Oklahoma AgCredit

2020 Third Quarter Financial Report

NOTICE

The shareholders' investment in Oklahoma AgCredit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2019 CoBank Annual Report to Shareholders and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at:

Oklahoma AgCredit, ACA
3033 Progressive Drive
Edmond, Oklahoma 73034
405-938-1700

OKLAHOMA AGCREDIT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following discussion summarizes the financial position and results of operations of Oklahoma AgCredit, ACA (the Association) for the nine months ended September 30, 2020, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2019 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The headquarters of the ACA and its subsidiaries relocated from the city of Broken Arrow to the city of Edmond, in Oklahoma County, Oklahoma effective September 1, 2020. The new building will accommodate administrative staff, specialized lending staff, and provides a central location for meetings and training. The office in Broken Arrow, Oklahoma remains open to serve our customers.

ECONOMIC OVERVIEW

Our borrowers continue to be impacted in various ways by the pandemic. Changing consumer preferences have resulted in dislocations in the food supply chain and extreme price volatility. During the third quarter, cattle prices recovered most of the drop precipitated by the pandemic before falling back to where they started the quarter. With drought expanding westward into our loan service area, fall forage and winter wheat pasture will be well below average. In September, the USDA announced round two of the Coronavirus Food Assistance Program which will provide much needed support to struggling producers. Preliminary results of fall harvested crops appear to indicate average yields in our territory. Improving crop prices coupled with expanded aid will positively impact those producers.

Crude oil and natural gas prices have stabilized after two quarters of severe volatility. Oklahoma energy companies have curtailed most drilling activities and announced numerous rounds of furloughs. Despite the challenges presented by this dominant industry, Oklahoma's unemployment rate of 5.7% continues to remain well below the national average of 8.4%. Historically low interest rates coupled with changing consumer behavior has resulted in surging real estate values in certain regions of our territory.

The COVID-19 pandemic has heightened many risks, including credit risk, liquidity risk, market risk, and operational risk. The effectiveness of our mitigation efforts and the extent to which COVID-19 affects our business, results of operations and financial condition may partially depend on some factors beyond our control. The COVID-19 pandemic rapidly evolved from a global public health crisis into a global economic crisis. Actions by government authorities to stem the spread of the disease shut down entire sectors of the global economy, forcing millions of people out of work, and precipitated a contraction in economic output. In the United States, the Federal Reserve deployed a full range of emergency monetary stimulus tools to ensure the financial system continued to function. The administration and Congress have also passed aggressive fiscal stimulus measures. As states and cities have re-opened, certain areas of the country have experienced a substantial increase in cases. It remains to be seen how effective these policy responses will be given the unique attributes of the continuing pandemic.

The U.S. government has initiated various programs in support of the COVID-19 economic recovery. In late March 2020, Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. Among other provisions, the CARES Act made funds available for small businesses under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the Small Business Administration (SBA). Congress also provided additional funding for small business disaster loans and direct payments to farmers and ranchers as a result of the COVID-19 pandemic as well as making purchases of agriculture products. The impact of these and other U.S. government support programs and stimulus on the broader agricultural economy and our customers in particular is uncertain at this time.

We are committed to supporting our borrowers and employees during uncertain times.

- Our Association has adopted a streamlined payment deferral process to assist with loan conversions, short-term payment deferrals, or an informal deferral or forbearance on payments.
- We are complying with the Families First Coronavirus Response Act (FFCRA or Act) which requires certain employers to provide their employees with 80 hours of paid sick leave if impacted by COVID-19.
- We are a SBA lender and have processed and funded loans through the PPP.

LOAN PORTFOLIO

Loans outstanding at September 30, 2020 totaled $1.53 billion, an increase of $134.9 million, or 9.6%, from loans of $1.40 billion at December 31, 2019. The increase was primarily due to new real estate loans and an increase in net disbursements on existing lines of credit for capital markets loans and fifteen new borrowers.

