Quarterly Report
To Stockholders

For the Quarter Ended September 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

November 9, 2021

Third 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 September 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 remained resilient through the third quarter even with the surge in the COVID-19 Delta variant. The Texas unemployment rate continues to decline ending August at 5.9 percent. Home prices in Texas continue to reach record highs and the price of oil continues to be strong with West Texas Intermediate (WTI) crude oil prices slightly above $70 per barrel. Texas agriculture is benefiting from strong commodity prices in cotton, corn, feeder cattle and class III milk and rainfall throughout much of the state. The USDA is forecasting 19.5 percent year-over-year improvement in net farm income. The appetite for rural land in Texas remains strong, but inventory is declining. The association no longer has any loans in our COVID-19 deferral program and all of our PPP loans have been forgiven by the SBA in full.

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, June 15, and September 15, 2021 for a total amount of $6,556.

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

In September 2021, the board of directors approved a resolution to retire $60,000 in nonqualified allocated equities which will be paid to the recipients in November 2021. The retirement was a distribution of the remaining earnings allocated in 2012 and 24 percent of the earnings allocated in 2013.

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 September 30, 2021, including nonperforming loans, were $9,823,155 compared to $8,684,131 at December 31, 2020, reflecting an increase of $1,139,024, or approximately 13.1 percent, with notable increases in the real estate mortgage, production and intermediate term, farm-related business, energy and rural residential real estate 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 97.8 percent acceptable at September 30, 2021 compared to 96.8 percent at December 31, 2020. Substandard loans decreased from 1.4 percent at December 31, 2020 to 1.2 percent at September 30, 2021, and other assets especially mentioned decreased from 1.8 percent at December 31, 2020 to 1.0 percent at September 30, 2021. The association recorded $318 in recoveries and $332 in charge-offs for the nine months ended September 30, 2021, and $1,595 in recoveries and $1,615 in charge-offs for the same period in 2020. The association's allowance for loan losses was 0.2 percent of total loans outstanding as of September 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 13.6 percent in the first nine 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:

	September 30, 2021		**%**	December 31, 2020		%
Nonaccrual loans	**$**	**49,764**	**75.9**	$	48,138	83.4
Loans 90 days past due and still accruing interest		**4,200**	**6.4**		212	0.4
Formally restructured loans		**10,671**	**16.3**		8,792	15.2
Other property owned, net		**948**	**1.4**		601	1.0
Total	**$**	**65,583**	**100.0**	$	57,743	100.0

Nonaccrual loans increased $1,626 during the nine months ended September 30, 2021, with increases in the energy industry, offset by decreases in the real estate mortgage, production and intermediate-term, farm-related business and rural residential real estate industries. Nonaccrual loans were 0.5 percent of total loans outstanding at September 30, 2021 compared to 0.6 percent at December 31, 2020.

Loans that are 90 or more days past due and still accruing interest increased $3,988 in the nine months ended September 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 $1,879 during the first nine 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 $347 during the first nine 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 $193,155 and $62,512 for the nine and three months ended September 30, 2021, respectively, compared to net income of $155,931 and $52,065 for the same periods in 2020, reflecting an increase of $37,224 and $10,447 or 23.9 and 20.1 percent, respectively. The increase in net income was primarily the result of a reduction of $14,455 in interest expense on the direct note, an increase in noninterest income of $10,856, a reversal of provision for loans loss of $8,043 compared to a provision of $5,018 during the same period of 2020, an increase in patronage from the bank of $7,726, partially offset by an increase of $9,458 in noninterest expenses for the nine month period ended September 30, 2021. The reversal of provision for loan loss during 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 September 30, 2021 was primarily a result of an increase of $8,247 in interest income, a reversal of provision of $138 compared to a provision of $4,455 in the same period in 2020, and an increase of $2,625 in noninterest income offset by an increase of $5,545 in noninterest expenses.

