AgCredit Agricultural Credit Association

THIRD QUARTER 2021

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2021 quarterly report of AgCredit Agricultural Credit Association, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

Dustin J. Sonnenberg
Chairman of the Board

November 8, 2021

AgCredit Agricultural Credit Association

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association,

2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and

3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2021. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material changes to or weaknesses in the internal control over financial reporting as of September 30, 2021.

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

November 8, 2021

AgCredit Agricultural Credit Association

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

The following commentary reviews the financial condition and results of operations of AgCredit Agricultural Credit Association (Association) for the nine months ended September 30, 2021. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements, the Association's September 30, 2020 quarterly report, and the 2020 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes Scott A. Schroeder, David M. Stott, Ph.D., CPA, and Kevin P. Flanagan. The results for the nine months of 2021 are not necessarily indicative of results to be expected for the year.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. The Association has returned to pre-pandemic working conditions. All lobbies are open for members and employees to resume branch visits.

The COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress has been made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by rising inflation, supply chain disruptions and labor shortages in the United States and globally.

See further discussion of business risks associated with COVID-19 in the Association's 2020 Annual Report.

COVID-19 SUPPORT PROGRAMS

Since the onset of the COVID-19 pandemic, the U.S. government has taken a number of actions to help businesses, individuals, state/local governments, and educational institutions that have been adversely impacted by the economic disruption caused by the pandemic.

Since March 2021, the USDA rolled out the Pandemic Assistance initiative that provides assistance to producers and agricultural entities through various programs, which include, but are not limited to, the following:

- Pandemic Livestock Indemnity Program - provides financial assistance to support producers of eligible swine, chickens, and turkeys depopulated from March 1, 2020 through December 26, 2020. To be eligible, depopulation of poultry or livestock must have been due to insufficient processing access resulting from the COVID-19 pandemic;
- Pandemic Assistance for Timber Harvesters and Haulers Program - provides financial relief to timber harvesting and timber hauling businesses that experienced losses in 2020 due to COVID-19;
- Pandemic Cover Crop Program - for most insurance policies, provided premium support to producers who insured their spring crop and planted a qualifying cover crop during the 2021 crop year; and
- Specialty Crop Block Grant Program - funds innovative projects designed to support the expanding specialty crop food sector and explore new market opportunities for U.S. food and agricultural products.

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States. As of September 30, 2021, the Association had $0.8 million of loans outstanding to approximately 45 borrowers. In addition, through September 30, 2021, the volume of loans that have received forgiveness from the SBA since the start of the program was $67.0 million.

For a detailed discussion of programs enacted in 2020, see pages 6 and 7 of the 2020 Annual Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types. The Association's loan portfolio consists predominantly of grains (primarily soybeans, corn, and wheat), livestock, and landlords which constitute 78 percent of the entire portfolio as of September 30, 2021. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk, along with the risk associated with large loans, is reduced by members' off-farm income, utilization of crop insurance, and the use of FSA, USDA, Business and Industry, SBA, and Farmer Mac loan guarantees. As of September 30, 2021, the Association had $670,899 of guaranteed loan volume, which is 28.50 percent of loans as compared to $572,994 of guaranteed volume or 27.33 percent of the portfolio at September 30, 2020. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of September 30, 2021 was $2,354,357 an increase of $149,501 or 6.78 percent when compared to $2,204,856 at December 31, 2020. The increase in loan volume primarily relates to increases in real estate mortgage, processing and marketing, farm related business, and other loan volume partially offset by a decrease in production and intermediate (IT).

From September 30, 2020 to September 30, 2021, volume increased by $257,840 or 12.30 percent. The increase in loan volume primarily relates to increases in real estate mortgage, processing and marketing, farm related business services, communications, rural residential real estate, and other loan volume partially offset by a decrease in production and intermediate.

Net loans outstanding at September 30, 2021 were $2,346,892 as compared to $2,196,058 at December 31, 2020. Net loans accounted for 96.43 percent of total assets at September 30, 2021 as compared to 95.54 percent at December 31, 2020.

