Quarterly Report
September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

The Board of Directors, team members and customers of Farm Credit Mid-America mourn the loss of board member Kaye Hurst Whitehead. Whitehead resided in Mt. Pleasant, Indiana and died on Thursday, September 9, 2021. "Kaye's dedication to Indiana agriculture set her apart," said Bill Johnson, President and CEO of Farm Credit Mid-America. "She was intensely future focused and whole-heartedly believed in and lived out our purpose of securing the future of rural communities and agriculture." "Kaye served on the Board of Directors for the past decade and offered her expertise on several committees," said Andrew Wilson, Board Chairman. "She was a strong asset to our board and to her local community and will be greatly missed by all she impacted."

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2020 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the United States. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture. Most recently, the federal government has announced a vaccine mandate for certain employers and we expect this mandate will apply to our Association.

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. However, we have weathered the significant challenges presented to date and our business continuity response has allowed us to continue to serve our mission.

AGRICULTURAL AND ECONOMIC CONDITIONS

Early harvest results are good to excellent within our four state territory. While prices are off their summer highs they remain well above breakeven for 2021. Protein producers have had adequate profit opportunities in the third quarter with exceptional opportunities coming in the second quarter for the swine sector even with elevated feed costs. The United States Department of Agriculture (USDA) herd numbers for dairy, beef and swine should provide price support into early 2022. Operating line utilization remains low supporting continued growth in working capital. Net farm income is expected to increase by $18.5 billion (19.5%) in 2021 to $113.0 billion. This is a larger increase than the $15.5 billion (19.6%) growth in net farm income seen from 2019 to 2020. When adjusted for inflation, the forecasted net farm income of $113.0 billion in 2021 is the highest net farm income has been since 2013 and 20.0% above its 2000-2020 average of $93.9 billion. With the strong income in 2020 and again in 2021, inputs, cash rents and equipment costs are moving up quickly reducing anticipated net earnings for the 2022 crop. Land values, the cornerstone of agriculture's balance sheet, are experiencing moderate to strong increases with strong demand and limited market supply.

The Purdue University/CME Group Ag Economy Barometer, a nationwide measure of the health of the U.S. agricultural economy, improved in August, up 4 points to a reading of 138. The modest rise was attributable to improvements in both of the barometer's sub-indices. The Index of Current Conditions rose 9 points to a reading of 152, and the Index of Future Expectations rose 2 points to a reading of 132. In August, producers had a more positive view of their farms' financial situation than earlier this summer. The Farm Financial Performance Index rose 11 points to 110, its highest reading since May, as more farmers indicated they expect profitability to be better this year compared with 2020. Although corn, soybean, and wheat prices have declined in recent weeks, farmers have more confidence in their 2021 revenue expectations.

Producers are becoming increasingly concerned about farm input price inflation. On the August survey, 39.0% of respondents said they expect input prices to rise by 8.0% or more in the next 12 months, up from 30.0% who felt that way in both June and July. One in five producers (21.0%) expect farm input price inflation to exceed 12.0% in the next 12 months. Just 13.0% of producers surveyed said they expect input price pressure in the upcoming year to fall in a range of 0.0% to 2.0%, which would be similar to the average rise in farm input prices over the last decade (Purdue University/CME Group Ag Economy Barometer).

In terms of the general economy, the U.S. August 2021 Bureau of Labor Statistics reported total nonfarm payroll employment rose by 235 thousand in August, and the unemployment rate was at 5.2%. Notable job gains occurred in professional and business services, transportation and warehousing, private education, manufacturing and other services. August unemployment rates for the Association's four state area are as follows: Indiana 4.1%, Kentucky 4.3%, Tennessee 4.6% and Ohio 5.4%. Housing activity is slowing within our four states with prices remaining strong driven by low inventories and attractive interest rates. Consumer sentiment declined in September to 70.3%, the worst drop since 1978. Consumer's reactions were due to the surging Delta variant, surging inflation and slower wage growth according to the September University of Michigan Surveys of Consumers.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $25.9 billion at September 30, 2021, an increase of $1.3 billion from December 31, 2020. The increase was primarily due to real estate mortgage loan activity and was offset by an asset pool sale to AgriBank. On June 1, 2021, we sold $1.1 billion of a participation interest in real estate loans to AgriBank. AgriBank has established a separate patronage pool for these assets and intends to pay the net earnings back to us as patronage.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and when certain requirements are fulfilled, loan forgiveness. As of May 31, 2021, when the PPP ended, we had successfully processed $19.8 million in PPP loans for customers with primarily production and intermediate-term type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $19.8 million has been forgiven as of September 30, 2021.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2020. Adversely classified loans decreased to 2.5% of the portfolio at September 30, 2021, from 2.8% of the portfolio at December 31, 2020. Overall performance in all business segments continues to be strong. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