Net interest income was $206,270 and $71,328 for the nine and three months ended September 30, 2021, respectively, compared to $183,453 and $62,505 for the same periods in 2020, reflecting increases of $22,817 or 12.4 percent and $8,823 or 14.1 percent, respectively. Interest income for the nine and three months ended September 30, 2021, increased by $8,360 and $8,247 or 2.7 and 8.0 percent, respectively, from the same periods of 2020, primarily as a result of an increase in average earning assets of $1,103,537 for the nine month period ended September 30, 2021. Interest expense for the nine and three months ended September 30, 2021, decreased by $14,457 and $576 or 11.1 and 1.4 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 nine months ended September 30, 2021, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the nine months ended September 30, 2021		For the nine months ended September 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 9,101,437**	**$321,496**	$ 7,997,900	$ 313,136
Interest-bearing liabilities	**7,669,816**	**115,226**	6,843,155	129,683
Impact of capital	**$ 1,431,621**		$ 1,154,745	
Net interest income		**$206,270**		$ 183,453

	Average Yield	Average Yield
Yield on loans	**4.72%**	5.23%
Liabilities	**2.01%**	2.53%
Net interest spread	**2.71%**	2.70%

	Nine Month Ended September 30 2021 vs. 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 43,166**	**$ (34,806)**	**$ 8,360**
Interest expense	**15,651**	**(30,108)**	**(14,457)**
Net interest income	**$ 27,515**	**$ (4,698)**	**$ 22,817**

The association's noninterest income for the nine and three months ended September 30, 2021 increased $10,856 and $2,625 or 21.2 and 15.6 percent, respectively, from the same periods in 2020. The increase for the nine month period is primarily due to an increase in patronage from the Bank of $7,726, or 22.1 percent, an increase in other noninterest income of $5,008, or 90.5 percent, offset by a decrease in loan fees of $2,153 or 23.6 percent due to fewer rate conversion opportunities, and a decrease in financially related services income of $218 or 18.2 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 September 30, 2021, is primarily a result of an increase in patronage from the Bank of $2,484 or 19.8 percent and an increase in other noninterest income of $1,198 or 369.8 percent, offset by decreases in loan fees of $1,528 or 44.2 percent due to fewer rate conversion opportunities as compared to the same period of 2020.

Noninterest expenses for the nine and three months ended September 30, 2021, increased by $9,458 and $5,545 or 12.8 and 24.3 percent, respectively, from the same periods of 2020. The increase in the nine month period is primarily due to an increase of $4,203 or 97.4 percent in FCSIC premium, an increase of $3,142 or 6.2 percent in salaries and employee benefits. The association also had increased expenses in all other expenses offset by a decrease in advertising expense of $79 or 2.9 percent. 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 business insurance expense of $11 or 73.3 percent from the same period of 2020.

The association's return on average assets for the nine months ended September 30, 2021, was 2.7 percent compared to 2.5 percent for the same period in 2020. The association's return on average equity for the nine months ended September 30, 2021, was 16.5 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.

