Premier Farm Credit

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3RD QUARTER REPORT 2021

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

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the nine months ended September 30, 2021, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2020 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2020 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

The United States continues to see economic recovery from the impact of the COVID-19 pandemic, with a surge in economic activity due to the combination of federal stimulus spending, increasing vaccination rates in households across the country, improving employment levels and the warm weather seasons. The economic recovery fueled by the Federal stimulus could translate into a significant increase in consumer spending and demand for goods and services that have been constrained during the pandemic. This economic recovery has been hampered by demand for goods and services running ahead of the recovery in supply as the labor-force participation is behind and the supply chains experience disruptions related to transportation and production of critical components. As growing demand has encountered supply constraints, inflation measures have risen sharply.

The U.S. government has continued to institute various programs in support of the COVID-19 recovery. In March 2021, Congress passed the $1.9 trillion American Rescue Plan Act designed to provide near-term help to those hurt by the pandemic. In December 2020, Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which, among other provisions, allocated additional funding for Paycheck Protection Program (PPP) loans and allows certain existing PPP borrowers to apply for additional loans or draws on existing loans. The Association obtained approval to participate as a lender in the PPP and continued to provide funds to eligible borrowers during the first half of 2021. In March 2021, the current presidential administration also proposed the $2.3 trillion American Jobs Plan intended to create jobs and rebuild the country's infrastructure.

Our territory continues to be affected the ongoing pandemic. Optimism in commodity markets is relevant, as it appears that current commodity values are poised to remain strong and offer earnings support for producers. Crop yields within the territory have been average to above average in most cases and livestock producers benefitted from early spring moisture, which provided for sufficient grazing conditions through the summer. Weather conditions remain challenging with dry conditions in parts of the region. Lack of moisture through the upcoming months could move the region quickly into drought and stressed cropland and rangeland conditions. Producers are beginning to make 2022 growing season decisions with uncertainty and an awareness of rising input costs, management, and operational profit. Political and social challenges loom on the horizon for agriculture, as the large urban population remains out of touch with the reality of food production in our nation. Colorado in particular faced a threat in the form of proposed Initiative 16, which would have effectively ended animal agriculture in our state and would have dealt a deep blow to crop producers. We actively and successfully worked to support efforts in rejecting this measure from the 2022 ballot. We continue to make efforts to increase our presence and influence on behalf of our agricultural producers. Agriculture's role in contributing to and mitigating climate change is a topic of increasing interest and concern both in the political and agricultural arenas.

Association credit quality is anticipated to remain relatively stable through the end of 2021. The COVID-19 pandemic has heightened many risks, including credit risk, liquidity risk, market risk, and operational risk. The effectiveness of our mitigation efforts and the extent to which COVID-19 affects our business, results of operations and financial condition may depend on factors beyond our control. We cannot predict the severity and the duration of the impact of the COVID-19 pandemic. Buildings and operations remain open and functioning with good health guidelines and social distancing requirements in place. We remain focused on responding to this crisis and protecting the health and safety of our employees while continuing to serve our customers.

LOAN PORTFOLIO

Loans outstanding at September 30, 2021, totaled $818.8 million, an increase of $54.6 million, or 7.1%, from loans of $764.2 million at December 31, 2020. The increase was primarily due to new loans booked during 2021, partially offset by loan prepayments and principal reductions on term loans.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2021, was $11.2 million, an increase of $906 thousand, or 8.8%, from the same period ended one year ago. The increase in net income was primarily attributed to an increase in net interest income of $1.0 million and an increase in noninterest income of $278 thousand, which were partially offset by an increase in noninterest expense of $387 thousand and an increase in provision for credit losses of $33 thousand.

For the nine months ended September 30, 2021, net interest income was $16.0 million, an increase of $1.0 million, or 7.0%, compared with the nine months ended September 30, 2020. Net interest income increased as a result of increased loan volume and decline in interest rates compared to the same prior year period.

The provision for credit losses for the nine months ended September 30, 2021, was $22 thousand, compared to a credit loss reversal of $11 thousand for the same period ended one year ago. The provision for credit losses is primarily a result of increased loan volume.

Noninterest income increased $278 thousand during the first nine months of 2021 compared with the first nine months in 2020 primarily due to an increase patronage received from CoBank. Patronage distribution from Farm Credit institutions increased in the first nine months ended September 30, 2021, compared with the first nine months in 2020 primarily due to an increase in CoBank's target for patronage from 36 basis points in 2020 to 45 basis points in 2021 related to our direct note. Also included in noninterest income in 2020 was a refund of $148 thousand from Farm Credit System Insurance Corporation (FCSIC). No refund was received in 2021. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2020 Annual Report to Shareholders for additional information.

