2020

FIRST QUARTERLY REPORT

AgPreference, ACA

The shareholders' investment in AgPreference, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoCank). The 2019 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 AgPreference, ACA, 3120 North Main, Altus, Oklahoma 73522-8090, or calling 580-482-3030 or 1-800-727-3276.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Thousands, Except as Noted)
(Unaudited)

The following discussion summarizes the financial position and results of operations of AgPreference, ACA (the Association), for the three months ended March 31, 2020, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2019 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

ECONOMIC CONDITIONS-LENDING SERVICE AREA

The 1st quarter saw improved moisture conditions for most parts of the trade territory. This resulted in improvements in the winter wheat condition and also increased the available wheat pasture for grazing.

The 2019 cotton crop was completed as most of the crop has been ginned by mid-February. Overall the 2019 cotton crop was below the previous 2 years as drought limited the number of acres harvested. Approximately 50% of the dryland acres were terminated for insurance. The price of cotton decreased and followed other commodity markets lower. Present prices are in the $0.55 to $0.60 cents per pound range.

Pasture and range conditions are in average to good condition. Recent rains have been above average and pastures are beginning to break winter dormancy. The Oklahoma drought monitor indicated only two small areas of D0-D1 drought in the trade area as of March 24.

Wheat crop development is very good with ample moisture at present. Wheat prices remain depressed but have shown some strength. Current wheat prices are in a range of $4.00 to $4.50 per bushel.

Many cow/calf producers and cattlemen are struggling with volatile markets although many calves were marketed early as wheat pasture for winter grazing was limited in early fall period. Livestock prices also saw significant drops in all sectors; some improvement but still below earlier levels.

All commodity markets have experienced extreme volatility due to the COVID-19 pandemic over the last 30 days. World markets, stock markets, futures, and every other market have seen large drops in value as the world deals with the effects of the Corona Virus. As of this writing, markets are struggling to account for the effects this will have on domestic and international economies. Farmland values remain stable. It remains to be seen if lower commodity prices and the current market instability will have an impact on farmland; however, most experts believe land values will experience some pressure.

The Federal Open Market Committee cut interest rates to zero and began Quantitative Easing, increasing Treasury holdings by at least $500 billion and MBS by $200 billion. These cuts were made as a result of extreme market pressure and volatility due to the COVID-19 pandemic. It remains to be seen what the long term effects of this pandemic will be on the national and world economies as the disease continues to expand as of this writing, however it will no doubt have a negative impact on all sectors in the short term and most likely in the long term as well. Businesses and individuals are presently bracing for the worst. A federal stimulus package was approved. However, the long-term effects of COVID 19 are still unknown.

Additionally, due to a recent change in the allocation of the pension expense and funding to our Association from the Ninth Pension plan, our expense and funding are expected to decrease during the remainder of 2020 compared with amounts recorded in the first quarter of 2020.

AgPreference has been focused on responding to this COVID-19 crisis event and protecting the health and safety of our employees while continuing to serve our shareholder's credit needs. AgPreference does not yet know the full extent of the effects of COVID-19 at this time but it could materially and adversely affect AgPreference's business, results of operations and financial condition.

MERGER

On March 3, 2020 and March 4, 2020, respectively, the boards of directors of Farm Credit of Western Oklahoma, ACA and AgPreference, ACA approved a letter of intent to pursue a merger. The Associations will be completing due diligence over the next few months in order to develop definitive terms of the merger. The planned merger is subject to the approval of the Farm Credit Administration, CoBank and stockholder approval of Farm Credit of Western Oklahoma, ACA and AgPreference, ACA. If approved, the merger will be effective January 1, 2021.

LOAN PORTFOLIO

Loans outstanding at March 31, 2020, totaled $232,759 a decrease of $6,195, or 2.59%, from loans of $238,954 at December 31, 2019. The decrease was primarily due to pay downs and pay offs of loans.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2020, was $648, a decrease of $151, or 18.90%, from the same period ended one year ago. The decrease was primarily due to decrease in net interest income and patronage distribution from Farm Credit institutions and in mineral income.