	September 30, 2021	December 31, 2020
Note payable to the bank	**$8,287,779**	$7,374,054
Accrued interest on note payable	**13,160**	13,141
Total	**$8,300,939**	$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 $8,287,779 as of September 30, 2021, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 1.94 percent at September 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 the interest rate from 1.98 percent at December 31, 2020 to 1.94 percent at September 30, 2021. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,537,553 at September 30, 2021. The maximum amount the association may borrow from the Bank as of September 30, 2021, was $9,647,593 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 $323,023 or 23.9 percent at September 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 September 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)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Cash	$ -	$ 2
Loans	9,823,155	8,684,131
Less: Allowance for losses	(23,793)	(31,592)
Net Loans	9,799,362	8,652,539
Accrued interest receivable - loans	72,387	61,956
Investment - held-to-maturity	2,016	2,582
Accrued interest receivable - investments	17	34
Investment in and receivable from the Bank:		
Capital stock	141,529	142,764
Receivable	45,792	18,615
Investment in Rural Business Investment Company (RBIC)	13,634	11,384
Investments in other Farm Credit Institutions	12,843	11,270
Other property owned, net	948	601
Premises and equipment, net	13,932	14,995
Right of use asset - leases	9,325	10,137
Other assets	18,334	16,761
Total assets	$ 10,130,119	$ 8,943,640
LIABILITIES		
Note payable to the Bank	$ 8,287,779	$ 7,374,054
Advanced conditional payments	9,368	14,564
Accrued interest payable	13,160	13,141
Lease liabilities	9,531	10,320
Drafts outstanding	596	335
Patronage distributions payable	60,006	98,285
Unfunded post retirement medical obligations	27,730	27,472
Reserve for unfunded commitments	320	578
Other liabilities	47,049	53,334
Total liabilities	8,455,539	7,592,083
MEMBERS' EQUITY		
Capital stock and participation certificates	28,226	27,043
Preferred stock	200,000	-
Non-qualified allocated retained earnings	677,454	737,454
Unallocated retained earnings	772,423	590,617
Accumulated other comprehensive loss	(3,523)	(3,557)
Total members' equity	1,674,580	1,351,557
Total liabilities and members' equity	$ 10,130,119	$ 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 nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest Income				
Loans	**$ 111,212**	$ 102,956	**$ 321,415**	$ 313,016
Investments	**25**	34	**81**	120
Total interest income	**111,237**	102,990	**321,496**	313,136
Interest Expense				
Note Payable to the Bank	**39,908**	40,484	**115,224**	129,669
Advance conditional payments	**1**	1	**2**	14
Total interest expense	**39,909**	40,485	**115,226**	129,683
Net interest income	**71,328**	62,505	**206,270**	183,453
Provision for Loan Losses				
(Reversal) provision for loan losses	**(138)**	4,455	**(8,043)**	5,018
Net interest income after provision for losses	**71,466**	58,050	**214,313**	178,435
Noninterest Income				
Patronage income from the Bank	**15,024**	12,540	**42,638**	34,912
Loan fees	**1,926**	3,454	**6,965**	9,118
Financially related services income	**385**	412	**978**	1,196
Gain on sale of premises and equipment, net	**554**	62	**855**	404
Gain on other property owned, net	**39**	33	**105**	63
Other noninterest income	**1,522**	324	**10,539**	5,531
Total noninterest income	**19,450**	16,825	**62,080**	51,224
Noninterest Expense				
Salaries and employee benefits	**18,894**	15,671	**53,976**	50,834
Insurance Fund premium	**2,979**	1,801	**8,518**	4,315
Occupancy and equipment	**1,455**	1,344	**4,550**	4,114
Advertising	**946**	934	**2,661**	2,740
Purchased services	**751**	440	**2,564**	1,789
Travel	**843**	655	**2,046**	2,039
Public and member relations	**477**	365	**1,886**	1,838
Supervisory and exam expense	**434**	424	**1,498**	1,442
Data processing	**454**	390	**1,436**	1,165
Business Insurance Expense	**4**	15	**1,149**	1,008
Communications	**266**	253	**834**	760
Director's expense	**206**	190	**640**	598
Training	**201**	64	**347**	270
Other noninterest expenses	**445**	264	**1,081**	816
Total noninterest expenses	**28,355**	22,810	**83,186**	73,728
Income before income tax	**62,561**	52,065	**193,207**	155,931
Provision for income tax	**49**	-	**52**	-
Net income	**$ 62,512**	$ 52,065	**$ 193,155**	$ 155,931
Other comprehensive income (loss):				
Change in postretirement benefit plans	**11**	(3)	**34**	(10)
Income tax expense related items of other comprehensive income	**-**	-	**-**	-
Other comprehensive income (loss), net of tax	**11**	(3)	**34**	(10)
COMPREHENSIVE INCOME	**$ 62,523**	$ 52,062	**$ 193,189**	$ 155,921