Although the overall credit quality of our loan portfolio remained strong during the first nine months of 2020, economic conditions in the broader economy deteriorated rapidly beginning in March 2020 and continue to be uncertain. The spread of COVID-19 around the world, particularly in the U.S., has caused volatility and unfavorable conditions in the U.S. and international markets. There is significant uncertainty around the magnitude and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. As such, the impact COVID-19 will have on our credit quality is uncertain. If the effect of COVID-19 results in repayment shortfalls on loans in our portfolio, we could incur credit losses. At this time, we believe the credit quality impacts within our loan portfolio resulting from the COVID-19 business disruptions will be mixed with certain industries negatively impacted.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. We had other property owned of $181 thousand at September 30, 2020. No acquired property was held at December 31, 2019. During third quarter, one parcel of land was acquired. We actively market other property owned assets and intend to dispose of them in a timely manner.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2020, was $18.0 million, an increase of $308 thousand, or 1.7%, from the same period ended one year ago. The increase is primarily due to an increase in net interest income partially offset by an increase in noninterest expense.

Net interest income for the nine months ended September 30, 2020, was $29.2 million, an increase of $2.2 million, or 8.3%, compared with the nine months ended September 30, 2019. Interest rate spread increased by 7 basis points. Interest income decreased as a result of a decrease in borrower rates, partially offset by average loan volume growth of 12.0%. Interest expense decreased due to a decrease in rates, partially offset by the average volume increase on debt to CoBank of 13.4%. Falling interest rates caused the net interest margin decrease of 9 basis points due to a lower return on our own capital.

The provision for credit losses for the nine months ended September 30, 2020, was $458 thousand, an increase of $294 thousand, or 179.3%, from the same period ended one year ago. The provision for credit losses increased as a result of an increase in the management adjustment of $292 thousand. Management believes that the continued suppressed commodity prices, primarily for cattle and crude oil, have caused erosion to borrower liquidity and equity. The additional level of reserves also reflects inherent losses in our loan portfolio resulting from deterioration in the macro environment and business disruptions related to COVID-19.

Noninterest income decreased $113 thousand during the first nine months of 2020 compared with the first nine months in 2019 primarily due to a decrease of $199 thousand in mineral income. The decrease is partially offset by the FCS Insurance savings allocation, included in other noninterest income, of $107 thousand for 2019 which was much higher than the $34 thousand allocated for 2018, due to the unfavorable impact of several large stop loss claims and other negative claim developments in 2018. Income is recorded one year in arrears.

Also included in noninterest income is a refund of $313 thousand from Farm Credit System Insurance Corporation (FCSIC), unchanged from a refund of $313 thousand in 2019. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2019 Annual Report to Shareholders for additional information.

Mineral income of $408 thousand was recognized during the first nine months of 2020. Of this amount, $401 thousand was received from CoBank. The decrease for the nine months ended September 30, 2020, compared with first nine months of 2019 is primarily the result a significant drop in crude oil prices, natural gas prices and production volumes during 2020.

During the first nine months of 2020, noninterest expense increased $1.5 million to $15.9 million, primarily due to the increase in qualified pension expense, additional employees and merit increases, and AgVantis subscription fees. We recorded conversion fee expense of $316 thousand during the third quarter of 2020, primarily due to prepayment fees charged by CoBank related to loan conversions. The decrease in rates caused an increase in customer demand for loan refinancing.

The Association is an employer participant of the Ninth Retirement Plan, a multi-employer defined benefit plan. The allocation methodology amongst the employer participants was changed beginning 2020. The change reduced expense and funding requirements. The new method is based on service cost and unfunded liability of each Association. The method automatically adjusts to reflect changes to active and inactive populations. Service cost is allocated to each employer based on its active participants in the pension plan and the cost of earning an additional year of service. The remaining portion of annual expense is allocated in proportion to the projected benefit obligation (liability). The previous methodology was an ownership percentage concept. See Note 10 of the 2019 Annual Report to Shareholders for more information about the previous methodology.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2020, was $308.1 million, an increase from $18.2 million at December 31, 2019. This increase is due to net income, the amortization of pension costs included in the net periodic benefit cost, and net stock issuances.

OTHER MATTERS

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. As of September 30, 2020, the Association had $151.9 million in LIBOR-indexed loans repricing after 2021. At this time we are unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Refer to the 2019 Annual Report for further information.

