AgCountry Farm Credit Services, ACA

Quarterly Report
September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry 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, 2020 (2020 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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MERGER ACTIVITY

The Boards of Directors of AgCountry Farm Credit Services, ACA and Farm Credit Services of North Dakota, ACA made a strategic decision to pursue a merger of the two organizations. The consolidated association would be named AgCountry Farm Credit Services, ACA and would be headquartered in Fargo, ND. Upon completion of the merger, the Association would serve over 25,000 customers in 82 counties in Minnesota, North Dakota, and Wisconsin, and have assets of over $10 billion. The Boards unanimously approved a resolution in favor of merging the two associations and have received approval from AgriBank. The Farm Credit Administration (FCA) has granted its preliminary approval of the application for merger, and a stockholder vote is scheduled in November 2021. If approved by stockholders and final approval is granted by FCA, the merger will be effective no earlier than January 1, 2022.

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 2020 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 nation's economic outlook continued to improve during the third quarter of 2021 as economic activity started to normalize and monetary policy continues to be supportive. United States (U.S.) Gross Domestic Product (GDP) increased at an annual rate of 6.6% in the second quarter of 2021 with both Bloomberg and Moody's Analytics forecasting an annual increase close to 6.0%. Both sources are forecasting GDP growth of 4.3% in 2022. The unemployment rate declined to 5.2% in August and is still predicted to reach the pre-pandemic rate of 3.5% by the end of 2023. Vaccine distribution continues with 64.8% of the U.S. population having at least one dose, an increase of 9.6% over the prior quarter. The U.S. Food and Drug Administration has approved and authorized three vaccines in the U.S. and provided guidelines for boosters as the Delta and other variants contribute to increased COVID-19 cases and hospitalizations.

The Federal Open Market Committee (FOMC) left the Fed Funds rate unchanged at 0.00% to 0.25% at its September meeting. Actions by the Fed continue to be guided by their mandate to promote maximum employment and stable prices while maintaining the stability of the financial system. The FOMC expects to maintain the current target range until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation is on track to moderately exceed 2.0% for some time. Rate forecasts from the FOMC participants have been revised to anticipate up to three increases through the end of 2023. The Committee has also indicated that if economic progress continues broadly as expected, moderation in the pace of asset purchases by the U.S. Treasury may soon be warranted.

The combination of low interest rates, more than $5.0 trillion in fiscal policy measures since the start of the pandemic, strong crop prices in our territory, and proactive servicing continue to help mitigate the economic impact of the pandemic on AgCountry customers. We pay close attention to global, national, and local events, and continue to evaluate the impact of those events on our customers and our cooperative as we fulfill our mission to serve agriculture and rural America.

AgCountry serves a broad range of commodities and agricultural industries across its territory. The summaries below provide a high-level overview of conditions and outlook for the primary commodities. See www.agcountry.com/resources for a more comprehensive discussion of current economic conditions and impact on commodities.

Specific Production Conditions

Corn: The third quarter marks the official marketing year end for corn and soybeans. The market closed out balance sheets on the 2020 crop year at 1.2 billion bushels. Dry weather through much of July 2021 in the Northwestern Corn Belt caused many yield models to slip below trend, and high prices weakened demand as well. Further, the United States Department of Agriculture (USDA) restated production from the 2020 crop year. Corn growers in the Northwestern Corn Belt are expected to continue to benefit from stronger than average basis levels. Rising fertilizer prices present a challenge to attracting acres in 2022.

Soybeans: As with corn, the books for the 2020 crop year closed in August. The official ending carryout of 256 million bushels is higher than projections for the second half of the marketing year. Export sales to date are behind typical levels, so activity between now and February will be critical. The arrival of August rains for most major production areas sparked hope that the crop may hit trend line; production will not be finalized until January of 2022. Early industry thoughts on 2022 production lean toward more acres due to the impact of rising fertilizer prices on corn profitability.

Wheat: Dry weather over most spring wheat production areas has left balance sheets below expectations. The final all-class yield of 44.3 bushels per acre posted in the USDA's Small Grains Summary was down 5.4 bushels from 2020. Spring wheat yields specifically were finalized at 32.6 bushels per acre, just over 13 bushels below trend. Durum wheat production suffered even more, although the U.S. is well behind Canada as the top supplier to the global market. Minneapolis wheat contracts traded to their highest levels since 2017, with basis levels remaining historically tight even through the harvest season. Cash market volatility is expected to continue into the new year.

Sugarbeets: Many crops in North Dakota and Minnesota suffered this summer with severe to exceptional drought conditions. Major sugarbeet production areas in the Red River Valley and South Central Minnesota appear to have weathered the drought better than anticipated. Tonnage appears sufficient, aided by rain in August and September. Potential impact of Hurricane Ida on sugarcane production in Louisiana is being assessed.

