CAPITAL FARM CREDIT

PROUD MEMBER OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

For the Quarter Ended June 30, 2021

REPORT OF MANAGEMENT

The undersigned certify that this quarterly report has been reviewed and prepared 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.

Jeff Norte, Chief Executive Officer	John Malazzo, Chairman, Board of Directors

Sally Lawson,
Chief Financial Officer

August 5, 2021

Second Quarter 2021 Financial Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary reviews the financial performance of Capital Farm Credit, ACA, referred to as the association, for the quarter ended June 30, 2021. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2020 Annual Report to Stockholders. The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder. The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA. The consolidated financial statements were prepared under the oversight of the association's audit committee.

The Texas economy continues to recover through the second quarter as the state fully opens back up following the COVID-19 pandemic. General economic indicators in Texas including unemployment rates, oil prices and manufacturing activity all continue to show improvement. Agriculture in Texas is benefiting from improved commodity prices in cotton, corn and feeder cattle and much needed rainfall. The association continues to see strong demand for real estate loans throughout its territory fueled by low interest rates and a steadily increasing population in Texas. The credit quality of the association is very strong and remains slightly improved from December 31, 2020.

The majority of loans that entered the association's COVID-19 payment deferral program have exited the program and returned to their regular payment schedule. The association continues to monitor these loans for signs of distress or impairment and currently has 58 loans with a recorded investment of $34,893 carrying a qualitative allowance adjustment of $2,468 in the portfolio. Of the 99 Paycheck Protection Plan (PPP) loans, totaling $6,194 in volume, the association currently has nine loans outstanding totaling $1,314.

Preferred Stock Issuance

On January 19, 2021 the association issued $200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth in 2021. The issuance will carry an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026 and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association made dividend payments on March 15 and June 15, 2021 for a total amount of $4,056.

Rating Agency Actions

Fitch Ratings Actions
On January 11, 2021, Fitch Ratings assigned the association an initial long-term issuer default ratings at "BBB," with a stable outlook. Fitch also assigned a rating of "BB-" for the association's noncumulative perpetual preferred stock.

S&P Global Rating Actions
On January 11, 2021, S&P Global assigned the association an initial long-term issuer default rating at "BBB," with a stable outlook. S&P Global Ratings also assigned a rating of "BB" for the association's noncumulative perpetual preferred stock.

Senior Officer Retirements

On January 26, 2021, the board announced their decision to name Jeff Norte as the chief executive officer, who replaced Mr. Novosad effective June 1, 2021. Mr. Norte has over 30 years of banking experience, with more than 10 years at the association, most recently as chief credit officer.

Effective March 15, 2021, Sally Lawson was named chief financial officer. Mrs. Lawson has more than 30 years of financial and accounting experience, with more than 16 years of experience at the association, most recently as vice president of finance.

Patronage Refunds by Association

The board of directors approved a $215,865 patronage distribution for 2020. Of that amount, $98,280 of this distribution was to be paid in cash in March 2021 and $117,585 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. In March 2021, the association finalized the computation of these distributions which resulted in an increase in cash patronage payable of $92 for an actual cash distribution of $98,372 which was paid in March 2021. It is the board's intention with regard to the nonqualified allocated equity, to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. While there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2019, the board of directors approved a $176,537 patronage distribution with cash patronage payable of $88,550 and $87,987 in nonqualified allocations.

In September 2020, the board of directors approved a resolution to retire $55,000 in nonqualified allocated equities, which were paid to the recipients in November 2020. The retirement was a distribution of 57 percent of the earnings allocated in 2012. In September 2019, the board of directors approved a resolution to retire $38,206 in nonqualified allocated equities, which were paid to the recipients in November 2019. The retirement was a distribution of all remaining equities allocated in 2011.

Loan Portfolio

Total loans outstanding at June 30, 2021, including nonperforming loans, were $9,357,798 compared to $8,684,131 at December 31, 2020, reflecting an increase of $673,667, or approximately 7.8 percent, with notable increases in the real estate mortgage, rural residential real estate, communication and energy sectors. This rate of growth is a result of an attractive rate environment and significant increase in demand for rural properties.

The association's portfolio quality remains strong. Despite a slight increase in high risk assets, overall credit quality has improved slightly to 97.3 percent acceptable at June 30, 2021 compared to 96.8 percent at December 31, 2020. Substandard loans decreased from 1.4 percent at December 31, 2020 to 1.3 percent at June 30, 2021, and other assets especially mentioned decreased from 1.8 percent at December 31, 2020 to 1.4 percent at June 30, 2021. The association recorded $202 in recoveries and $320 in charge-offs for the six months ended June 30, 2021, and $988 in recoveries and $696 in charge-offs for the same period in 2020. The association's allowance for loan losses was 0.3 percent of total loans outstanding as of June 30, 2021, compared to 0.4 percent at December 31, 2020.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The association's high-risk assets increased by 23.5 percent in the first six months of 2021. The increase occurred across all categories of high-risk assets. The following table summarizes the association's components and trends of high-risk assets:

	June 30, 2021	%	December 31, 2020	%
Nonaccrual loans	$ 56,719	81.0	$ 48,138	83.4
Loans 90 days past due and still accruing interest	2,002	2.9	212	0.4
Formally restructured loans	9,997	14.2	8,792	15.2
Other property owned, net	1,339	1.9	601	1.0
Total	$ 70,057	100.0	$ 57,743	100.0

Nonaccrual loans increased $8,581 during the six months ended June 30, 2021, with increases primarily in the energy and real estate mortgage industries, offset by decreases in the production and intermediate-term, farm-related business and rural residential real estate industries. Nonaccrual loans were 0.6 percent of total loans outstanding at June 30, 2021 and December 31, 2020.