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

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Lisa Cochell
Chairwoman of the Audit Committee
November 5, 2020

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Patrick Zeka
President/CEO
November 5, 2020

//signature on file//

Malinda Thimmesch
CFO
November 5, 2020

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2020	December 31 2019
	UNAUDITED	AUDITED
ASSETS		
Loans	$ 1,534,677	$ 1,399,737
Less allowance for loan losses	3,442	3,255
Net loans	1,531,235	1,396,482
Cash	2,215	2,943
Accrued interest receivable	18,127	16,501
Investment in CoBank, ACB	44,560	44,560
Investment in AgDirect	2,923	2,815
Premises and equipment, net	14,336	9,329
Other property owned	181	-
Prepaid benefit expense	6,011	5,145
Other assets	6,018	6,964
Total assets	$ 1,625,606	$ 1,484,739
LIABILITIES		
Note payable to CoBank, ACB	$ 1,305,302	$ 1,177,209
Advance conditional payments	4,747	2,091
Accrued interest payable	1,704	2,538
Patronage distributions payable	-	7,000
Accrued benefits liability	668	841
Reserve for unfunded commitments	585	578
Other liabilities	4,523	4,573
Total liabilities	1,317,529	1,194,830
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	3,582	3,459
Additional paid-in capital	55,558	55,558
Unallocated retained earnings	249,206	231,212
Accumulated other comprehensive income/(loss)	(269)	(320)
Total shareholders' equity	308,077	289,909
Total liabilities and shareholders' equity	$ 1,625,606	$ 1,484,739

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	**2020**	2019	**2020**	2019
INTEREST INCOME				
Loans	**$ 15,062**	$ 16,812	**$ 47,982**	$ 50,427
Total interest income	**15,062**	16,812	**47,982**	50,427
INTEREST EXPENSE				
Note payable to CoBank, ACB	**5,377**	7,850	**18,812**	23,462
Other	**5**	15	**18**	43
Total interest expense	**5,382**	7,865	**18,830**	23,505
Net interest income	**9,680**	8,947	**29,152**	26,922
Provision for credit losses/(Credit loss reversal)	**52**	(57)	**458**	164
Net interest income after provision for credit losses/credit loss reversal	**9,628**	9,004	**28,694**	26,758
NONINTEREST INCOME				
Financially related services income	**4**	4	**15**	19
Loan fees	**212**	281	**712**	718
Patronage distribution from Farm Credit institutions	**1,147**	1,113	**3,360**	3,294
Farm Credit Insurance Fund distribution	**-**	-	**313**	313
Mineral income	**86**	184	**408**	607
Other noninterest income	**179**	199	**446**	416
Total noninterest income	**1,628**	1,781	**5,254**	5,367
NONINTEREST EXPENSE				
Salaries and employee benefits	**3,027**	2,591	**9,303**	8,071
Occupancy and equipment	**294**	233	**809**	705
Purchased services from AgVantis, Inc.	**738**	693	**2,214**	2,066
Farm Credit Insurance Fund premium	**332**	238	**801**	704
Supervisory and examination costs	**126**	-	**452**	324
Conversion fee	**316**	-	**316**	-
Other noninterest expense	**685**	792	**2,053**	2,562
Total noninterest expense	**5,518**	4,547	**15,948**	14,432
Income before income taxes	**5,738**	6,238	**18,000**	17,693
Provision for income taxes	**2**	2	**6**	7
Net income	**5,736**	6,236	**17,994**	17,686
COMPREHENSIVE INCOME				
Amortization of retirement costs	**17**	18	**51**	54
Total comprehensive income	**$ 5,753**	$ 6,254	**$ 18,045**	$ 17,740

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2018	$ 3,352	$ 55,558	$ 214,105	$ (318)	$ 272,697
Comprehensive income			17,686	54	17,740
Stock issued	327				327
Stock retired	(251)				(251)
Balance at September 30, 2019	$ 3,428	$ 55,558	$ 231,791	$ (264)	$ 290,513
Balance at December 31, 2019	$ 3,459	$ 55,558	$ 231,212	$ (320)	$ 289,909
Comprehensive income			17,994	51	18,045
Stock issued	401				401
Stock retired	(278)				(278)
Balance at September 30, 2020	**$ 3,582**	**$ 55,558**	**$ 249,206**	**$ (269)**	**$ 308,077**

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

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Oklahoma AgCredit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2019, are contained in the 2019 Annual Report to Shareholders. These unaudited third quarter 2020 financial statements should be read in conjunction with the 2019 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2019, as contained in the 2019 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2020. Descriptions of the significant accounting policies are included in the 2019 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. The Association has adopted this relief for qualifying loan modifications.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association is evaluating the impact of adoption on its financial condition and its results of operations.