The following table summarizes the Association's risk assets (accruing volume includes accrued interest receivable):

	9/30/2021	12/31/2020
Nonaccrual loans	$ 5,413	$ 10,090
Accruing restructured loans	650	733
Accruing loans 90 days or more past due	–	20
Total high-risk loans	6,063	10,843
Other property owned	54	–
Total high-risk assets	$ 6,117	$ 10,843
Ratios:		
Nonaccrual loans to total loans	0.23%	0.46%
High-risk assets to total assets	0.25%	0.47%

High-risk assets decreased during the first nine months of 2021 primarily as a result of a decrease in nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due offset by an increase in other property owned.

There is an inherent risk in the extension of any type of credit, and accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

General portfolio credit quality improved slightly for the first nine months of 2021 when compared to December 31, 2020, and remains at an acceptable level. Credit administration is satisfactory.

During the first nine months of 2021 the Association recorded charge-offs of $8, recoveries of $985, and a reversal of allowance for loan losses (reversal) of $2,310. The reversal is primarily a result of the partial reduction of the qualitative allowance on the rural residential portion of the portfolio and changes in the overall risk rating mix partially offset by loan volume growth. For the same period of 2020, the Association recorded no charge-offs, recoveries of $722, and a reversal of $1,694. The allowance for loan losses represented 0.32 percent and 0.40 percent of loans at September 30, 2021 and December 31, 2020, respectively.

RESULTS OF OPERATIONS

For the three months ending September 30, 2021

Net income for the three months ended September 30, 2021 (Q3 2021) was $14,783 a decrease of $459 or 3.01 percent when compared to the net income of $15,242 for the same period in 2020 (Q3 2020). Major changes in the components of net income when comparing Q3 2021 to Q3 2020 are identified as follows:

- Net interest income increased by $4,092 or 30.67 percent primarily due to increased volume and Payment Protection Program (PPP) fee amortization.

- Provision for loan losses increased by $3,942 primarily due to an increase in the allowance for loan losses in 2021 primarily due to loan volume growth and a large reversal in 2020 as a result of a change in the allowance for loan loss factors offset by the restructure of several loans, loan growth, and the overall risk rating mix.

- Noninterest income increased by $162 or 3.74 percent for the following reasons:

  Patronage refund from other Farm Credit institutions (patronage refunds) increased by $555 primarily as a result of an increase related to higher general patronage and higher participation sold patronage.

Gains (losses) on other transactions decreased $201 due to the gain on sale of 100% Guaranteed Purchase loans in 2020 partially offset by an increase in the value of the NQ401K Rabbi Trust in 2021.

Loan fees decreased by $202 due to a reduction in servicing fees related to the unusually high number of note modifications during the same period in 2020 related to the significant reduction in rates throughout the pandemic as well as the recognition of SBA-PPP loan fees related to loans sold to the Bank in 2020.

- Noninterest expense increased by $751 or 12.39 percent primarily due to:

  Salary and benefits expense increased by $266 or 6.21 percent due to increased expenses related to scheduled salary increases, increased annual and discretionary incentives, additional employees, health insurance, and employment tax costs partially offset by increased deferred origination costs.

  Guarantee fees increased by $51 or 14.88 percent due to an increase in new loan guarantees.

  Insurance fund premiums increased by $188 or 54.18 percent due to increased premium rates and increased average volume.

  Other operating expenses increased by $253 or 30.74 percent due to increased purchased services, travel, public member relations, advertising, and data processing costs.

For the nine months ending September 30, 2021

Net income for the nine months ended September 30, 2021 (YTD 2021) was $41,647 which is an increase of $5,632 or 15.64 percent when compared to the net income of $36,015 for the same period in 2020 (YTD 2020). Major changes in the components of net income when comparing YTD 2021 to YTD 2020 are identified as follows:

- Net interest income increased by $6,852 or 17.29 percent. The increase resulted primarily from higher average volume and PPP fee amortization partially offset by decreased earnings on our own funds.

- The risks identified in the portfolio at September 30, 2021 and September 30, 2020 resulted in a net decrease in the provision of $616. The decrease was due to a reversal of the allowance for loan losses for 2021 of $2,310 while 2020 saw a reversal of $1,694. The reversal for YTD 2021 is primarily due to the partial reduction of the qualitative allowance on the rural residential portion of the portfolio and the change in allowance for loan loss factors partially offset by loan growth. The allowance factors are reviewed regularly and periodically adjusted based on loss experience, industry data, and management's estimates.

