GreenStone Farm Credit Services, ACA

Quarterly Report
September 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2019 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The U.S. economy experienced a significant contraction during the second quarter as a result of the COVID-19 pandemic and the resulting government policies aimed at slowing the spread of the virus. Real Gross Domestic Product (GDP) declined by 31.4% on an annualized basis during the quarter, an all-time record. Third quarter GDP is expected to show significant improvement as the U.S. economy has begun to improve. Two of the strongest areas of the economic recovery have been in consumer spending and the housing market/residential investment. The significant fiscal stimulus provided by the Federal Government increased consumer spending and helped reduce the impact of the record job losses experienced earlier this year. The housing market and overall residential investment have also shown stability despite the unprecedented stress seen in the labor market. Home prices are benefiting from historically low interest rates and shifting consumer preferences. While the GDP outlook for the third quarter is much improved compared to the severe slump seen in the second quarter, many uncertainties still exist. Most notably, an increase in COVID-19 outbreaks, slow progress regarding vaccine developments, and the lack of further fiscal stimulus could all potentially cause economic activity to remain depressed for the remainder of this year and into next year.

The U.S. labor market has followed a similar trend as the overall economy throughout 2020, with the unemployment rate spiking sharply to 14.7% in April before experiencing improvement in the months that followed. The U.S. Bureau of Labor Statistics showed that nonfarm payrolls rose by 661 thousand in September and the unemployment rate fell to 7.9%, which is a 0.5% decline from August 2020. Notable job gains occurred in leisure and hospitality, retail trade, professional and business services, and health services sectors. The unemployment rate in Michigan was 8.5% for the month of September while the unemployment rate for Wisconsin was much better at 5.4%.

On August 27, 2020, Federal Reserve Chair Jerome Powell announced changes to the Federal Open Market Committee's (FOMC) long run targets and monetary policy strategy. Mr. Powell specifically announced a change in the committee's targeted inflation goal. The FOMC will now "seek to achieve inflation that averages 2.0% over time", indicating they will allow inflation to exceed their 2.0% target if the inflation rate had been averaging below 2.0% for a period of time. While the FOMC is still maintaining their long-term inflation target of 2.0%, the move signals that the FOMC will prioritize the achievement of full employment over preventing inflation from rising above 2.0% in a given period. This suggests that the FOMC will likely keep interest rates near 0% for longer than previously anticipated in an effort to provide accommodative monetary policy and support the economic recovery.

The United States Department of Agriculture (USDA) is forecasting 2020 net farm income to increase $19.0 billion (22.7%) from 2019 to $102.7 billion in 2020. Overall, farm cash receipts are forecast to decrease $12.3 billion (3.3%) to $358.3 billion in 2020. Total animal/animal product receipts are expected to decrease $14.3 billion while total crop receipts are forecast to increase $2.0 billion from 2019 levels. Federal farm program payments paid directly to farmers and ranchers are forecast at $37.2 billion, a $14.7 billion increase (65.7%) primarily due to supplemental and ad hoc disaster assistance for COVID-19 relief.

Total production expenses are forecast to decrease $4.6 billion (1.3%) in 2020 to $344.2 billion. Interest expenses are forecast to decrease $5.6 billion (27.1%) while fertilizer expenses are forecast to increase $1.3 billion (5.7%) and cash labor expenses to increase $1.1 billion (3.1%) in 2020.

The dairy industry has been significantly impacted by the COVID-19 pandemic as consumers dramatically changed their consumption habits, thereby causing food service demand to decrease and sales at grocery stores to rise sharply. As a result of these changes the dairy supply chain experienced significant disruptions as the industry attempted to adapt to rapidly changing market dynamics. The imbalance in dairy supply and demand appears to have leveled out for now as the USDA forecasted Class III milk price for 2020 and 2021 at $18.00 per cwt and $17.60 per cwt, respectively. Like all areas of the economy, the long-term outlook for the dairy industry is still uncertain and will be dependent on consumers' disposable income and buying behavior. MWC, located in St. Johns, is a large-scale cheese and whey protein manufacturing facility which is now the largest food-processing plant in Michigan. MWC began taking milk on October 20, 2020, and took in 1 million pounds that day. The volume of milk delivered daily is expected to increase to 8 million pounds within the next 8 months. Adding this processing capacity in Michigan will help alleviate some of the negative basis issues Michigan dairy farmers have been battling.