Components of Risk Assets

(dollars in thousands) **As of:**	**September 30, 2021**	December 31, 2020
Loans:		
Non-accrual	**$ 150,159**	$ 200,586
Accruing restructured	**15,471**	17,130
Accruing loans 90 days or more past due	**83,748**	42,419
Total risk loans	**249,378**	260,135
Other property owned	**1,132**	1,485
Total risk assets	**$ 250,510**	$ 261,620
Total risk loans as a percentage of total loans	**1.0%**	1.0%
Non-accrual loans as a percentage of total loans	**0.6%**	0.8%
Current non-accrual loans as a percentage of total non-accrual loans	**69.1%**	68.3%
Total delinquencies as a percentage of total loans	**0.9%**	0.9%

Note: Accruing loans include accrued interest receivable.

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

The decrease in non-accrual loans was primarily due to improving portfolio quality and continued focus on proactively working with financially stressed accounts leading to timely resolutions. Non-accrual loans remained at an acceptable level at September 30, 2021, and December 31, 2020.

The increase in accruing loans 90 days or more past due was primarily due to delinquencies in USDA guaranteed assets, for which we expect full payment. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**September 30, 2021**	December 31, 2020
Allowance as a percentage of:		
Loans	**0.28%**	0.34%
Non-accrual loans	**47.9%**	41.3%
Total risk loans	**28.9%**	31.9%

The allowance for loan losses balance decreased from December 31, 2020, due to the reversal of provision expense in September 2021. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2021.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the nine months ended September 30	**2021**	2020
Net income	**$ 319,350**	$ 308,054
Return on average assets	**1.58%**	1.66%
Return on average members' equity	**8.16%**	8.18%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands)

For the nine months ended September 30	**2021**	2020	**Increase (decrease) in net income**
Net interest income	**$ 407,429**	$ 388,587	**$ 18,842**
(Reversal of) provision for credit losses	**(9,112)**	4,554	**13,666**
Non-interest income	**174,352**	150,243	**24,109**
Non-interest expense	**263,743**	219,358	**(44,385)**
Provision for income taxes	**7,800**	6,864	**(936)**
Net income	**$ 319,350**	$ 308,054	**$ 11,296**

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the nine months ended September 30	**2021 vs 2020**
Changes in volume	**$ 29,016**
Changes in interest rates	**(10,415)**
Changes in non-accrual income and other	**241**
Net change	**$ 18,842**

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was due to a reversal of provision expense recorded in the third quarter of 2021. The reversal was due to the most recent allowance analysis along with improvement in credit quality and other credit and economic factors.

Non-Interest Income

The change in non-interest income was primarily due to increases in patronage income, fee income and operating lease income (loss).

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands)

For the nine months ended September 30		2021		2020
Patronage from AgriBank	**$**	**110,170**	$	97,346
AgDirect partnership distribution		**4,224**		4,156
Other patronage		**807**		1,154
Total patronage income	**$**	**115,201**	$	102,656

The increase in patronage was primarily due to patronage paid related to asset pool sales to AgriBank. Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. All patronage distributions from AgriBank are in the form of either cash or AgriBank stock and determined based on actual financial results, projections, and long-term capital goals.

Fee Income: The increase in fee income was primarily due to increased origination fees related to an increase in loan originations during the first nine months of 2021.

Operating Lease Income (Loss): The increase in operating lease income (loss) was primarily due to an operating lease impairment that took place during the first nine months of 2020.