- Noninterest income increased by $807 or 6.49 percent primarily due to a $1,336 increase in patronage dividends, a $251 increase in gains (losses) on other transactions, and a $122 increase in gains (losses) on sales of premises and equipment partially offset by a $659 decrease in loan fees and a $302 reduction in insurance fund refunds.

- Noninterest expense increased by $2,613 or 14.72 percent primarily due to a $994 increase in expenses for salary and benefits, a $726 increase in insurance fund premiums, a $366 increase in guarantee fees, a $21 increase in occupancy and equipment, and a $505 increase in other operating expense. These occurred for reasons previously stated.

The following table shows the key results of operations ratios for the nine months ended September 30, 2021 and September 30, 2020, respectively.

	9/30/2021	9/30/2020
Return on average assets	2.41%	2.33%
Return on average equity	13.49%	13.16%
Net interest margin	2.75%	2.64%
Members' equity to assets	17.81%	17.66%
Debt to members' equity (:1)	4.61	4.66

CAPITAL RESOURCES

Total members' equity was $433,438 at September 30, 2021 as compared to $392,130 at December 31, 2020 for an increase of $41,308 or 10.53 percent. The increase is due primarily to 2021 year-to-date earnings and an increase in stock outstanding.

The Association's capital ratios as of September 30 along with FCA minimum requirements, are included in the following regulatory matters section.

Regulatory Capital Ratios

The Association's regulatory ratios are shown in the following table:

	Regulatory Minimum, Including Buffer	9/30/2021	12/31/2020	9/30/2020
Permanent Capital Ratio	7.00%	21.31%	20.87%	20.47%
Common Equity Tier 1 (CET1) Capital Ratio	8.50%	20.72%	20.15%	19.72%
Tier 1 Capital Ratio	10.50%	20.72%	20.15%	19.72%
Total Capital Ratio	7.00%	21.10%	20.75%	20.51%
Tier 1 Leverage Ratio	5.00%	16.57%	16.11%	16.00%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.50%	16.98%	16.66%	16.57%

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations. The requirements are based on regulatory ratios as defined by the FCA and include common equity tier 1 (CET1), tier 1, total capital, permanent capital, tier 1 leverage, and unallocated retained earnings (URE) and URE equivalents leverage ratios.

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Unlike these ratios, the tier 1 leverage and URE and URE equivalents leverage ratios do not incorporate any risk-adjusted weighting of assets. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage and URE and URE equivalents leverage ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgCredit exceeded minimum regulatory standards for all of the ratios. The Association's capital ratios increased at September 30, 2021 compared to December 31, 2020 and September 30, 2020. See Regulatory Matters section below for further discussion of capital ratios.

FUTURE OF LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers, investment securities purchased, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

REGULATORY MATTERS

On September 9, 2021, the FCA adopted a final rule that amended certain sections of the FCA's regulations to provide technical corrections, amendments, and clarification to certain provisions in the FCA's tier 1/tier 2 capital framework for the Farm Credit System. The rule incorporates guidance previously provided by the FCA related to its tier 1/tier 2 capital framework as well as ensures that the FCA's capital requirements continue to be comparable to the standardized approach that the other federal banking regulatory agencies have adopted. The final rule will become effective on January 1, 2022, or 30 days after publication in the Federal Register during which either house of Congress is in session, whichever is later.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period is open until January 24, 2022.

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period is open until November 27, 2021.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2020 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. • The guidance is expected to be adopted January 1, 2023.

Note: The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be materially affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, *www.agfirst.com* or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1048, or writing Logan Kreais, Chief Financial Officer, AgCredit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

