2020

ANNUAL REPORT

Helping farmers, ranchers and rural communities succeed for generations.

FCS FINANCIAL
Growing Relationships. Creating Opportunities.™
A FARM CREDIT COOPERATIVE

TABLE OF CONTENTS

FCS Financial, ACA

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

FCS FINANCIAL
Growing Relationships. Creating Opportunities.™
A FARM CREDIT COOPERATIVE

Dear FCS Financial Member:

It is unlikely that at the beginning of 2020 anyone was planning for a global pandemic that would dominate news headlines, drive government policy, expose weaknesses in supply chains, and affect almost every aspect of our lives, but that's what we encountered. COVID-19 required many businesses to adapt their processes to meet consumer demands and drove others to completely change their business models or risk going out of business.

FCS Financial likewise had to adapt our approach to serving members. For several months, we limited access to our offices, met with members on a by-appointment-only basis, implemented work-from-home for the vast majority of employees, and initiated various other protocols to reduce the risk of exposure to employees, members, and our rural communities. However, during these times our focus did not change: to continue to serve our members and meet their financing needs. We believe that we achieved that goal through the hard work of the FCS Financial team and the support and understanding of our members.

Despite the headwinds encountered during 2020, the environment also brought opportunities. Our agribusiness and commercial farmer, traditional and part-time farmer, and capital markets segments all experienced solid growth due to strong demand for credit. There were also ample opportunities to refinance, convert, and restructure loans to very attractive, longer-term fixed rates, which provided our members significant interest expense savings and provided additional flexibility in their operations. In addition, agriculture received timely and welcome support through government programs such as the Paycheck Protection Program, Business & Industry Guaranteed Loan Program, and the Coronavirus Food Assistance Program. These programs provided a crucial bridge forward for agricultural producers and agribusinesses during some challenging times.

FCS Financial ended 2020 in a strong financial position. Total assets were $5.1 billion, an 11.3% increase from year-end 2019. The average daily balance of our loan portfolio increased 8.5% to $4.6 billion compared to $4.2 billion at year-end 2019. We continue to be active in financing agribusinesses and participating in larger capital markets loans with other Farm Credit entities and financial institutions to provide additional geographic and commodity diversification.

Despite concerns early in 2020, credit quality remained sound with over 97% of our loan portfolio being classified in the two highest categories, a slight improvement over the 96.7% at December 31, 2019. Loans 30 days or more past due, an indicator of potential future credit concerns, remained at low levels and ended 2020 at 0.12%, compared to 0.17% as of December 31, 2019.

The FCS Financial Board of Directors and management team remain focused on ensuring that the Association is well positioned for the future and able to weather volatile economic environments. The Association's Permanent Capital Ratio, a key indicator of financial adequacy, was 17.4% as of December 31, 2020, and was well in excess of our regulatory requirement. Maintaining a strong capital position is critical to ensure the Association can continue to serve our members into the future and has the necessary financial strength to withstand the unexpected losses that may exist in the loan portfolio.

One of the many benefits of being a member is that FCS Financial shares its success with its members. This year, after reviewing all aspects of the Association's financial and operational condition, the Board of Directors declared a patronage distribution from 2020 earnings of $30.7 million, or approximately 0.94% on average customer borrowings from FCS Financial. Since 2006, including this year's patronage, FCS Financial has returned nearly $180 million to our members. We are especially pleased that this effectively reduces our members' borrowing costs, particularly during this challenging period in agriculture. Members use these dollars to invest in their operations and support their rural communities by purchasing products and services from local businesses. We believe patronage provides a significant advantage for choosing FCS Financial as your source of financing and clearly sets us apart from other lenders.

We remain optimistic about the future of agriculture and our rural communities. The future will not be without its uncertainties and setbacks; however, you can count on FCS Financial to remain a dependable and competitive source of financing and financial services for our members and an active supporter of our industry and our rural communities for years to come.

Thank you again for placing your trust in us and choosing FCS Financial as your financial provider of choice. We wish you a prosperous and healthy 2021.

Sincerely,

Kenneth Bergmann	David D. Janish
Chairperson of the Board	Chief Executive Officer
FCS Financial, ACA	FCS Financial, ACA

March 12, 2021

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

FCS Financial, ACA

(dollars in thousands)

As of December 31	**2020**	2019	2018	2017	2016
Statement of Condition Data					
Loans	**$4,867,415**	$4,364,514	$4,075,933	$3,819,508	$3,659,032
Allowance for loan losses	**16,850**	17,013	15,966	15,915	16,428
Net loans	**4,850,565**	4,347,501	4,059,967	3,803,593	3,642,604
Investment in AgriBank, FCB	**110,034**	98,909	83,006	79,125	77,179
Other assets	**119,201**	115,802	110,915	101,420	95,284
Total assets	**$5,079,800**	$4,562,212	$4,253,888	$3,984,138	$3,815,067
Obligations with maturities of one year or less	**$64,961**	$71,203	$64,580	$50,819	$3,061,327
Obligations with maturities greater than one year	**4,039,862**	3,577,406	3,330,133	3,131,564	--
Total liabilities	**4,104,823**	3,648,609	3,394,713	3,182,383	3,061,327
Protected members' equity	**6**	6	8	8	8
Capital stock and participation certificates	**12,168**	11,901	11,933	12,231	12,598
Unallocated surplus	**962,803**	901,696	847,234	789,516	741,134
Total members' equity	**974,977**	913,603	859,175	801,755	753,740
Total liabilities and members' equity	**$5,079,800**	$4,562,212	$4,253,888	$3,984,138	$3,815,067

For the year ended December 31	**2020**	2019	2018	2017	2016
Statement of Income Data					
Net interest income	**$111,842**	$105,350	$99,033	$93,708	$90,043
Provision for loan losses	**--**	2,000	--	--	1,000
Other expenses, net	**20,027**	21,381	17,312	23,556	27,477
Net income	**$91,815**	$81,969	$81,721	$70,152	$61,566
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	1.9%	2.0%	1.8%	1.7%
Return on average members' equity	**9.7%**	9.2%	9.9%	9.0%	8.4%
Net interest income as a percentage of average earning assets	**2.5%**	2.5%	2.6%	2.5%	2.5%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	(0.0%)	0.0%	0.0%
At Year End					
Members' equity as a percentage of total assets	**19.2%**	20.0%	20.2%	20.1%	19.8%
Allowance for loan losses as a percentage of loans	**0.3%**	0.4%	0.4%	0.4%	0.4%
Capital ratios effective beginning January 1, 2017:					
Common equity tier 1 ratio	**17.4%**	18.0%	18.4%	18.2%	N/A
Tier 1 capital ratio	**17.4%**	18.0%	18.4%	18.2%	N/A
Total capital ratio	**17.7%**	18.4%	18.8%	18.6%	N/A
Permanent capital ratio	**17.4%**	18.1%	18.5%	18.3%	N/A
Tier 1 leverage ratio	**18.3%**	19.1%	19.3%	19.1%	N/A
Capital ratios effective prior to 2017:					
Permanent capital ratio	**N/A**	N/A	N/A	N/A	17.5%
Total surplus ratio	**N/A**	N/A	N/A	N/A	17.2%
Core surplus ratio	**N/A**	N/A	N/A	N/A	17.2%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$27,507**	$24,007	$21,756	$12,512	$12,512

MANAGEMENT'S DISCUSSION AND ANALYSIS

FCS Financial, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

FCS Financial, ACA
1934 East Miller Street
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com
jeffersoncitymo@myfcsfinancial.com

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

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- political (including trade and environmental policies), legal, regulatory, financial markets, and economic conditions and developments in the United States (U.S.) and abroad
- length and severity of an epidemic or pandemic
- economic fluctuations in the agricultural, international, and farm-related business sectors
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- actions taken by the Federal Reserve System in implementing monetary policy
- credit, interest rate, and liquidity risks inherent in our lending activities
- changes in our assumptions for determining the allowance for loan losses and fair value measurements
- industry outlooks for agricultural conditions
- changes in interest rate indices utilized in our lending

COVID-19 PANDEMIC

The spread of COVID-19 has created a global public-health crisis that has stifled the world-wide economy, decreased liquidity in fixed income and equity markets, significantly increased unemployment levels and disrupted global supply and demand chains. Unprecedented actions have been taken by governments, businesses and individuals to slow or contain the spread of COVID-19, including quarantines, stay-at-home orders, school closings and travel bans that have substantially restricted daily activities and forced many businesses to curtail or cease operations. The impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain.