Loans that are 90 or more days past due and still accruing interest increased $1,790 in the six months ended June 30, 2021 primarily in the real estate mortgage and production and intermediate-term industries. These loans have a documented plan that details how and when the amount owed will be paid.

Formally restructured accrual loans increased $1,205 during the first six months of 2021. Most of these restructurings have been to extend the repayment terms for customers who were significantly affected by lower commodity prices. The association is cooperating with distressed borrowers to help them work through temporary repayment problems.

Other property owned increased $738 during the first six months of 2021. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices that are in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with distressed customers and industries through periods of adversity.

Results of Operations

The association had net income of $130,643 and $62,836 for the six and three months ended June 30, 2021, respectively, compared to net income of $103,866 and $53,314 for the same periods in 2020, reflecting an increase of $26,777 and $9,522 or 25.8 and 17.9 percent, respectively. The increase in net income was primarily the result of a reduction of $13,869 in interest expense on the direct note, an increase in noninterest income of $8,231, partially offset by an increase of $3,913 in noninterest expenses for the six month period ended June 30, 2021, and a reversal of provision for loan loss of $7,905 compared to a provision of $563 during the same period of 2020. The reversal of provision for loan loss in the first half of 2021 was due to the continued migration in the association's allowance calculation from economic loss to anticipated principal loss and improvement in agricultural commodity prices. Additionally, as loans have exited the COVID deferral period, the allowance calculated on these loans has reverted to the association's previous general allowance calculation. The increase in net income for the three months ended June 30, 2021 was primarily a result of an increase of $4,082 in interest income, a $3,986 reduction in interest expense, a reversal of provision of $3,011, and increase of $1,550 in noninterest income offset by an increase of $3,655 in noninterest expenses.

Net interest income was $134,942 and $68,598 for the six and three months ended June 30, 2021, respectively, compared to $120,948 and $60,530 for the same periods in 2020, reflecting increases of $13,994 or 11.6 percent and $8,068 or 13.3 percent, respectively. Interest income for the six and three months ended June 30, 2021, increased by $113 and $4,082 or 0.1 and 4.0 percent, respectively, from the same periods of 2020, because of the decline in interest rates of almost 0.60 percent on new and repriced loans, despite the increase in average earning assets of $1,009,720. Interest expense for the six and three months ended June 30, 2021, decreased by $13,881 and $3,986 or 15.6 and 9.4 percent, respectively, from the same periods of 2020 due to lower interest rates.

The effects of changes in average volume and interest rates on net interest income in the six months ended June 30, 2021, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 8,900,499**	**$ 210,259**	$ 7,890,779	$ 210,146
Interest-bearing liabilities	**7,481,372**	**75,317**	6,741,871	89,198
Impact of capital	**$ 1,419,127**		$ 1,148,908	
Net interest income		**$ 134,942**		$ 120,948

	Average Yield	Average Yield
Yield on loans	**4.76%**	5.36%
Cost of interest-bearing Liabilities	**2.03%**	2.66%
Net interest spread	**2.73%**	2.70%

	Six Month Ended June 30 2021 vs. 2020 Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 26,816**	**$ (26,703)**	**$ 113**
Interest expense	**9,757**	**(23,638)**	**(13,881)**
Net interest income	**$ 17,059**	**$ (3,065)**	**$ 13,994**

The association's noninterest income for the six and three months ended June 30, 2021 increased $8,231 and $1,550 or 23.9 and 9.1 percent, respectively, from the same periods in 2020. The increase for the six month period is primarily due to an increase in patronage from the Bank of $5,242, or 23.4 percent, an increase in other noninterest income of $3,810, or 73.2 percent, offset by a decrease in loan fees of $625 or 11.0 percent due to fewer rate conversion opportunities, and a decrease in financially related services income of $191 or 24.4 percent, . The increase in patronage from the Bank is due to an increase in volume and an increase in percentage paid as the loan portfolio migrates to a higher cost of funds. The increase in other noninterest income is attributable to an increase in patronage received from other farm credit entities on the association's sold loan portfolio. The increase in the three month ended June 30, 2021, is primarily a result of an increase in patronage from the Bank of $2,336 or 20.2 percent and an increase in other noninterest income of $382 or 32.1 percent, offset by decreases in loan fees of $1,043 or 32.4 percent due to fewer rate conversion opportunities, a decrease in gain of OPO of $103 or 63.2 percent and a decrease in gains on sale of premises and equipment of $64 or 18.7 percent as fewer association vehicles were sold in the current year, as compared to the same period of 2020.

Noninterest expenses for the six and three months ended June 30, 2021, increased by $3,913 and $3,655 or 7.7 and 15.5 percent, respectively, from the same periods of 2020. The increase in the six month period is primarily due to an increase of $3,025 or 120.3 percent in FCSIC premium. The association also had increased expenses in business insurance, occupancy, purchased services, supervisory expenses, communications, director's expenses, other expenses and data processing offset by decreases in costs related to travel, training, advertising and public and member relations which have been directly impacted by the pandemic, as many events have been cancelled for the protection of the participants. The increase in the three month period is driven by increases in all expenses as a result of COVID restrictions being lifted, offset by a decrease in other expenses of $133 or 26.3 percent from the same period of 2020.