Dry Beans: Dry bean harvest began in August and continued into September. Early yield indications are mixed; in general, unless the crop was irrigated, yields are expected to be low. Most dry beans are grown under contract but what is being purchased on the open market appears firm to higher. More active price moves are expected in January when new crop contracts for 2022 are offered.

Ethanol: The return of increased gasoline demand through the summer accompanied by weakening of the corn market late in the third quarter has allowed ethanol margins to return to positive. The Environmental Protection Agency (EPA) announced they will lower mandated blending volumes for 2020 as COVID-19 disruptions make it difficult to meet established targets under the Renewable Fuels Standard. The EPA did raise the mandated levels for 2022, prompting questions about how firm the EPA will be in enforcing those volumes. Gasoline demand through the next few quarters will be a major factor in continued industry health.

Lean Hogs: Lean hog futures traded sideways to lower through much of the third quarter before a rally in September kicked prices back to the top of their range. Continued long term uncertainty about Chinese demand and lack of recovery to pre-COVID-19 hog numbers have supported prices. USDA's quarterly Hogs and Pigs report released on September 24 showed total breeding inventory down 2% from last year and market inventory down 4% from last year, although numbers have improved from the low earlier in 2021. The USDA's September World Agricultural Supply and Demand Estimates (WASDE) report projected prices moderating into 2022 but remaining strong.

Feeder Cattle/Fat Cattle: Feeder cattle prices traded to a new high in August 2021 before collapsing nearly $20 on futures contracts by the end of September. Seasonally, the pattern is normal although the magnitude is historically large. Fat cattle prices held up better, although a disconnect remains between wholesale beef prices at record highs and fat cattle prices which are average. The USDA's September WASDE backed down total beef production numbers as weights declined, with further declines expected into 2022. Current price projections for 2022 are now at $128 per hundredweight, up $5.80 from the 2021 price projection.

Dairy: The dairy industry continued to face challenges in the third quarter of 2021 with milk prices declining and feed costs rising. Industry margins as calculated by the Dairy Margin Coverage program through the Farm Service Agency were $5.25 for the month of August, one of the lowest margins calculated since 2014. The USDA's September WASDE projected milk prices in 2022 to remain stable to higher, with feed costs largely expected to remain stable to softer.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $8.7 billion at September 30, 2021, an increase of $214.7 million from December 31, 2020.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and when certain requirements are fulfilled, loan forgiveness. At the conclusion of the PPP program, we had successfully processed $88.3 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 $74.2 million has been forgiven as of September 30, 2021.

Portfolio Credit Quality

Adversely classified loans were 1.6% of the portfolio at September 30, 2021, and December 31, 2020. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At September 30, 2021, $344.3 million of our loans were, substantially, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2021**	December 31, 2020
Loans:		
Nonaccrual	**$ 10,953**	$ 14,349
Accruing restructured	**3,045**	1,982
Accruing loans 90 days or more past due	**2,382**	2,097
Total risk loans	**16,380**	18,428
Other property owned	**--**	--
Total risk assets	**$ 16,380**	$ 18,428
Total risk loans as a percentage of total loans	**0.2%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**36.1%**	34.3%
Total delinquencies as a percentage of total loans	**0.2%**	0.2%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2020 and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

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, 2021**	December 31, 2020
Allowance as a percentage of:		
Loans	**0.3%**	0.3%
Nonaccrual loans	**208.0%**	155.7%
Total risk loans	**139.1%**	121.3%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2021.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2021**	2020
Net income	**$ 125,359**	$ 131,665
Return on average assets	**1.9%**	2.1%
Return on average members' equity	**8.6%**	9.6%

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	**2021**	2020	**Increase (decrease) in net income**
Net interest income	**$ 156,883**	$ 153,161	**$ 3,722**
Provision for (reversal of) credit losses	**805**	(873)	**(1,678)**
Non-interest income	**68,224**	65,028	**3,196**
Non-interest expense	**98,009**	87,397	**(10,612)**
Provision for income taxes	**934**	--	**(934)**
Net income	**$ 125,359**	$ 131,665	**$ (6,306)**

Provision for (Reversal of) Credit Losses

The change in the provision for (reversal of) credit losses was related to our estimate of losses in our portfolio for the applicable years.

Non-Interest Expense

The change in non-interest expense was primarily due to an increase in Farm Credit System insurance expense and budgeted increases in staffing.

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 June 30, 2023. We intend to renegotiate the note payable 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, 2021, or December 31, 2020.

Total members' equity increased $74.3 million from December 31, 2020, primarily due to net income for the period partially offset by patronage distribution accruals.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2020 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2021**	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**17.8%**	18.1%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.8%**	18.1%	6.0%	2.5%	8.5%
Total capital ratio	**18.1%**	18.4%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.8%**	18.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**20.4%**	20.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.7%**	21.7%	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 disclosed in Note 10 in our 2020 Annual Report.