The extent to which the COVID-19 pandemic impacts the Association will depend on future developments that are highly uncertain and cannot be predicted such as the duration, extent and severity of the pandemic, the continued response by the U.S. government and how quickly "normal" daily activities resume.

Despite volatility and uncertainty in the market, we overcame the significant initial challenges presented by the global pandemic and our operations are functioning well. Our business continuity response has allowed us to continue to serve our mission and the ability to work remotely as needed has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely or due to limited staff.

AGRICULTURAL AND ECONOMIC CONDITIONS

The 2020 crop season concluded with favorable results in Missouri. Per the United States Department of Agriculture (USDA) Missouri Crop Production report corn yields and overall production increased from 2019 with yields up 12 bushels per acre and production up 19%. Soybean yields and overall production also increased from 2019 with a slight yield increase of 3 bushels per acre and production up 23%.

Commodity prices have been on an upward trend due to shifts in global grain supplies and increased demand from China. In addition, forecasted weather patterns signal challenges for South America's 2021 growing season which, along with newly enacted Russian grain export tariffs, should provide support for continued strong prices for U.S. grains. The U.S. Dollar has softened; creating additional trade benefits for market participants.

Strong prices for cash grains have translated to higher feed costs in the protein sector. Uncertainty persists around processing plants ability to remain at normal capacity based on COVID-19 infection rates. However, consumer demand for U.S. protein continues to remain stable. Export demand remains elevated across the protein sector largely due to record sales to China.

Net farm income has been forecasted to increase 43.1% to $119.6 billion in 2020, which if realized, would put 2020 net farm income at its highest level since 2013; primarily due to direct government support from the Market Facilitation Program (MFP), the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and Coronavirus Food Assistance Programs (CFAP). The influx of support has resulted in over $1 billion in direct payments and forgivable loans to Missouri farm operations. These payments have benefited all sectors of Missouri agriculture with the crop sector receiving a majority of MFP funds and the livestock sector receiving a majority of CFAP assistance.

Farmland values in the Association's territory have shown a stable to positive trend as a result of a combination of factors including an increased demand for both crop and pasture land, low interest rates, and limited supply. Rural and recreational properties have also trended upward as a result of a low interest rate environment along with an increasing desire for some buyers to move out of or spend time away from more populated metropolitan areas due to the pandemic.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $4.9 billion at December 31, 2020, an increase of $502.9 million from December 31, 2019.

Components of Loans

(in thousands) As of December 31	**2020**	2019	2018
Accrual loans:			
Real estate mortgage	**$2,919,864**	$2,579,626	$2,338,607
Production and intermediate-term	**649,729**	662,676	669,777
Agribusiness	**964,336**	835,295	818,184
Other	**318,558**	275,696	241,515
Nonaccrual loans	**14,928**	11,221	7,850
Total loans	**$4,867,415**	$4,364,514	$4,075,933

The other category is primarily composed of rural infrastructure related loans and other diversified industries in our capital markets portfolio.

The increase in total loans from December 31, 2019, was primarily due to continued demand for mortgage loans across most segments of the portfolio.

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were $91.0 million, $89.3 million, and $88.2 million at December 31, 2020, 2019, and 2018, respectively.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. In early 2020, Congress passed the CARES Act. Among other provisions, the CARES Act and congressional approval made available for small businesses approximately $660.0 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). We obtained approval from the SBA in March 2020 to participate as a lender in the PPP. Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and who are eligible to receive financing under the Farm Credit Act and the FCA Regulations are able to borrow from our Association under this program. The PPP provided for loan forgiveness under limited circumstances and loan payments were deferred up to six months. Since beginning the program, we have successfully processed $10.0 million in PPP loans for customers with production and intermediate-term and agribusiness type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $3.5 million has been forgiven as of December 31, 2020. At the end of December 2020, additional legislation was passed to extend the PPP by approximately $280.0 billion, which modified and expanded eligibility to borrowers and will be available through March 31, 2021.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We also offer leases through Farm Credit Leasing Services Corporation. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve 102 counties in Missouri. Approximately 82.0% of our total loan portfolio was in the state of Missouri at December 31, 2020.

Agricultural Concentrations

As of December 31	**2020**	2019	2018
Cash grains	**35.3%**	36.3%	37.0%
Livestock	**26.3%**	26.8%	25.6%
Agribusiness	**10.0%**	9.4%	10.5%
Poultry and eggs	**6.3%**	6.2%	5.2%
Landlords	**5.1%**	5.1%	5.2%
Rural utilities	**4.3%**	4.1%	4.0%
Other	**12.7%**	12.1%	12.5%
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2019. Adversely classified loans decreased to 2.9% of the portfolio at December 31, 2020, from 3.3% of the portfolio at December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2020, $278.9 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2020**	2019	2018
Loans:			
Nonaccrual	**$14,928**	$11,221	$7,850
Accruing restructured	**1,508**	3,081	1,151
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**16,436**	14,302	9,001
Other property owned	**--**	--	258
Total risk assets	**$16,436**	$14,302	$9,259
Total risk loans as a percentage of total loans	**0.3%**	0.3%	0.2%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.3%	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**78.9%**	88.8%	91.8%
Total delinquencies as a percentage of total loans	**0.1%**	0.2%	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2019, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to the net effect of a few larger loans that transferred to nonaccrual, offset by paydowns and payoffs. Nonaccrual loans remained at an acceptable level at December 31, 2020, 2019, and 2018.

Allowance for Loan Losses

The allowance for loan losses is an estimate of inherent losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of December 31	**2020**	2019	2018
Allowance as a percentage of:			
Loans	**0.3%**	0.4%	0.4%
Nonaccrual loans	**112.9%**	151.6%	203.4%
Total risk loans	**102.5%**	119.0%	177.4%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	(0.0%)
Adverse assets to capital and allowance for loan losses	**14.3%**	15.9%	9.8%

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

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the year ended December 31	**2020**	2019	2018
Net income	**$91,815**	$81,969	$81,721
Return on average assets	**1.9%**	1.9%	2.0%
Return on average members' equity	**9.7%**	9.2%	9.9%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2020**	2019	2018	**2020 vs 2019**	2019 vs 2018
Net interest income	**$111,842**	$105,350	$99,033	**$6,492**	$6,317
Provision for loan losses	**--**	2,000	--	**2,000**	(2,000)
Non-interest income	**35,172**	30,603	29,826	**4,569**	777
Non-interest expense	**54,808**	51,296	47,010	**(3,512)**	(4,286)
Provision for income taxes	**391**	688	128	**297**	(560)
Net income	**$91,815**	$81,969	$81,721	**$9,846**	$248

Net Interest Income

Changes in Net Interest Income

(in thousands) For the year ended December 31	**2020 vs 2019**	2019 vs 2018
Changes in volume	**$8,256**	$7,364
Changes in interest rates	**(1,896)**	(855)
Changes in nonaccrual income and other	**132**	(192)
Net change	**$6,492**	$6,317

Net interest income included income on nonaccrual loans that totaled $693 thousand, $561 thousand, and $752 thousand in 2020, 2019, and 2018, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered. See the Regulatory Matters section for discussion regarding revised criteria to reinstate nonaccrual loans to accrual status.

Net interest margin (net interest income as a percentage of average earning assets) was 2.5%, 2.5%, and 2.6% in 2020, 2019, and 2018, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Loan Losses

The change in the provision for loan losses was related to our estimate of losses in our portfolio for the applicable years. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Income

The change in non-interest income was primarily due to the increases in patronage and fee income.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution’s Board of Directors.

