Third Quarter

2021

Stockholders Report

High Plains Farm Credit

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

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

High Plains Farm Credit's annual and quarterly reports to stockholders are available on the Association's website, HighPlainsFarmCredit.com or can be obtained free of charge by contacting the Association's headquarters at (620) 285-6978. Annual reports are available 75 days after year-end and quarterly reports are available 40 days after each calendar quarter-end. The financial condition and results of operations of CoBank, ACB (CoBank), materially affect the risk associated with stockholder investments in High Plains Farm Credit, ACA. Stockholders of High Plains Farm Credit, ACA may obtain copies of CoBank's financial statements free of charge by visiting CoBank's website, CoBank.com or by contacting the Larned headquarters office located at 605 Main, Larned, KS 67550-0067 or by phone at (620) 285-6978.

CURRENT MARKET CONDITIONS

The U.S. drought monitor indicates conditions in the majority of our territory are categorized as "normal" to "moderate", as above usual temperatures and lack of precipitation caused concern for fall wheat drilling. Commodity price increases subsided, but remained elevated as demand for grain and feed exports stayed strong coupled with continued shipping constraints.

The fed cattle market continued to trudge forward with large supplies as well as high demand. Hay market prices remained steady for alfalfa and grass while movement and demand remained light. Cattle on feed declined with the continued ramped-up demand allowing for 4-5% price increases in stores. The real estate market continued to be active in the third quarter of 2021 as producers looked for opportunities to expand acreage. Continued low rates and increased demand has resulted in some strong sales across land types. Buyers are primarily local producers with some influence from recreational buyers on pasture and Conservation Reserve Program (CRP) sales.

The U.S. economy grew at an annualized rate of 6.4% during the first half of 2021. Second quarter output was, however, diminished by drawdowns in private inventories as firms struggled to source goods in the presence of strong consumption demand. Strong demand and low inventories pressured the prices of many goods higher, drawing concerns about inflation throughout third quarter.

LOAN PORTFOLIO

Loans outstanding at September 30, 2021, totaled $1.39 billion, an increase of $17.9 million (1.3%) from loans of $1.37 billion at December 31, 2020. The increase was primarily due to new loans originated and advances outpacing loan pay-offs and pay-downs.

Advance conditional payments totaled $20.4 million at September 30, 2021, down $304 thousand (1.5%) from $20.1 million at December 31, 2020. Advance conditional payment accounts are generally impacted by seasonal conditions. Typically, stockholders apply excess cash to these accounts to be utilized within their operation later in the year.

RESULTS OF OPERATIONS

High Plains Farm Credit, ACA continued with strong financial results for the nine-month period ending September 30, 2021. Net income for the nine months ended September 30, 2021, was $23.8 million, an increase of $4.2 million, or 21.6%, from the same period ended one year ago. This was mainly due to increases in net interest income and noninterest income offset by an increase in noninterest expense. Additional details provided below.

For the nine months ended September 30, 2021, net interest income was $27.1 million, an increase of $2.3 million, or 9.5%, compared with the nine months ended September 30, 2020. Net interest income increased primarily as a result of loan volume growth.

The credit loss reversal for the nine months ended September 30, 2021, was $271 thousand, a change of $466 thousand from the provision for credit losses for the same period ended one year ago. The credit loss reversal was driven by reduced risk within the portfolio offset by new volume net of pay-off activity.

Noninterest income increased $1.6 million during the first nine months of 2021 compared with the first nine months in 2020 primarily due to an increase in fee income and patronage received from Farm Credit institutions partially offset by the lack of a FCSIC rebate in 2021**.** Fee income increased due to loan fees received from the Small Business Administration for Payroll Protection Program (PPP) loans originated as well as an increase in purchased participation loan fees. Patronage distribution from Farm Credit institutions increased in the first nine months ended September 30, 2021, compared with the first nine months in 2020 primarily due to an increase in CoBank's target for patronage from 36 basis points in 2020 to 45 basis points in 2021 related to our direct note. Also included in noninterest income in 2020 was a refund of $276 thousand from Farm Credit System Insurance Corporation (FCSIC). The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2020 Annual Report to Shareholders for additional information. No refund was received in 2021.

Mineral income is distributed to us quarterly by CoBank with $392 thousand received during the first nine months of 2021. The increase of $85 thousand for the nine months ended September 30, 2021, compared with first nine months of 2020 is primarily the result of post-pandemic demand recovery and an increase in crude oil and natural gas prices.