Net interest income for the three months ended March 31, 2020, was $1,510, a decrease of $170, or 10.12%, compared with the three months ended March 31, 2019. Net interest income decreased as a result of decrease in interest income on loans.

The credit loss reversal for the three months ended March 31, 2020, was $27 a decrease of $140, or 83.83%, from the credit loss reversal for the same period ended one year ago. The credit loss reversal decreased as a result of reduction in the net collective impairment due to the decrease in loan volume.

Noninterest income decreased $80 during the first three months of 2020 compared with the first three months in 2019 primarily due to a decrease in patronage distribution from CoBank. Also included in noninterest income is a refund of $54 from Farm Credit System Insurance Corporation (FCSIC), a decrease of $6 compared with the refund in 2019. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2019 Annual Report to Shareholders for additional information.

We received mineral income of $51 during the first three months of 2020, which is distributed to us quarterly by CoBank. The decrease for the three months ended March 31, 2020, compared with first three months of 2019 is primarily the result of higher production revenue from increased volumes in the first quarter of 2019, attributed to new wells added in 2019.

During the first three months of 2020, noninterest expense decreased $223 to $1,244, primarily due to decrease in salaries and employee benefits, director expenses and public and member relation expenses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2020, was $53,617, an increase from $52,970 at December 31, 2019. This increase is due to net income offset slightly by net stock retirements.

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.

Joe T. Kelly
Chairman of the Board
May 8, 2020

Cecil H. Sheperson
President & Chief Executive Officer
May 8, 2020

Jana S. Turner
Chief Financial Officer
May 8, 2020

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2020 UNAUDITED	December 31 2019 AUDITED
ASSETS		
Loans	$ **232,759**	$ 238,954
Less allowance for loan losses	**481**	498
Net loans	**232,278**	238,456
Cash	**119**	717
Accrued interest receivable	**5,016**	4,664
Investment in CoBank, ACB	**8,311**	8,310
Premises and equipment, net	**1,342**	1,376
Prepaid benefit expense	**1,022**	960
Other assets	**779**	1,363
Total assets	$ **248,867**	$ 255,846
LIABILITIES		
Note payable to CoBank, ACB	$ **190,908**	$ 198,653
Advance conditional payments	**2,624**	2,386
Accrued interest payable	**483**	427
Patronage distributions payable	**594**	594
Accrued benefits liability	**117**	117
Reserve for unfunded commitments	**84**	89
Other liabilities	**440**	610
Total liabilities	**195,250**	202,876
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	**10**	10
Capital stock	**354**	355
Unallocated retained earnings	**53,253**	52,605
Total shareholders' equity	**53,617**	52,970
Total liabilities and shareholders' equity	$ **248,867**	$ 255,846

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended March 31	
UNAUDITED	**2020**	2019
INTEREST INCOME		
Loans	**$ 2,983**	$ 3,357
Total interest income	**2,983**	3,357
INTEREST EXPENSE		
Note payable to CoBank, ACB	**1,461**	1,666
Other	**12**	11
Total interest expense	**1,473**	1,677
Net interest income	**1,510**	1,680
Credit loss reversal	**(27)**	(167)
Net interest income after credit loss reversal	**1,537**	1,847
NONINTEREST INCOME		
Loan fees	**57**	26
Patronage distribution from Farm Credit institutions	**173**	216
Farm Credit Insurance Fund distribution	**54**	60
Mineral income	**51**	71
Other noninterest income	**30**	72
Total noninterest income	**365**	445
NONINTEREST EXPENSE		
Salaries and employee benefits	**631**	814
Occupancy and equipment	**33**	42
Purchased services from AgVantis, Inc.	**244**	229
Farm Credit Insurance Fund premium	**34**	43
Supervisory and examination costs	**47**	23
Other noninterest expense	**255**	316
Total noninterest expense	**1,244**	1,467
Income before income taxes	**658**	825
Provision for income taxes	**10**	26
Net income/Comprehensive income	**$ 648**	$ 799