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	-	-	-	155,931	-	155,931
Other comprehensive (loss)	-	-	-	-	(10)	(10)
Capital stock/participation certificates issued	4,071	-	-	-	-	4,071
Capital stock/participation certificates/ allocated equities retired	(3,469)	-	(55,000)	-	-	(58,469)
Change in patronage declared and paid	-	-	-	-	-	-
Balance at September 30, 2020	26,582	-	619,877	742,155	(2,933)	1,385,681
Net income	-	-	-	64,327	-	64,327
Other comprehensive (loss)	-	-	-	-	(624)	(624)
Capital stock/participation certificates issued	1,657	-	-	-	-	1,657
Capital stock/participation certificates/ allocated equities retired	(1,196)	-	-	-	-	(1,196)
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	-	-	-	193,155	-	193,155
Other comprehensive income	-	-	-	-	34	34
Capital stock/participation certificates issued	5,026	-	-	-	-	5,026
Capital stock/participation certificates/ allocated equities retired	(3,843)	-	(60,000)	-	-	(63,843)
Preferred stock issued	-	200,000	-	-	-	200,000
Issuance cost on preferred stock	-	-	-	(4,701)	-	(4,701)
Preferred stock dividends	-	-	-	(6,556)	-	(6,556)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualifed allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	-	(92)	-	(92)
Balance at September 30, 2021	**$ 28,226**	**$ 200,000**	**$ 677,454**	**$ 772,423**	**$ (3,523)**	**$ 1,674,580**

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:

September 30, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 2,016	$ 49	$ -	$ 2,065	4.47%	2.69

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 2.69 years as of September 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	**September 30 2021**	**%**	December 31 2020	%
Real estate mortgage	**$ 7,735,800**	**78.8**	$ 6,739,225	77.5
Production and intermediate term	**1,022,564**	**10.4**	954,191	11.0
Farm-related business	**758,412**	**7.7**	705,645	8.1
Rural residential real estate	**115,343**	**1.2**	110,330	1.3
Communication	**88,844**	**0.9**	99,968	1.2
Energy	**84,401**	**0.9**	52,007	0.6
Lease receivables	**14,539**	**0.1**	15,241	0.2
Mission-related investments	**1,878**	**0.0**	6,041	0.1
Water and waste disposal	**1,374**	**0.0**	1,483	0.0
Total	**$ 9,823,155**	**100.0**	$ 8,684,131	100.0

At September 30, 2021, the association held three transactions, which are reported as loans on the consolidated balance sheet totaling $1,878 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 $99,012 and $87,665 in funds which were netted against the loan balance at September 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 $9,368 and $14,564 on the balance sheet at September 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 September 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	178,035	918,922	-	-	$ 178,035	$ 918,922
Production and Intermediate-term	331,391	880,082	-	-	331,391	880,082
Farm-related business	534,573	100,412	3,698	-	538,271	100,412
Energy	84,401	-	-	-	84,401	-
Communication	88,844	-	-	-	88,844	-
Mission-related investments	1,878	-	-	-	1,878	-
Lease receivables	14,539	-	-	-	14,539	-
Water and waste disposal	1,374	-	-	-	1,374	-
Total	$ 1,235,035	$ 1,899,416	$ 3,698	$ -	$ 1,238,733	$ 1,899,416

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

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 22,613**	$ 26,919
Production and intermediate-term	**14,033**	16,472
Farm-related business	**2,078**	2,555
Rural residential real estate	**189**	256
Energy	**10,851**	1,936
Total nonaccrual loans	**$ 49,764**	$ 48,138
Accruing restructured loans:		
Real estate mortgage	**$ 6,468**	$ 4,960
Production and intermediate-term	**2,450**	2,060
Mission-related investments	**1,927**	1,972
Total accruing restructured loans	**$ 10,845**	$ 8,992
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 2,943**	$ -
Production and intermediate-term	**1,425**	212
Total accruing loans 90 days or more past due	**$ 4,368**	$ 212
Total nonperforming loans	**$ 64,977**	$ 57,342
Other property owned	**948**	601
Total nonperforming assets	**$ 65,925**	$ 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:

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**98.4%**	97.6%
OAEM	**0.8%**	1.3%
Substandard/doubtful	**0.8%**	1.1%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**95.6%**	92.1%
OAEM	**1.5%**	4.1%
Substandard/doubtful	**2.9%**	3.8%
	100.0%	100.0%
Farm-related business		
Acceptable	**95.3%**	94.3%
OAEM	**3.4%**	4.2%
Substandard/doubtful	**1.3%**	1.5%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**98.7%**	98.6%
OAEM	**0.9%**	1.0%
Substandard/doubtful	**0.4%**	0.4%
	100.0%	100.0%
Energy		
Acceptable	**87.2%**	94.3%
OAEM	**-**	-
Substandard/doubtful	**12.8%**	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	**92.1%**	91.9%
OAEM	**-**	-
Substandard/doubtful	**7.9%**	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	**97.8%**	96.8%
OAEM	**1.0%**	1.8%
Substandard/doubtful	**1.2%**	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:

September 30, 2021	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Loans > 90 Days and Accruing**
Real estate mortgage	**$ 68,330**	**$ 9,660**	**$ 77,990**	**$ 7,718,150**	**$ 7,796,140**	**$ 2,943**
Production and intermediate-	**6,982**	**6,395**	**13,377**	**1,017,937**	**1,031,314**	**1,425**
Farm-related business	**2,078**	**-**	**2,078**	**758,441**	**760,519**	**-**
Rural residential real estate	**1,119**	**-**	**1,119**	**114,625**	**115,744**	**-**
Energy	**-**	**8,076**	**8,076**	**76,883**	**84,959**	**-**
Communication	**-**	**-**	**-**	**88,952**	**88,952**	**-**
Mission-related investments	**-**	**-**	**-**	**1,927**	**1,927**	**-**
Lease receivables	**-**	**-**	**-**	**14,613**	**14,613**	**-**
Water and waste disposal	**-**	**-**	**-**	**1,374**	**1,374**	**-**
Total	**$ 78,509**	**$ 24,131**	**$ 102,640**	**$ 9,792,902**	**$ 9,895,542**	**$ 4,368**

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 September 30, 2021, the total recorded investment of troubled debt restructured loans was $23,236, including $12,565 classified as nonaccrual and $10,671 classified as accrual, with specific allowance for loan losses of $2,129. Commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $201 and $110 as of September 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 nine months ended September 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. There were no loans with troubled debt restructuring designations that occurred during the three months ended September 30, 2021.

Three months ended September 30:	Troubled Debt Restructuring Activity							
	2021				2020			
	Pre-TDR Designation Balance		**Post-TDR Designation Balance**		Pre-TDR Designation Balance		Post-TDR Designation Balance	
Real estate mortgage						1,941		1,920
Production and intermediate-term		**-**		**-**		737		537
Total	**$**	**-**	**$**	**-**	$	2,678	$	2,457

Nine months ended September 30:	**2021**				2020			
	Pre-TDR Designation Balance		**Post-TDR Designation Balance**		Pre-TDR Designation Balance		Post-TDR Designation Balance	
Real estate mortgage	**$**	**3,515**	**$**	**3,565**	$	2,207	$	2,186
Production and intermediate-term		**479**		**402**		2,389		1,647
Total	**$**	**3,994**	**$**	**3,967**	$	4,596	$	3,833

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 nine or three months ended September 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 September 30, 2021		Recorded Investment at September 30, 2020	
TDR that subsequently defaulted:				
Real estate mortgage	**$**	**2,369**	$	-
Production and intermediate-term		**198**	$	-
Total	**$**	**2,567**	$	-

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***			
	September 30, 2021		December 31, 2020		**September 30, 2021**		December 31, 2020	
Real estate mortgage	**$**	**10,677**	$	9,181	**$**	**4,267**	$	4,221
Production and intermediate-term		**8,819**		9,160		**6,436**		7,100
Mission related investments		**1,878**		1,972		**-**		-
Energy		**1,862**		1,936		**1,862**		1,936
Total	**$**	**23,236**	$	22,249	**$**	**12,565**	$	13,257

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

Additional impaired loan information is as follows:

	At September 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	**$ 586**	**$ 586**	**$ 60**	$ 121	$ 121	$ 4
Production and intermediate-term	**6,015**	**7,115**	**1,699**	6,430	7,767	1,426
Farm-related business	**2,078**	**2,078**	**368**	2,247	2,247	368
Rural residential real estate	**30**	**54**	**6**	32	55	7
Energy	**10,851**	**10,857**	**3,595**	1,924	1,924	1,316
Mission-related investments	**127**	**127**	**46**	1,946	1,946	44
Total	**$ 19,687**	**$ 20,817**	**$ 5,774**	$ 12,700	$ 14,060	$ 3,165
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 31,310**	**$ 31,555**	**$ -**	$ 31,682	$ 32,594	$ -
Production and intermediate-term	**11,727**	**17,600**	**-**	12,210	19,549	-
Farm-related business	**-**	**2,006**	**-**	307	2,383	-
Rural residential real estate	**158**	**186**	**-**	224	298	-
Energy	**-**	**-**	**-**	12	12	-
Mission-related investments	**1,751**	**1,751**	**-**	6	6	-
Total	**$ 44,946**	**$ 53,098**	**$ -**	$ 44,441	$ 54,842	$ -
Total impaired loans:						
Real estate mortgage	**$ 31,896**	**$ 32,141**	**$ 60**	$ 31,803	$ 32,715	$ 4
Production and intermediate-term	**17,742**	**24,715**	**1,699**	18,640	27,316	1,426
Farm-related business	**2,078**	**4,084**	**368**	2,554	4,630	368
Rural residential real estate	**188**	**240**	**6**	256	353	7
Energy	**10,851**	**10,857**	**3,595**	1,936	1,936	1,316
Mission-related investments	**1,878**	**1,878**	**46**	1,952	1,952	44
Total	**$ 64,633**	**$ 73,915**	**$ 5,774**	$ 57,141	$ 68,902	$ 3,165

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

	For the Three Months Ended September 30, 2021		For the Three Months Ended September 30, 2020		For the Nine Months Ended September 30, 2021		For the Nine Months Ended September 30, 2020	
	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	**$ 215**	**$ -**	$ 68	$ -	**$ 194**	**$ -**	$ 142	$ -
Production and intermediate-term	**5,593**	**5**	8,767	15	**5,754**	**28**	7,814	62
Farm-related business	**2,106**	**-**	1,852	-	**2,172**	**-**	1,724	-
Rural residential real estate	**31**	**-**	34	-	**31**	**-**	27	-
Energy	**10,896**	**-**	2,158	4	**7,262**	**87**	1,729	4
Mission-related investments	**127**	**3**	1,946	30	**532**	**8**	1,557	92
Total	**$ 18,968**	**$ 8**	$ 14,825	$ 49	**$ 15,945**	**$ 123**	$ 12,993	$ 158
Impaired loans with no related allowance for loan losses:								
Real estate mortgage	**$ 31,952**	**$ 323**	$ 45,648	$ 302	**$ 33,518**	**$ 946**	$ 43,061	$ 851
Production and intermediate-term	**12,877**	**77**	18,269	145	**13,404**	**215**	18,941	437
Farm-related business	**-**	**-**	1,791	11	**172**	**-**	3,583	64
Rural residential real estate	**162**	**10**	301	5	**189**	**19**	219	11
Energy	**4**	**-**	13	-	**9**	**-**	651	-
Mission-related investments	**1,752**	**27**	8	-	**1,379**	**82**	426	-
Total	**$ 46,747**	**$ 437**	$ 66,030	$ 463	**$ 48,671**	**$ 1,262**	$ 66,881	$ 1,363
Total impaired loans:								
Real estate mortgage	**$ 32,167**	**$ 323**	$ 45,716	$ 302	**$ 33,712**	**$ 946**	$ 43,203	$ 851
Production and intermediate-term	**18,470**	**82**	27,036	160	**19,158**	**243**	26,755	499
Farm-related business	**2,106**	**-**	3,643	11	**2,344**	**-**	5,307	64
Rural residential real estate	**193**	**10**	335	5	**220**	**19**	246	11
Energy	**10,900**	**-**	2,171	4	**7,271**	**87**	2,380	4
Mission-related investments	**1,879**	**30**	1,954	30	**1,911**	**90**	1,983	92
Total	**$ 65,715**	**$ 445**	$ 80,855	$ 512	**$ 64,616**	**$ 1,385**	$ 79,874	$ 1,521

