.38 %

The recorded investment in a 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 investment. The following tables provide an aging analysis of the recorded investment in past due loans as of:

	December 31, 2020				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 55,907	$ 55,206	$ 111,113	$ 16,867,836	$ 16,978,949
Production and intermediate-term	27,779	44,927	72,706	6,746,670	6,819,376
Loans to cooperatives	—	—	—	751,810	751,810
Processing and marketing	975	2,981	3,956	2,211,971	2,215,927
Farm-related business	2,901	1,070	3,971	377,986	381,957
Communication	—	—	—	735,084	735,084
Power and water/waste disposal	—	—	—	608,380	608,380
Rural residential real estate	52,724	11,580	64,304	3,425,490	3,489,794
International	—	—	—	169,551	169,551
Lease receivables	303	—	303	10,060	10,363
Loans to OFIs	—	—	—	137,379	137,379
Other (including Mission Related)	4,411	—	4,411	79,283	83,694
Total	$ 145,000	$ 115,764	$ 260,764	$ 32,121,500	$ 32,382,264

	December 31, 2019				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 73,100	$ 52,907	$ 126,007	$ 15,536,667	$ 15,662,674
Production and intermediate-term	41,973	60,918	102,891	6,894,527	6,997,418
Loans to cooperatives	—	—	—	616,106	616,106
Processing and marketing	457	2,984	3,441	1,910,278	1,913,719
Farm-related business	4,158	547	4,705	360,825	365,530
Communication	—	—	—	610,278	610,278
Power and water/waste disposal	—	—	—	592,303	592,303
Rural residential real estate	48,571	8,246	56,817	3,768,441	3,825,258
International	—	—	—	158,384	158,384
Lease receivables	—	—	—	12,075	12,075
Loans to OFIs	—	—	—	142,754	142,754
Other (including Mission Related)	293	—	293	63,055	63,348
Total	$ 168,552	$ 125,602	$ 294,154	$ 30,665,693	$ 30,959,847

(dollars in thousands)	December 31, 2018 30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 72,251	$ 47,109	$ 119,360	$ 14,851,257	$ 14,970,617
Production and intermediate-term	42,690	50,526	93,216	7,070,380	7,163,596
Loans to cooperatives	68	—	68	574,160	574,228
Processing and marketing	285	3,338	3,623	1,661,911	1,665,534
Farm-related business	2,462	961	3,423	379,386	382,809
Communication	—	—	—	531,726	531,726
Power and water/waste disposal	—	—	—	603,938	603,938
Rural residential real estate	44,708	9,040	53,748	3,547,720	3,601,468
International	—	—	—	122,936	122,936
Lease receivables	213	188	401	10,279	10,680
Loans to OFIs	—	—	—	134,721	134,721
Other (including Mission Related)	—	339	339	73,491	73,830
Total	$ 162,677	$ 111,501	$ 274,178	$ 29,561,905	$ 29,836,083

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the combined District at December 31, 2020 were $231.0 million compared to $263.8 million at December 31, 2019. Nonaccrual loans decreased $32.8 million during the year ended December 31, 2020 due primarily to repayments of $131.2 million, reinstatements to accrual status of $20.9 million, charge-offs of uncollectible balances of $10.4 million, and transfers to other property owned of $7.4 million. Offsetting these decreases were loan balances transferred to nonaccrual status of $108.9 million, advances on nonaccrual loans of $17.2 million and recoveries of charge-offs of $16.0 million. At December 31, 2020, total nonaccrual loans were primarily in the field crops (18.83 percent of the total), poultry (10.24 percent), tree fruits and nuts (8.37 percent), rural home loan (8.27 percent), swine (7.89 percent), cattle (7.61 percent), grains (6.97 percent), forestry (5.50 percent), and corn (5.21 percent) segments. Nonaccrual loans were 0.72 percent of total loans outstanding at December 31, 2020 compared to 0.86 percent and 0.88 percent at December 31, 2019 and 2018, respectively.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank and District Associations would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank and District Associations. TDRs totaled $193.9 million at December 31, 2020, compared to $202.0 million at December 31, 2019. At December 31, 2020, TDRs were comprised of $132.5 million of accruing restructured loans and $61.4 million of nonaccrual restructured loans. Restructured loans were primarily in the poultry (14.71 percent of the total), field crops (14.22 percent), forestry (10.58 percent), tree fruits and nuts (7.86 percent), cattle (7.82 percent), dairy (6.58 percent), nursery/greenhouse (5.63 percent), grains (5.50 percent), and other real estate (5.20 percent) segments.