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2018	$ 10	$ 364	$ 50,697	$ 51,071
Net income/Comprehensive income			799	799
Stock issued	-	2		2
Stock retired	-	(6)		(6)
Balance at March 31, 2019	$ 10	$ 360	$ 51,496	$ 51,866
Balance at December 31, 2019	$ 10	$ 355	$ 52,605	$ 52,970
Net income/Comprehensive income			648	648
Stock issued	-	4		4
Stock retired	-	(5)		(5)
Balance at March 31, 2020	**$ 10**	**$ 354**	**$ 53,253**	**$ 53,617**

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of AgPreference, 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, 2019, are contained in the 2019 Annual Report to Shareholders. These unaudited first quarter 2020 financial statements should be read in conjunction with the 2019 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, 2019, as contained in the 2019 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, 2020. Descriptions of the significant accounting policies are included in the 2019 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 December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the institution's financial condition or results of operations.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The

Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but will impact the fair value measurements disclosures.

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. On October 16, 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2020	December 31, 2019
Real estate mortgage	**$ 179,174**	$ 183,033
Production and intermediate-term	**34,361**	34,396
Agribusiness	**17,728**	19,976
Rural Infrastructure	**1,368**	1,416
Rural residential real estate	**128**	133
Total loans	**$ 232,759**	$ 238,954

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 balances of participations purchased and sold at March 31, 2020:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 5,473	$ 1,703	$ 94,260	$ -	$ 99,733	$ 1,703
Production and intermediate-term	2,111	-	113	-	2,224	-
Agribusiness	6,907	3,277	-	-	6,907	3,277
Rural infrastructure	1,368	-	-	-	1,368	-
Total	$ 15,859	$ 4,980	$ 94,373	$ -	$ 110,232	$ 4,980

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, 2020	December 31, 2019
Real estate mortgage		
Acceptable	94.95%	95.31%
OAEM	3.32%	2.97%
Substandard	1.73%	1.72%
Total	100.00%	100.00%
Production and intermediate-term		
Acceptable	90.89%	89.74%
OAEM	8.28%	7.77%
Substandard	0.83%	2.49%
Total	100.00%	100.00%
Agribusiness		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Rural residential real estate		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Total Loans		
Acceptable	94.75%	94.91%
OAEM	3.80%	3.41%
Substandard	1.45%	1.68%
Total	100.00%	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

	March 31, 2020	December 31, 2019
Nonaccrual loans		
Real estate mortgage	$ 1,579	$ 1,610
Production and intermediate-term	293	475
Total nonaccrual loans	$ 1,872	$ 2,085
Accruing loans 90 days past due		
Production and intermediate-term	5	-
Total accruing loans 90 days past due	$ 5	$ -
Total impaired loans	$ 1,877	$ 2,085
Other property owned	-	-
Total high risk assets	$ 1,877	$ 2,085

The Association had no accruing restructured loans and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	March 31, 2020			December 31, 2019		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for loan losses:						
Production and intermediate-term	**$ 293**	**$ 287**	**$ 57**	$ 474	$ 469	$ 57
Total	**$ 293**	**$ 287**	**$ 57**	$ 474	$ 469	$ 57
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 1,579**	**$ 1,736**		$ 1,610	$ 1,754	
Production and intermediate-term	**5**	**222**		1	218	
Total	**$ 1,584**	**$ 1,958**		$ 1,611	$ 1,972	
Total impaired loans:						
Real estate mortgage	**$ 1,579**	**$ 1,736**	**$ -**	$ 1,610	$ 1,754	$ -
Production and intermediate-term	**298**	**509**	**57**	475	687	57
Total	**$ 1,877**	**$ 2,245**	**$ 57**	$ 2,085	$ 2,441	$ 57

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.