Non-Interest Expense

The change in non-interest expense was primarily due to the increase in salaries and employee benefits related to increased staffing levels, higher loan insurance premium rates in 2021 and Rural 1st partner fees.

The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by Farm Credit System Insurance Corporation (FCSIC) on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for the nine months ended September 30, 2021, compared to a premium rate of 8 basis points for the first half of 2020 and 11 basis points for the third quarter of 2020. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was renewed a year early for $26.0 billion with a maturity date of April 30, 2024. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at September 30, 2021, or December 31, 2020.

Total members' equity increased $118.2 million from December 31, 2020, primarily due to net income for the period and an increase in capital stock and participation certificates partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2020 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2021**	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.2%**	19.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.2%**	19.6%	6.0%	2.5%	8.5%
Total capital ratio	**18.5%**	20.0%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.2%**	19.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**17.2%**	18.5%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.4%**	19.4%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2020 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2021, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA

William L. Johnson
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar
Senior Vice President and Chief Financial Officer
Farm Credit Mid-America, ACA

November 9, 2021

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:	September 30, 2021	December 31, 2020
ASSETS		
Loans	**$ 25,926,652**	$ 24,619,166
Allowance for loan losses	**71,980**	82,867
Net loans	**25,854,672**	24,536,299
Investment in AgriBank, FCB	**794,795**	690,787
Investment securities	**874,788**	456,074
Accrued interest receivable	**230,514**	197,261
Assets held for lease, net	**41,443**	60,572
Other assets	**385,993**	338,172
Total assets	**$ 28,182,205**	$ 26,279,165
LIABILITIES		
Note payable to AgriBank, FCB	**$ 22,524,785**	$ 20,738,979
Accrued interest payable	**86,665**	84,150
Deferred tax liabilities, net	**4,228**	6,674
Patronage distribution payable	**205,176**	200,004
Other liabilities	**98,782**	105,030
Total liabilities	**22,919,636**	21,134,837
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**79,739**	77,157
Unallocated surplus	**5,183,698**	5,068,119
Accumulated other comprehensive loss	**(868)**	(948)
Total members' equity	**5,262,569**	5,144,328
Total liabilities and members' equity	**$ 28,182,205**	$ 26,279,165

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2021**	2020	**2021**	2020
Interest income	**$ 223,620**	$ 219,336	**$ 665,525**	$ 705,164
Interest expense	**86,672**	86,884	**258,096**	316,577
Net interest income	**136,948**	132,452	**407,429**	388,587
(Reversal of) provision for credit losses	**(9,112)**	--	**(9,112)**	4,554
Net interest income after (reversal of) provision for credit losses	**146,060**	132,452	**416,541**	384,033
Non-interest income				
Patronage income	**39,316**	38,553	**115,201**	102,656
Financially related services income	**5,523**	4,670	**6,635**	5,558
Fee income	**12,675**	12,250	**42,685**	37,472
Operating lease income (loss)	**890**	(842)	**6,384**	1,353
Other property owned income (loss), net	**--**	128	**--**	(331)
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	4,631
Other non-interest income (loss)	**769**	(468)	**3,447**	(1,096)
Total non-interest income	**59,173**	54,291	**174,352**	150,243
Non-interest expense				
Salaries and employee benefits	**59,493**	47,011	**165,737**	134,475
Other operating expense	**33,743**	28,266	**96,477**	80,568
Other non-interest expense	**209**	95	**1,529**	4,315
Total non-interest expense	**93,445**	75,372	**263,743**	219,358
Income before income taxes	**111,788**	111,371	**327,150**	314,918
Provision for income taxes	**3,071**	1,510	**7,800**	6,864
Net income	**$ 108,717**	$ 109,861	**$ 319,350**	$ 308,054
Other comprehensive income				
Employee benefit plans activity	**$ 26**	$ 28	**$ 80**	$ 84
Total other comprehensive income	**26**	28	**80**	84
Comprehensive income	**$ 108,743**	$ 109,889	**$ 319,430**	$ 308,138