The association's return on average assets for the six months ended June 30, 2021, was 2.9 percent compared to 2.6 percent for the same period in 2020. The association's return on average equity for the six months ended June 30, 2021, was 16.7 percent, compared to 15.6 percent for the same period in 2020.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the association's borrowings.

	June 30, 2021	December 31, 2020
Note payable to the bank	**$7,886,430**	$7,374,054
Accrued interest on note payable	**12,749**	13,141
Total	**$7,899,179**	$7,387,195

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The outstanding balance of $7,886,430 as of June 30, 2021, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 1.95 percent at June 30, 2021. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank since December 31, 2020, is due to the association's increase in loan volume and the distribution of the 2020 patronage refund offset by the issuance of preferred stock. The decrease in accrued interest on the note payable, despite the increase in the note payable, is the result of the decrease in interest from 1.98 percent at December 31, 2020 to 1.95 percent at June 30, 2021. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,473,256 at June 30, 2021. The maximum amount the association may borrow from the Bank as of June 30, 2021, was $9,206,639 as defined by the GFA. As a result of the association's recent growth, the association amended and restated its promissory note with FCBT on June 30, 2021, increasing the commitment of its direct note by $1 billion.

The liquidity policy of the association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2021. As borrower payments are received, they are applied to the association's note payable with the Bank.

Capital Resources and Regulatory Matters

The association's capital position increased by $322,584 or 23.9 percent at June 30, 2021, compared to December 31, 2020 primarily as a result of net earnings for the period and the issuance of preferred stock. Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio remains in effect, with some modifications to align with the new regulations. As of June 30, 2021, the association exceeded all regulatory capital requirements. For more information, see Note 5-"Members Equity" in the accompanying financial statements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Relationship with the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2020 Annual Report of Capital Farm Credit more fully describe the association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its Website at *www.capitalfarmcredit.com* or can be requested by e-mailing *Javier.Lemus@capitalfarmcredit.com.*

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Cash	$ -	$ 2
Loans	9,357,798	8,684,131
Less: Allowance for losses	(23,655)	(31,592)
Net Loans	9,334,143	8,652,539
Accrued interest receivable - loans	61,048	61,956
Investment - held-to-maturity	2,290	2,582
Accrued interest receivable - investments	30	34
Investment in and receivable from the Bank:		
Capital stock	141,889	142,764
Receivable	31,648	18,615
Investment in Rural Business Investment Company	13,184	11,384
Investments in other Farm Credit Institutions	11,777	11,270
Other property owned, net	1,339	601
Premises and equipment, net	14,463	14,995
Right of use asset - leases	9,579	10,137
Other assets	39,010	16,761
Total assets	$ 9,660,400	$ 8,943,640
LIABILITIES		
Note payable to the Bank	$ 7,886,430	$ 7,374,054
Advanced conditional payments	9,255	14,564
Accrued interest payable	12,749	13,141
Lease liabilities	9,781	10,320
Drafts outstanding	573	335
Patronage distributions payable	6	98,285
Unfunded post retirement medical obligations	27,649	27,472
Reserve for unfunded commitments	492	578
Other liabilities	39,324	53,334
Total liabilities	7,986,259	7,592,083
MEMBERS' EQUITY		
Capital stock and participation certificates	27,811	27,043
Preferred stock	200,000	-
Non-qualified allocated retained earnings	737,454	737,454
Unallocated retained earnings	712,411	590,617
Accumulated other comprehensive loss	(3,535)	(3,557)
Total members' equity	1,674,141	1,351,557
Total liabilities and members' equity	$ 9,660,400	$ 8,943,640

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(UNAUDITED)

	For the three months ended		For the six months ended	
	June 30, 2021	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Interest Income				
Loans	**$ 106,841**	$ 102,747	**$ 210,203**	$ 210,061
Investments	**27**	39	**56**	85
Total interest income	**106,868**	102,786	**210,259**	210,146
Interest Expense				
Note Payable to the Bank	**38,270**	42,255	**75,316**	89,185
Advance conditional payments	**-**	1	**1**	13
Total interest expense	**38,270**	42,256	**75,317**	89,198
Net interest income	**68,598**	60,530	**134,942**	120,948
Provision for Loan Losses				
(Reversal) provision for loan losses	**(3,011)**	549	**(7,905)**	563
Net interest income after provision for losses	**71,609**	59,981	**142,847**	120,385
Noninterest Income				
Patronage income from the Bank	**13,917**	11,581	**27,614**	22,372
Loan fees	**2,172**	3,215	**5,039**	5,664
Financially related services income	**529**	487	**593**	784
Gain on sale of premises and equipment, net	**279**	343	**301**	342
Gain on other property owned, net	**60**	163	**66**	30
Other noninterest income	**1,573**	1,191	**9,017**	5,207
Total noninterest income	**18,530**	16,980	**42,630**	34,399
Noninterest Expense				
Salaries and employee benefits	**17,935**	16,972	**35,082**	35,163
Insurance Fund premium	**2,811**	1,273	**5,539**	2,514
Occupancy and equipment	**1,372**	1,203	**3,095**	2,770
Purchased services	**749**	609	**1,813**	1,349
Advertising	**935**	822	**1,715**	1,806
Public and member relations	**755**	441	**1,409**	1,473
Travel	**722**	451	**1,203**	1,384
Business Insurance Expense	**59**	40	**1,145**	993
Supervisory and exam expense	**532**	509	**1,064**	1,018
Data processing	**407**	386	**982**	775
Communications	**316**	273	**568**	507
Director's expense	**231**	137	**434**	408
Training	**103**	23	**146**	206
Other noninterest expenses	**373**	506	**636**	552
Total noninterest expenses	**27,300**	23,645	**54,831**	50,918
Income before income tax	**62,839**	53,316	**130,646**	103,866
Provision for income tax	**3**	2	**3**	-
Net income	**$ 62,836**	$ 53,314	**$ 130,643**	$ 103,866
Other comprehensive income (loss):				
Change in postretirement benefit plans	**11**	(3)	**22**	(7)
Income tax expense related items of other comprehensive income	**-**	-	**-**	-
Other comprehensive income (loss), net of tax	**11**	(3)	**22**	(7)
COMPREHENSIVE INCOME	**$ 62,847**	$ 53,311	**$ 130,665**	$ 103,859