We received mineral income of $371 thousand during the first nine months of 2021, which is distributed to us quarterly by CoBank. The increase for the nine months ended September 30, 2021, compared with first nine months of 2020 is primarily the result of post-pandemic demand recovery and an increase in crude oil and natural gas prices.

During the first nine months of 2021, noninterest expense increased $387 thousand to $8.1 million, primarily due to higher Farm Credit Insurance Fund premiums due to an increase in premium rates and loan growth, increased purchased service costs from AgVantis, increased Directors expense, and increased travel, advertising, and public and member relations, and increased miscellaneous expenses. These increases were partially offset by decreases in employee benefit expenses due to a decline in pension expense and a medical premium rebate received in the second quarter of 2021, and a decrease in computer equipment expenses, along with a reimbursement received in the first quarter of 2021 for previously paid occupancy and equipment expenses.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2021, was $191.4 million, an increase from $180.2 million at December 31, 2020. This increase is due to net income, the amortization of pension costs included in the net periodic benefit cost, and an increase in net stock issuances.

OTHER MATTERS

On March 5, 2021, the United Kingdom's Financial Conduct Authority (UKFCA), formally announced that all LIBOR tenors will either be discontinued or no longer be representative immediately after December 31, 2021. As a result, the UKFCA has closely worked with market participants and regulatory authorities around the world to ensure that alternatives to LIBOR are available and that existing contracts can be transitioned onto these alternatives to safeguard financial stability and market integrity.

We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time, despite the announcements from UKFCA, we are unable to predict when LIBOR will cease to be available or if Secured Overnight Financing Rate (SOFR) or any other alternative reference rate will become the benchmark to replace LIBOR. Because we engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on the Association and our borrowers. Management has documented and are working through a LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates in the future, including any updates to processes and loan servicing technology.

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

Lyndsey D. Graves
Chair of the Audit Committee
November 4, 2021

Michael Grauberger
President & CEO
November 4, 2021

Jeffrey L. Schumacher
Chief Financial Officer
November 4, 2021

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2021	December 31 2020
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 818,765**	$ 764,184
Less allowance for loan losses	**2,183**	2,155
Net loans	**816,582**	762,029
Cash	**1,631**	11,507
Accrued interest receivable	**13,268**	9,937
Investment in CoBank, ACB	**23,582**	23,515
Premises and equipment, net	**729**	775
Prepaid benefit expense	**3,560**	3,125
Other assets	**3,909**	4,398
Total assets	**$ 863,261**	$ 815,286
LIABILITIES		
Note payable to CoBank, ACB	**$ 648,064**	$ 607,925
Advance conditional payments	**19,235**	15,262
Accrued interest payable	**720**	778
Patronage distributions payable	**-**	4,500
Accrued benefits liability	**784**	783
Reserve for unfunded commitments	**356**	361
Other liabilities	**2,676**	5,492
Total liabilities	**671,835**	635,101
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**857**	845
Unallocated retained earnings	**190,784**	179,587
Accumulated other comprehensive income/(loss)	**(215)**	(247)
Total shareholders' equity	**191,426**	180,185
Total liabilities and shareholders' equity	**$ 863,261**	$ 815,286

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30 **2021**	2020	For the nine months ended September 30 **2021**	2020
INTEREST INCOME				
Loans	**$ 7,678**	$ 7,520	**$ 22,385**	$ 23,435
Total interest income	**7,678**	7,520	**22,385**	23,435
INTEREST EXPENSE				
Note payable to CoBank, ACB	**2,159**	2,439	**6,356**	8,444
Other	**12**	7	**35**	45
Total interest expense	**2,171**	2,446	**6,391**	8,489
Net interest income	**5,507**	5,074	**15,994**	14,946
(Credit loss reversal)/Provision for credit losses	**(30)**	(218)	**22**	(11)
Net interest income after credit loss reversal/provision for credit losses	**5,537**	5,292	**15,972**	14,957
NONINTEREST INCOME				
Financially related services income	**192**	215	**294**	329
Loan fees	**100**	143	**317**	424
Patronage distribution from Farm Credit institutions	**770**	602	**2,260**	1,751
Farm Credit Insurance Fund distribution	**-**	-	**-**	148
Mineral income	**167**	61	**371**	289
Other noninterest income	**28**	34	**118**	141
Total noninterest income	**1,257**	1,055	**3,360**	3,082
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,631**	1,593	**4,249**	4,404
Occupancy and equipment	**84**	121	**273**	324
Purchased services from AgVantis, Inc.	**476**	430	**1,428**	1,290
Farm Credit Insurance Fund premium	**231**	151	**673**	359
Supervisory and examination costs	**62**	61	**216**	207
Other noninterest expense	**514**	419	**1,282**	1,150
Total noninterest expense	**2,998**	2,775	**8,121**	7,734
Income before income taxes	**3,796**	3,572	**11,211**	10,305
Provision for income taxes	**5**	5	**14**	14
Net income	**3,791**	3,567	**11,197**	10,291
COMPREHENSIVE INCOME				
Amortization of retirement costs	**10**	13	**32**	39
Total comprehensive income	**$ 3,801**	$ 3,580	**$ 11,229**	$ 10,330