Export volumes, particularly to China, continue to receive significant attention. Purchases of U.S. soybeans are being watched and interpreted as potential signs as to whether China will be fulfilling their Phase 1 commitments under the trade agreement that was finalized in January 2020. According to the USDA Foreign Agricultural Services' report covering sales through August 6, 2020, new-crop soybean sales to the world stood at a total of 660.5 million bushels, with 377.4 million (57.1%) of these bushels headed directly to China. At the same time last year, only 164.2 million bushels of 2019/20 new-crop export sales had been recorded, with just 7.1 million bushels headed directly to China. This year's soybean export indicators are also significantly higher than they were at this point in 2017, which was the last "normal" trade year, when a total of 258.4 million bushels of 2017/18 new-crop sales had been recorded with 113.7 million bushels sold to China. In total, 14.9% of total estimated 2020/21 soybean production had been purchased for export as of August 6, which is significantly higher than the 4.5% of the new-crop 2019/20 production that had been purchased through the same period in 2019. The USDA is projecting soybean exports to total $20.4 billion, a $4.5 billion increase compared to last year, primarily due to expected strong demand from China and reduced competition from Brazil.

Exports of U.S. pork have been similarly strong, despite supply chain disruptions in the U.S. resulting from COVID-19. From January through May 2020 pork exports rose 21.0% above the prior year, however pork exports would have been even larger if it were not for the disruptions that took place as a result of COVID-19 cases, which led to processing plant closures and production slowdowns. Rising pork exports to China are almost entirely responsible for the year-to-date increase in U.S. pork exports. During the first five months of 2020, U.S. pork exports to the Chinese mainland rose by 427.0% compared to 2019, totaling nearly 1.1 billion pounds in 2020 compared to 202.0 million pounds in 2019. Pork prices rebounded significantly in September as prices for the week ending September 4, 2020, were $41.68 cwt but they climbed to $55.31 by the end of the month.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $10.3 billion at September 30, 2020, a $935.2 million increase from December 31, 2019.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank, was $10.4 billion at September 30, 2020, a $915.7 million increase from December 31, 2019. Our combined mortgage portfolio increased $739.3 million, or 10.2% from December 31, 2019, while our short-term commercial loan portfolio increased $176.4 million, or 7.7% from December 31, 2019. When compared to September 30, 2019, owned and managed mortgage volume is up 14.2% and commercial loan volume is up 15.2%. These increases were driven by growth in all market segments and led by our capital markets and country living segments that have increased 28.5% and 17.3% since September 30, 2019, respectively. Our current volume reflects an asset growth rate year-over-year that is running above our 2020 Business Plan.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President. Among other provisions, the CARES Act and congressional approval made available for small businesses $660.0 billion under the Payroll Protection Plan (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and are eligible to receive financing under the Farm Credit Act and the Farm Credit Administration (FCA) Regulations are able to borrow from our association under this program. The PPP provided for loan forgiveness if all employee retention criteria are met and the funds are used for eligible expenses. PPP loan payments were deferred to no earlier than March 1, 2021, as allowed under the PPP Flexibility Act enacted on June 5, 2020. Under current law, the SBA stopped accepting PPP applications on August 8, 2020. As of September 30, 2020, we had processed $145.1 million in PPP loans for customers with primarily production and intermediate-term type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and we expect a significant portion will be forgiven prior to December 31, 2020.

Portfolio Credit Quality

The credit quality of our loan portfolio declined slightly during the nine months of 2020. Acceptable loan credit quality, as measured under the Uniform Classification System, was 91.0% which decreased from 91.4% at December 31, 2019. Year-over-year, acceptable credit quality decreased 0.5% from 91.5% at September 30, 2019. Portfolio assets criticized as being less than acceptable was comprised of 5.6% other assets especially mentioned (OAEM) and 3.4% adversely classified. OAEM increased 0.5% while adversely classified decreased 0.1% from December 31, 2019.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Weaker borrowers in our dairy, cash crop, and hog portfolios continued to be challenged financially during the first nine months of 2020.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse assets to regulatory capital ratio of 19.1%, which improved 1.0% from December 31, 2019.

In certain circumstances, U.S. government agency guarantee programs are used to reduce the risk of loss. At September 30, 2020, $523.0 million of our loans were, to some level, guaranteed under these programs. The guaranteed loan volume increased from $355.4 million at December 31, 2019, due primarily to the PPP loans originated in the second and third quarters of 2020.