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings: Non-qualified Allocated	Retained Earnings: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 25,980	$ -	$ 674,877	$ 586,224	$ (2,923)	$ 1,284,158
Net income	-	-	-	103,866	-	103,866
Other comprehensive (loss)	-	-	-	-	(7)	(7)
Capital stock/participation certificates issued	2,305	-	-	-	-	2,305
Capital stock/participation certificates/ allocated equities retired	(2,084)	-	-	-	-	(2,084)
Change in patronage declared and paid	-	-	-	-	-	-
Balance at June 30, 2020	26,201	-	674,877	690,090	(2,930)	1,388,238
Net income	-	-	-	116,392	-	116,392
Other comprehensive (loss)	-	-	-	-	(627)	(627)
Capital stock/participation certificates issued	3,423	-	-	-	-	3,423
Capital stock/participation certificates/ allocated equities retired	(2,581)	-	(55,000)	-	-	(57,581)
Patronage distributions declared:	-	-	-	-	-	-
Cash	-		-	(98,280)	-	(98,280)
Nonqualifed allocations	-	-	117,585	(117,585)	-	-
Change in patronage declared and paid	-	-	(8)	-	-	(8)
Balance at December 31, 2020	27,043	-	737,454	590,617	(3,557)	1,351,557
Net income	-	-	-	130,643	-	130,643
Other comprehensive income	-	-	-	-	22	22
Capital stock/participation certificates issued	3,467	-	-	-	-	3,467
Capital stock/participation certificates/ allocated equities retired	(2,699)	-	-	-	-	(2,699)
Preferred stock issued	-	200,000	-	-	-	200,000
Issuance cost on preferred stock	-	-	-	(4,701)	-	(4,701)
Preferred stock dividends	-	-	-	(4,056)	-	(4,056)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualifed allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	-	(92)	-	(92)
Balance at June 30, 2021	**$ 27,811**	**$ 200,000**	**$ 737,454**	**$ 712,411**	**$ (3,535)**	**$ 1,674,141**

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

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "association"), is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas. The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act), to meet the needs of American agriculture.

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 Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. 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 Stockholders. 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.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. In addition, the association applied the optional expedients as it relates to loans in the first quarter of 2021. The impact of 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 — INVESTMENTS:

Investments Held-to-Maturity

The association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

June 30, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 2,290	$ 55	$ -	$ 2,345	4.52%	2.71

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 2,582	$ 66	$ -	$ 2,648	4.70%	3.15

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitments to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The association has not experienced any impairments of these securities. Farmer Mac guarantees the underlying mortgages, and the association has the ability and intent to hold these securities to maturity or pay-off and it is unlikely the association would be required to sell these securities. These AMBS have contractual weighted average maturities of 2.71 years as of June 30, 2021; however, expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	June 30 2021	%	December 31 2020	%
Real estate mortgage	**$ 7,434,206**	**79.4**	$ 6,739,225	77.5
Production and intermediate term	**946,329**	**10.1**	954,191	11.0
Farm-related business	**647,498**	**6.9**	705,645	8.1
Rural residential real estate	**113,535**	**1.2**	110,330	1.3
Communication	**110,428**	**1.2**	99,968	1.2
Energy	**83,965**	**0.9**	52,007	0.6
Lease receivables	**14,768**	**0.2**	15,241	0.2
Mission-related investments	**5,686**	**0.1**	6,041	0.1
Water and waste disposal	**1,383**	**0.0**	1,483	0.0
Total	**$ 9,357,798**	**100.0**	$ 8,684,131	100.0

At June 30, 2021, the association held four transactions, which are reported as loans on the consolidated balance sheet totaling $5,686 and with $0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against loans as presented on the balance sheet. The association held $96,640 and $87,665 in funds which were netted against the loan balance at June 30, 2021 and December 31, 2020, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $9,255 and $14,564 on the balance sheet at June 30, 2021, and December 31, 2020, respectively.