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 June 30, 2021	$ 10,053	$ 6,949	$ 2,517	$ 73	$ 3,695	$ 118	$ 45	$ 205	$ 23,655
Charge-offs	-	(12)	-	-	-	-	-	-	(12)
Recoveries	17	99	-	-	-	-	-	-	116
(Reversal) provision for loan losses	959	(923)	(71)	(6)	18	14	1	(130)	(138)
Transfer from reserve on unfunded commitments	(13)	185	10	-	(3)	(7)	-	-	172
Balance at September 30, 2021	$ 11,016	$ 6,298	$ 2,456	$ 67	$ 3,710	$ 125	$ 46	$ 75	$ 23,793
Balance at December 31, 2020	14,487	11,394	3,556	87	1,522	151	45	350	$ 31,592
Charge-offs	-	(332)	-	-	-	-	-	-	(332)
Recoveries	24	294	-	-	-	-	-	-	318
(Reversal) provision for loan losses	(3,495)	(5,319)	(1,121)	(20)	2,205	(19)	1	(275)	(8,043)
Transfer from reserve on unfunded commitments	-	261	21	-	(17)	(7)	-	-	258
Balance at September 30, 2021	$ 11,016	$ 6,298	$ 2,456	$ 67	$ 3,710	$ 125	$ 46	$ 75	$ 23,793
Allowance for loan losses: Ending Balance at September 30, 2021									
Individually evaluated for impairment	$ 60	$ 1,699	$ 368	$ 6	$ 3,595	$ -	$ 46	$ -	$ 5,774
Collectively evaluated for impairment	$ 10,956	$ 4,599	$ 2,088	$ 61	$ 115	$ 125	$ -	$ 75	$ 18,019
Balance at June 30, 2020	$ 12,863	$ 11,314	$ 5,644	$ 105	$ 1,568	$ 99	$ 43	$ 108	$ 31,744
Charge-offs	-	(919)	-	-	-	-	-	-	(919)
Recoveries	-	589	16	2	-	-	-	-	607
Provision (reversal) for loan losses	2,776	1,819	(287)	10	84	56	1	(4)	4,455
Transfer from reserve on unfunded commitments	(25)	40	11	-	2	(1)	-	-	28
Balance at September 30, 2020	$ 15,614	$ 12,843	$ 5,384	$ 117	$ 1,654	$ 154	$ 44	$ 104	$ 35,914
Balance at December 31, 2019	$ 13,664	$ 12,989	$ 3,314	$ 109	$ 519	$ 77	$ 42	$ 84	$ 30,798
Charge-offs	(22)	(1,439)	-	(25)	(129)	-	-	-	(1,615)
Recoveries	415	1,132	32	16	-	-	-	-	1,595
Provision (reversal) for loan losses	1,588	(2)	2,053	17	1,263	77	2	20	5,018
commitments	(31)	163	(15)	-	1	-	-	-	118
Balance at September 30, 2020	$ 15,614	$ 12,843	$ 5,384	$ 117	$ 1,654	$ 154	$ 44	$ 104	$ 35,914
Recorded Investments in Loans Outstanding:									
Ending Balance at September 30, 2021	$ 7,796,140	$ 1,031,314	$ 760,519	$ 115,744	$ 86,333	$ 88,952	$ 1,927	$ 14,613	$ 9,895,542
Individually evaluated for impairment	$ 32,023	$ 17,908	$ 2,078	$ 189	$ 10,851	$ -	$ 1,927	$ -	$ 64,976
Collectively evaluated for impairment	$ 7,764,117	$ 1,013,406	$ 758,441	$ 115,555	$ 75,482	$ 88,952	$ -	$ 14,613	$ 9,830,566
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 Nine Months Ended	
	Classification	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Operating lease expense	Operating	**$ 668**	$ 599	**$ 1,944**	$ 1,775
Short-term lease expense	Operating	**50**	16	**176**	36
Total lease expense		**$ 718**	$ 615	**$ 2,120**	$ 1,811