In March 2020, the CARES Act, which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act grants entities temporary relief from the accounting and disclosure requirements for TDRs and if certain criteria are met these loan modifications may not need to be classified as TDRs. In response to the CARES Act, the FCA issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. The Bank adopted this relief for qualifying loan modifications. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

At December 31, 2020, the outstanding balance of District loans modified under COVID-related programs was $860.5 million, or 2.66 percent of combined District loans.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank and District Associations (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. OPO decreased $9.0 million during 2020 to $10.8 million at December 31, 2020 due to sales of $15.1 million and writedowns of $1.6 million, partially offset by property received in settlement of loans of $7.8 million. At December 31, 2020, the largest OPO holding was in the grains segment and totaled $1.8 million (16.64 percent of the total OPO balance).

Allowance for Loan Losses

Each District institution maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within its respective loan and finance lease portfolios as of each reported balance sheet date. The District increases the allowance by recording a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan or lease is uncollectible. Any subsequent recoveries are added to the allowance. Management’s evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. Although aggregated in the District's combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities.

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other Loans**	Total
Activity related to allowance for credit losses:										
Balance at December 31. 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Charge-offs	(1,061)	(8,160)	(893)	—	(150)	(217)	—	(7)	—	(10,488)
Recoveries	1,197	14,523	125	—	—	177	—	4	—	16,026
Provision for loan losses	12,159	(12,865)	3,314	30	(1,208)	2,287	—	(55)	(16)	3,646
Loan type reclassification	55	(55)	—	—	—	—	—	—	—	—
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Charge-offs	(4,874)	(10,523)	(2,492)	—	(1)	(217)	—	—	—	(18,107)
Recoveries	1,408	5,241	197	—	1	583	—	—	—	7,430
Provision for loan losses	5,618	6,178	(627)	(299)	1,454	(105)	(43)	(45)	(34)	12,097
Loan type reclassification	244	—	—	—	—	—	—	—	(244)	—
Balance at December 31, 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Balance at December 31, 2017	$ 82,686	$ 86,037	$ 10,977	$ 2,237	$ 2,935	$ 7,262	$ 151	$ 54	$ 728	$ 193,067
Charge-offs	(1,689)	(11,254)	(906)	—	(304)	(371)	—	(16)	—	(14,540)
Recoveries	1,933	5,519	171	—	2	278	—	—	—	7,903
Provision for loan losses	3,046	10,356	9,145	410	(1,424)	886	353	331	124	23,227
Loan type reclassification	102	3	—	—	—	—	—	64	(169)	—
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Allowance on loans evaluated for impairment:										
Individually	$ 6,318	$ 12,769	$ 128	$ —	$ —	$ 568	$ —	$ 57	$ 92	$ 19,932
Collectively	94,506	72,231	18,883	2,378	1,305	9,995	461	273	297	200,329
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Individually	$ 4,846	$ 17,087	$ 1,069	$ —	$ —	$ 574	$ —	$ 83	$ 92	$ 23,751
Collectively	83,628	74,470	15,396	2,348	2,663	7,742	461	305	313	187,326
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Individually	$ 6,348	$ 20,838	$ 3,983	$ —	$ —	$ 1,057	$ —	$ 108	$ 377	$ 32,711
Collectively	79,730	69,823	15,404	2,647	1,209	6,998	504	325	306	176,946
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Recorded investment in loans evaluated for impairment:										
Individually	$ 316,166	$ 122,213	$ 15,755	$ —	$ —	$ 810,686	$ —	$ 243	$ 3,829	$ 1,268,892
Collectively	16,662,215	6,697,163	3,333,939	735,084	608,380	2,679,108	169,551	10,120	217,244	31,112,804
PCI***	568	—	—	—	—	—	—	—	—	568
Balance at December 31, 2020	$ 16,978,949	$ 6,819,376	$ 3,349,694	$ 735,084	$ 608,380	$ 3,489,794	$ 169,551	$ 10,363	$ 221,073	$ 32,382,264
Individually	$ 338,417	$ 157,023	$ 10,903	$ —	$ —	$ 1,034,596	$ —	$ 310	$ 3,956	$ 1,545,205
Collectively	15,323,616	6,840,395	2,884,452	610,278	592,303	2,790,627	158,384	11,765	202,146	29,413,966
PCI***	641	—	—	—	—	35	—	—	—	676
Balance at December 31, 2019	$ 15,662,674	$ 6,997,418	$ 2,895,355	$ 610,278	$ 592,303	$ 3,825,258	$ 158,384	$ 12,075	$ 206,102	$ 30,959,847
Individually	$ 330,684	$ 164,389	$ 10,420	$ —	$ —	$ 1,280,829	$ —	$ 567	$ 8,503	$ 1,795,392
Collectively	14,637,896	6,999,207	2,612,151	531,726	603,938	2,320,592	122,936	10,113	200,048	28,038,607
PCI***	2,037	—	—	—	—	47	—	—	—	2,084
Balance at December 31, 2018	$ 14,970,617	$ 7,163,596	$ 2,622,571	$ 531,726	$ 603,938	$ 3,601,468	$ 122,936	$ 10,680	$ 208,551	$ 29,836,083

** Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*
*** Includes the loan types: Mission Related Loans and Loans to OFIs.*
**** Purchased credit impaired loans.*

The allowance for loan losses was $220.3 million at December 31, 2020, as compared with $211.1 million and $209.7 million at December 31, 2019 and 2018, respectively. Activity which increased the allowance during 2020 included loan recoveries of $16.0 million and provision expense of $3.6 million, partially offset by charge-offs of $10.5 million. Recoveries during 2020 were related primarily to borrowers in the nursery/greenhouse (79.01 percent of the total) segment. The largest commodity segments included in charge-offs during 2020 were the field crops (24.87 percent of the total), forestry (16.45 percent), cattle (12.62 percent), grains (12.21 percent), and poultry (10.14 percent) segments. See *Provision for Loan Losses* section above for details regarding changes to the allowance from provision expense (reversal). The allowance at December 31, 2020 included specific reserves of $19.9 million (9.05 percent of the total) and $200.3 million (90.95 percent) of general reserves. The largest commodity segments included in the allowance at December 31, 2020 were the poultry (17.29 percent of the total), field crops (11.49 percent), forestry (10.29 percent), cattle (7.85 percent), and grains (6.90 percent) segments. The allowance for loan losses was 0.68 percent, 0.69 percent, and 0.71 percent of total loans outstanding at December 31, 2020, 2019, and 2018, respectively.

As a result of government support programs referenced in the *Impacts of the COVID-19 Global Pandemic* section above combined with management's emphasis on underwriting standards, the credit quality of the District loan portfolio has remained sound. Periods of uncertainty in the general economic environment create the potential for deterioration in the loan portfolio's credit quality.

INVESTMENTS

The Bank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Along with normal cash flows associated with lending operations, the District has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation, and cash and investments. The Bank also maintains several repurchase agreement facilities. In addition, the System has established a line of credit in the event contingency funding is needed to meet obligations of System banks.

The Bank's investments are primarily classified as available-for-sale investments. At December 31, 2020, the Bank had not recorded any impairments or experienced any changes in fair value leveling disclosures as a result of the COVID-19 market disruptions. Refer to the Bank's 2020 Annual Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. During the years ended December 31, 2020 and 2019, one District Association recorded impairment losses of $102 thousand and $83 thousand, respectively, on one investment security. The following tables summarize the District's investments:

	December 31, 2020			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 8,324,899	$ 199,536	$ (3,850)	$ 8,520,585
District Association investments	35,549	5,224	(186)	40,587
Total District investments	$ 8,360,448	$ 204,760	$ (4,036)	$ 8,561,172

	December 31, 2019			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 7,880,510	$ 83,235	$ (27,334)	$ 7,936,411
District Association investments	43,292	3,221	(201)	46,312
Total District investments	$ 7,923,802	$ 86,456	$ (27,535)	$ 7,982,723

	December 31, 2018			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 8,030,676	$ 49,432	$ (96,018)	$ 7,984,090
District Association investments	48,267	2,312	(453)	50,126
Total District investments	$ 8,078,943	$ 51,744	$ (96,471)	$ 8,034,216

CAPITAL

Capital serves to support future asset growth, investment in new products and services, and to provide protection against credit, interest rate, and other risks, as well as operating losses. A sound capital position is critical to provide protection to investors in Systemwide Debt Securities and to ensure long-term financial success.