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2019	$ 867	$ 170,325	$ (277)	$ 170,915
Comprehensive income		10,291	39	10,330
Stock issued	42			42
Stock retired	(63)			(63)
Balance at September 30, 2020	$ 846	$ 180,616	$ (238)	$ 181,224
Balance at December 31, 2020	$ 845	$ 179,587	$ (247)	$ 180,185
Comprehensive income		11,197	32	11,229
Stock issued	62			62
Stock retired	(50)			(50)
Balance at September 30, 2021	**$ 857**	**$ 190,784**	**$ (215)**	**$ 191,426**

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

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited third quarter 2021 financial statements should be read in conjunction with the 2020 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020, as contained in the 2020 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2021. Descriptions of the significant accounting policies are included in the 2020 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional expedients as it relates to loans in the first quarter of 2021. The impact of the adoption was not material to the Association’s financial condition or its results of operations.

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’s financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

(dollars in thousands)	**September 30, 2021**	December 31, 2020
Real estate mortgage	**$ 435,238**	$ 402,413
Production and intermediate-term	**163,010**	166,701
Agribusiness	**149,010**	137,845
Rural infrastructure	**61,708**	48,508
Rural residential real estate	**223**	372
Agricultural export finance	**9,576**	8,345
Total loans	**$ 818,765**	$ 764,184

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2021:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 38,052	$ 32,291
Production and intermediate-term	36,997	4,608
Agribusiness	145,761	-
Rural infrastructure	61,708	-
Agricultural export finance	9,576	-
Total	$ 292,094	$ 36,899

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

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

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

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**94.65%**	88.60%
OAEM	**3.08%**	8.41%
Substandard	**2.27%**	2.99%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**88.31%**	86.75%
OAEM	**3.83%**	7.15%
Substandard	**7.86%**	6.10%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**97.50%**	96.82%
OAEM	**2.11%**	2.71%
Substandard	**0.39%**	0.47%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**99.17%**	98.91%
OAEM	**0.83%**	1.09%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**94.30%**	90.44%
OAEM	**2.85%**	6.56%
Substandard	**2.85%**	3.00%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**September 30, 2021**	December 31, 2020
Nonaccrual loans		
Real estate mortgage	**$ -**	$ 67
Agribusiness	**144**	202
Total nonaccrual loans	**$ 144**	$ 269
Total high risk assets	**$ 144**	$ 269

The Association had no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

(dollars in thousands)	**September 30, 2021**			December 31, 2020		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ -**	**$ -**	**$ -**	$ 67	$ 78	$ -
Agribusiness	**144**	**219**	-	202	417	-
Total	**$ 144**	**$ 219**	**$ -**	$ 269	$ 495	$ -

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

(dollars in thousands)	**For the Three Months Ended September 30, 2021**		For the Three Months Ended September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 30**	**$ 17**	$ 66	$ -
Production and intermediate-term	**-**	**-**	2	-
Agribusiness	**174**	**-**	231	3
Total	**$ 204**	**$ 17**	$ 299	$ 3

(dollars in thousands)	**For the Nine Months Ended September 30, 2021**		For the Nine Months Ended September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 53**	**$ 17**	$ 72	$ -
Production and intermediate-term	**2**	**-**	8	-
Agribusiness	**191**	**-**	234	107
Total	**$ 246**	**$ 17**	$ 314	$ 107

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

(dollars in thousands)	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	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 445,024	$ 445,024	$ -
Production and intermediate-term	-	-	-	166,057	166,057	-
Agribusiness	-	-	-	149,342	149,342	-
Rural infrastructure	-	-	-	61,796	61,796	-
Rural residential real estate	-	-	-	224	224	-
Agricultural export finance	-	-	-	9,590	9,590	-
Total	$ -	$ -	$ -	$ 832,033	$ 832,033	$ -

(dollars in thousands)	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	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 409,574	$ 409,574	$ -
Production and intermediate-term	25	-	25	169,092	169,117	-
Agribusiness	-	-	-	138,131	138,131	-
Rural infrastructure	-	-	-	48,566	48,566	-
Rural residential real estate	-	-	-	374	374	-
Agricultural export finance	-	-	-	8,359	8,359	-
Total	$ 25	$ -	$ 25	$ 774,096	$ 774,121	$ -