During the first nine months of 2021, noninterest expense increased $128 thousand to $11.2 million, primarily due to an increase in FCSIC insurance of $665 thousand and purchased services from AgVantis of $216 thousand partially offset by a decrease in salaries and benefits of $194 thousand and the lack of prepayment expense, comprised of rate breakage fees from CoBank, in 2021. Higher premiums for FCSIC insurance was driven by loan volume growth within the Farm Credit System and an increase in premium rates. The decrease in salaries and benefits was primarily the result of a reduction in pension expense due to increased pension funding and market returns partially offset by salaries for additional employees.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2021, was $287.3 million, an increase from $265.5 million at December 31, 2020. This increase is due to net income offset by net stock retirements and preferred stock dividends declared.

The Association's Class H Preferred Stock dividend rate at September 30, 2021 was 1.00%. The dividend rate is a per annum rate subject to change each month.

OTHER MATTERS

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

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

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

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Keith Kennedy
Chairperson of the Board
November 9, 2021

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Melvin E. Kitts
Chairperson of the Audit Committee
November 9, 2021

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Kevin D. Swayne
President & Chief Executive Officer
November 9, 2021

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John T. Booze
Chief Financial Officer
November 9, 2021

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2021	December 31 2020
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 1,387,025**	$ 1,369,160
Less allowance for loan losses	**2,907**	3,205
Net loans	**1,384,118**	1,365,955
Cash	**6,835**	18,175
Accrued interest receivable	**19,463**	14,765
Investment in CoBank, ACB	**47,408**	46,893
Premises and equipment, net	**4,973**	5,188
Prepaid benefit expense	**3,756**	3,252
Other assets	**8,262**	8,379
Total assets	**$ 1,474,815**	$ 1,462,607
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,159,920**	$ 1,151,724
Advance conditional payments	**20,364**	20,060
Accrued interest payable	**1,133**	1,202
Patronage distributions payable	**-**	12,900
Accrued benefits liability	**75**	83
Deferred tax liability	**179**	177
Reserve for unfunded commitments	**725**	702
Other liabilities	**5,163**	10,270
Total liabilities	**1,187,559**	1,197,118
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**3,021**	5,025
Capital stock	**1,807**	1,777
Additional paid-in capital	**69,380**	69,380
Unallocated retained earnings	**213,048**	189,307
Total shareholders' equity	**287,256**	265,489
Total liabilities and shareholders' equity	**$ 1,474,815**	$ 1,462,607

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	**2021**	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 12,456**	$ 12,183	**$ 37,307**	$ 39,462
Total interest income	**12,456**	12,183	**37,307**	39,462
INTEREST EXPENSE				
Note payable to CoBank, ACB	**3,394**	3,914	**10,137**	14,617
Other	**26**	19	**78**	93
Total interest expense	**3,420**	3,933	**10,215**	14,710
Net interest income	**9,036**	8,250	**27,092**	24,752
(Credit loss reversal)/Provision for credit losses	**(41)**	(91)	**(271)**	195
Net interest income after credit loss reversal/provision for credit losses	**9,077**	8,341	**27,363**	24,557
NONINTEREST INCOME				
Financially related services income	**134**	172	**233**	284
Loan fees	**116**	161	**1,003**	445
Patronage distribution from Farm Credit institutions	**1,953**	1,486	**5,727**	4,449
Farm Credit Insurance Fund distribution	**-**	-	**-**	276
Mineral income	**176**	65	**392**	307
Other noninterest income	**58**	44	**300**	304
Total noninterest income	**2,437**	1,928	**7,655**	6,065
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,804**	1,964	**5,263**	5,457
Occupancy and equipment	**133**	160	**448**	419
Purchased services from AgVantis, Inc.	**618**	546	**1,853**	1,637
Farm Credit Insurance Fund premium	**448**	277	**1,340**	675
Supervisory and examination costs	**93**	89	**323**	304
Prepayment expense	**-**	724	**-**	724
Other noninterest expense	**761**	655	**1,952**	1,835
Total noninterest expense	**3,857**	4,415	**11,179**	11,051
Income before income taxes	**7,657**	5,854	**23,839**	19,571
Provision for income taxes	**51**	7	**65**	20
Net income	**7,606**	5,847	**23,774**	19,551
COMPREHENSIVE INCOME				
Amortization of retirement costs	**-**	48	**-**	144
Total comprehensive income	**$ 7,606**	$ 5,895	**$ 23,774**	$ 19,695