Total District shareholders' equity at December 31, 2020 was $7.108 billion, compared to $6.673 billion and $6.474 billion at December 31, 2019 and 2018, respectively. The $434.6 million increase in 2020 resulted primarily from an increase in retained earnings from net income of $729.3 million, an increase in net unrealized gains on investments of $138.2 million due to a decrease in interest rates which increased the fair value of the Bank's existing available-for-sale fixed-rate investment securities, and an increase in employee benefit plans adjustments (i.e. actuarial adjustments and plan asset value changes) of $11.1 million. These increases in shareholders' equity were offset by decreases from patronage distributions declared of $379.2 million and retained earnings retired of $77.4 million. The $199.4 million increase in 2019 resulted primarily from an increase in retained earnings from net income of $552.8 million and a decrease in net unrealized losses on investments of $101.7 million. These increases in shareholders' equity were offset by decreases from patronage distributions declared of $322.3 million, retained earnings retired of $87.9 million, and employee benefit plans adjustments of $44.5 million.

The following table summarizes accumulated other comprehensive income (AOCI) balances at period end:

	December 31,		
(dollars in thousands)	**2020**	**2019**	**2018**
Accumulated Other Comprehensive Income (Loss)			
Unrealized gain (loss) on investment securities	$ 190,792	$ 52,606	$ (49,129)
Derivatives and hedging activity	287	533	886
Employee benefit plans activity	(356,429)	(367,486)	(322,942)
Total accumulated other comprehensive income (loss)	$ (165,350)	$ (314,347)	$ (371,185)

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. The Bank and all Associations exceeded regulatory capital requirements, as demonstrated in the following table. These ratios are calculated using a three-month average daily balance.

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	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.50 %	7.00 %	18.99 %	14.49 % - 36.44 %
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.00 %	8.50 %	19.36 %	14.49 % - 36.44 %
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.00 %	10.50 %	19.51 %	16.16 % - 37.64 %
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00 %	7.00 %	19.39 %	15.47 % - 36.85 %
Non-risk adjusted:					
Tier 1 leverage ratio*	Tier 1 capital	4.00 %	5.00 %	7.09 %	13.90 % - 34.45 %
UREE and UREE leverage ratio	URE and URE equivalents	1.50 %	1.50 %	6.18 %	9.24 % - 35.02 %

[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
** At least 1.50% must be URE and URE equivalents*

EMPLOYEE BENEFIT PLANS

The Bank and fifteen District Associations participate in the multiemployer AgFirst Farm Credit Retirement Plan, which is a qualified defined benefit final average pay plan (FAP Plan). Three District Associations participate in the multiemployer Independent Associations' Retirement Plan (IAR Plan), which is also a qualified defined benefit final average pay plan. In addition to the multiemployer defined benefit plans above, one Association also sponsors a single employer qualified defined benefit plan, the First South Farm Credit, ACA Retirement Plan (FS Plan).In addition, the Bank and 18 District Associations participate in a multiemployer qualified defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plan, and the Bank and all 19 District Associations participate in the Farm Credit Benefits Alliance (FCBA) 401(k) Plan (401(k) Plan), a multiemployer qualified defined contribution 401(k) plan.

The FAP Plan covers eligible employees hired prior to January 1, 2003. The IAR Plan covers eligible employees whose employment date is prior to January 1, 2009. The FS Plan covers eligible employees whose employment date is prior to January 1, 2009. Each plan is noncontributory. The "Projected Unit Credit" actuarial method is used for financial reporting purposes. Pension benefits are primarily based on eligible compensation and years of service. The District entities funded $40.3 million, $35.7 million, and $48.5 million into these retirement plans for each of the three years ended December 31, 2020, 2019, and 2018, respectively. The expenses of these retirement plans included in noninterest expenses were $37.7 million, $37.0 million, and $34.5 million for 2020, 2019, and 2018, respectively. The plans' respective prepaid retirement expenses or liabilities are reflected in Other Assets or Other Liabilities in the District's Combined Balance Sheets.

In addition to providing pension benefits, the District provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the District employees may become eligible for the benefits if they reach early retirement age while working for the Bank or District Associations. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. In addition, substantially all District employees who retired on or before December 1, 2007, after reaching early retirement age are provided retiree life insurance benefits. The OPEB Plan includes certain other Farm Credit System employees that are not employees of the Bank or District Associations and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the District's Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in salaries and employee benefit costs on the District's Statements of Comprehensive Income were $7.7 million for 2020, $8.0 million for 2019, and $7.7 million for 2018. At December 31, 2020, 2019, and 2018, the total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $220.0 million, $209.5 million, and $181.8 million, respectively.