Patronage Income

(in thousands) For the year ended December 31	**2020**	2019	2018
Patronage from AgriBank	**$23,901**	$21,299	$20,036
AgDirect partnership distribution	**1,148**	1,006	661
Other patronage	**226**	20	15
Total patronage income	**$25,275**	$22,325	$20,712
Form of patronage distributions:			
Cash	**$25,275**	$13,328	$20,712
Stock	**--**	8,997	--
Total patronage income	**$25,275**	$22,325	$20,712

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. All patronage payments are at the sole discretion of the AgriBank Board of Directors and are determined based on actual financial results, projections, and long-term capital goals.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands) For the year ended December 31	**2020**	2019	2018
Salaries and employee benefits	**$32,589**	$29,530	$27,962
Other operating expense:			
Purchased and vendor services	**8,919**	7,849	5,851
Communications	**734**	889	1,000
Occupancy and equipment	**3,903**	3,627	3,556
Advertising and promotion	**1,707**	1,881	1,583
Examination	**1,190**	1,155	1,069
Farm Credit System insurance	**3,519**	3,042	2,796
Other	**2,239**	3,320	3,193
Other non-interest expense	**8**	3	--
Total non-interest expense	**$54,808**	$51,296	$47,010
Operating rate	**1.2%**	1.2%	1.2%

Provision for Income Taxes

The variance in provision for income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2020, 2019, and 2018. Additional discussion is included in Note 7 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2020, we had $949.3 million available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information

(dollars in thousands) For the year ended December 31	**2020**	2019	2018
Average balance	**$3,755,522**	$3,413,081	$3,154,474
Average interest rate	**1.9%**	2.8%	2.5%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

In 2017, the United Kingdom’s Financial Conduct Authority, which regulates the London Inter-bank Offer Rate (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 expected, but not certain, that LIBOR will no longer be quoted after 2021. In late 2020, ICE Benchmark Administration (IBA), the administrator of LIBOR, announced its intention to publish major USD LIBOR indexes through June 30, 2023. The FCA issued a response and guidance that the IBA proposal is not in any way intended to slow down the transition.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, including LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. At this time, it remains uncertain when LIBOR will cease to be available or if the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

CAPITAL ADEQUACY

Total members' equity was $975.0 million, $913.6 million, and $859.2 million at December 31, 2020, 2019, and 2018, respectively. Total members' equity increased $61.4 million from December 31, 2019, primarily due to net income for the year partially offset by patronage distribution accruals.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

As of December 31	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.4%**	18.0%	18.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.4%**	18.0%	18.4%	6.0%	2.5%	8.5%
Total capital ratio	**17.7%**	18.4%	18.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.4%**	18.1%	18.5%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.3%**	19.1%	19.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.2%**	19.8%	19.9%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional discussion of regulatory ratios and members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements and off-balance sheet commitments are discussed in Note 10 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is to remain above 13.5%, as defined in our 2021 capital plan.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2021.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 5 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2020, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

As an AgDirect, LLP association partial owner, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

As of December 31, 2020, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now offered by SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations. The CMG focuses on generating revenue and loan volume for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $355 thousand at December 31, 2020, 2019, and 2018.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation, of which we are a partial owner. Our entire investment in SunStream was called on April 1, 2020, at which time $1.0 million was paid in cash and the remainder was paid in January 2021. As of December 31, 2020, our investment in SunStream was $1.9 million. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2020, 2019, and 2018, our investment in Foundations was $32 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Rural Business Investment Company: We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 10 to the accompanying Consolidated Financial Statements for further discussion.

AgriAccess: We purchased participation interests in the AgriAccess pool program from AgriBank. The program is focused on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the United States. The program is facilitated by another AgriBank District association where all assets are originated and serviced. We pay the facilitating association fees to originate and service the loans. Pool earnings may be returned to us by AgriBank through a specific patronage pool subject to the full discretion of AgriBank.

Unincorporated Business Entities (UBEs)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $9.8 million, $7.8 million, and $6.7 million at December 31, 2020, 2019, and 2018, respectively.

Programs

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBEs section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REGULATORY MATTERS

Criteria to Reinstate Nonaccrual Loans

The FCA Board approved a final rule to revise how high-risk loans for System banks and associations are classified by clarifying the factors used to place loans in nonaccrual status and revising reinstatement criteria, which became effective October 21, 2020. The stated objectives of the revised requirements are to:

- Enhance the usefulness of high-risk loan categories
- Replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard
- Improve the timely recognition of a change in a loan's status
- Update existing terminology and make other grammatical changes

Investment Securities Eligibility

The FCA Board approved a final rule to amend the investment eligibility regulation. The final rule became effective December 4, 2020, and allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the USDA. We currently do not have investment securities on our Consolidated Statements of Condition.

For both final rules we have updated our policies, procedures, and other documentation to ensure compliance with the amended regulations. The amendments did not have a material impact to our financial statements.

REPORT OF MANAGEMENT

FCS Financial, ACA

We prepare the Consolidated Financial Statements of FCS Financial, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

David D. Janish
Chief Executive Officer
FCS Financial, ACA

Starla Harper
Chief Financial Officer
FCS Financial, ACA

March 12, 2021

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FCS Financial, ACA

The FCS Financial, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2020. In making the assessment, management used the 2013 framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2020, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2020.

David D. Janish
Chief Executive Officer
FCS Financial, ACA

Starla Harper
Chief Financial Officer
FCS Financial, ACA

March 12, 2021

REPORT OF AUDIT COMMITTEE

FCS Financial, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of FCS Financial, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2020, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2020.

Troy D. Norton
Chairperson of the Audit Committee
FCS Financial, ACA

Additional Audit Committee members:
Mark C. DeShon
Randy Pace
Beth Schnitker
David Wright

March 12, 2021

pwc

Report of Independent Auditors

To the Board of Directors of FCS Financial, ACA,

We have audited the accompanying Consolidated Financial Statements of FCS Financial, ACA and its subsidiaries (the Association), which comprise the consolidated statements of condition as of December 31, 2020, 2019, and 2018, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of FCS Financial, ACA and its subsidiaries as of December 31, 2020, 2019, and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 12, 2021

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)

As of December 31	**2020**	2019	2018
ASSETS			
Loans	**$4,867,415**	$4,364,514	$4,075,933
Allowance for loan losses	**16,850**	17,013	15,966
Net loans	**4,850,565**	4,347,501	4,059,967
Investment in AgriBank, FCB	**110,034**	98,909	83,006
Accrued interest receivable	**44,925**	49,869	45,027
Deferred tax assets, net	**431**	553	1,028
Other assets	**73,845**	65,380	64,860
Total assets	**$5,079,800**	$4,562,212	$4,253,888
LIABILITIES			
Note payable to AgriBank, FCB	**$4,039,862**	$3,577,406	$3,330,133
Accrued interest payable	**14,745**	23,294	21,775
Patronage distribution payable	**30,710**	27,510	24,010
Other liabilities	**19,506**	20,399	18,795
Total liabilities	**4,104,823**	3,648,609	3,394,713
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Protected members' equity	**6**	6	8
Capital stock and participation certificates	**12,168**	11,901	11,933
Unallocated surplus	**962,803**	901,696	847,234
Total members' equity	**974,977**	913,603	859,175
Total liabilities and members' equity	**$5,079,800**	$4,562,212	$4,253,888

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

CONSOLIDATED STATEMENTS OF INCOME

FCS Financial, ACA

(in thousands)

For the year ended December 31	**2020**	2019	2018
Interest income	**$184,440**	$200,385	$178,403
Interest expense	**72,598**	95,035	79,370
Net interest income	**111,842**	105,350	99,033
Provision for loan losses	**--**	2,000	--
Net interest income after provision for loan losses	**111,842**	103,350	99,033
Non-interest income			
Patronage income	**25,275**	22,325	20,712
Financially related services income	**4,218**	4,269	4,216
Fee income	**4,650**	2,898	2,575
Allocated Insurance Reserve Accounts distribution	**860**	879	2,136
Other non-interest income	**169**	232	187
Total non-interest income	**35,172**	30,603	29,826
Non-interest expense			
Salaries and employee benefits	**32,589**	29,530	27,962
Other operating expense	**22,211**	21,763	19,048
Other non-interest expense	**8**	3	--
Total non-interest expense	**54,808**	51,296	47,010
Income before income taxes	**92,206**	82,657	81,849
Provision for income taxes	**391**	688	128
Net income	**$91,815**	$81,969	$81,721