While overall credit quality remains solid, the impact of the global pandemic disruption to many agriculture industries and commodity prices may result in increases to adverse credit quality.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2020**	December 31, 2019
Loans:		
Nonaccrual	**$57,178**	$72,961
Accruing restructured	**3,485**	3,364
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**60,663**	76,325
Acquired property	**1,127**	1,577
Total risk assets	**$61,790**	$77,902
Total risk loans as a percentage of total loans	**0.6%**	0.8%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.8%
Current nonaccrual loans as a percentage of total nonaccrual loans	**63.8%**	53.5%
Total delinquencies as a percentage of total loans	**0.4%**	0.5%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2019, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Nonaccrual loans decreased from $73.0 million at December 31, 2019, to $57.2 million at September 30, 2020. The decrease in nonaccrual loan volume was primarily due to a charge-off recorded in the second quarter of 2020 on a large commercial dairy relationship along with seasonal activity of a commercial greenhouse. As of September 30, 2020, 43.2% of the nonaccrual loan portfolio was comprised of dairy loans, 18.2% crop farm loans, and 13.5% food processing cooperative loans.

We are working individually with customers experiencing economic hardships. From weather and economic challenges over the last several years, to more recent stress generated by market pressures and uncertainties resulting from the COVID-19 pandemic, we are proactively providing assistance by working with customers to develop individualized financial solutions.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. 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.

Allowance Coverage Ratios

As of:	**September 30, 2020**	December 31, 2019
Allowance as a percentage of:		
Loans	**0.8%**	1.0%
Nonaccrual loans	**148.9%**	130.8%
Total risk loans	**140.4%**	125.1%

The allowance for loan losses decreased $10.3 million from December 31, 2019, to $85.1 million at September 30, 2020. During the first nine months of 2020, a reversal of provision for loan losses of $5.8 million was recorded. In addition, a charge-off of $4.4 million was recorded on a large commercial dairy relationship. Included in our allowance are additional general industry reserves for our dairy and cash grain portfolios due to expected low commodity prices in the near future along with uncertainties surrounding the COVID-19 pandemic. The additional general industry reserve for the dairy portfolio decreased from $39.3 million at December 31, 2019, to $39.0 million at September 30, 2020. The additional general industry reserve for the cash grain portfolio increased from $12.4 million at December 31, 2019, to $12.7 million at September 30, 2020.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2020, included a provision for credit losses on unfunded loan commitments of $969 thousand. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $6.4 million and $5.4 million as of September 30, 2020, and December 31, 2019, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2020**	2019
Net income	**$194,319**	$151,477
Return on average assets	**2.5%**	2.2%
Return on average members' equity	**14.1%**	11.8%

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 Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30	**2020**	2019	**Increase (decrease) in net income**
Net interest income	**$183,566**	$174,266	**$9,300**
(Reversal of) provision for credit losses	**(4,873)**	5,150	**10,023**
Patronage income	**43,374**	34,941	**8,433**
Financially related services income	**9,377**	6,413	**2,964**
Fee income	**30,844**	14,287	**16,557**
Allocated Insurance Reserve Accounts distribution	**1,900**	1,997	**(97)**
Acquired property income, net	**432**	225	**207**
Other non-interest income	**834**	848	**(14)**
Non-interest expense	**(77,328)**	(72,708)	**(4,620)**
Provision for income taxes	**(3,553)**	(3,642)	**89**
Net income	**$194,319**	$151,477	**$42,842**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the nine months ended September 30	**2020 vs 2019**
Changes in volume	**$20,741**
Changes in interest rates	**(11,897)**
Changes in nonaccrual income and other	**456**
Net change	**$9,300**

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was primarily due to the payoff of a substandard dairy processor relationship in the second quarter of 2020. In addition, the industry reserve for the dairy and cash grain portfolios increased during 2019 while the industry reserve for the dairy and cash grain portfolios remained flat in 2020.

Non-Interest Income

The change in non-interest income was primarily due to patronage income 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 nine months ended September 30	**2020**	2019
Wholesale patronage	**$34,613**	$27,402
Pool program patronage	**5,765**	5,410
AgDirect partnership distribution	**2,079**	2,065
Other patronage	**917**	64
Total patronage income	**$43,374**	$34,941
Form of patronage distributions:		
Cash	**$43,374**	$17,831
Stock	**--**	17,110
Total patronage income	**$43,374**	$34,941

The increase in patronage income was primarily due to an increase in wholesale patronage, which is primarily due to an increase in the average daily balance on our note payable to AgriBank and a higher patronage rate for the nine months ended September 30, 2020, compared to the same period of 2019.