The association purchases or sells participation interests in loans with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold as of June 30, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	177,727	894,986	622	-	$ 178,349	$ 894,986
Production and Intermediate-term	316,229	749,314	-	-	316,229	749,314
Farm-related business	437,659	109,453	1,270	-	438,929	109,453
Energy	83,965	-	-	-	83,965	-
Communication	110,428	-	-	-	110,428	-
Mission-related investments	1,880	-	3,806	-	5,686	-
Lease receivables	14,768	-	-	-	14,768	-
Water and waste disposal	1,383	-	-	-	1,383	-
Total	$ 1,144,038	$ 1,753,753	$ 5,698	$ -	$ 1,149,737	$ 1,753,753

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 27,440**	$ 26,919
Production and intermediate-term	**15,992**	16,472
Farm-related business	**2,142**	2,555
Rural residential real estate	**202**	256
Energy	**10,943**	1,936
Total nonaccrual loans	**$ 56,719**	$ 48,138
Accruing restructured loans:		
Real estate mortgage	**$ 6,091**	$ 4,960
Production and intermediate-term	**2,149**	2,060
Energy	**-**	-
Mission-related investments	**1,899**	1,972
Total accruing restructured loans	**$ 10,139**	$ 8,992
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 614**	$ -
Production and intermediate-term	**1,489**	212
Total accruing loans 90 days or more past due	**$ 2,103**	$ 212
Total nonperforming loans	**$ 68,961**	$ 57,342
Other property owned	**1,339**	601
Total nonperforming assets	**$ 70,300**	$ 57,943

One credit quality indicator utilized by the association is the FCA 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, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**98.0%**	97.6%
OAEM	**1.0%**	1.3%
Substandard/doubtful	**1.0%**	1.1%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**94.7%**	92.1%
OAEM	**2.0%**	4.1%
Substandard/doubtful	**3.3%**	3.8%
	100.0%	100.0%
Farm-related business		
Acceptable	**93.9%**	94.3%
OAEM	**4.6%**	4.2%
Substandard/doubtful	**1.5%**	1.5%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**98.8%**	98.6%
OAEM	**0.8%**	1.0%
Substandard/doubtful	**0.4%**	0.4%
	100.0%	100.0%
Energy		
Acceptable	**87.0%**	94.3%
OAEM	**-**	-
Substandard/doubtful	**13.0%**	5.7%
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Mission-related investments		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Lease receivables		
Acceptable	**91.9%**	91.9%
OAEM	**-**	-
Substandard/doubtful	**8.1%**	8.1%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Total Loans		
Acceptable	**97.3%**	96.8%
OAEM	**1.4%**	1.8%
Substandard/doubtful	**1.3%**	1.4%
	100.0%	100.0%

There were no loans and related interest in the loss category.

The following table provides an age analysis of past due loans (including accrued interest) as of:

June 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	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	**$ 50,907**	**$ 13,745**	**$ 64,652**	**$ 7,421,009**	**$ 7,485,661**	**$ 614**
Production and intermediate-	**6,219**	**6,348**	**12,567**	**940,631**	**953,198**	**1,489**
Farm-related business	**52**	**-**	**52**	**649,300**	**649,352**	**-**
Rural residential real estate	**1,263**	**-**	**1,263**	**112,654**	**113,917**	**-**
Energy	**-**	**8,076**	**8,076**	**76,126**	**84,202**	**-**
Communication	**-**	**-**	**-**	**110,563**	**110,563**	**-**
Mission-related investments	**-**	**-**	**-**	**5,736**	**5,736**	**-**
Lease receivables	**-**	**-**	**-**	**14,834**	**14,834**	**-**
Water and waste disposal	**-**	**-**	**-**	**1,383**	**1,383**	**-**
Total	**$ 58,441**	**$ 28,169**	**$ 86,610**	**$ 9,332,236**	**$ 9,418,846**	**$ 2,103**

December 31, 2020	30-89 Days Past Due	90 Days or More	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 51,809	$ 9,724	$ 61,533	$ 6,730,330	$ 6,791,863	$ -
Production and intermediate-term	20,624	1,276	21,900	939,039	960,939	212
Farm-related business	367	307	674	706,882	707,556	-
Rural residential real estate	1,090	-	1,090	109,603	110,693	-
Energy	1,924	-	1,924	50,202	52,126	-
Communication	-	-	-	99,998	99,998	-
Mission-related investments	-	-	-	6,093	6,093	-
Lease receivables	-	-	-	15,333	15,333	-
Water and waste disposal	-	-	-	1,486	1,486	-
Total	$ 75,814	$ 11,307	$ 87,121	$ 8,658,966	$ 8,746,087	$ 212

Note: The recorded investment in the 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 investment.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the association for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2021, the total recorded investment of troubled debt restructured loans was $23,312, including $13,315 classified as nonaccrual and $9,997 classified as accrual, with specific allowance for loan losses of $2,191. Commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $459 and $110 as of June 30, 2021 and at December 31, 2020, respectively. The association applied the Coronavirus Aid, Relief, and Economic Security (CARES) Act guidance for COVID modifications, and as such, no modifications made under the association's COVID deferral programs met the criteria for TDR as of December 31, 2020. The association resumed normal TDR identification and assessments in the first quarter of 2021.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the six and three months ended June 30, 2021. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

	2021		2020	
Three months ended June 30:	**Pre-TDR Designation Balance**	**Post-TDR Designation Balance**	Pre-TDR Designation Balance	Post-TDR Designation Balance
Real estate mortgage			-	-
Production and intermediate-term	**47**	**41**	-	-
Total	**$ 47**	**$ 41**	$ -	$ -

	Troubled Debt Restructuring Activity			
	2021		2020	
Six months ended June 30:	**Pre-TDR Designation Balance**	**Post-TDR Designation Balance**	Pre-TDR Designation Balance	Post-TDR Designation Balance
Real estate mortgage	**3,515**	**3,566**	266	266
Production and intermediate-term	**479**	**402**	1,652	1,110
Total	**$ 3,994**	**$ 3,968**	$ 1,918	$ 1,376

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded at the modification date for the six or three months ended June 30, 2021.