AgCredit Agricultural Credit Association

Consolidated Balance Sheets

(dollars in thousands)		**September 30, 2021**		**December 31, 2020**
		(unaudited)		*(audited)*
Assets				
Cash	**$**	**21**	$	95
Investments in debt securities:				
Held to maturity (fair value of $7,617 and $10,430, respectively)		**6,987**		9,227
Loans		**2,354,357**		2,204,856
Allowance for loan losses		**(7,465)**		(8,798)
Net loans		**2,346,892**		2,196,058
Other investments		**2,179**		1,681
Accrued interest receivable		**34,499**		26,181
Equity investments in other Farm Credit institutions		**21,356**		21,366
Premises and equipment, net		**7,986**		8,251
Other property owned		**54**		—
Accounts receivable		**12,153**		34,451
Other assets		**1,617**		1,332
Total assets	**$**	**2,433,744**	$	2,298,642
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**1,982,573**	$	1,859,377
Accrued interest payable		**3,359**		3,223
Patronage refunds payable		**72**		32,784
Accounts payable		**1,881**		1,337
Advanced conditional payments		**1,908**		1,153
Other liabilities		**10,513**		8,638
Total liabilities		**2,000,306**		1,906,512
Commitments and contingencies (Note 7)				
Members' Equity				
Capital stock and participation certificates		**17,498**		18,516
Retained earnings				
Allocated		**274,525**		273,955
Unallocated		**141,415**		99,659
Total members' equity		**433,438**		392,130
Total liabilities and members' equity	**$**	**2,433,744**	$	2,298,642

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

AgCredit Agricultural Credit Association

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Interest Income				
Loans	**$ 27,440**	$ 23,181	**$ 75,255**	$ 71,073
Investments	**99**	159	**338**	461
Total interest income	**27,539**	23,340	**75,593**	71,534
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**10,107**	10,000	**29,106**	31,899
Net interest income	**17,432**	13,340	**46,487**	39,635
Provision for (reversal of allowance for) loan losses	**302**	(3,640)	**(2,310)**	(1,694)
Net interest income after provision for (reversal of allowance for) loan losses	**17,130**	16,980	**48,797**	41,329
Noninterest Income				
Loan fees	**153**	355	**466**	1,125
Fees for financially related services	**107**	101	**164**	132
Lease income	**52**	50	**155**	148
Patronage refunds from other Farm Credit institutions	**4,126**	3,571	**11,901**	10,565
Gains (losses) on sales of premises and equipment, net	**—**	(1)	**3**	(119)
Gains (losses) on other transactions	**39**	240	**505**	254
Insurance Fund refunds	**—**	—	**—**	302
Other noninterest income	**13**	12	**53**	33
Total noninterest income	**4,490**	4,328	**13,247**	12,440
Noninterest Expense				
Salaries and employee benefits	**4,552**	4,286	**13,169**	12,175
Occupancy and equipment	**254**	262	**901**	880
Insurance Fund premiums	**535**	347	**1,555**	829
Guarantee fees	**395**	344	**1,321**	955
(Gains) losses on other property owned, net	**1**	—	**1**	—
Other operating expenses	**1,076**	823	**3,416**	2,911
Total noninterest expense	**6,813**	6,062	**20,363**	17,750
Income before income taxes	**14,807**	15,246	**41,681**	36,019
Provision for income taxes	**24**	4	**34**	4
Net income	**$ 14,783**	$ 15,242	**$ 41,647**	$ 36,015
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 14,783**	$ 15,242	**$ 41,647**	$ 36,015

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

AgCredit Agricultural Credit Association

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings: Allocated	Retained Earnings: Unallocated	Total Members' Equity
Balance at December 31, 2019	$ 17,262	$ 239,120	$ 91,251	$ 347,633
Comprehensive income			36,015	36,015
Capital stock/participation certificates issued/(retired), net	598			598
Dividends declared/paid			(67)	(67)
Patronage distribution adjustment		(37)	256	219
Balance at September 30, 2020	$ 17,860	$ 239,083	$ 127,455	$ 384,398
Balance at December 31, 2020	**$ 18,516**	**$ 273,955**	**$ 99,659**	**$ 392,130**
Comprehensive income			**41,647**	**41,647**
Capital stock/participation certificates issued/(retired), net	**(1,018)**			**(1,018)**
Dividends declared/paid			**(43)**	**(43)**
Patronage distribution adjustment		**570**	**152**	**722**
Balance at September 30, 2021	**$ 17,498**	**$ 274,525**	**$ 141,415**	**$ 433,438**

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

AgCredit Agricultural Credit Association

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of AgCredit Agricultural Credit Association and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association
There were no applicable Updates issued by the Financial Accounting Standards Board (FASB) during the period.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting.

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Update moves or references several disclosure requirements from Section 45 - Other Presentation Matters to Section 50 - Disclosures. It also includes minor changes to other guidance such as Cash Balance Plans, Unusual or Infrequent Items, Transfers and Servicing, Guarantees, Income Taxes, Foreign Currency, Imputation of Interest, Not For Profits and Real Estate Projects. The amendments had no impact on the statements of financial condition and results of operations.