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the U.S. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture. Most recently, the federal government has announced a vaccine mandate for certain employers and we are awaiting final guidance from the Occupational Safety and Health Administration (OSHA).

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. Our business continuity response has allowed us to continue to serve our mission, and a remote work environment allows us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely.

CERTIFICATION

The undersigned have reviewed the September 30, 2021, Quarterly Report of AgCountry 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 J. Hegland
Board Chair
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

November 3, 2021

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		September 30, 2021		December 31, 2020
ASSETS				
Loans	**$**	**8,686,869**	$	8,472,145
Allowance for loan losses		**22,786**		22,344
Net loans		**8,664,083**		8,449,801
Investment in AgriBank, FCB		**220,440**		212,294
Accrued interest receivable		**96,044**		80,693
Premises and equipment, net		**34,667**		35,937
Deferred tax assets, net		**--**		127
Other assets		**104,555**		90,670
Total assets	**$**	**9,119,789**	$	8,869,522
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**7,025,054**	$	6,830,857
Accrued interest payable		**19,976**		19,582
Deferred tax liabilities, net		**807**		--
Patronage distribution payable		**51,750**		64,050
Other liabilities		**44,822**		51,998
Total liabilities		**7,142,409**		6,966,487
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**11,730**		11,936
Capital stock and participation certificates receivable		**(11,730)**		(11,936)
Additional paid-in capital		**304,385**		304,385
Unallocated surplus		**1,681,921**		1,608,312
Accumulated other comprehensive loss		**(8,926)**		(9,662)
Total members' equity		**1,977,380**		1,903,035
Total liabilities and members' equity	**$**	**9,119,789**	$	8,869,522

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2021**	2020	**2021**	2020
Interest income	**$ 72,529**	$ 74,107	**$ 217,237**	$ 238,054
Interest expense	**20,016**	21,276	**60,354**	84,893
Net interest income	**52,513**	52,831	**156,883**	153,161
Provision for (reversal of) credit losses	**293**	(522)	**805**	(873)
Net interest income after provision for (reversal of) credit losses	**52,220**	53,353	**156,078**	154,034
Non-interest income				
Patronage income	**11,446**	13,417	**34,992**	36,715
Financially related services income	**10,927**	11,384	**18,399**	17,426
Fee income	**2,967**	2,258	**14,677**	8,383
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	1,554
Other non-interest income	**--**	155	**156**	950
Total non-interest income	**25,340**	27,214	**68,224**	65,028
Non-interest expense				
Salaries and employee benefits	**20,738**	16,940	**57,761**	52,898
Other operating expense	**13,811**	11,609	**40,006**	34,451
Other non-interest expense	**187**	44	**242**	48
Total non-interest expense	**34,736**	28,593	**98,009**	87,397
Income before income taxes	**42,824**	51,974	**126,293**	131,665
Provision for income taxes	**435**	--	**934**	--
Net income	**$ 42,389**	$ 51,974	**$ 125,359**	$ 131,665
Other comprehensive income				
Employee benefit plans activity	**$ 245**	$ 111	**$ 736**	$ 354
Total other comprehensive income	**245**	111	**736**	354
Comprehensive income	**$ 42,634**	$ 52,085	**$ 126,095**	$ 132,019

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

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

	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$ 12,151	$ 304,385	$ 1,488,700	$ (5,412)	$ 1,799,824
Net income	--	--	131,665	--	131,665
Other comprehensive income	--	--	--	354	354
Unallocated surplus designated for patronage distributions	--	--	(47,251)	--	(47,251)
Capital stock and participation certificates issued	660	--	--	--	660
Capital stock and participation certificates retired	(989)	--	--	--	(989)
Capital stock and participation certificates receivable, net	(11,822)	--	--	--	(11,822)
Balance at September 30, 2020	$ --	$ 304,385	$ 1,573,114	$ (5,058)	$ 1,872,441
Balance at December 31, 2020	$ --	$ 304,385	$ 1,608,312	$ (9,662)	$ 1,903,035
Net income	**--**	**--**	**125,359**	**--**	**125,359**
Other comprehensive income	**--**	**--**	**--**	**736**	**736**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(51,750)**	**--**	**(51,750)**
Capital stock and participation certificates issued	**639**	**--**	**--**	**--**	**639**
Capital stock and participation certificates retired	**(846)**	**--**	**--**	**--**	**(846)**
Reductions to capital stock and participation certificates receivable, net	**207**	**--**	**--**	**--**	**207**
Balance at September 30, 2021	**$ --**	**$ 304,385**	**$ 1,681,921**	**$ (8,926)**	**$ 1,977,380**

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 accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles 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, 2021, are not necessarily indicative of the results to be expected for the year ending December 31, 2021. 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, 2020 (2020 Annual Report).