The predominant form of concession granted for troubled debt restructuring includes extension of terms. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

	Recorded Investment at June 30, 2021	Recorded Investment at June 30, 2020
TDR that subsequently defaulted:		
Real estate mortgage	**$ 2,382**	$ -
Total	**$ 2,382**	$ -

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

	Loans Modified as TDRs		**TDRs in Nonaccrual Status***	
	June 30, 2021	December 31, 2020	**June 30, 2021**	December 31, 2020
Real estate mortgage	**$ 10,966**	$ 9,181	**$ 4,946**	$ 4,221
Production and intermediate-term	**8,557**	9,160	**6,460**	7,100
Mission related investments	**1,880**	1,972	**-**	-
Energy	**1,909**	1,936	**1,909**	1,936
Total	**$ 23,312**	$ 22,249	**$ 13,315**	$ 13,257

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	At June 30, 2021			At December 31, 2020		
	Recorded Investment	**Unpaid Principal Balance**	**Related Specific Allowance**	Recorded Investment	Unpaid Principal Balance	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	**$ 443**	**$ 443**	**$ 30**	$ 121	$ 121	$ 4
Production and intermediate-term	**5,903**	**7,049**	**1,603**	6,430	7,767	1,426
Farm-related business	**2,141**	**2,141**	**368**	2,247	2,247	368
Rural residential real estate	**32**	**55**	**4**	32	55	7
Energy	**10,931**	**10,937**	**3,586**	1,924	1,924	1,316
Mission-related investments	**127**	**127**	**45**	1,946	1,946	44
Total	**$ 19,577**	**$ 20,752**	**$ 5,636**	$ 12,700	$ 14,060	$ 3,165
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 33,608**	**$ 33,849**	**$ -**	$ 31,682	$ 32,594	$ -
Production and intermediate-term	**13,598**	**20,295**	**-**	12,210	19,549	-
Farm-related business	**-**	**2,006**	**-**	307	2,383	-
Rural residential real estate	**170**	**199**	**-**	224	298	-
Energy	**12**	**12**	**-**	12	12	-
Mission-related investments	**1,753**	**1,753**	**-**	6	6	-
Total	**$ 49,141**	**$ 58,114**	**$ -**	$ 44,441	$ 54,842	$ -
Total impaired loans:						
Real estate mortgage	**$ 34,051**	**$ 34,292**	**$ 30**	$ 31,803	$ 32,715	$ 4
Production and intermediate-term	**19,501**	**27,344**	**1,603**	18,640	27,316	1,426
Farm-related business	**2,141**	**4,147**	**368**	2,554	4,630	368
Rural residential real estate	**202**	**254**	**4**	256	353	7
Energy	**10,943**	**10,949**	**3,586**	1,936	1,936	1,316
Mission-related investments	**1,880**	**1,880**	**45**	1,952	1,952	44
Total	**$ 68,718**	**$ 78,866**	**$ 5,636**	$ 57,141	$ 68,902	$ 3,165

Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended June 30, 2021		For the Three Months Ended June 30, 2020		**For the Six Months Ended June 30, 2021**		For the Six Months Ended June 30, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:								
Real estate mortgage	**$ 208**	**$ 5**	$ 68	$ -	**$ 183**	**$ 4**	$ 178	$ -
Production and intermediate-term	**5,623**	**21**	7,609	26	**5,719**	**32**	7,471	38
Farm-related business	**2,169**		1,699		**2,205**		1,660	-
Rural residential real estate	**31**	**-**	36	-	**31**	**-**	24	-
Energy	**8,274**	**51**	2,156	-	**5,446**	**87**	1,514	-
Mission-related investments	**128**	**3**	1,967	31	**735**	**5**	1,363	62
Total	**$ 16,433**	**$ 80**	$ 13,535	$ 57	**$ 14,319**	**$ 128**	$ 12,210	$ 100
Impaired loans with no related allowance for loan losses:								
Real estate mortgage	**$ 33,510**	**$ 285**	$ 45,944	$ 311	**$ 34,301**	**$ 590**	$ 41,767	$ 742
Production and intermediate-term	**13,593**	**65**	20,301	131	**13,667**	**141**	19,277	294
Farm-related business	**207**	**-**	4,508	-	**258**	**-**	4,479	31
Rural residential real estate	**185**	**5**	193	1	**202**	**10**	177	3
Energy	**12**	**-**	13	-	**12**	**-**	970	-
Mission-related investments	**1,775**	**27**	9	-	**1,192**	**55**	635	-
Total	**$ 49,282**	**$ 382**	$ 70,968	$ 443	**$ 49,632**	**$ 796**	$ 67,305	$ 1,070
Total impaired loans:								
Real estate mortgage	**$ 33,718**	**$ 290**	$ 46,012	$ 311	**$ 34,484**	**$ 594**	$ 41,945	$ 742
Production and intermediate-term	**19,216**	**86**	27,910	157	**19,386**	**173**	26,748	332
Farm-related business	**2,376**	**-**	6,207	-	**2,463**	**-**	6,139	31
Rural residential real estate	**216**	**5**	229	1	**233**	**10**	201	3
Energy	**8,286**	**51**	2,169	-	**5,458**	**87**	2,484	-
Mission-related investments	**1,903**	**30**	1,976	31	**1,927**	**60**	1,998	62
Total	**$ 65,715**	**$ 462**	$ 84,503	$ 500	**$ 63,951**	**$ 924**	$ 79,515	$ 1,170