- In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.

- In December 2019, the FASB issued ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments simplify the accounting for income taxes by removing the following exceptions:
  - Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income),
  - Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment,
  - Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and
  - Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

  The amendments also simplify the accounting for income taxes by doing the following:
  - Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax,
  - Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction,
  - Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority,
  - Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, and
  - Making minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method.

  For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Adoption of this guidance did not have a material impact on the statements of financial condition and results of operations.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

A summary of loans outstanding at period end follows:

	September 30, 2021	December 31, 2020
Real estate mortgage	$ 1,465,574	$ 1,345,512
Production and intermediate-term	518,762	572,199
Loans to cooperatives	6,010	5,977
Processing and marketing	91,535	84,821
Farm-related business	36,877	18,661
Communication	12,547	12,612
Rural residential real estate	128,409	126,900
Lease receivables	650	721
Other (including Mission Related)	93,993	37,453
Total loans	$ 2,354,357	$ 2,204,856

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

September 30, 2021	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 27,618	$ 129,889	$ –	$ 4,678	$ 80,962	$ –	$ 108,580	$ 134,567
Production and intermediate-term	24,025	67,487	373	–	11,548	–	35,946	67,487
Loans to cooperatives	6,030	–	–	–	–	–	6,030	–
Processing and marketing	62,416	16,949	–	–	633	–	63,049	16,949
Farm-related business	–	31,000	–	–	187	–	187	31,000
Communication	12,642	–	–	–	–	–	12,642	–
Rural residential real estate	–	–	–	–	–	–	–	–
Lease receivables	–	–	–	–	155	–	155	–
Other (including Mission Related)	–	–	–	–	84,871	–	84,871	–
Total	$ 132,731	$ 245,325	$ 373	$ 4,678	$ 178,356	$ –	$ 311,460	$ 250,003

December 31, 2020	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 24,094	$ 50,629	$ –	$ 5,611	$ 75,696	$ –	$ 99,790	$ 56,240
Production and intermediate-term	20,371	152,461	338	173	13,412	–	34,121	152,634
Loans to cooperatives	5,989	–	–	–	–	–	5,989	–
Processing and marketing	58,454	16,743	–	10,339	643	–	59,097	27,082
Farm-related business	–	65	–	–	885	–	885	65
Communication	12,699	–	–	–	–	–	12,699	–
Lease receivables	–	–	–	–	190	–	190	–
Other (including Mission Related)	–	–	–	–	34,332	–	34,332	–
Total	$ 121,607	$ 219,898	$ 338	$ 16,123	$ 125,158	$ –	$ 247,103	$ 236,021

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	September 30, 2021	December 31, 2020
Real estate mortgage:		
Acceptable	94.36%	92.75%
OAEM	1.75	2.34
Substandard/doubtful/loss	3.89	4.91
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	91.97%	88.00%
OAEM	4.07	7.41
Substandard/doubtful/loss	3.96	4.59
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	97.73%
OAEM	–	–
Substandard/doubtful/loss	–	2.27
	100.00%	100.00%
Farm-related business:		
Acceptable	92.00%	83.09%
OAEM	4.51	9.64
Substandard/doubtful/loss	3.49	7.27
	100.00%	100.00%

	September 30, 2021	December 31, 2020
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	97.14%	96.81%
OAEM	1.80	2.01
Substandard/doubtful/loss	1.06	1.18
	100.00%	100.00%
Lease receivables:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	94.43%	92.04%
OAEM	2.16	3.55
Substandard/doubtful/loss	3.41	4.41
	100.00%	100.00%

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

	September 30, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 9,840	$ 2,977	$ 12,817	$ 1,477,921	$ 1,490,738
Production and intermediate-term	1,515	254	1,769	524,886	526,655
Loans to cooperatives	–	–	–	6,014	6,014
Processing and marketing	–	–	–	91,690	91,690
Farm-related business	29	–	29	37,156	37,185
Communication	–	–	–	12,548	12,548
Rural residential real estate	478	88	566	128,200	128,766
Lease receivables	–	–	–	655	655
Other (including Mission Related)	3,322	–	3,322	90,992	94,314
Total	$ 15,184	$ 3,319	$ 18,503	$ 2,370,062	$ 2,388,565