Fee Income: The increase in fee income was primarily due to an increase in loan conversion fees, along with fees for originating PPP loans guaranteed by the SBA. Loan conversion fees were $12.9 million for the first nine months of 2020 compared to $1.7 million in the same period of 2019. The increased loan conversion opportunities were the result of the lower interest rate environment. We also collected $5.3 million of net fee income from the SBA for PPP loans originated during the second and third quarters of 2020.

Non-Interest Expense

The change in non-interest expense was primarily due to an increase in salaries and employee benefits. This increase was partially offset by decreased travel due to social distancing measures and travel restrictions from the COVID-19 pandemic.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2021. The note payable will be renegotiated no later than the maturity date. 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. 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.

The components of cost of funds associated with our note payable 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

We were not subject to a risk premium at September 30, 2020, or December 31, 2019.

Market volatility increased due to the COVID-19 pandemic and certain adjustments to the costs of our funding of longer-term loans were impacted. This volatility and higher cost of funding has neither significantly impacted our business operations nor materially impacted our Consolidated Financial Statements.

Total members' equity increased $120.6 million from December 31, 2019, primarily due to net income for the period partially offset by patronage distribution accruals. The change in accumulated other comprehensive loss is the amortization impact of prior service cost and unamortized gain/loss related to the Pension Restoration Plan. Refer to Note 10 in our 2019 Annual Report for more information on the Pension Restoration Plan.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total regulatory 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. Refer to Note 8 in our 2019 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios As of:	**September 30, 2020**	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.7%**	16.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.7%**	16.7%	6.0%	2.5%	8.5%
Total regulatory capital ratio	**16.5%**	17.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.8%**	16.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**16.3%**	17.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.6%**	18.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as discussed in Note 12 in our 2019 Annual Report.

REGULATORY MATTERS

Criteria to Reinstate Nonaccrual Loans

In August 2020, the FCA Board approved a final rule to revise how high-risk loans for Farm Credit System banks and associations are classified by clarifying the factors used to place loans in nonaccrual status and revising reinstatement criteria. 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

The final rule became effective October 21, 2020. We have updated our policies, procedures, and other documentation to ensure compliances with the amended regulation. The impact of the revisions has not been material to our financial statements.

Investment Securities Eligibility

In August 2020, the FCA Board approved a final rule to amend the investment eligibility regulation. The final rule allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the USDA. The final rule is not yet effective, but will take effect 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register. We are updating our policies, procedures, and other documentation to ensure compliance with the amended regulation. The amendment is not expected to have a material impact to our financial statements.

OTHER MATTERS

Relationships with Other Farm Credit Institutions

SunStream Business Services: SunStream Business Services (SunStream) was previously a division of AgriBank. Effective April 1, 2020, SunStream is a Farm Credit System service corporation and we are a partial owner and continue to purchase services from SunStream. We purchase various services from SunStream, which include financial and retail systems, tax reporting services, technology services, and insurance services. Our entire investment in SunStream was called on April 1, 2020, at which time $1.0 million was paid in cash and the remainder is due in January 2021. As of September 30, 2020, our investment in SunStream was $1.9 million.

COVID-19 Pandemic

The spread of COVID-19 has created a global public-health crisis that has stifled the worldwide 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.

This outbreak puts the economy and agriculture sector in uncharted territory. The impact of COVID-19 on U.S. agriculture will depend on the severity and duration of the outbreak. Overall, agriculture will adjust, providing an “essential service” to the U.S. and global consumer.

All of our 36 office buildings were closed on March 23, 2020, in response to the COVID-19 pandemic to protect the health of our employees and customers. While our office buildings were closed, we continued to conduct business and efficiently serve customers by utilizing an array of technology tools. On June 29, 2020, we opened our office buildings with limited staff and established many additional safety precautions to protect the health of our employees and customers. Effective October 5, 2020, our Wisconsin branch offices are open but by appointment only to customers and we instituted a maximum staff level of two employees present at a Wisconsin branch office at any time. We have made slight modifications to some of our operational processes to accommodate this different work environment. These closings and precautions have not had a material impact on our Consolidated Financial Statements.