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

(dollars in thousands)	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 299	$ -	$ -	$ (14)	$ 285
Production and intermediate-term	676	-	-	34	710
Agribusiness	838	-	-	11	849
Rural infrastructure	272	-	-	15	287
Agricultural export finance	53	-	-	(1)	52
Total	$ 2,138	$ -	$ -	$ 45	$ 2,183

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 342	$ -	$ -	$ (57)	$ 285
Production and intermediate-term	636	-	1	73	710
Agribusiness	836	-	-	13	849
Rural infrastructure	302	-	-	(15)	287
Agricultural export finance	39	-	-	13	52
Total	$ 2,155	$ -	$ 1	$ 27	$ 2,183

(dollars in thousands)	Balance at June 30, 2020	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at September 30, 2020
Real estate mortgage	$ 481	$ -	$ -	$ (182)	$ 299
Production and intermediate-term	685	-	1	(16)	670
Agribusiness	851	-	-	(25)	826
Rural infrastructure	309	-	-	(1)	308
Rural residential real estate	1	-	-	(1)	-
Agricultural export finance	69	-	-	2	71
Total	$ 2,396	$ -	$ 1	$ (223)	$ 2,174

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at September 30, 2020
Real estate mortgage	$ 480	$ -	$ -	$ (181)	$ 299
Production and intermediate-term	796	-	3	(129)	670
Agribusiness	650	-	22	154	826
Rural infrastructure	219	-	-	89	308
Agricultural export finance	33	-	-	38	71
Total	$ 2,178	$ -	$ 25	$ (29)	$ 2,174

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2021**	2020	**2021**	2020
Balance at beginning of period	**$ 431**	$ 365	**$ 361**	$ 351
(Reversal of)/Provision for reserve for unfunded commitment	**(75)**	5	**(5)**	19
Total	**$ 356**	$ 370	**$ 356**	$ 370

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at September 30, 2021		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 285	$ -	$ 445,024
Production and intermediate-term	-	710	-	166,057
Agribusiness	-	849	144	149,198
Rural infrastructure	-	287	-	61,796
Rural residential real estate	-	-	-	224
Agricultural export finance	-	52	-	9,590
Total	$ -	$ 2,183	$ 144	$ 831,889

	Allowance for Loan Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 342	$ 67	$ 409,507
Production and intermediate-term	-	636	-	169,117
Agribusiness	-	836	202	137,929
Rural infrastructure	-	302	-	48,566
Rural residential real estate	-	-	-	374
Agricultural export finance	-	39	-	8,359
Total	$ -	$ 2,155	$ 269	$ 773,852

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the nine months ended September 30, 2021 or September 30, 2020 and have no TDRs in the portfolio for the periods presented. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first nine months of 2021 and 2020.

NOTE 3 - CAPITAL

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

	As of September 30, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	18.11%	18.63%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.11%	18.63%	6.0%	2.5%	8.5%
Total capital ratio	18.39%	18.92%	8.0%	2.5%	10.5%
Permanent capital ratio	18.15%	18.67%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.21%	20.39%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	20.82%	20.86%	1.5%	-	1.5%

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2021**	2020	**2021**	2020
Pension and other benefit plans:				
Beginning balance	**$ (225)**	$ (251)	**$ (247)**	$ (277)
Amounts reclassified from accumulated other comprehensive loss	**10**	13	**32**	39
Net current period other comprehensive income	**10**	13	**32**	39
Ending balance	**$ (215)**	$ (238)	**$ (215)**	$ (238)

The following table represents reclassifications out of accumulated other comprehensive loss:

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
(dollars in thousands)	**2021**	2020	
Pension and other benefit plans:			
Net actuarial loss	**$ 10**	$ 13	Salaries and employee benefits
Total reclassifications	**$ 10**	$ 13	

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
(dollars in thousands)	**2021**	2020	
Pension and other benefit plans:			
Net actuarial loss	**$ 32**	$ 39	Salaries and employee benefits
Total reclassifications	**$ 32**	$ 39	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2020 Annual Report to Shareholders for a more complete description.

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

	Fair Value Measurement Using			Total Fair Value
(dollars in thousands)	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
September 30, 2021	**$ 780**	**$ -**	**$ -**	**$ 780**
December 31, 2020	$ 682	$ -	$ -	$ 682

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2021 or December 31, 2020.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at September 30, 2021 or December 31, 2020.

Valuation Techniques

As more fully discussed in Note 2 of the 2020 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

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

Loans Evaluated for Impairment

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

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 4, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.