	December 31, 2020				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 2,278	$ 4,410	$ 6,688	$ 1,356,377	$ 1,363,065
Production and intermediate-term	1,099	605	1,704	578,142	579,846
Loans to cooperatives	–	–	–	5,981	5,981
Processing and marketing	–	2,981	2,981	81,980	84,961
Farm-related business	163	–	163	18,611	18,774
Communication	–	–	–	12,613	12,613
Rural residential real estate	340	154	494	126,713	127,207
Lease receivables	–	–	–	727	727
Other (including Mission Related)	2,307	–	2,307	35,342	37,649
Total	$ 6,187	$ 8,150	$ 14,337	$ 2,216,486	$ 2,230,823

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 4,881	$ 6,050
Production and intermediate-term	310	712
Processing and marketing	–	2,981
Rural residential real estate	222	347
Total	$ 5,413	$ 10,090
Accruing restructured loans:		
Production and intermediate-term	$ 650	$ 733
Total	$ 650	$ 733
Accruing loans 90 days or more past due:		
Production and intermediate-term	$ –	$ 20
Total	$ –	$ 20
Total nonperforming loans	$ 6,063	$ 10,843
Other property owned	54	–
Total nonperforming assets	$ 6,117	$ 10,843
Nonaccrual loans as a percentage of total loans	0.23%	0.46%
Nonperforming assets as a percentage of total loans and other property owned	0.26%	0.49%
Nonperforming assets as a percentage of capital	1.41%	2.77%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	September 30, 2021	December 31, 2020
Impaired nonaccrual loans:		
Current as to principal and interest	$ 1,873	$ 1,933
Past due	3,540	8,157
Total	$ 5,413	$ 10,090
Impaired accrual loans:		
Restructured	$ 650	$ 733
90 days or more past due	–	20
Total	$ 650	$ 753
Total impaired loans	$ 6,063	$ 10,843
Additional commitments to lend	$ –	$ –

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	September 30, 2021			Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:							
Production and intermediate-term	$ 4	$ 4	$ 2	$ 4	$ –	$ 5	$ –
Total	$ 4	$ 4	$ 2	$ 4	$ –	$ 5	$ –
With no related allowance for credit losses:							
Real estate mortgage	$ 4,881	$ 5,907	$ –	$ 5,004	$ 60	$ 6,733	$ 299
Production and intermediate-term	956	1,479	–	980	12	1,319	59
Rural residential real estate	222	259	–	229	3	308	14
Total	$ 6,059	$ 7,645	$ –	$ 6,213	$ 75	$ 8,360	$ 372
Total impaired loans:							
Real estate mortgage	$ 4,881	$ 5,907	$ –	$ 5,004	$ 60	$ 6,733	$ 299
Production and intermediate-term	960	1,483	2	984	12	1,324	59
Rural residential real estate	222	259	–	229	3	308	14
Total	$ 6,063	$ 7,649	$ 2	$ 6,217	$ 75	$ 8,365	$ 372

Impaired loans:	December 31, 2020 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2020 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 405	$ 453	$ 1	$ 698	$ 122
Production and intermediate-term	298	318	258	514	90
Total	$ 703	$ 771	$ 259	$ 1,212	$ 212
With no related allowance for credit losses:					
Real estate mortgage	$ 5,645	$ 6,452	$ –	$ 9,728	$ 1,707
Production and intermediate-term	1,167	1,991	–	2,012	353
Processing and marketing	2,981	5,201	–	5,137	902
Rural residential real estate	347	379	–	598	105
Total	$ 10,140	$ 14,023	$ –	$ 17,475	$ 3,067
Total impaired loans:					
Real estate mortgage	$ 6,050	$ 6,905	$ 1	$ 10,426	$ 1,829
Production and intermediate-term	1,465	2,309	258	2,526	443
Processing and marketing	2,981	5,201	–	5,137	902
Rural residential real estate	347	379	–	598	105
Total	$ 10,843	$ 14,794	$ 259	$ 18,687	$ 3,279