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$ 74,791	$ 4,868,756	$ (989)	$ 4,942,558
Net income	--	308,054	--	308,054
Other comprehensive income	--	--	84	84
Unallocated surplus designated for patronage distributions	--	(167,824)	--	(167,824)
Capital stock and participation certificates issued	6,853	--	--	6,853
Capital stock and participation certificates retired	(5,306)	--	--	(5,306)
Balance at September 30, 2020	$ 76,338	$ 5,008,986	$ (905)	$ 5,084,419
Balance at December 31, 2020	$ 77,157	$ 5,068,119	$ (948)	$ 5,144,328
Net income	**--**	**319,350**	**--**	**319,350**
Other comprehensive income	**--**	**--**	**80**	**80**
Unallocated surplus designated for patronage distributions	**--**	**(203,771)**	**--**	**(203,771)**
Capital stock and participation certificates issued	**8,473**	**--**	**--**	**8,473**
Capital stock and participation certificates retired	**(5,891)**	**--**	**--**	**(5,891)**
Balance at September 30, 2021	**$ 79,739**	**$ 5,183,698**	**$ (868)**	**$ 5,262,569**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2021, are not necessarily indicative of the results to be expected for the year ending December 31, 2021. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

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

Significant Accounting Policies

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

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

Recently Issued or Adopted Accounting Pronouncements

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

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**September 30, 2021**			**December 31, 2020**		
		Amount	**%**		**Amount**	**%**
Real estate mortgage	**$**	**16,733,633**	**64.6%**	$	15,586,259	63.3%
Production and intermediate-term		**4,204,070**	**16.2%**		4,234,849	17.2%
Agribusiness		**2,729,916**	**10.5%**		2,613,561	10.6%
Rural residential real estate		**864,994**	**3.3%**		775,520	3.2%
Finance leases and other		**1,394,039**	**5.4%**		1,408,977	5.7%
Total	**$**	**25,926,652**	**100.0%**	$	24,619,166	100.0%

The finance leases and other category is primarily composed of certain assets originated under the mission related investment authority and rural infrastructure related loans, as well as lease receivables.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 2021**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 30,307**	**$ 21,552**	**$ 51,859**	**$ 16,839,077**	**$ 16,890,936**	**$ 929**
Production and intermediate-term	**8,695**	**12,113**	**20,808**	**4,221,565**	**4,242,373**	**206**
Agribusiness	**5,233**	**96**	**5,329**	**2,736,778**	**2,742,107**	**--**
Rural residential real estate	**8,190**	**1,880**	**10,070**	**857,628**	**867,698**	**84**
Finance leases and other	**57,714**	**82,687**	**140,401**	**1,268,678**	**1,409,079**	**82,529**
Total	**$ 110,139**	**$ 118,328**	**$ 228,467**	**$ 25,923,726**	**$ 26,152,193**	**$ 83,748**

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 25,130	$ 32,294	$ 57,424	$ 15,656,905	$ 15,714,329	$ --
Production and intermediate-term	4,140	15,667	19,807	4,252,824	4,272,631	1,137
Agribusiness	376	589	965	2,624,467	2,625,432	--
Rural residential real estate	4,675	2,857	7,532	770,315	777,847	86
Finance leases and other	95,185	41,331	136,516	1,286,842	1,423,358	41,196
Total	$ 129,506	$ 92,738	$ 222,244	$ 24,591,353	$ 24,813,597	$ 42,419

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) **As of:**		**September 30, 2021**		December 31, 2020
Volume with specific allowance	**$**	**10,914**	$	15,245
Volume without specific allowance		**238,464**		244,890
Total risk loans	**$**	**249,378**	$	260,135
Total specific allowance	**$**	**6,256**	$	8,668
For the nine months ended September 30		**2021**		2020
Income on accrual risk loans	**$**	**3,014**	$	2,621
Income on non-accrual loans		**10,417**		10,176
Total income on risk loans	**$**	**13,431**	$	12,797
Average risk loans	**$**	**273,687**	$	321,032

Note: Accruing loans include accrued interest receivable.