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2017	$8	$12,231	$789,516	$801,755
Net income	--	--	81,721	81,721
Unallocated surplus designated for patronage distributions	--	--	(24,003)	(24,003)
Capital stock and participation certificates issued	--	877	--	877
Capital stock and participation certificates retired	--	(1,175)	--	(1,175)
Balance as of December 31, 2018	8	11,933	847,234	859,175
Net income	--	--	81,969	81,969
Unallocated surplus designated for patronage distributions	--	--	(27,507)	(27,507)
Capital stock and participation certificates issued	--	1,018	--	1,018
Capital stock and participation certificates retired	(2)	(1,050)	--	(1,052)
Balance as of December 31, 2019	6	11,901	901,696	913,603
Net income	**--**	**--**	**91,815**	**91,815**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(30,708)**	**(30,708)**
Capital stock and participation certificates issued	**--**	**1,404**	**--**	**1,404**
Capital stock and participation certificates retired	**--**	**(1,137)**	**--**	**(1,137)**
Balance as of December 31, 2020	**$6**	**$12,168**	**$962,803**	**$974,977**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FCS Financial, ACA

(in thousands)

For the year ended December 31	**2020**	2019	2018
Cash flows from operating activities			
Net income	**$91,815**	$81,969	$81,721
Depreciation on premises and equipment	**1,500**	1,507	1,530
Gain on sale of premises and equipment, net	**(14)**	(10)	(30)
Amortization of premiums on loans	**223**	48	115
Provision for loan losses	**--**	2,000	--
Stock patronage received from AgriBank, FCB	**--**	(8,997)	--
Gain on other property owned, net	**--**	(52)	--
Changes in operating assets and liabilities:			
Decrease (increase) in accrued interest receivable	**1,758**	(8,438)	(7,675)
Increase in other assets	**(5,264)**	(275)	(5,187)
(Decrease) increase in accrued interest payable	**(8,549)**	1,519	5,252
(Decrease) increase in other liabilities	**(1,724)**	2,582	6,262
Net cash provided by operating activities	**79,745**	71,853	81,988
Cash flows from investing activities			
Increase in loans, net	**(499,449)**	(286,568)	(253,591)
Purchases of investment in AgriBank, FCB, net	**(11,125)**	(6,906)	(3,881)
Purchases of investment in other Farm Credit Institutions, net	**(3,034)**	(1,089)	(516)
Proceeds from sales of other property owned	**--**	310	--
Purchases premises and equipment, net	**(698)**	(435)	(387)
Net cash used in investing activities	**(514,306)**	(294,688)	(258,375)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**462,456**	247,273	198,569
Patronage distributions paid	**(27,507)**	(24,007)	(21,756)
Capital stock and participation certificates retired, net	**(388)**	(431)	(426)
Net cash provided by financing activities	**434,561**	222,835	176,387
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental information			
Interest paid	**$81,147**	$93,516	$74,118
Taxes paid, net	**318**	171	321

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FCS Financial, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2021, the District consisted of 14 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA (subsidiaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in 102 counties in the state of Missouri.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals. In addition, we offer leasing through Farm Credit Leasing Services Corporation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of FCS Financial, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined below). There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered troubled debt restructurings (TDRs).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is our estimate of the amount of inherent losses on loans in our portfolio as of the date of the financial statements. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for loan losses" in the Consolidated Statements of Income, recoveries, and charge-offs.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in "Other assets" in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Other non-interest income" in the Consolidated Statements of Income.

Other Investments: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold a non-controlling interest, are at cost and are included in "Other assets" in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Income in the year of impairment. Income on the investments are limited to distributions received. In circumstances when distributions exceed our share of earnings after the date of the investment, these distributions are applied to reduce the carrying value of the investment and are not recognized as income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Other non-interest income" or "Other non-interest expense" in the Consolidated Statements of Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Income and improvements are capitalized.

Leases: We are the lessee in operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments is based on management’s best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve would be recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss would be recorded in “Provision for credit losses” in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2020, 2019, or 2018.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity’s own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued guidance, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	We are currently evaluating the impact of this guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	**2020**		2019		2018	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$2,928,921**	**60.2%**	$2,586,551	59.3%	$2,342,822	57.5%
Production and intermediate-term	**653,480**	**13.4%**	666,736	15.3%	671,044	16.5%
Agribusiness	**966,288**	**19.9%**	835,355	19.1%	820,552	20.1%
Other	**318,726**	**6.5%**	275,872	6.3%	241,515	5.9%
Total	**$4,867,415**	**100.0%**	$4,364,514	100.0%	$4,075,933	100.0%

The other category is primarily composed of rural infrastructure related loans and other diversified industries in our capital markets portfolio.

Portfolio Concentrations

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2020, volume plus commitments to our ten largest borrowers totaled an amount equal to 4.4% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(in thousands)	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2020	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	**($91,041)**	**$262,899**	**($37,444)**	**$105,188**	**$368,087**	**($128,485)**
Production and intermediate-term	**--**	**2,228**	**(11,029)**	**--**	**2,228**	**(11,029)**
Agribusiness	**--**	**818,275**	**(105,151)**	**8,702**	**826,977**	**(105,151)**
Other	**--**	**284,522**	**--**	**--**	**284,522**	**--**
Total	**($91,041)**	**$1,367,924**	**($153,624)**	**$113,890**	**$1,481,814**	**($244,665)**

	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2019	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	($89,127)	$218,636	($39,669)	$70,887	$289,523	($128,796)
Production and intermediate-term	--	3,718	(11,586)	--	3,718	(11,586)
Agribusiness	(176)	707,732	(114,415)	10,244	717,976	(114,591)
Other	--	251,790	--	--	251,790	--
Total	($89,303)	$1,181,876	($165,670)	$81,131	$1,263,007	($254,973)

	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2018	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	($87,912)	$166,039	($17,972)	$31,897	$197,936	($105,884)
Production and intermediate-term	--	6,878	(9,901)	--	6,878	(9,901)
Agribusiness	(282)	696,932	(81,166)	--	696,932	(81,448)
Other	--	222,362	--	--	222,362	--
Total	($88,194)	$1,092,211	($109,039)	$31,897	$1,124,108	($197,233)

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2020, 2019, or 2018.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$2,779,341**	**93.9%**	**$85,452**	**2.9%**	**$95,057**	**3.2%**	**$2,959,850**	**100.0%**
Production and intermediate-term	**581,925**	**87.6%**	**48,355**	**7.3%**	**33,770**	**5.1%**	**664,050**	**100.0%**
Agribusiness	**901,087**	**93.0%**	**55,584**	**5.7%**	**12,768**	**1.3%**	**969,439**	**100.0%**
Other	**318,651**	**99.9%**	**68**	**0.0%**	**282**	**0.1%**	**319,001**	**100.0%**
Total	**$4,581,004**	**93.2%**	**$189,459**	**3.9%**	**$141,877**	**2.9%**	**$4,912,340**	**100.0%**

As of December 31, 2019	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$2,475,360	94.5%	$64,815	2.5%	$79,355	3.0%	$2,619,530	100.0%
Production and intermediate-term	591,027	87.0%	41,388	6.1%	47,168	6.9%	679,583	100.0%
Agribusiness	810,682	96.6%	10,151	1.2%	18,118	2.2%	838,951	100.0%
Other	271,510	98.3%	1,746	0.6%	3,063	1.1%	276,319	100.0%
Total	$4,148,579	94.0%	$118,100	2.7%	$147,704	3.3%	$4,414,383	100.0%

As of December 31, 2018	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$2,286,684	96.5%	$45,429	1.9%	$38,176	1.6%	$2,370,289	100.0%
Production and intermediate-term	610,546	89.2%	43,483	6.4%	30,038	4.4%	684,067	100.0%
Agribusiness	805,250	97.7%	2,596	0.3%	16,837	2.0%	824,683	100.0%
Other	236,186	97.7%	5,630	2.3%	105	0.0%	241,921	100.0%
Total	$3,938,666	95.5%	$97,138	2.4%	$85,156	2.1%	$4,120,960	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2020**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	**$2,752**	**$409**	**$3,161**	**$2,956,689**	**$2,959,850**
Production and intermediate-term	**882**	**170**	**1,052**	**662,998**	**664,050**
Agribusiness	**--**	**1,925**	**1,925**	**967,514**	**969,439**
Other	**--**	**--**	**--**	**319,001**	**319,001**
Total	**$3,634**	**$2,504**	**$6,138**	**$4,906,202**	**$4,912,340**