CERTIFICATION

The undersigned have reviewed the September 30, 2020, Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and 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.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

November 5, 2020

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**September 30, 2020**	December 31, 2019
ASSETS		
Loans	**$10,333,353**	$9,398,125
Allowance for loan losses	**85,145**	95,454
Net loans	**10,248,208**	9,302,671
Investment in AgriBank, FCB	**254,008**	222,432
Investment securities	**6,025**	9,046
Accrued interest receivable	**76,164**	73,629
Premises and equipment, net	**47,775**	50,033
Deferred tax assets, net	**3,479**	4,419
Other assets	**74,127**	66,033
Total assets	**$10,709,786**	$9,728,263
LIABILITIES		
Note payable to AgriBank, FCB	**$8,649,187**	$7,748,606
Accrued interest payable	**33,090**	49,800
Patronage distribution payable	**75,000**	100,000
Other liabilities	**53,232**	51,145
Total liabilities	**8,810,509**	7,949,551
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**24,079**	23,019
Unallocated surplus	**1,877,273**	1,757,944
Accumulated other comprehensive loss	**(2,076)**	(2,252)
Total members' equity	**1,899,277**	1,778,712
Total liabilities and members' equity	**$10,709,786**	$9,728,263

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		*Nine Months Ended*	
For the period ended September 30	**2020**	2019	**2020**	2019
Interest income	**$96,770**	$111,971	**$306,115**	$329,075
Interest expense	**33,090**	52,265	**122,549**	154,809
Net interest income	**63,680**	59,706	**183,566**	174,266
(Reversal of) provision for credit losses	**(1,201)**	3,230	**(4,873)**	5,150
Net interest income after (reversal of) provision for credit losses	**64,881**	56,476	**188,439**	169,116
Non-interest income				
Patronage income	**15,798**	12,301	**43,374**	34,941
Financially related services income	**4,835**	2,500	**9,377**	6,413
Fee income	**8,918**	6,182	**30,844**	14,287
Allocated Insurance Reserve Accounts distribution	**--**	--	**1,900**	1,997
Acquired property income, net	**57**	52	**432**	225
Other non-interest income	**241**	231	**834**	848
Total non-interest income	**29,849**	21,266	**86,761**	58,711
Non-interest expense				
Salaries and employee benefits	**19,641**	16,633	**54,980**	50,081
Other operating expense	**7,854**	7,950	**22,348**	22,627
Total non-interest expense	**27,495**	24,583	**77,328**	72,708
Income before income taxes	**67,235**	53,159	**197,872**	155,119
Provision for income taxes	**521**	1,132	**3,553**	3,642
Net income	**$66,714**	$52,027	**$194,319**	$151,477
Other comprehensive income				
Employee benefit plans activity	**$58**	$49	**$176**	$147
Total other comprehensive income	**58**	49	**176**	147
Comprehensive income	**$66,772**	$52,076	**$194,495**	$151,624

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$1	$22,400	$1,651,528	($1,852)	$1,672,077
Net income	--	--	151,477	--	151,477
Other comprehensive income	--	--	--	147	147
Unallocated surplus designated for patronage distributions	--	--	(61,038)	--	(61,038)
Cumulative effect of change in accounting principle	--	--	(6)	--	(6)
Capital stock and participation certificates issued	--	1,637	--	--	1,637
Capital stock and participation certificates retired	--	(1,157)	--	--	(1,157)
Balance at September 30, 2019	$1	$22,880	$1,741,961	($1,705)	$1,763,137
Balance at December 31, 2019	$1	$23,019	$1,757,944	($2,252)	$1,778,712
Net income	**--**	**--**	**194,319**	**--**	**194,319**
Other comprehensive income	**--**	**--**	**--**	**176**	**176**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(74,990)**	**--**	**(74,990)**
Capital stock and participation certificates issued	**--**	**2,347**	**--**	**--**	**2,347**
Capital stock and participation certificates retired	**--**	**(1,287)**	**--**	**--**	**(1,287)**
Balance at September 30, 2020	**$1**	**$24,079**	**$1,877,273**	**($2,076)**	**$1,899,277**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. 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. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2020, are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

The Consolidated Financial Statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

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 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.	We have adopted this relief for qualifying loan modifications. However, modifications of this nature have not been material.
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 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 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**September 30, 2020**		December 31, 2019	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$6,078,997**	**58.8%**	$5,618,576	59.8%
Production and intermediate-term	**2,042,247**	**19.7**	1,989,227	21.2
Agribusiness	**1,596,507**	**15.5**	1,280,579	13.6
Other	**615,602**	**6.0**	509,743	5.4
Total	**$10,333,353**	**100.0%**	$9,398,125	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of 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	Total
Real estate mortgage	**$14,205**	**$12,121**	**$26,326**	**$6,105,119**	**$6,131,445**
Production and intermediate-term	**4,408**	**6,051**	**10,459**	**2,050,521**	**2,060,980**
Agribusiness	**214**	**--**	**214**	**1,600,079**	**1,600,293**
Other	**1,175**	**178**	**1,353**	**615,233**	**616,586**
Total	**$20,002**	**$18,350**	**$38,352**	**$10,370,952**	**$10,409,304**