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses:									
Balance at March 31, 2021	$ 11,856	$ 8,130	$ 2,845	$ 84	$ 3,098	$ 164	$ 46	$ 292	$ 26,515
Charge-offs	-	(149)	-	-	-	-	-	-	(149)
Recoveries	(1)	157	-	-	-	-	-	-	156
(Reversal) provision for loan losses	(1,810)	(1,330)	(336)	(11)	611	(47)	(1)	(87)	(3,011)
Transfer from reserve on unfunded commitments	8	141	8	-	(14)	1	-	-	144
Balance at June 30, 2021	$ 10,053	$ 6,949	$ 2,517	$ 73	$ 3,695	$ 118	$ 45	$ 205	$ 23,655
Balance at December 31, 2020	14,487	11,394	3,556	87	1,522	151	45	350	$ 31,592
Charge-offs	-	(320)	-	-	-	-	-	-	(320)
Recoveries	7	195	-	-	-	-	-	-	202
(Reversal) provision for loan losses	(4,454)	(4,396)	(1,050)	(14)	2,187	(33)	-	(145)	(7,905)
Transfer from reserve on unfunded commitments	13	76	11	-	(14)	-	-	-	86
Balance at June 30, 2021	$ 10,053	$ 6,949	$ 2,517	$ 73	$ 3,695	$ 118	$ 45	$ 205	$ 23,655
Allowance for loan losses: Ending Balance at June 30, 2021									
Individually evaluated for impairment	$ 30	$ 1,603	$ 368	$ 4	$ 3,586	$ -	$ 45	$ -	$ 5,636
Collectively evaluated for impairment	$ 10,023	$ 5,346	$ 2,149	$ 69	$ 109	$ 118	$ -	$ 205	$ 18,019
Balance at March 31, 2020	$ 14,315	$ 12,829	$ 3,244	$ 78	$ 366	$ 67	$ 43	$ 82	$ 31,024
Charge-offs	-	(394)	-	(1)	-	-	-	-	(395)
Recoveries	283	331	15	4	-	-	-	-	633
Provision (reversal) for loan losses	(1,748)	(1,438)	2,451	24	1,204	30	-	26	549
commitments	13	(14)	(66)	-	(2)	2	-	-	(67)
Balance at June 30, 2020	$ 12,863	$ 11,314	$ 5,644	$ 105	$ 1,568	$ 99	$ 43	$ 108	$ 31,744
Balance at December 31, 2019	$ 13,664	$ 12,989	$ 3,314	$ 109	$ 519	$ 77	$ 42	$ 84	$ 30,798
Charge-offs	(22)	(520)	-	(25)	(129)	-	-	-	(696)
Recoveries	415	543	16	14	-	-	-	-	988
Provision (reversal) for loan losses	(1,188)	(1,821)	2,340	7	1,179	21	1	24	563
commitments	(6)	123	(26)	-	(0)	1	-	0	91
Balance at June 30, 2020	$ 12,863	$ 11,314	$ 5,644	$ 105	$ 1,568	$ 99	$ 43	$ 108	$ 31,744
Allowance for loan losses: Ending Balance at June 30, 2020									
individually evaluated for impairment	$ 22	$ 1,691	$ 368	$ 3	$ 1,487	$ -	$ 43	$ -	$ 3,614
collectively evaluated for impairment	$ 12,841	$ 9,623	$ 5,276	$ 102	$ 81	$ 99	$ -	$ 108	$ 28,130
Recorded Investments in Loans Outstanding:									
Ending Balance at June 30, 2021	$ 7,485,660	$ 953,198	$ 649,353	$ 113,917	$ 85,585	$ 110,563	$ 5,736	$ 14,834	$ 9,418,846
Individually evaluated for impairment	$ 34,145	$ 19,631	$ 2,141	$ 202	$ 10,943	$ -	$ 1,899	$ -	$ 68,961
Collectively evaluated for impairment	$ 7,451,515	$ 933,567	$ 647,212	$ 113,715	$ 74,642	$ 110,563	$ 3,837	$ 14,834	$ 9,349,885
Ending Balance at December 31, 2020	$ 6,791,863	$ 960,939	$ 707,556	$ 110,693	$ 53,612	$ 99,998	$ 6,093	$ 15,333	$ 8,746,087
Individually evaluated for impairment	$ 31,605	$ 18,744	$ 2,555	$ 256	$ 1,936	$ -	$ 1,972	$ -	$ 57,068
Collectively evaluated for impairment	$ 6,760,258	$ 942,195	$ 705,001	$ 110,437	$ 51,676	$ 99,998	$ 4,121	$ 15,333	$ 8,689,019

NOTE 4 —LEASES:

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the association's operating leases, the discount rates used to determine the present value of the association's lease liability are based on the association's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the association's cost of funds from the Bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in "Occupancy and equipment" in the income statement.