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	Lease Receivables	Other (including Mission Related)	Total
Activity related to the allowance for credit losses:									
Balance at June 30, 2021	$ 3,111	$ 2,720	$ 684	$ 40	$ –	$ 615	$ 1	$ –	$ 7,171
Charge-offs	–	(8)	–	–	–	–	–	–	(8)
Recoveries	–	–	–	–	–	–	–	–	–
Provision for loan losses	17	233	60	–	–	(8)	–	–	302
Balance at September 30, 2021	$ 3,128	$ 2,945	$ 744	$ 40	$ –	$ 607	$ 1	$ –	$ 7,465
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ –	$ 1,241	$ 2	$ –	$ 8,798
Charge-offs	–	(8)	–	–	–	–	–	–	(8)
Recoveries	–	12	973	–	–	–	–	–	985
Provision for loan losses	46	(869)	(861)	9	–	(634)	(1)	–	(2,310)
Balance at September 30, 2021	$ 3,128	$ 2,945	$ 744	$ 40	$ –	$ 607	$ 1	$ –	$ 7,465
Balance at June 30, 2020	$ 3,772	$ 7,928	$ 1,067	$ 49	$ 84	$ 522	$ 6	$ –	$ 13,428
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	–	530	(1)	–	–	–	–	–	529
Provision for loan losses	(458)	(4,279)	279	(20)	7	835	(4)	–	(3,640)
Balance at September 30, 2020	$ 3,314	$ 4,179	$ 1,345	$ 29	$ 91	$ 1,357	$ 2	$ –	$ 10,317
Balance at December 31, 2019	$ 2,679	$ 7,210	$ 819	$ –	$ 42	$ 538	$ 1	$ –	$ 11,289
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	–	723	–	–	–	–	(1)	–	722
Provision for loan losses	635	(3,754)	526	29	49	819	2	–	(1,694)
Balance at September 30, 2020	$ 3,314	$ 4,179	$ 1,345	$ 29	$ 91	$ 1,357	$ 2	$ –	$ 10,317
Allowance on loans evaluated for impairment:									
Individually	$ –	$ 2	$ –	$ –	$ –	$ –	$ –	$ –	$ 2
Collectively	3,128	2,943	744	40	–	607	1	–	7,463
Balance at September 30, 2021	$ 3,128	$ 2,945	$ 744	$ 40	$ –	$ 607	$ 1	$ –	$ 7,465
Individually	$ 1	$ 258	$ –	$ –	$ –	$ –	$ –	$ –	$ 259
Collectively	3,081	3,552	632	31	–	1,241	2	–	8,539
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ –	$ 1,241	$ 2	$ –	$ 8,798
Recorded investment in loans evaluated for impairment:									
Individually	$ 4,881	$ 960	$ –	$ –	$ –	$ 222	$ –	$ –	$ 6,063
Collectively	1,485,857	525,695	134,889	12,548	–	128,544	655	94,314	2,382,502
Balance at September 30, 2021	$ 1,490,738	$ 526,655	$ 134,889	$ 12,548	$ –	$ 128,766	$ 655	$ 94,314	$ 2,388,565
Individually	$ 6,050	$ 1,465	$ 2,981	$ –	$ –	$ 347	$ –	$ –	$ 10,843
Collectively	1,357,015	578,381	106,735	12,613	–	126,860	727	37,649	2,219,980
Balance at December 31, 2020	$ 1,363,065	$ 579,846	$ 109,716	$ 12,613	$ –	$ 127,207	$ 727	$ 37,649	$ 2,230,823

**Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*

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. There were no new TDRs that occurred during the three and nine months ended September 30, 2021 and 2020.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Production and intermediate-term	$ 650	$ 734	$ –	$ 1
Total loans	$ 650	$ 734	$ –	$ 1
Additional commitments to lend	$ –	$ –		

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point probability of default scale used to also grade loans, falls below 9. The FCA requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At September 30, 2021, the Association held two RABs with a fair value of $2,782 whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

September 30, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 6,813	$ 637	$ (2)	$ 7,448	7.66%
ABSs	174	–	(5)	169	3.58
Total	$ 6,987	$ 637	$ (7)	$ 7,617	7.56%

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 9,227	$ 1,298	$ (95)	$ 10,430	6.89%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

September 30, 2021	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	2,677	2,782	10.28
After five years through ten years	–	–	–
After ten years	4,310	4,835	5.87
Total	$ 6,987	$ 7,617	7.56%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