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$4,300	$23	$4,323	$2,615,207	$2,619,530
Production and intermediate-term	2,106	929	3,035	676,548	679,583
Agribusiness	--	17	17	838,934	838,951
Other	--	--	--	276,319	276,319
Total	$6,406	$969	$7,375	$4,407,008	$4,414,383

As of December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$1,349	$180	$1,529	$2,368,760	$2,370,289
Production and intermediate-term	1,278	175	1,453	682,614	684,067
Agribusiness	252	--	252	824,431	824,683
Other	224	--	224	241,697	241,921
Total	$3,103	$355	$3,458	$4,117,502	$4,120,960

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at December 31, 2020, 2019, or 2018.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	**2020**	2019	2018
Nonaccrual loans:			
Current as to principal and interest	**$11,775**	$9,964	$7,204
Past due	**3,153**	1,257	646
Total nonaccrual loans	**14,928**	11,221	7,850
Accruing restructured loans	**1,508**	3,081	1,151
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**$16,436**	$14,302	$9,001
Volume with specific allowance	**$2,776**	$2,280	$2,547
Volume without specific allowance	**13,660**	12,022	6,454
Total risk loans	**$16,436**	$14,302	$9,001
Total specific allowance	**$1,670**	$705	$874

For the year ended December 31	**2020**	2019	2018
Income on accrual risk loans	**$104**	$62	$61
Income on nonaccrual loans	**693**	561	752
Total income on risk loans	**$797**	$623	$813
Average risk loans	**$16,948**	$11,838	$8,192

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	**2020**	2019	2018
Real estate mortgage	**$9,057**	$6,927	$4,216
Production and intermediate-term	**3,751**	4,060	1,267
Agribusiness	**1,952**	59	2,367
Other	**168**	175	--
Total	**$14,928**	$11,221	$7,850

Additional Impaired Loan Information by Loan Type

	As of December 31, 2020			**For the year ended December 31, 2020**	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$409**	**$409**	**$87**	**$82**	**$ --**
Production and intermediate-term	**430**	**453**	**274**	**1,667**	**--**
Agribusiness	**1,937**	**1,937**	**1,309**	**1,164**	**--**
Other	**--**	**--**	**--**	**--**	**--**
Total	**$2,776**	**$2,799**	**$1,670**	**$2,913**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$9,707**	**$10,714**	**$ --**	**$9,362**	**$443**
Production and intermediate-term	**3,771**	**5,759**	**--**	**3,699**	**326**
Agribusiness	**14**	**1,865**	**--**	**803**	**28**
Other	**168**	**191**	**--**	**171**	**--**
Total	**$13,660**	**$18,529**	**$ --**	**$14,035**	**$797**
Total impaired loans:					
Real estate mortgage	**$10,116**	**$11,123**	**$87**	**$9,444**	**$443**
Production and intermediate-term	**4,201**	**6,212**	**274**	**5,366**	**326**
Agribusiness	**1,951**	**3,802**	**1,309**	**1,967**	**28**
Other	**168**	**191**	**--**	**171**	**--**
Total	**$16,436**	**$21,328**	**$1,670**	**$16,948**	**$797**

	As of December 31, 2019			For the year ended December 31, 2019	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	2,263	2,495	617	2,140	--
Agribusiness	17	302	88	13	--
Other	--	--	--	--	--
Total	$2,280	$2,797	$705	$2,153	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$7,664	$8,453	$ --	$5,881	$290
Production and intermediate-term	2,192	3,847	--	2,073	332
Agribusiness	1,991	3,733	--	1,599	1
Other	175	202	--	132	--
Total	$12,022	$16,235	$ --	$9,685	$623
Total impaired loans:					
Real estate mortgage	$7,664	$8,453	$ --	$5,881	$290
Production and intermediate-term	4,455	6,342	617	4,213	332
Agribusiness	2,008	4,035	88	1,612	1
Other	175	202	--	132	--
Total	$14,302	$19,032	$705	$11,838	$623

	As of December 31, 2018			For the year ended December 31, 2018	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$87	$87	$4	$104	$ --
Production and intermediate-term	209	226	167	229	--
Agribusiness	2,251	2,284	703	408	--
Other	--	--	--	--	--
Total	$2,547	$2,597	$874	$741	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$4,655	$5,307	$ --	$5,526	$639
Production and intermediate-term	1,683	3,561	--	1,845	174
Agribusiness	116	1,321	--	80	--
Other	--	43	--	--	--
Total	$6,454	$10,232	$ --	$7,451	$813
Total impaired loans:					
Real estate mortgage	$4,742	$5,394	$4	$5,630	$639
Production and intermediate-term	1,892	3,787	167	2,074	174
Agribusiness	2,367	3,605	703	488	--
Other	--	43	--	--	--
Total	$9,001	$12,829	$874	$8,192	$813

[1]The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

[2]Unpaid principal balance represents the contractual principal balance of the loan.

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

Troubled Debt Restructurings (TDRs)

Included within our loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

TDR Activity

(in thousands) For the year ended December 31	**2020**		2019		2018	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$200**	**$200**	$2,238	$2,238	$746	$746
Production and intermediate-term	**221**	**221**	2,081	2,078	126	126
Agribusiness	**--**	**--**	1,955	1,947	82	82
Total	**$421**	**$421**	$6,274	$6,263	$954	$954

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

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

There were no TDRs that defaulted during the years ended December 31, 2020, 2019, or 2018, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of December 31	**2020**	2019	2018
Accrual status:			
Real estate mortgage	**$1,058**	$738	$527
Production and intermediate-term	**450**	395	624
Agribusiness	**--**	1,948	--
Total TDRs in accrual status	**$1,508**	$3,081	$1,151
Nonaccrual status:			
Real estate mortgage	**$2,700**	$3,246	$1,725
Production and intermediate-term	**867**	2,578	503
Agribusiness	**1,951**	42	116
Total TDRs in nonaccrual status	**$5,518**	$5,866	$2,344
Total TDRs:			
Real estate mortgage	**$3,758**	$3,984	$2,252
Production and intermediate-term	**1,317**	2,973	1,127
Agribusiness	**1,951**	1,990	116
Total TDRs	**$7,026**	$8,947	$3,495

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	**2020**	2019	2018
Balance at beginning of year	**$17,013**	$15,966	$15,915
Provision for loan losses	**--**	2,000	--
Loan recoveries	**281**	283	217
Loan charge-offs	**(444)**	(1,236)	(166)
Balance at end of year	**$16,850**	$17,013	$15,966

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	**$4,274**	**$6,745**	**$5,371**	**$623**	**$17,013**
Provision for (reversal of) loan losses	**664**	**(1,580)**	**806**	**110**	**--**
Loan recoveries	**7**	**141**	**133**	**--**	**281**
Loan charge-offs	**2**	**(446)**	**--**	**--**	**(444)**
Balance as of December 31, 2020	**$4,947**	**$4,860**	**$6,310**	**$733**	**$16,850**
Ending balance: individually evaluated for impairment	**$87**	**$274**	**$1,309**	**$ --**	**$1,670**
Ending balance: collectively evaluated for impairment	**$4,860**	**$4,586**	**$5,001**	**$733**	**$15,180**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	**$2,959,850**	**$664,050**	**$969,439**	**$319,001**	**$4,912,340**
Ending balance: individually evaluated for impairment	**$10,116**	**$4,201**	**$1,951**	**$168**	**$16,436**
Ending balance: collectively evaluated for impairment	**$2,949,734**	**$659,849**	**$967,488**	**$318,833**	**$4,895,904**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2018	$4,011	$5,671	$5,413	$871	$15,966
Provision for (reversal of) loan losses	269	1,335	644	(248)	2,000
Loan recoveries	46	145	92	--	283
Loan charge-offs	(52)	(406)	(778)	--	(1,236)
Balance as of December 31, 2019	$4,274	$6,745	$5,371	$623	$17,013
Ending balance: individually evaluated for impairment	$ --	$617	$88	$ --	$705
Ending balance: collectively evaluated for impairment	$4,274	$6,128	$5,283	$623	$16,308
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2019	$2,619,530	$679,583	$838,951	$276,319	$4,414,383
Ending balance: individually evaluated for impairment	$7,664	$4,455	$2,008	$175	$14,302
Ending balance: collectively evaluated for impairment	$2,611,866	$675,128	$836,943	$276,144	$4,400,081

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2017	$3,771	$7,615	$3,826	$703	$15,915
Provision for (reversal of) loan losses	181	(1,957)	1,608	168	--
Loan recoveries	74	139	4	--	217
Loan charge-offs	(15)	(126)	(25)	--	(166)
Balance as of December 31, 2018	$4,011	$5,671	$5,413	$871	$15,966
Ending balance: individually evaluated for impairment	$4	$167	$703	$ --	$874
Ending balance: collectively evaluated for impairment	$4,007	$5,504	$4,710	$871	$15,092
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2018	$2,370,289	$684,067	$824,683	$241,921	$4,120,960
Ending balance: individually evaluated for impairment	$4,742	$1,892	$2,367	$ --	$9,001
Ending balance: collectively evaluated for impairment	$2,365,547	$682,175	$822,316	$241,921	$4,111,959

The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2020, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate.