The components of lease expense were as follows:

		For the Three Months Ended		For the Six Months Ended	
	Classification	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Operating lease expense	Operating	**$ 642**	$ 589	**$ 1,276**	$ 1,176
Short-term lease expense	Operating	**63**	14	**126**	20
Total lease expense		**$ 705**	$ 603	**$ 1,402**	$ 1,196

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 633**	$ 594	**$ 1,257**	$ 1,175
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	**250**	932	**574**	1,022

Lease term and discount rate are as follows:

	June 30, 2021	December 31, 2020
Weighted average remaining lease term in years		
Operating leases	**4.0**	4.4
Weighted average discount rate		
Operating leases	**2.2**	2.2

Future minimum lease payments under non-cancellable leases as of June 30, 2021 were as follows:

	Operating Leases
2021 (excluding the six months ended 6/30/2021)	**$ 1,288**
2022	2,399
2023	2,084
2024	1,678
2025	1,015
Thereafter	1,896
Total lease payments	10,360
Less: interest	-
Total	$ 10,360

NOTE 5 — MEMBERS EQUITY:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected patronage, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

On January 19, 2021 the association issued $200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth in 2021. The issuance will carry an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026 and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association has made dividend payments on March 15 and June 15, 2021 for a total amount of $4,056.

Regulatory Capital Ratios

	Regulatory Minimums	Conservation Buffers	Total	As of June 30, 2021	As of December 31, 2020
Risk-adjusted:					
Common equity tier 1 ratio	4.5%	2.5%	7.0%	**13.3%**	14.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%	**15.4%**	14.0%
Total capital ratio	8.0%	2.5%	10.5%	**15.7%**	14.4%
Permanent capital ratio	7.0%	0.0%	7.0%	**15.4%**	14.1%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.0%	1.0%	5.0%	**16.1%**	14.7%
UREE leverage ratio	1.5%	0.0%	1.5%	**7.1%**	8.4%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2021:

90 Day Average Balances (dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 665,391	$ 665,391	$ 665,391	$ 665,391
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	27,540	27,540	27,540	27,540
Allocated equities held ≥7 years	737,449	737,449	737,449	737,449
Nonqualified allocated equities not subject to retirement	-	-	-	-
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	27,902	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(142,602)	(142,602)	(142,602)	(142,602)
Other regulatory required deductions	(1,797)	(1,797)	(1,797)	(1,797)
	1,285,981	1,485,981	1,513,883	1,485,981
Denominator:				
Risk-adjusted assets excluding allowance	9,653,601	9,653,601	9,653,601	9,653,601
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital		-	-	-
Allowance for loan losses	-	-	-	(27,268)
	9,653,601	9,653,601	9,653,601	9,626,333

90 Day Average Balances (dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 665,391	$ 665,391
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	27,540	-
Allocated equities held ≥7 years	737,449	
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(142,602)	(9,853)
Other regulatory required deductions	(1,797)	(1,797)
	1,485,981	653,741
Denominator:		
Total Assets	9,413,203	9,413,203
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(183,114)	(183,114)
	9,230,089	9,230,089

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	2021	2020
Accumulated other comprensive (loss) at January 1	**$ (3,557)**	$ (2,923)
Amortization of prior service (credit) included in salaries and employee benefits	**(92)**	(92)
Amortization of actuarial gain included in salaries and employee benefits	**114**	85
Other comprehensive income (loss), net of tax	**22**	(7)
Accumulated other comprensive (loss) at March 31	**$ (3,535)**	$ (2,930)

NOTE 6 — INCOME TAXES:

The association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 7 — FAIR VALUE MEASUREMENTS:

FASB 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 15 to the 2020 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

June 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 10,468**	**$ -**	**$ -**	**$ 10,468**
Total assets	**$ 10,468**	**$ -**	**$ -**	**$ 10,468**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 9,365	$ -	$ -	$ 9,365
Total assets	$ 9,365	$ -	$ -	$ 9,365

Assets and liabilities measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy levels are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

June 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 13,941**	**$ 13,941**
Other property owned	**-**	**-**	**1,471**	**1,471**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 9,535	$ 9,535
Other property owned	-	-	627	627

Loans represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral. With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 15 to the 2020 Annual Report to Stockholders, authoritative 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 represents a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

Investments

Include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgements and experience with the securities. These fair value measurements are classified as level 3 investments.

Assets Held in Nonqualified 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.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 8 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six and three months ended June 30:

	For the three months ended June 30, Other Benefits		For the six months ended June 30, Other Benefits	
	2021	2020	**2021**	2020
Service Cost	**$ 96**	$ 93	**$ 192**	$ 186
Interest Cost	**190**	223	**379**	447
Expected return on plan assets	**-**	-	**-**	-
Amortization of prior service (credits)	**(46)**	(46)	**(92)**	(92)
Amortization of net actuarial loss	**57**	42	**114**	85
Net periodic benefit cost	**$ 297**	$ 312	**$ 593**	$ 626

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2021, was $27,649 and is included in "Unfunded post-retirement medical obligations" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. Contributions due and unpaid are recognized as a liability. For the DB plan, the association recognized costs of $2,218 and $917 for the six months ended June 30, 2021 and 2020. The increase is a result of an increase in the funding obligation.

The association's contributions to the DC Plan are expensed as incurred. For the six months ended June 30, 2021 and 2020, the association recognized pension costs of $1,736 and $1,700, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. For the six months ended June 30, 2021 and 2020, the association contributed $1,400 and $1,336, respectively.

The association also participates in a defined contribution nonqualified supplemental 401(k) plan. The total expenses of the nonqualified plan included in the association's employee benefit costs were $547 and $546 for the six months ended June 30, 2021 and 2020, respectively.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 5, 2021, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.