In December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled “Simplifying the Accounting for Income Taxes.” This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association’s financial condition or results of operations, nor will the guidance impact the presentation of taxes for prior periods in the 2020 interim year-end financial statements.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The Association adopted this guidance on January 1, 2019, applying the guidance on a prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

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

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removed and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but will impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. On October 16, 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	September 30, 2020	December 31, 2019
Real estate mortgage	**$ 1,033,366**	$ 938,740
Production and intermediate-term	**233,199**	232,324
Agribusiness	**173,738**	153,392
Rural infrastructure	**82,229**	67,630
International	**11,241**	6,249
Rural residential real estate	**904**	1,402
Total Loans	**$ 1,534,677**	$ 1,399,737

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2020:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 45,831	$ 6,762	$ 373	$ -	$ 46,204	$ 6,762
Production and intermediate-term	44,545	3,930	-	-	44,545	3,930
Agribusiness	170,498	-	-	-	170,498	-
Rural infrastructure	82,229	-	-	-	82,229	-
International	11,241	-	-	-	11,241	-
Total	$ 354,344	$ 10,692	$ 373	$ -	$ 354,717	$ 10,692

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

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

	September 30, 2020	December 31, 2019
Real estate mortgage		
Acceptable	**98.03%**	97.82%
OAEM	**0.61%**	1.24%
Substandard	**1.36%**	0.94%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**96.59%**	95.78%
OAEM	**2.05%**	1.18%
Substandard	**1.36%**	3.04%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**98.16%**	97.55%
OAEM	**1.37%**	2.38%
Substandard	**0.47%**	0.07%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**95.82%**	93.80%
OAEM	**1.05%**	4.63%
Substandard	**3.13%**	1.57%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
International		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**97.73%**	97.27%
OAEM	**0.93%**	1.51%
Substandard	**1.34%**	1.22%
Total	**100.00%**	100.00%

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

	September 30, 2020	December 31, 2019
Nonaccrual loans		
Real estate mortgage	$ 12,231	$ 3,910
Production and intermediate-term	1,837	3,876
Total nonaccrual loans	$ 14,068	$ 7,786
Accruing restructured loans		
Real estate mortgage	$ 309	$ 321
Production and intermediate-term	678	811
Total accruing restructured loans	$ 987	$ 1,132
Total impaired loans	$ 15,055	$ 8,918
Other property owned	181	-
Total high risk assets	$ 15,236	$ 8,918

The association had no accruing loans 90 days past due for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2020			December 31, 2019		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Production and intermediate-term	$ 374	$ 654	$ 72	$ 2,316	$ 2,314	$ 132
Total	$ 374	$ 654	$ 72	$ 2,316	$ 2,314	$ 132
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 12,540	$ 12,868		$ 4,231	$ 4,833	
Production and intermediate-term	2,141	2,780		2,371	2,905	
Agribusiness	-	119		-	141	
Total	$ 14,681	$ 15,767		$ 6,602	$ 7,879	
Total impaired loans:						
Real estate mortgage	$ 12,540	$ 12,868	$ -	$ 4,231	$ 4,833	$ -
Production and intermediate-term	2,515	3,434	72	4,687	5,219	132
Agribusiness	-	119	-	-	141	-
Total	$ 15,055	$ 16,421	$ 72	$ 8,918	$ 10,193	$ 132

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

	For the Three Months Ended September 30, 2020		For the Three Months Ended September 30, 2019	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ -**	**$ -**	$ 167	$ 2
Production and intermediate-term	**1,443**	**-**	2,165	-
Total	**$ 1,443**	**$ -**	$ 2,332	$ 2
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 11,760**	**$ 133**	$ 7,256	$ 3
Production and intermediate-term	**2,282**	**30**	2,953	17
Agribusiness	**-**	**-**	177	(15)
Total	**$ 14,042**	**$ 163**	$ 10,386	$ 5
Total impaired loans:				
Real estate mortgage	**$ 11,760**	**$ 133**	$ 7,423	$ 5
Production and intermediate-term	**3,725**	**30**	5,118	17
Agribusiness	**-**	**-**	177	(15)
Total	**$ 15,485**	**$ 163**	$ 12,718	$ 7