The District also participates in the defined contribution 401(k) Plan which qualifies as a 401(k) plan as defined by the Internal Revenue Code. The District contributes $0.50 or $1.00 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 or 6.00 percent of total compensation, dependent upon each District entity's policy. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees who are not covered under the FAP Plan, the IAR Plan, or the FS Plan. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $17.5 million, $15.8 million, and $14.4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

In addition to the multiemployer plans above, AgFirst and certain District Associations individually sponsor defined benefit and defined contribution retirement plans and offer a FCBA supplemental 401(k) plan for certain key employees. These plans are nonqualified; therefore, the associated liabilities are included in the District's Combined Balance Sheets in Other Liabilities. The District entities contributed $1.2 million for each of the years ended December 31, 2020, 2019, and 2018 into these supplemental retirement plans. The supplemental retirement plans are unfunded and had a projected benefit obligation of $32.1 million and a net under-funded status of $32.1 million at December 31, 2020. The expenses of these nonqualified plans included in the District's noninterest expenses were $3.2 million, $2.7 million, and $2.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The funding status and the amounts recognized in the Combined Balance Sheet of the District for postretirement benefit plans follows:

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2020				
Projected benefit obligations	$ 1,103,348	$ 97,212	$ 134,385	$ 32,056
Fair value of plan assets	988,899	84,634	102,957	—
Funded (unfunded) status	(114,449)	(12,578)	(31,428)	(32,056)
Accumulated benefit obligation	$ 1,030,647	$ 83,770	$ 122,795	$ 27,260
Assumptions used to determine benefit obligations:				
Discount rate	2.65 %	2.85 %	2.65 %	2.60 %
Expected long-term rate of return	4.65 %	4.30 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2019				
Projected benefit obligations	$ 1,039,901	$ 89,310	$ 122,125	$ 29,231
Fair value of plan assets	910,376	74,707	93,276	—
Funded (unfunded) status	(129,525)	(14,603)	(28,849)	(29,231)
Accumulated benefit obligation	$ 971,256	$ 76,287	$ 111,418	$ 24,258
Assumptions used to determine benefit obligations:				
Discount rate	3.30 %	3.40 %	4.40 %	3.30 %
Expected long-term rate of return	5.05 %	4.75 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2018				
Projected benefit obligations	$ 903,317	$ 74,494	$ 103,636	$ 25,231
Fair value of plan assets	809,023	65,868	76,558	—
Funded (unfunded) status	(94,294)	(8,626)	(27,078)	(25,231)
Accumulated benefit obligation	$ 840,500	$ 64,241	$ 94,493	$ 20,791
Assumptions used to determine benefit obligations:				
Discount rate	4.45 %	4.55 %	3.75 %	4.40 %
Expected long-term rate of return	5.80 %	5.50 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

**Not applicable*

REGULATORY MATTERS

On October 8, 2020, the Farm Credit Administration adopted a final rule to improve shareholder access to district financial information by providing an additional method of presenting financial information on a bank's related associations to those banks preparing annual financial statements on a stand-alone basis. The final rule became effective on December 4, 2020.

On September 28, 2020, the Farm Credit Administration adopted a final rule governing the amortization limits for associations. This rule repeals regulatory provisions that impose amortization limits on certain loans and requires associations

to address loan amortization in their credit underwriting standards and internal controls. The final rule became effective on November 19, 2020.

On August 25, 2020, the Farm Credit Administration adopted a final rule that amends the criteria to reinstate nonaccrual loans. This rule clarifies the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule also revises the criteria by which loans are reinstated to accrual status, and revises the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status. The final rule became effective on October 21, 2020.

On August 13, 2020, the Farm Credit Administration adopted a final rule that amends its investment regulations to allow associations to purchase and hold the portion of certain loans that non-System lenders originate and sell in the secondary market, and that the USDA unconditionally guarantees or insures as to the timely payment of principal and interest. The final rule became effective on December 4, 2020.

On September 23, 2019, the Farm Credit Administration issued a proposed rule that would ensure the System's capital requirements, including certain regulatory disclosures, reflect the current expected credit losses methodology, which revises the accounting for credit losses under U.S. generally accepted accounting principles. The proposed rule identifies which credit loss allowances under the Current Expected Credit Losses (CECL) methodology in the Financial Accounting Standards Board's "Measurement of Credit Losses on Financial Instruments" are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ended on November 22, 2019.