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

Significant Accounting Policies

Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets. This change in accounting principle did not have a material impact on the financial statements.

There have been no other changes in our accounting policies as disclosed in our 2020 Annual Report, except as described in the Recently Issued or Adopted Accounting Pronouncements.

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for the first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 that amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	September 30, 2021			December 31, 2020		
		Amount	%		Amount	%
Real estate mortgage	**$**	**3,818,261**	**44.0%**	$	3,659,953	43.2%
Production and intermediate-term		**1,963,214**	**22.6%**		2,058,139	24.3%
Agribusiness		**2,076,853**	**23.9%**		2,030,071	24.0%
Other		**828,541**	**9.5%**		723,982	8.5%
Total	**$**	**8,686,869**	**100.0%**	$	8,472,145	100.0%

The other category is primarily composed of communication, energy, agricultural export finance, and water and wastewater related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 2021**		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		Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$**	**876**	**$**	**6,254**	**$**	**7,130**	**$**	**3,874,120**	**$**	**3,881,250**	**$**	**2,007**
Production and intermediate-term		**1,524**		**2,842**		**4,366**		**1,985,014**		**1,989,380**		**375**
Agribusiness		**2,949**		**--**		**2,949**		**2,079,167**		**2,082,116**		**--**
Other		**--**		**32**		**32**		**830,135**		**830,167**		**--**
Total	**$**	**5,349**	**$**	**9,128**	**$**	**14,477**	**$**	**8,768,436**	**$**	**8,782,913**	**$**	**2,382**

As of December 31, 2020		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	587	$	6,623	$	7,210	$	3,700,605	$	3,707,815	$	1,490
Production and intermediate-term		3,776		5,079		8,855		2,076,287		2,085,142		607
Agribusiness		50		--		50		2,035,031		2,035,081		--
Other		32		--		32		724,768		724,800		--
Total	$	4,445	$	11,702	$	16,147	$	8,536,691	$	8,552,838	$	2,097

Note: Accruing loans include accrued interest receivable.

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, 2021**		December 31, 2020
Volume with specific allowance	**$**	**4,270**	$	1,585
Volume without specific allowance		**12,110**		16,843
Total risk loans	**$**	**16,380**	$	18,428
Total specific allowance	**$**	**1,792**	$	1,013
For the nine months ended September 30		**2021**		2020
Income on accrual risk loans	**$**	**226**	$	104
Income on nonaccrual loans		**622**		1,821
Total income on risk loans	**$**	**848**	$	1,925
Average risk loans	**$**	**17,151**	$	28,047

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2021.

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 TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as 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 in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands) Nine months ended September 30	**2021** Pre-modification	**2021** Post-modification	2020 Pre-modification	2020 Post-modification
Real estate mortgage	**$ 1,856**	**$ 1,856**	$ 264	$ 264
Production and intermediate-term	**1,081**	**1,081**	1,400	1,400
Agribusiness	**--**	**--**	37	37
Total	**$ 2,937**	**$ 2,937**	$ 1,701	$ 1,701

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

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

There were no TDRs that defaulted during the nine months ended September 30, 2021, or 2020 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**September 30, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$ 1,934**	$ 515
Production and intermediate-term	**1,111**	1,467
Agribusiness	**--**	--
Total TDRs in accrual status	**$ 3,045**	$ 1,982
Nonaccrual status:		
Real estate mortgage	**$ 1,362**	$ 1,666
Production and intermediate-term	**190**	248
Agribusiness	**15**	19
Total TDRs in nonaccrual status	**$ 1,567**	$ 1,933
Total TDRs:		
Real estate mortgage	**$ 3,296**	$ 2,181
Production and intermediate-term	**1,301**	1,715
Agribusiness	**15**	19
Total TDRs	**$ 4,612**	$ 3,915

There were no commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2021.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30	**2021**	2020
Balance at beginning of period	**$ 22,344**	$ 26,974
Provision for (reversal of) loan losses	**429**	(1,553)
Loan recoveries	**14**	269
Loan charge-offs	**(1)**	(1,362)
Balance at end of period	**$ 22,786**	$ 24,328

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for (reversal of) loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands) For the nine months ended September 30	**2021**	2020
Provision for credit losses	**$ 376**	$ 680
As of:	**September 30, 2021**	December 31, 2020
Accrued credit losses	**$ 4,214**	$ 3,838

NOTE 3: 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.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of September 30, 2021, our total commitment was $14.0 million of which $2.5 million was unfunded, with varying commitment end dates through November 2023. Certain commitments may have an option to extend under certain circumstances.

NOTE 4: 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 2020 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, 2021, or December 31, 2020.

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, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 2,602**	**$ 2,602**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 601	$ 601

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.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 3, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.