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 664**	$ 596	**$ 1,921**	$ 1,771
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	**345**	525	**919**	1,547

Lease term and discount rate are as follows:

	September 30, 2021	December 31, 2020
Weighted average remaining lease term in years		
Operating leases	**3.7**	4.4
Weighted average discount rate		
Operating leases	**2.1**	2.2

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

	Operating Leases
2021 (excluding the nine months ended 9/30/2021)	**$ 499**
2022	2,520
2023	2,165
2024	1,682
2025	1,015
Thereafter	1,896
Total lease payments	9,777
Less: interest	-
Total	$ 9,777

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, June 15, and September 15, 2021 for a total amount of $6,556.

Regulatory Capital Ratios

	Regulatory Minimums	Conservatio Buffers	Total	As of September 30, 2021	As of December 31, 2020
Risk-adjusted:					
Common equity tier 1 ratio	4.5%	2.5%	7.0%	**13.1%**	14.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%	**15.1%**	14.0%
Total capital ratio	8.0%	2.5%	10.5%	**15.3%**	14.4%
Permanent capital ratio	7.0%	0.0%	7.0%	**15.1%**	14.1%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.0%	1.0%	5.0%	**15.9%**	14.7%
UREE leverage ratio	1.5%	0.0%	1.5%	**7.3%**	8.4%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 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	$ 713,197	$ 713,197	$ 713,197	$ 713,197
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,023	28,023	28,023	28,023
Allocated equities held ≥7 years	735,454	735,454	735,454	735,454
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	-	-	24,226	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(142,114)	(142,114)	(142,114)	(142,114)
Other regulatory required deductions	(1,732)	(1,732)	(1,732)	(1,732)
	1,332,828	1,532,828	1,557,054	1,532,828
Denominator:				
Risk-adjusted assets excluding allowance	10,149,832	10,149,832	10,149,832	10,149,832
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital		-	-	-
Allowance for loan losses	-	-	-	(23,735)
	10,149,832	10,149,832	10,149,832	10,126,097

90 Day Average Balances (dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 713,197	$ 713,197
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	28,023	-
Allocated equities held ≥7 years	735,454	
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(142,114)	(9,921)
Other regulatory required deductions	(1,732)	(1,732)
	1,532,828	701,544
Denominator:		
Total Assets	9,854,818	9,854,818
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(196,870)	(196,870)
	9,657,948	9,657,948

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 nine months ended September 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	**(138)**	(138)
Amortization of actuarial gain included in salaries and employee benefits	**172**	128
Other comprehensive income (loss), net of tax	**34**	(10)
Accumulated other comprensive (loss) at September 30	**$ (3,523)**	$ (2,933)

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.

September 30, 2021	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Assets held in nonqualified benefit trusts	**$ 11,232**	**$ -**	**$ -**	**$ 11,232**
Total assets	**$ 11,232**	**$ -**	**$ -**	**$ 11,232**

December 31, 2020	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
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.

September 30, 2021	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans	**$ -**	**$ -**	**$ 13,913**	**$ 13,913**
Other property owned	**-**	**-**	**1,042**	**1,042**

December 31, 2020	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
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 nine and three months ended September 30:

	For the three months ended September 30, Other Benefits		For the nine months ended September 30, Other Benefits	
	2021	2020	**2021**	2020
Service Cost	**$ 97**	$ 92	**$ 289**	$ 278
Interest Cost	**189**	224	**568**	671
Expected return on plan assets	**-**	-	**-**	-
Amortization of prior service (credits)	**(46)**	(46)	**(138)**	(138)
Amortization of net actuarial loss	**58**	43	**172**	128
Net periodic benefit cost	**$ 298**	$ 313	**$ 891**	$ 939

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2021, was $27,730 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 $3,327 and $1,376 for the nine months ended September 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 nine months ended September 30, 2021 and 2020, the association recognized pension costs of $2,276 and $2,185, 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 nine months ended September 30, 2021 and 2020, the association contributed $1,812 and $1,719, 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 $582 and $705 for the nine months ended September 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 November 9, 2021, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.