	For the Three Months Ended March 31, 2020		For the Three Months Ended March 31, 2019	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	**$ 438**	**$ -**	$ 3	$ -
Total	**$ 438**	**$ -**	$ 3	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 1,596**	**$ -**	$ 4,322	$ 40
Production and intermediate-term	**6**	**-**	33	-
Total	**$ 1,602**	**$ -**	$ 4,355	$ 40
Total impaired loans:				
Real estate mortgage	**$ 1,596**	**$ -**	$ 4,322	$ 40
Production and intermediate-term	**444**	**-**	36	-
Total	**$ 2,040**	**$ -**	$ 4,358	$ 40

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

March 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 154	$ 1,006	$ 1,160	$ 181,336	$ 182,496	$ -
Production and intermediate-term	125	298	423	35,442	35,865	5
Agribusiness	-	-	-	17,913	17,913	-
Rural infrastructure	-	-	-	1,371	1,371	-
Rural residential real estate	-	-	-	128	128	-
Total	$ 279	$ 1,304	$ 1,583	$ 236,190	$ 237,773	$ 5

December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ 293	$ 293	$ 186,035	$ 186,328	$ -
Production and intermediate-term	6	475	481	35,150	35,631	-
Agribusiness	-	-	-	20,110	20,110	-
Rural infrastructure	-	-	-	1,416	1,416	-
Rural residential real estate	-	-	-	133	133	-
Total	$ 6	$ 768	$ 774	$ 242,844	$ 243,618	$ -

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

	Balance at December 31, 2019	Charge-offs	Recoveries	Loan Loss Reversals	Balance at March 31, 2020
Real estate mortgage	$ 182	$ -	$ -	$ -	$ 182
Production and intermediate-term	262	-	5	(10)	257
Agribusiness	44	-	-	(11)	33
Rural infrastructure	9	-	-	(1)	8
Rural residential real estate	1	-	-	-	1
Total	$ 498	$ -	$ 5	$ (22)	$ 481

	Balance at December 31, 2018	Charge-offs	Recoveries	Loan Loss Reversals	Balance at March 31, 2019
Real estate mortgage	$ 270	$ -	$ -	$ (40)	$ 230
Production and intermediate-term	387	-	-	(97)	290
Agribusiness	25	-	-	(6)	19
Rural infrastructure	19	-	-	-	19
Rural residential real estate	1	-	-	-	1
Total	$ 702	$ -	$ -	$ (143)	$ 559

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	
	2020	2019
Balance at beginning of period	**$ 89**	$ 94
Reversal of reserve for unfunded commitment	**(5)**	(24)
Total	**$ 84**	$ 70

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at March 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2020	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 182	$ 1,579	$ 180,917
Production and intermediate-term	57	200	298	35,567
Agribusiness	-	33	-	17,913
Rural infrastructure	-	8	-	1,371
Rural residential real estate	-	1	-	128
Total	$ 57	$ 424	$ 1,877	$ 235,896

	Allowance for Loan Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 182	$ 1,610	$ 184,718
Production and intermediate-term	57	205	475	35,156
Agribusiness	-	44	-	20,110
Rural infrastructure	-	9	-	1,416
Rural residential real estate	-	1	-	133
Total	$ 57	$ 441	$ 2,085	$ 241,533

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, 2020.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2020	December 31, 2019	**March 31, 2020**	December 31, 2019
Real estate mortgage	**$ 332**	$ 351	**$ 332**	$ 351
Total	**$ 332**	$ 351	**$ 332**	$ 351

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

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

	As of March 31, 2020	As of December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	22.31%	21.65%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	22.31%	21.65%	6.0%	2.5%*	8.5%
Total capital ratio	22.61%	22.00%	8.0%	2.5%*	10.5%
Permanent capital ratio	22.37%	21.71%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	18.38%	17.90%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.36%	18.86%	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 2019 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring basis at March 31, 2020 or December 31, 2019.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
March 31, 2020				
Loans	**$ -**	**$ -**	**$ 235**	**$ 235**
December 31, 2019				
Loans	$ -	$ -	$ 417	$ 417

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2020 or December 31, 2019.

Valuation Techniques

As more fully discussed in Note 2 of the 2019 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.

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. As a result, these fair value measurements 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. The fair value of these loans would fall under Level 2 hierarchy if the process uses independent appraisals and other market-based information.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 8, 2020, which is the date the financial statements were issued, and no material subsequent events were identified.