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

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands) **Nine months ended September 30**	**2021**				2020			
		Pre-modification		Post-modification		Pre-modification		Post-modification
Real estate mortgage	**$**	**461**	**$**	**461**	$	1,331	$	1,331
Production and intermediate-term		**48**		**48**		201		201
Rural residential real estate		**--**		**--**		43		43
Total	**$**	**509**	**$**	**509**	$	1,575	$	1,575

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

The primary types of modification included interest rate reduction below market and forgiveness of principal and interest.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Nine Months Ended September 30,

(in thousands)		**2021**		2020
Real estate mortgage	**$**	**--**	$	128
Production and intermediate-term		**6**		78
Rural residential real estate		**--**		37
Total	**$**	**6**	$	243

TDRs Outstanding

(in thousands) **As of:**	**September 30, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$ 12,040**	$ 14,211
Production and intermediate-term	**1,901**	1,597
Rural residential real estate	**1,530**	1,322
Total TDRs in accrual status	**$ 15,471**	$ 17,130
Non-accrual status:		
Real estate mortgage	**$ 10,451**	$ 13,392
Production and intermediate-term	**2,257**	3,038
Rural residential real estate	**361**	639
Total TDRs in non-accrual status	**$ 13,069**	$ 17,069
Total TDRs:		
Real estate mortgage	**$ 22,491**	$ 27,603
Production and intermediate-term	**4,158**	4,635
Rural residential real estate	**1,891**	1,961
Total TDRs	**$ 28,540**	$ 34,199

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **Nine months ended September 30**	**2021**	2020
Balance at beginning of period	**$ 82,867**	$ 76,898
(Reversal of) provision for loan losses	**(9,240)**	4,021
Loan recoveries	**1,749**	2,096
Loan charge-offs	**(3,396)**	(7,422)
Balance at end of period	**$ 71,980**	$ 75,593

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

Credit Loss Information on Unfunded Commitments

(in thousands) **For the nine months ended September 30**	**2021**	2020
Provision for credit losses	**$ 128**	$ 533
As of:	**September 30, 2021**	December 31, 2020
Accrued credit losses	**$ 7,482**	$ 7,355

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $874.8 million at September 30, 2021, and $456.1 million at December 31, 2020. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $6.2 million at September 30, 2021, and $6.4 million at December 31, 2020, of which were not guaranteed.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at September 30, 2021, or December 31, 2020.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of September 30, 2021**	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	**0.8%**	**$**	**620,398**	**$**	**9,215**	**$**	**3,434**	**$**	**626,179**
ABS	**0.9%**		**254,390**		**7,352**		**268**		**261,474**
Total	**0.8%**	**$**	**874,788**	**$**	**16,567**	**$**	**3,702**	**$**	**887,653**

As of December 31, 2020	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	1.7%	$	255,518	$	7,993	$	99	$	263,412
ABS	1.3%		200,556		6,742		--		207,298
Total	1.5%	$	456,074	$	14,735	$	99	$	470,710

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $4.1 million and $6.1 million for the nine months ended September 30, 2021, and 2020, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2021**		Amortized Cost
Less than one year	**$**	**560**
One to five years		**2,293**
Five to ten years		**118,423**
More than ten years		**753,512**
Total	**$**	**874,788**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months				Greater than 12 months			
As of September 30, 2021		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	**$**	**303,148**	**$**	**3,407**	**$**	**4,064**	**$**	**27**
ABS		**30,449**		**268**		**--**		**--**
Total	**$**	**333,597**	**$**	**3,675**	**$**	**4,064**	**$**	**27**

	Less than 12 months				Greater than 12 months			
As of December 31, 2020		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	$	7,355	$	17	$	4,207	$	82
ABS		--		--		--		--
Total	$	7,355	$	17	$	4,207	$	82

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At September 30, 2021, the majority of the $3.7 million unrealized loss represents unamortized premium.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream Business Services (SunStream) on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at September 30, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of September 30, 2021, our total commitment was $72.5 million of which $34.1 million was unfunded, with varying commitment end dates through December 2030. Certain commitments may have an option to extend under certain circumstances.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2020 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2021, or December 31, 2020.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of September 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 4,891**	**$ 4,891**
Other property owned	**--**	**--**	**1,200**	**1,200**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 6,906	$ 6,906
Other property owned	--	--	1,574	1,574

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 9, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.