	For the Nine Months Ended September 30, 2020		For the Nine Months Ended September 30, 2019	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ -**	**$ -**	$ 275	$ 11
Production and intermediate-term	**1,401**	**-**	729	-
Agribusiness	**-**	**-**	221	-
Total	**$ 1,401**	**$ -**	$ 1,225	$ 11
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 9,264**	**$ 202**	$ 5,251	$ 118
Production and intermediate-term	**3,096**	**52**	3,300	17
Agribusiness	**-**	**-**	62	1
Total	**$ 12,360**	**$ 254**	$ 8,613	$ 136
Total impaired loans:				
Real estate mortgage	**$ 9,264**	**$ 202**	$ 5,526	$ 129
Production and intermediate-term	**4,497**	**52**	4,029	17
Agribusiness	**-**	**-**	283	1
Total	**$ 13,761**	**$ 254**	$ 9,838	$ 147

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

September 30, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 2,235	$ 1,083	$ 3,318	$ 1,044,123	$ 1,047,441	$ -
Production and intermediate-term	4,295	894	5,189	231,655	236,844	-
Agribusiness	-	-	-	174,070	174,070	-
Rural infrastructure	-	-	-	82,282	82,282	-
Rural residential real estate	-	-	-	907	907	-
International	-	-	-	11,260	11,260	-
Total	$ 6,530	$ 1,977	$ 8,507	$ 1,544,297	$ 1,552,804	$ -

December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 3,464	$ 314	$ 3,778	$ 946,531	$ 950,309	$ -
Production and intermediate-term	2,370	-	2,370	234,318	236,688	-
Agribusiness	2	-	2	153,854	153,856	-
Rural infrastructure	-	-	-	67,700	67,700	-
Rural residential real estate	99	-	99	1,319	1,418	-
International	-	-	-	6,267	6,267	-
Total	$ 5,935	$ 314	$ 6,249	$ 1,409,989	$ 1,416,238	$ -

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

	Balance at June 30, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2020
Real estate mortgage	$ 962	$ -	$ -	$ (41)	$ 921
Production and intermediate-term	1,294	288	-	123	1,129
Agribusiness	1,160	-	-	(27)	1,133
Rural infrastructure	220	-	-	36	256
Rural residential real estate	1	-	-	(1)	-
International	3	-	-	-	3
Total	$ 3,640	$ 288	$ -	$ 90	$ 3,442

OKLAHOMA AGCREDIT

	Balance at December 31, 2019		Charge-offs		Recoveries		Provision for Loan Losses/ (Loan Loss Reversals)		Balance at September 30, 2020
Real estate mortgage	$	742	$	-	$	1	$	178	$ 921
Production and intermediate-term		1,292		288		-		125	1,129
Agribusiness		1,041		-		23		69	1,133
Rural infrastructure		176		-		-		80	256
Rural residential real estate		1		-		-		(1)	-
International		3		-		-		-	3
Total	$	3,255	$	288	$	24	$	451	$ 3,442

	Balance at June 30, 2019		Charge-offs		Recoveries		Provision for Loan Losses/ (Loan Loss Reversals)		Balance at September 30, 2019
Real estate mortgage	$	931	$	-	$	-	$	(104)	$ 827
Production and intermediate-term		884		7		-		(27)	850
Agribusiness		1,190		130		-		41	1,101
Rural infrastructure		160		-		-		14	174
Rural residential real estate		1		-		-		(1)	-
International		2		-		-		1	3
Total	$	3,168	$	137	$	-	$	(76)	$ 2,955

	Balance at December 31, 2018		Charge-offs		Recoveries		Provision for Loan Losses/ (Loan Loss Reversals)		Balance at September 30, 2019
Real estate mortgage	$	911	$	-	$	2	$	(86)	$ 827
Production and intermediate-term		1,523		256		-		(417)	850
Agribusiness		582		130		-		649	1,101
Rural infrastructure		135		-		-		39	174
International		2		-		-		1	3
Total	$	3,153	$	386	$	2	$	186	$ 2,955

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Balance at beginning of period	**$ 623**	$ 480	**$ 578**	$ 521
Provision for/(reversal of) unfunded commitments	**(38)**	19	**7**	(22)
Total	**$ 585**	$ 499	**$ 585**	$ 499