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

AgriBank’s capital plan provides for annual retirement of AgriBank stock and optimizes capital at the Bank by distributing all available Bank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 5: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31	**2020**	2019	2018
Line of credit	**$5,000,000**	$4,100,000	$3,500,000
Outstanding principal under the line of credit	**4,039,862**	3,577,406	3,330,133
Interest rate	**1.5%**	2.6%	2.7%

Our note payable was scheduled to mature on December 31, 2021. However, it was renewed early for $5.0 billion with a maturity date of December 31, 2023. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2020, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. Typically, the aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.4%**	18.0%	18.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.4%**	18.0%	18.4%	6.0%	2.5%	8.5%
Total capital ratio	**17.7%**	18.4%	18.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.4%**	18.1%	18.5%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.3%**	19.1%	19.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.2%**	19.8%	19.9%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2020**	2019	2018
Class A common stock (protected)	**1,100**	1,243	1,636
Class C common stock (at-risk)	**2,369,400**	2,328,265	2,340,417
Participation certificates (at-risk)	**64,180**	51,986	46,236
Series 1 participation certificates (protected)	**6**	8	8

Under our bylaws, we are also authorized to issue Class B, Class D, and Class E common stock and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2020, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed pro rata to holders of Class F preferred stock and then pro rata to holders of all common stock and participation certificates.

In the event of impairment, losses will be absorbed pro rata first by all classes of common stock and participation certificates and then by preferred stock; however, protected stock will be retired at par value regardless of impairment.

All classes of common stock and participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $30.7 million, $27.5 million, and $24.0 million at December 31, 2020, 2019, and 2018, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Current:			
Federal	**$269**	$213	$201
Total current	**$269**	$213	$201
Deferred:			
Federal	**$122**	$475	($73)
Total deferred	**$122**	$475	($73)
Provision for income taxes	**$391**	$688	$128
Effective tax rate	**0.4%**	0.8%	0.2%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands) For the year ended December 31	**2020**	2019	2018
Federal tax at statutory rates	**$19,363**	$17,358	$17,188
Patronage distributions	**(75)**	(949)	(1,256)
Effect of non-taxable entity	**(18,894)**	(16,115)	(15,768)
Other	**(3)**	394	(36)
Provision for income taxes	**$391**	$688	$128

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands) As of December 31	**2020**	2019	2018
Allowance for loan losses	**$1,790**	$1,854	$1,890
Postretirement benefit accrual	**153**	164	175
Accrued incentive	**385**	254	214
Accrued patronage income not received	**(213)**	(231)	--
AgriBank 2002 allocated stock	**(317)**	(317)	(317)
Accrued pension asset	**(1,166)**	(972)	(745)
Depreciation	**(3)**	--	--
Other assets	**2**	2	12
Other liabilities	**(200)**	(201)	(201)
Deferred tax assets, net	**$431**	$553	$1,028
Gross deferred tax assets	**$2,330**	$2,274	$2,291
Gross deferred tax liabilities	**($1,899)**	($1,721)	($1,263)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2020, 2019, or 2018.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $24.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $882.4 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2020. In addition, we believe we are no longer subject to income tax examinations for years prior to 2017.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2020 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers’ retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands) As of December 31	**2020**	2019	2018
Unfunded liability	**$169,640**	$220,794	$274,450
Projected benefit obligation	**1,563,421**	1,421,126	1,272,063
Fair value of plan assets	**1,393,781**	1,200,332	997,613
Accumulated benefit obligation	**1,426,270**	1,298,942	1,125,682

For the year ended December 31	**2020**	2019	2018
Total plan expense	**$42,785**	$36,636	$51,900
Our allocated share of plan expenses	**2,158**	1,830	2,659
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**4,734**	4,748	4,768

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Benefits paid to participants in the District were $70.9 million in 2020. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2021 is $90.0 million. Our allocated share of these pension contributions is expected to be $4.8 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status. Net periodic benefit cost is included in “Salaries and employee benefits” in the Consolidated Statements of Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee’s compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in “Salaries and employee benefits” in the Consolidated Statements of Income, were $1.5 million, $1.5 million, and $1.3 million in 2020, 2019, and 2018, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2020, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands) As of December 31	**2020**	2019	2018
Total related party loans	**$20,733**	$19,394	$17,149

For the year ended December 31	**2020**	2019	2018
Advances to related parties	**$16,191**	$14,667	$11,934
Repayments by related parties	**16,071**	12,936	10,935

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As discussed in Note 5, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Income was paid to AgriBank.

Total patronage received from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $25.0 million, $22.3 million, and $20.7 million in 2020, 2019, and 2018, respectively. Patronage income for 2019 was paid in cash and AgriBank stock. Patronage income for 2020 and 2018 was paid in cash.

In addition, we received compensation from AgriBank for servicing loans of $126 thousand, $164 thousand, and $194 thousand in 2020, 2019, and 2018, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

As of December 31, 2020, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now offered by SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands) As of December 31	**2020**	2019	2018
Investment in AgriBank	**$110,034**	$98,909	$83,006
Investment in AgDirect, LLP	**$9,779**	7,788	6,699
Investment in SunStream	**1,875**	--	--
Investment in Foundations	**32**	32	32
For the year ended December 31	**2020**	2019	2018
AgriBank District purchased services	**$1,419**	$1,475	$1,448

NOTE 10: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2020, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $998.2 million. Additionally, we had $16.4 million of issued standby letters of credit as of December 31, 2020.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2020, our total commitment is $10.0 million of which $6.2 million is unfunded, with varying commitment end dates through December 2029. Certain commitments may have an option to extend under certain circumstances.

NOTE 11: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2020, 2019, or 2018.

Non-Recurring

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$1,161**	**$1,161**
Other property owned	**--**	**--**	**--**	**--**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$1,654	$1,654
Other property owned	--	--	--	--

As of December 31, 2018	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$1,757	$1,757
Other property owned	--	--	268	268

Valuation Techniques

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

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

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 12, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2020 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

FCS Financial, ACA

(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Jefferson City	Owned	Headquarters
Jefferson City	Leased	Corporate
Cameron	Owned	Branch
Chillicothe	Owned	Branch
Columbia	Owned	Branch
Farmington	Leased	Branch
Hannibal	Owned	Branch
Harrisonville	Owned	Branch
Higginsville	Owned	Branch
Jefferson City	Owned	Branch
Joplin	Owned	Branch
Lebanon	Leased	Branch
Macon	Owned	Branch
Marshall	Owned	Branch
Maryville	Owned	Branch
Mexico	Owned	Branch
Nevada	Owned	Branch
O'Fallon	Owned	Branch
St. Joseph	Owned	Branch
Sedalia	Owned	Branch
Springfield	Owned	Branch
Union	Leased	Branch
West Plains	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2020.