OTHER MATTERS

Direct Notes

See the *Direct Notes* section of *Management's Discussion & Analysis of Financial Condition & Results of Operations* in the 2020 AgFirst Farm Credit Bank Annual Report for a discussion of the Bank's funding to District Associations.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, 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.

The District has exposure to LIBOR, including in financial instruments that reference LIBOR that mature after 2021. The exposure arises from loans made to customers, investment securities purchased, Systemwide Debt Securities that are issued by the Funding Corporation on the Bank's behalf, and issued preferred stock. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held. The LIBOR transition could result in paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, loans and investments held that reference LIBOR, and increase the costs of or affect the ability to effectively use derivative instruments to manage interest rate risk. In addition, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments.

The FCA has issued guidelines for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure over time. The FCA identified the following as important considerations in the development of each entity's transition plan:

- a governance structure to manage the transition;
- an assessment of exposures to LIBOR;
- an assessment of the fallback provisions in contracts and the impact of a LIBOR phase-out under those provisions;
- the establishment of strategies for reducing each type of LIBOR exposure;
- an assessment of the operational processes that need to be changed;
- a communication strategy for customers and shareholders;
- the establishment of a process to stay abreast of industry developments and best practices;
- the establishment of a process to ensure a coordinated approach, to the extent possible, across the District; and
- a timeframe and action steps for completing key objectives.

On November 30, 2020, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced that it will consult on its intention to cease the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the U.S. prudential regulators (the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, National Credit Union Administration, and the Conference of the State Bank Supervisors) issued a statement encouraging banks to stop new USD LIBOR issuances by the end of 2021.

On December 18, 2020, the Farm Credit Administration issued a response and guidance noting their agreement with the statement from the U.S. prudential regulators and emphasizing that the IBA proposal is not in any way intended to slow down the transition. The guidance noted that System institutions should adopt 2021 transition plans with steps and timeframes to accomplish the following:

- reduce LIBOR exposure;
- stop the inflow of new LIBOR volume;
- develop and implement loan products with alternative reference rates;
- assess and, if necessary, revise fallback language on legacy LIBOR indexed loans and contracts;
- adjust operational processes, including accounting and management information systems to handle alternative reference rates; and,
- communicate pending or imminent changes to customers, as appropriate.

The Bank and Associations have established and are in the process of implementing LIBOR transition plans and continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

At this time, it is not known when LIBOR will cease to be available or will become unrepresentative, or if the Secured Financing Overnight Rate (SOFR) will become the only benchmark to replace LIBOR. Because the Bank and Associations engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on financial results, borrowers, investors, and counterparties.

The following is a summary of District variable-rate financial instruments with LIBOR exposure at December 31, 2020:

(dollars in millions)	Due in 2021	Due in 2022 and Thereafter	Total
Investments	$ 24	$ 1,617	$ 1,641
Loans	891	4,466	5,357
Total	$ 915	$ 6,083	$ 6,998
Systemwide debt securities	$ 1,345	$ 310	$ 1,655
Preferred stock	—	49	49
Total	$ 1,345	$ 359	$ 1,704

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after December 31, 2021 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. At December 31, 2020, 91.27 percent of investments and 75.63 percent of loans maturing after December 31, 2021 contain fallback language.

In October, 2020, the Funding Corporation finalized a voluntary debt exchange with investors holding Farm Credit Systemwide LIBOR-indexed debt securities maturing after December 31, 2021. The debt was replaced with identical debt having enhanced LIBOR fallback language. Of the total par amount ($310.0 million) of AgFirst's LIBOR-indexed debt maturing after December 31, 2021, the Bank was able to exchange debt with a par value of $237.0 million, or 76.45 percent of the total. As this was a par for par exchange, the repurchase and sale of which are both completed at the same price, the cash flows were unchanged and no gain or loss was realized on the transaction.

The Bank's preferred stock may be redeemed on any five-year anniversary of its issuance. The next redemption date for the preferred stock is June, 2022.