September 30, 2021	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 94	$ (2)	$ –	$ –
ABSs	169	(5)	–	–
Total	$ 263	$ (7)	$ –	$ –

December 31, 2020	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 298	$ (95)

The recording of an impairment loss is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

Based on the results of all analyses, the Association recognized credit-related other-than-temporary impairment of $102 and $83 in the fourth quarter of 2020 and 2019, respectively. For all other impaired investments, the Association has not recognized any credit losses as the impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

The following schedule details the activity related to cumulative credit losses on investments recognized in earnings:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Amount related to credit loss-beginning balance	$ 185	$ 83	$ 185	$ 83
Additions for initial credit impairments	–	–	–	–
Additions for subsequent credit impairments	–	–	–	–
Reductions for increases in expected cash flows	–	–	–	–
Reductions for securities sold, settled, or matured	–	–	–	–
Amount related to credit loss-ending balance	$ 185	$ 83	$ 185	$ 83
Life to date incurred credit losses	–	–	–	–
Remaining unrealized credit losses	$ 185	$ 83	$ 185	$ 83

Equity Investments in Other Farm Credit System Institutions
Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 7.73 percent of the issued stock of the Bank as of September 30, 2021 net of any reciprocal investment. As of that date, the Bank's assets totaled $37.9 billion and shareholders' equity totaled $2.7 billion. The Bank's earnings were $357 million for the first nine months of 2021. In addition, the Association held investments of $525 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank
The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	September 30, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 665	$ 665	$ –	$ –	$ 665
Recurring Assets	$ 665	$ 665	$ –	$ –	$ 665
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 1	$ –	$ –	$ 1	$ 1
Other property owned	54	–	–	60	60
Other investments	2,179	–	–	2,179	2,179
Nonrecurring Assets	$ 2,234	$ –	$ –	$ 2,240	$ 2,240
Other Financial Instruments					
Assets:					
Cash	$ 21	$ 21	$ –	$ –	$ 21
RABs	6,813	–	–	7,448	7,448
ABSs	174	–	169	–	169
Loans	2,346,891	–	–	2,286,893	2,286,893
Other Financial Assets	$ 2,353,899	$ 21	$ 169	$ 2,294,341	$ 2,294,531
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,982,573	$ –	$ –	$ 1,958,798	$ 1,958,798
Other Financial Liabilities	$ 1,982,573	$ –	$ –	$ 1,958,798	$ 1,958,798

	December 31, 2020				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 367	$ 367	$ –	$ –	$ 367
Recurring Assets	$ 367	$ 367	$ –	$ –	$ 367
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 444	$ –	$ –	$ 444	$ 444
Other property owned	–	–	–	–	–
Other investments	1,681	–	–	1,681	1,681
Nonrecurring Assets	$ 2,125	$ –	$ –	$ 2,125	$ 2,125
Other Financial Instruments					
Assets:					
Cash	$ 95	$ 95	$ –	$ –	$ 95
Investments in debt securities, held-to-maturity	9,227	–	–	10,430	10,430
Loans	2,195,614	–	–	2,191,354	2,191,354
Other Financial Assets	$ 2,204,936	$ 95	$ –	$ 2,201,784	$ 2,201,879
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,859,377	$ –	$ –	$ 1,873,785	$ 1,873,785
Other Financial Liabilities	$ 1,859,377	$ –	$ –	$ 1,873,785	$ 1,873,785

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investments in Debt Securities

The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities. These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 61	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments - RBIC	$ 2,179	Third party evaluation	Income, expense, capital	Not applicable

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
RABs	Discounted cash flow	Prepayment rates
		Risk-adjusted spread
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

Note 6 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pension	$ 344	$ 363	$ 1,033	$ 1,089
401(k)	221	209	729	626
Other postretirement benefits	54	47	154	146
Total	$ 619	$ 619	$ 1,916	$ 1,861

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2021.

Further details regarding employee benefit plans are contained in the 2020 Annual Report to Shareholders.

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 8 — Subsequent Events

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through November 8, 2021, which was the date the financial statements were issued.

On October 18, 2021, AgFirst's Board of Directors indicated an intention to declare, in December 2021, a special patronage distribution. The Association will receive between approximately $22,849 and $23,801 which will be recorded as patronage refunds from other Farm Credit institutions.