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	$12,770	$22,081	$34,851	$5,629,933	$5,664,784
Production and intermediate-term	5,348	9,262	14,610	1,996,624	2,011,234
Agribusiness	90	107	197	1,284,463	1,284,660
Other	2,269	50	2,319	508,339	510,658
Total	$20,477	$31,500	$51,977	$9,419,359	$9,471,336

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at September 30, 2020, or December 31, 2019.

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.

Risk Loan Information

(in thousands) As of:	**September 30, 2020**	December 31, 2019
Volume with specific allowance	**$31,412**	$48,942
Volume without specific allowance	**29,251**	27,383
Total risk loans	**$60,663**	$76,325
Total specific allowance	**$11,452**	$20,584
For the nine months ended September 30	**2020**	2019
Income on accrual risk loans	**$117**	$156
Income on nonaccrual loans	**1,723**	1,422
Total income on risk loans	**$1,840**	$1,578
Average risk loans	**$72,843**	$91,717

Note: Accruing loans include accrued interest receivable.

We had $6.9 million of commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2020.

Troubled Debt Restructurings (TDRs)

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 restructured loan. 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 TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands) Nine months ended September 30	**2020**		2019	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$4,020	$4,020
Production and intermediate-term	**--**	**--**	3,557	3,557
Other	**--**	**--**	13	15
Total	**$ --**	**$ --**	$7,590	$7,592

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 in the loan 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.

There were no TDRs that defaulted during the nine months ended September 30, 2020, or 2019 in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**September 30, 2020**	December 31, 2019
Accrual status:		
Real estate mortgage	**$2,660**	$2,726
Production and intermediate-term	**597**	405
Agribusiness	**--**	--
Other	**228**	233
Total TDRs in accrual status	**$3,485**	$3,364
Nonaccrual status:		
Real estate mortgage	**$445**	$4,369
Production and intermediate-term	**47**	3,349
Agribusiness	**8,047**	8,928
Other	**172**	199
Total TDRs in nonaccrual status	**$8,711**	$16,845
Total TDRs:		
Real estate mortgage	**$3,105**	$7,095
Production and intermediate-term	**644**	3,754
Agribusiness	**8,047**	8,928
Other	**400**	432
Total TDRs	**$12,196**	$20,209

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $3.4 million at September 30, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30	**2020**	2019
Balance at beginning of period	**$95,454**	$84,064
(Reversal of) provision for loan losses	**(5,842)**	5,674
Loan recoveries	**302**	328
Loan charge-offs	**(4,769)**	(1,464)
Balance at end of period	**$85,145**	$88,602

The “(Reversal of) provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a (reversal of) provision for loan losses as presented in the previous chart, as well as a provision for (reversal of) credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) For the nine months ended September 30	**2020**	2019
Provision for (reversal of) credit losses	**$969**	($524)
As of:	**September 30, 2020**	December 31, 2019
Accrued credit losses	**$6,417**	$5,448

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $6.0 million at September 30, 2020, and $9.0 million at December 31, 2019. Our investment securities consisted of securities backed by pools of loans guaranteed by the Small Business Administration (SBA).

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at September 30, 2020, or December 31, 2019.

Additional Investment Securities Information

(dollars in thousands) As of:	**September 30, 2020**	December 31, 2019
Amortized cost	**$6,025**	$9,046
Unrealized gains	**27**	82
Unrealized losses	**(57)**	(19)
Fair value	**$5,995**	$9,109
Weighted average yield	**3.3%**	5.1%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $187 thousand and $449 thousand for the nine months ended September 30, 2020, and 2019, respectively.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, 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.

NOTE 5: 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 in our 2019 Annual Report 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 September 30, 2020, or December 31, 2019.

Non-Recurring Basis

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 September 30, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$20,958**	**$20,958**
Acquired property	**--**	**--**	**4,428**	**4,428**

As of December 31, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$29,776	$29,776
Acquired property	--	--	4,699	4,699

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.

Acquired Property: 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 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 5, 2020, 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 Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.