Balance Sheets

(unaudited)

(dollars in thousands)	As of December 31, 2020	2019	2018
Assets			
Cash	**$ 698,542**	$ 488,366	$ 471,436
Cash equivalents	**520,000**	650,000	100,000
Investments in debt securities:			
Available-for-sale (amortized cost of $8,294,821, $7,843,244, and $7,988,624, respectively)	**8,485,350**	7,895,569	7,939,196
Held-to-maturity (fair value of $75,822, $87,154, and $95,020, respectively)	**65,627**	80,558	90,319
Total investments in debt securities	**8,550,977**	7,976,127	8,029,515
Loans	**32,170,077**	30,718,991	29,592,224
Allowance for loan losses	**(220,261)**	(211,077)	(209,657)
Net loans	**31,949,816**	30,507,914	29,382,567
Loans held for sale	**19,063**	8,291	4,175
Accrued interest receivable	**233,375**	261,595	261,660
Accounts receivable	**119,391**	100,307	47,846
Equity investments in other Farm Credit institutions	**52,717**	47,763	44,089
Other investments	**1,794**	1,039	—
Premises and equipment, net	**224,578**	213,206	208,196
Other property owned	**10,751**	19,749	22,538
Other assets	**66,458**	57,339	53,710
Total assets	**$ 42,447,462**	$ 40,331,696	$ 38,625,732
Liabilities			
Systemwide bonds payable	**$ 25,693,876**	$ 27,291,279	$ 25,807,367
Systemwide and other notes payable	**8,803,180**	5,525,414	5,619,167
Accrued interest payable	**27,891**	106,793	112,345
Accounts payable	**430,504**	365,529	321,166
Advanced conditional payments	**10,601**	5,981	4,360
Other liabilities	**373,890**	363,749	287,775
Total liabilities	**35,339,942**	33,658,745	32,152,180
Shareholders' Equity			
Perpetual preferred stock	**49,250**	49,250	49,250
Protected borrower equity	**446**	501	502
Capital stock and participation certificates	**178,388**	165,997	158,734
Additional paid-in-capital	**82,573**	82,573	82,573
Retained earnings			
Allocated	**2,264,776**	2,195,441	2,154,332
Unallocated	**4,697,437**	4,493,536	4,399,346
Accumulated other comprehensive income (loss)	**(165,350)**	(314,347)	(371,185)
Total shareholders' equity	**7,107,520**	6,672,951	6,473,552
Total liabilities and equity	**$ 42,447,462**	$ 40,331,696	$ 38,625,732

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the year ended December 31, 2020	2019	2018
Interest Income			
Investments	**$ 160,823**	$ 221,309	$ 199,533
Loans	**1,446,870**	1,571,525	1,462,622
Other	**2,041**	5,060	1,093
Total interest income	**1,609,734**	1,797,894	1,663,248
Interest Expense	**359,100**	743,232	628,151
Net interest income	**1,250,634**	1,054,662	1,035,097
Provision for loan losses	**3,646**	12,097	23,227
Net interest income after provision for loan losses	**1,246,988**	1,042,565	1,011,870
Noninterest Income			
Loan fees	**41,402**	32,551	31,477
Fees for financially related services	**14,500**	11,819	11,461
Lease income	**3,743**	4,776	3,412
Net impairment losses on investments	**(102)**	(83)	—
Gains (losses) on investments, net	**7,215**	—	13
Gains (losses) on debt extinguishment	**(65,475)**	(30,034)	150
Gains (losses) on other transactions	**20,651**	9,942	5,422
Insurance premium refund	**6,813**	7,051	21,086
Other noninterest income	**18,370**	13,456	13,278
Total noninterest income	**47,117**	49,478	86,299
Noninterest Expenses			
Salaries and employee benefits	**338,414**	315,177	304,769
Occupancy and equipment	**27,808**	46,792	43,834
Insurance Fund premiums	**26,976**	23,891	22,465
Other operating expenses	**168,332**	149,849	138,864
Losses (gains) from other property owned	**2,257**	2,973	1,172
Total noninterest expenses	**563,787**	538,682	511,104
Income before income taxes	**730,318**	553,361	587,065
Provision for income taxes	**1,033**	596	593
Net income	**$ 729,285**	$ 552,765	$ 586,472
Other comprehensive income net of tax:			
Unrealized gains (losses) on investments:			
Other-than-temporarily impaired	**—**	—	95
Not other-than-temporarily impaired	**138,186**	101,735	(29,589)
Change in value of cash flow hedges	**(246)**	(353)	868
Employee benefit plans adjustments	**11,057**	(44,544)	39,493
Other comprehensive income	**148,997**	56,838	10,867
Comprehensive income	**$ 878,282**	$ 609,603	$ 597,339