Additional Regulatory Capital Disclosure

Regulatory Capital Ratios Pursuant to FCA Regulation 620.5

As of December 31	2015	2014	2013	2012
Permanent capital ratio	17.5%	17.3%	16.2%	17.1%
Total surplus ratio	17.2%	16.9%	15.8%	16.6%
Core surplus ratio	17.2%	16.9%	15.8%	16.6%

Refer to the Consolidated Five-Year Summary of Selected Financial Data at the beginning of this Annual Report for capital ratio calculations for the past five years.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 5, 6, 7, 8, and 10 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management's Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Board of Directors as of December 31, 2020, including business experience during the last five years

Name	Term	Principal occupation and other business affiliations
Kenneth Bergmann Chairperson Service Began: 2010	2019-2023	**Principal occupation:** Self-employed grain and livestock farmer Corporate Sales Manager: S&H Farm Supply
Michael L. Cook Outside Director Service Began: 1990	2020-2024	**Principal occupation:** Professor: Department of Agricultural and Applied Economics, Division of Applied Social Sciences, University of Missouri-Columbia
Glen Cope Service Began: 2018	2018-2021	**Principal occupation:** Self-employed cattle farmer **Other business affiliations:** Board Member: MFA Oil
Mark C. DeShon Service Began: 2006	2018-2021	**Principal occupation:** Self-employed livestock and grain farmer
Dan Devlin Service Began: 2009	2018-2021	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Member: Knox County Soil and Water Conservation District Board Member: MU Greenley Research Center Advisory Board Member: St. Joseph Church Finance Committee Advisory Committee: FCS Financial Rural Community and Agriculture Foundation
Sherry Jones Service Began: 2012	2020-2024	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Member: Missouri State Fair Commission Member: Missouri Agricultural and Small Business Development Authority Board of Directors Vice President: Livingston County Farm Bureau Member: Calvary Baptist Church Finance Committee
David Meneely Outside Director Service Began: 1990	2018-2021	**Principal occupation:** County Executive Director: Livingston County Farm Service Agency - retired 2015
Troy D. Norton Outside Director Service Began: 2013	2019-2023	**Principal occupation:** CPA: member-owner of Williams-Keepers, LLC
Randy Pace Service Began: 2020	2020-2024	**Principal occupation:** Self-employed beef cattle and poultry farmer FCS Financial Loan Officer, retired **Other business affiliations:** Chairman: West Plains First Baptist Church Budget and Finance Committee Treasurer: Howell Country Soil and Water Conservation District Board of Directors Vice Chairman: West Vue, Inc. Board of Directors, independent living facility
Mark Pierce Vice Chairperson Service Began: 2003	2019-2022	**Principal occupation:** Self-employed grain and livestock farmer Dealer: Asgrow/DeKalb Monsanto Seed **Other business affiliations:** Board Member: Buchanan County Farm Bureau Member: Progressive Community Services Board of Directors Advisory Committee: FCS Financial Rural Community and Agriculture Foundation Member: AgriBank District Farm Credit Council Member: Farm Credit Council Member: AgriBank Nominating Committee

Name	Term	Principal occupation and other business affiliations
Rick Rehmeier	2020-2022	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, President Advisor/Investor: Heritage Community Bank
Service Began: 2011		
Dale Ridder	2019-2023	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** President: Hermann Area District Hospital Board of Directors Member: Hermann Area Chamber of Commerce Board of Directors Vice Chairman: Gasconade County Industrial Development Authority
Service Began: 2019		
Beth Schnitker	2018-2021	**Principal occupation:** Self-employed grain and livestock farmer Agent: New York Life Insurance Company **Other business affiliations:** Member: Audrain County Cattlemen's Association Member: AgriBank Nominating Committee
Service Began: 2018		
Jared Wareham	2020-2024	**Principal occupation:** Self-employed cow-calf farmer Business Development Manager: ABS Global Former General Manager: Top Dollar Angus, Inc., Angus genetics certification **Other business affiliations:** Drovers magazine columnist
Service Began: 2017		
David Wright	2019-2023	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** President: Missouri Rural Electric Cooperative Board of Directors Vice President: Northeast Power Electric Cooperative Board of Directors
Service Began: 2019		

Pursuant to our bylaws, directors are paid an annual retainer of $11,000 for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $600 per day. The directors are also compensated $0.50 per mile honorarium for travel time. In recognition of the additional duties and responsibilities, the Chairperson and Vice Chairperson received an additional annual retainer of $5,000 and $2,000, respectively. Committee chairpersons are paid an additional annual retainer of $2,000. All retainers are paid biannually in January and July.

Information regarding compensation paid to each director who served during 2020 follows:

	Number of Days Served				
Name	Board Meetings	Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2020
Kenneth Bergmann	12.0	9.0	$2,100	Governance & Compensation ($2,100)	$29,937
Michael L. Cook	12.0	3.5	2,100	Governance & Compensation ($2,100)	20,402
Glen Cope	11.0	9.5	3,600	Legislative ($2,400); Board Risk ($1,200)	25,077
Mark C. DeShon	12.0	12.0	2,400	Audit ($2,400)	26,957
Dan Devlin	11.0	9.5	3,600	Legislative ($2,400); Board Risk ($1,200)	24,968
Sherry Jones	11.0	9.5	3,600	Legislative ($2,400); Board Risk ($1,200)	26,077
David Meneely	12.0	10.5	2,700	Audit ($1,500); Board Risk ($1,200)	26,231
Troy D. Norton	12.0	9.5	4,800	Audit ($4,800)	25,742
Randy Pace[1]	4.0	4.0	900	Audit ($900)	11,390
Mark Pierce	12.0	11.0	3,900	Governance & Compensation ($3,900)	28,816
Rick Rehmeier	12.0	9.5	3,900	Governance & Compensation ($3,900)	26,427
Dale Ridder	12.0	13.5	3,900	Legislative ($2,400); Governance & Compensation ($1,500)	26,700
Beth Schnitker	12.0	12.0	3,000	Audit ($3,000)	25,612
David Stubblefield[2]	5.0	4.0	300	Governance & Compensation ($300)	11,516
Jared Wareham	12.0	6.0	3,600	Legislative ($2,400); Board Risk ($1,200)	22,381
David Wright	12.0	7.0	2,400	Audit ($2,400)	22,874
					$381,107

[1]Term commenced July 2020

[2]Term expired June 2020

Senior Officers

Senior Officers as of December 31, 2020, including business experience during the last five years

Name and Position	Business experience and other business affiliations
David D. Janish Chief Executive Officer	**Business experience:** Chief Executive Officer from August 2013 to present **Other business affiliations:** Board member of Agriculture Leaders of Tomorrow Board member of College of Agriculture, Food and Natural Resources Foundation Advisory Committee: FCS Financial Rural Community and Agriculture Foundation Board member of SunStream Business Services
John Bandy General Counsel	**Business experience:** General Counsel from August 2016 to present Principal at Bandy Law Firm from October 2014 to July 2016
Robert Guinn Executive Vice President, Chief Marketplace Officer	**Business experience:** Executive Vice President, Chief Marketplace Officer from September 2020 to present Vice President, Traditional and Part-time Farmers from 2010 to August 2020
Starla Harper Chief Financial Officer	**Business experience:** Chief Financial Officer from October 2019 to present Vice President, Accounting and Finance from 2016 to September 2019
Steve Harrington Executive Vice President, Administration	**Business experience:** Executive Vice President, Administration from October 2019 to present Chief Financial Officer from 2001 to September 2019 **Other business affiliations:** Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, Treasurer Trust Committee: Farm Credit Foundations
Jeff Houts Executive Vice President, Operations	**Business experience:** Executive Vice President, Operations from 2010 to present **Other business affiliations:** Executive committee member of Missouri Farmers Care Director of Missouri Farm Bureau Foundation for Agriculture Manager of Houts Bayview Farms, LLC
Dennis Hunsberger Executive Vice President, Chief Information Officer	**Business experience:** Executive Vice President, Chief Information Officer from March 2016 to present Senior Vice President, AgVantis, Inc. from 2003 to February 2016
Steve Iversen Executive Vice President, Risk Management	**Business experience:** Executive Vice President, Risk Management from 2010 to present
Carolyn Payne Chief Risk Officer	**Business experience:** Chief Risk Officer from November 2019 to present [1] Assistant General Counsel and Vice President from March 2019 to October 2019 Assistant General Counsel at Compeer Financial from September 2014 to March 2019

[1]This position was designated as a senior officer in January 2020.