Additional information on the allowance for loan losses follows:

	Allowance for Credit Losses Ending Balance at September 30, 2020		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2020	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 921	$ 12,540	$ 1,034,901
Production and intermediate-term	72	1,057	2,515	234,329
Agribusiness	-	1,133	-	174,070
Rural infrastructure	-	256	-	82,282
Rural residential real estate	-	-	-	907
International	-	3	-	11,260
Total	$ 72	$ 3,370	$ 15,055	$ 1,537,749

	Allowance for Credit Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 742	$ 4,231	$ 946,078
Production and intermediate-term	132	1,160	4,687	232,001
Agribusiness	-	1,041	-	153,856
Rural infrastructure	-	176	-	67,700
Rural residential real estate	-	1	-	1,418
International	-	3	-	6,267
Total	$ 132	$ 3,123	$ 8,918	$ 1,407,320

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding troubled debt restructurings that occurred during the periods.

	For the Three Months Ended			
	September 30, 2020		September 30, 2019	
	Pre-modification Outstanding Recorded Investment*	**Post-modification Outstanding Recorded Investment***	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	**$ -**	**$ -**	$ 139	$ 139
Production and intermediate-term	**-**	**-**	891	891
Total	**$ -**	**$ -**	$ 1,030	$ 1,030

	For the Nine Months Ended			
	September 30, 2020		September 30, 2019	
	Pre-modification Outstanding Recorded Investment*	**Post-modification Outstanding Recorded Investment***	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	**$ 40**	**$ 41**	$ 139	$ 139
Production and intermediate-term	**-**	**-**	3,127	3,128
Total	**$ 40**	**$ 41**	$ 3,266	$ 3,267

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

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the first nine months of 2020 and 2019.

Additional commitments to lend to borrowers whose loans were modified in a troubled debt restructuring were $216 at September 30, 2020. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings at December 31, 2019.

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

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2020	December 31, 2019	**September 30, 2020**	December 31, 2019
Real estate mortgage	**$ 666**	$ 668	**$ 355**	$ 347
Production and intermediate-term	**1,215**	3,391	**539**	2,580
Total	**$ 1,881**	$ 4,059	**$ 894**	$ 2,927

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

NOTE 3 - CAPITAL

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

	As of September 30, 2020	As of December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	16.23%	17.06%	4.5%	2.5%	7.0%
Tier 1 capital ratio	16.23%	17.06%	6.0%	2.5%	8.5%
Total capital ratio	16.50%	17.30%	8.0%	2.5%	10.5%
Permanent capital ratio	16.27%	17.10%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.70%	17.56%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	17.95%	18.68%	1.5%	-	1.5%

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

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	**2020**	2019
Pension and other benefit plans:				
Beginning balance	**$ (286)**	$ (282)	**$ (320)**	$ (318)
Amounts reclassified from accumulated other comprehensive loss	**17**	18	**51**	54
Net current period other comprehensive income	**17**	18	**51**	54
Ending balance	**$ (269)**	$ (264)	**$ (269)**	$ (264)

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
	2020	2019	
Pension and other benefit plans:			
Net actuarial loss	**$ 17**	$ 18	Salaries and employee benefits
Total reclassifications	**$ 17**	$ 18	

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
	2020	2019	
Pension and other benefit plans:			
Net actuarial loss	**$ 51**	$ 54	Salaries and employee benefits
Total reclassifications	**$ 51**	$ 54	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2019 Annual Report to Shareholders for a more complete description.

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

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
September 30, 2020	**$ 378**	**$ -**	**$ -**	**$ 378**
December 31, 2019	$ 572	$ -	$ -	$ 572

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2020 or December 31, 2019.

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

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
September 30, 2020				
Loans	**$ -**	**$ -**	**$ 454**	**$ 454**
Other property owned	**$ -**	**$ -**	**$ 181**	**$ 181**
December 31, 2019				
Loans	$ -	$ -	$ 2,424	$ 2,424

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. The Association utilizes appraisals or other market-based information to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2020 or December 31, 2019.

Valuation Techniques

As more fully discussed in Note 2 of the 2019 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned measured on a non-recurring basis is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 5, 2020, which is the date the financial statements were issued, and no material subsequent events were identified.