DISTRICT ASSOCIATIONS

As of December 31, 2020

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
AgCarolina	$ 915,503	4.80 %	$ 1,238,988	$ 294,912	21.52 %	2.30 %	2.73 %
AgChoice	1,920,964	10.06	2,426,342	461,117	17.71	0.41	3.02
AgCredit	1,859,377	9.74	2,298,642	400,928	20.75	0.49	3.62
AgGeorgia	729,253	3.82	1,008,036	262,452	24.48	3.61	2.89
AgSouth	1,538,795	8.06	2,007,831	453,858	21.81	1.06	3.47
ArborOne	451,350	2.36	562,243	106,047	18.75	3.81	2.34
Cape Fear	801,307	4.20	1,056,670	231,337	21.38	1.41	3.16
Carolina	1,364,742	7.15	1,757,184	352,531	20.29	0.83	2.97
Central Florida	548,714	2.87	689,325	121,976	18.40	1.29	2.59
Central Kentucky	506,250	2.65	621,029	110,774	18.11	0.83	2.69
Colonial	529,440	2.77	745,236	193,346	25.47	0.21	2.85
First South	1,983,378	10.39	2,538,843	498,828	17.86	0.18	2.51
Florida	1,048,130	5.49	1,375,495	307,261	19.56	0.68	2.43
MidAtlantic	2,229,163	11.68	2,982,118	701,455	21.66	2.76	2.70
Northwest Florida	213,221	1.12	306,751	89,552	28.47	0.99	2.49
Puerto Rico	101,357	0.53	159,979	56,271	37.64	6.43	1.85
River Valley	462,996	2.43	581,956	110,900	18.94	1.88	2.38
Southwest Georgia	463,934	2.43	578,199	103,156	16.16	0.78	2.80
Virginias	1,418,871	7.43	1,925,148	467,075	24.04	2.22	2.66

AgFirst Farm Credit Bank

AgFirst Farm Credit Bank
1901 Main Street
Columbia, SC 29201
800-845-1745
www.agfirst.com

AgFirst District Associations

AgCarolina Farm Credit, ACA
4000 Poole Road
Raleigh, NC 27610
919-250-9500
http://www.agcarolina.com

AgChoice Farm Credit, ACA
300 Winding Creek Blvd.
Mechanicsburg, PA 17050
717-796-9372
http://www.agchoice.com

AgCredit Agricultural Credit Association
610 W. Lytle Street
Fostoria, OH 44830-3422
419-435-7758
http://www.agcredit.net

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069
478-987-8300
http://www.aggeorgia.com

AgSouth Farm Credit, ACA
26 South Main Street
Statesboro, GA 30458
912-764-9091
http://www.agsouthfc.com

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501
843-662-1527
http://www.arborone.com

Cape Fear Farm Credit, ACA
333 East Russell Street
Fayetteville, NC 28302
910-323-9188
https://www.capefearfc.com

Carolina Farm Credit, ACA
146 Victory Lane
Statesville, NC 28625
704-873-0276
http://www.carolinafarmcredit.com

Central Kentucky Agricultural Credit Association
640 S. Broadway
Lexington, KY 40508
859-253-3249
http://www.agcreditonline.com

Colonial Farm Credit, ACA
7104 Mechanicsville Turnpike
Mechanicsville, VA 23111
804-746-1252
http://www.colonialfarmcredit.com

Farm Credit of Central Florida, ACA
204 East Orange Street, Suite 200
Lakeland, FL 33801
863-682-4117
http://www.farmcreditcfl.com

Farm Credit of Florida, ACA
11903 Southern Boulevard Suite 200
West Palm Beach, FL 33411
561-965-9001
http://farmcreditfl.com

Farm Credit of Northwest Florida, ACA
5052 Highway 90 East
Marianna, FL 32446
850-526-4910
http://farmcredit-fl.com

Farm Credit of the Virginias, ACA
106 Sangers Lane
Staunton, VA 24401
540-886-3435
http://www.farmcreditofvirginias.com

First South Farm Credit, ACA
574 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
601-977-8381
http://www.firstsouthfarmcredit.com

MidAtlantic Farm Credit, ACA
45 Aileron Court
Westminster, MD 21157
410-848-1033
http://www.mafc.com

Puerto Rico Farm Credit, ACA
213 Domenech Ave.
San Juan, PR 00918
787-753-0579
http://www.prfarmcredit.com

River Valley AgCredit, ACA
408 East Broadway
Mayfield, KY 42066
270-247-5613
http://www.rivervalleyagcredit.com

Southwest Georgia Farm Credit, ACA
305 Colquitt Highway
Bainbridge, GA 39817
229-246-0384
http://www.swgafarmcredit.com

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