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our CEO and senior officers compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO and senior officers compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO and senior officers are compensated with a mix of base salary and annual incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of goals in the annual incentive plan while keeping in mind their responsibilities to our members. Base salary and the annual incentive plan are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO and senior officers base salaries reflect the officer's experience and level of responsibility. Base salaries are subject to review and approval by the Governance and Compensation Committee of our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Annual Incentive Plan: The CEO and senior officers incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall Association performance include return on assets, loan volume, and credit quality. Additionally, performance criteria related to personal performance include attainment of personal objectives and performance ratings serve as qualifiers to be eligible to participate annually. We calculate the incentives after the end of the plan year (the plan year is the calendar year)**.** We pay out the incentives within 90 days of year end.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO and senior officers, based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the accompanying Consolidated Financial Statements.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.

Compensation to the CEO and Senior Officers

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
David D. Janish, CEO	**2020**	**$446**	**$250**	**$5**	**$52**	**$753**
David D. Janish, CEO	2019	421	126	5	53	605
David D. Janish, CEO	2018	401	168	5	51	625
Aggregate Number of Senior Officers, excluding CEO						
Eight*	**2020**	**$1,546**	**$677**	**$17**	**$1,656**	**$3,896**
Six**	2019	1,127	265	12	1,697	3,101
Five	2018	972	324	10	19	1,325

*Includes a full year of compensation for two individuals that became Senior Officers in January and September 2020.

**Includes a full year of compensation for one individual that became a Senior Officer in October 2019.

Members may request information on the compensation to the individuals included in the preceding table during 2020.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan as disclosed in Note 8 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plan. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

No tax reimbursements are made to the CEO and senior officers.

The value of the pension benefits increased from December 31, 2019, to December 31, 2020, primarily due to the decrease in interest rates year over year. The value of the pension benefits was also impacted to a lesser extent by the accumulation of an additional year of credited service by plan participants and updates to actuarial assumptions.

Pension Benefits Attributable Senior Officers

(dollars in thousands) **2020** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Aggregate Number of Senior Officers				
Five	AgriBank District Retirement Plan	**33.4**	**$9,178**	**$ --**

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 9 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

1934 East Miller Street
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com
jeffersoncitymo@myfcsfinancial.com

The total directors' travel, subsistence, and other related expenses were $91 thousand, $135 thousand, and $120 thousand in 2020, 2019, and 2018, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2021, or at any time during 2020.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2020 were $84 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

FCS Financial, ACA

(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics*

We have used the 2017 United States Department of Agriculture (USDA) Ag Census as our source of demographic data for Young, Beginning, and Small Farmers. We have 89,916 farmers in our 102 county territory. Of these farmers, 12.7%, or 11,454, are young farmers, 28.5%, or 25,577, are beginning farmers, and 92.8%, or 83,474, are small farmers. The census data is as of 2017 whereas our portfolio data is based on the number of loans in the current year.

Mission Statement

Our Young, Beginning, and Small Farmer's mission is to be the lender of choice by providing industry leading financial services, agricultural expertise, and cooperative educational opportunities to help them succeed in the marketplace.

Quantitative Goals

We will strive to maintain a portfolio mix of young, beginning, and small farmers that matches the marketplace based on recent USDA Ag Census data.

Related services continue to be offered and sold to young, beginning, and small farmers on a statewide basis through our normal delivery channels. We are also a participating lender for the Missouri Linked Deposit Program which offers, among others, a program for beginning farmers. Additionally, we participate in the financial assistance program for beginning farmers that is administered through the Missouri Department of Agriculture's Agricultural and Small Business Development Authority. Special educational meetings are held periodically for promotional and educational purposes.

New Customers	2020 Goals	2020 Actual
New young farmer customers:	350	431
New beginning farmer customers:	495	743
New small farmer customers:	700	988

Portfolio Goals (dollars in millions)	2020 Goals	2020 Actual
Number of young farmer customers:	3,390	3,427
Number of beginning farmer customers:	4,900	5,074
Number of small farmer customers:	9,400	9,575
Young farmer volume:	$707	$736
Beginning farmer volume:	$851	$962
Small farmer volume:	$1,366	$1,510
Young farmers with guaranteed loans:	602	643
Beginning farmers with guaranteed loans:	596	641
Small farmers with guaranteed loans:	693	905
Guaranteed young farmer volume:	$139	$147
Guaranteed beginning farmer volume:	$140	$147
Guaranteed small farmer volume:	$149	$161

Outreach Program

The FCS Financial *Connect* and *Heartland Heroes* programs continue to provide a benefit to those involved in the programs. Through four key areas of credit standards, cooperative representation, communication and knowledge sharing, *Connect* helps participants realize their full potential to find success. *Heartland Heroes* was launched in 2017 based on the *Connect* program. It combines credit, communication, a resource team and knowledge sharing to help veteran farmers realize their full potential. Current farmers who are FCS Financial member-owners are volunteering their time and expertise to serve as a resource for *Heartland Heroes* participants. *Heartland Heroes* strives to serve veterans who are aspiring agricultural entrepreneurs, those returning to a family farm or those who want to live a rural lifestyle.

In 2020, the pandemic caused FCS Financial to move from in-person to virtual events including the Young, Beginning seminar and several local educational seminars to provide timely information to members and prospects. In addition to these programs, FCS Financial enhanced its social media presence on Facebook, Twitter and YouTube to reach the young, beginning and small farmer segments. A series of Facebook Live programs were produced to engage with the segment. The Association's website features a designated page for young, beginning and small producers with links to special programs, opportunities and educational content.

We continue to host programs and seminars for Vo-Ag classes, young farmers, and other organizations. All promotional information and brochures targeted to the YBS Program offer related services as part of the materials. We incorporate specific advertising campaigns in our media plan that target YBS publications. Additionally, we provide content in one issue of our customer magazine, *HeartBeat*, specific to YBS as well as e-newsletters for this segment. A grant program for eligible 4-H and FFA chapters to improve their communities, academic scholarships, and Ag Youth Funding program for 4-H and FFA members continue to play a role in our YBS strategies.

We conduct advisory stockholder meetings annually. One stockholder committee meeting consists of YBS customers only to address the needs of this segment. We continue to evaluate options for providing joint educational programs with other agribusiness and academia associates in the state. The goal for 2020 was to continue working with educational groups that already have strong agricultural education programs. Funds were allocated in 2020 towards enhancement of current public relations and educational events with existing relationships.

Safety and Soundness of the Program

On June 20, 2002, we approved a policy that directed the establishment of programs to provide credit and closely related services to young, beginning, and small farmers, ranchers, or producers or harvesters of aquatic products. Implementation of this policy supported the availability of sound, adequate, and constructive credit and related services for YBS. On September 1, 2002, we implemented our YBS program. Our YBS policy was approved in November 2005. We monitor this program on an ongoing quarterly basis. The overall results of our YBS program have been favorable since implementation. We review its performance on an annual basis and make any necessary changes.

*There are several differences in the methods by which the demographic and FCA Young, Beginning, and Small Farmer data is presented: Young farmers are defined by the FCA as 35 years old or less. The USDA demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers, but may also include experienced farmers who have recently changed farmsteads. The FCA Small Farmer definition matches closely with the USDA delineation. The USDA Census of Agriculture is the best source of demographic information within the Association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess Association targets and goals.

FUNDS HELD PROGRAM

FCS Financial, ACA

(Unaudited)

The Association offers a Funds Held Program (Funds Held) that provides for borrowers to make advance payments on designated real estate loans and intermediate-term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and borrower provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the borrower has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, moneys in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the borrower must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed the lesser of two times the estimated annual payment or the unpaid balance of the related loan(s).

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. The interest rate paid is the Federal Funds Target rate plus 0.50%.

Interest rates are currently reported on each borrower’s year end loan statement.

Withdrawals

Money in Funds Held may be withdrawn for the following items, depending on the borrower’s loan program:

- Borrowers with real estate loans and intermediate-term loans closed under the loan programs may use Funds Held for future installments, insurance, or real estate taxes on collateral for the respective loan, as well as for other eligible loan purposes.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the borrowers.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, borrowers having balances in Funds Held shall be notified according to FCA Regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS Financial representative.

FCS FINANCIAL ACA
1934 E MILLER ST
JEFFERSON CITY MO 65101

FCS FINANCIAL

Growing Relationships. Creating Opportunities.™

A FARM CREDIT COOPERATIVE

Find an FCS Financial office near you:

1.800.444.3276

WWW.MYFCSFINANCIAL.COM

EQUAL HOUSING LENDER