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Preferred Stock	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2019	$ 5,672	$ 1,744	$ 69,380	$ 175,973	$ (197)	$ 252,572
Comprehensive income				19,551	144	19,695
Stock issued	1,337	104				1,441
Stock retired	(2,084)	(84)				(2,168)
Preferred stock dividends declared	-			(76)		(76)
Balance at September 30, 2020	$ 4,925	$ 1,764	$ 69,380	$ 195,448	$ (53)	$ 271,464
Balance at December 31, 2020	$ 5,025	$ 1,777	$ 69,380	$ 189,307	$ -	$ 265,489
Comprehensive income				23,774	-	23,774
Stock issued	550	162				712
Stock retired	(2,554)	(132)				(2,686)
Preferred stock dividends declared	-			(33)		(33)
Balance at September 30, 2021	**$ 3,021**	**$ 1,807**	**$ 69,380**	**$ 213,048**	**$ -**	**$ 287,256**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Recently Adopted or Issued Accounting Pronouncements

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

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

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

(dollars in thousands)	**September 30, 2021**	December 31, 2020
Real estate mortgage	**$ 835,299**	$ 806,613
Production and intermediate-term	**387,599**	402,374
Agribusiness	**120,128**	133,890
Rural infrastructure	**43,784**	26,018
Rural residential real estate	**215**	265
Total loans	**$ 1,387,025**	$ 1,369,160

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 78,121	$ 77,514	$ 1,088	$ -	$ 79,209	$ 77,514
Production and intermediate-term	87,078	278,759	-	-	87,078	278,759
Agribusiness	91,737	31,821	-	716	91,737	32,537
Rural infrastructure	43,784	-	-	-	43,784	-
Total	$ 300,720	$ 388,094	$ 1,088	$ 716	$ 301,808	$ 388,810

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

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

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

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**92.16%**	91.80%
OAEM	**3.72%**	4.26%
Substandard	**4.12%**	3.94%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**93.06%**	92.51%
OAEM	**3.02%**	2.87%
Substandard	**3.92%**	4.62%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**94.44%**	88.31%
OAEM	**5.56%**	11.69%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**82.49%**	85.81%
Substandard	**17.51%**	14.19%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**92.85%**	91.82%
OAEM	**3.57%**	4.49%
Substandard	**3.58%**	3.69%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**September 30, 2021**	December 31, 2020
Nonaccrual loans		
Real estate mortgage	**$ 1,337**	$ 1,594
Production and intermediate-term	**137**	192
Rural residential real estate	**38**	38
Total nonaccrual loans	**$ 1,512**	$ 1,824
Accruing restructured loans		
Real estate mortgage	**$ 502**	$ 509
Total accruing restructured loans	**$ 502**	$ 509
Total impaired loans	**$ 2,014**	$ 2,333
Total high risk assets	**$ 2,014**	$ 2,333

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

Additional impaired loan information is as follows:

(dollars in thousands)	**September 30, 2021** Recorded Investment	**September 30, 2021** Unpaid Principal Balance	**September 30, 2021** Related Allowance	December 31, 2020 Recorded Investment	December 31, 2020 Unpaid Principal Balance	December 31, 2020 Related Allowance
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 1,839**	**$ 2,122**		$ 2,104	$ 2,454	
Production and intermediate-term	**137**	**194**		192	235	
Agribusiness	**-**	**107**		-	107	
Rural residential real estate	**38**	**39**		37	39	
Total	**$ 2,014**	**$ 2,462**		$ 2,333	$ 2,835	
Total impaired loans:						
Real estate mortgage	**$ 1,839**	**$ 2,122**	**$ -**	$ 2,104	$ 2,454	$ -
Production and intermediate-term	**137**	**194**	**-**	192	235	-
Agribusiness	**-**	**107**	**-**	-	107	-
Rural residential real estate	**38**	**39**	**-**	37	39	-
Total	**$ 2,014**	**$ 2,462**	**$ -**	$ 2,333	$ 2,835	$ -

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

(dollars in thousands)	**For the Three Months Ended September 30, 2021** Average Impaired Loans	**For the Three Months Ended September 30, 2021** Interest Income Recognized	For the Three Months Ended September 30, 2020 Average Impaired Loans	For the Three Months Ended September 30, 2020 Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 2,378**	**$ 7**	$ 2,126	$ 15
Production and intermediate-term	**141**	**-**	193	-
Rural residential real estate	**38**	**-**	40	-
Total	**$ 2,557**	**$ 7**	$ 2,359	$ 15
Total impaired loans:				
Real estate mortgage	**$ 2,378**	**$ 7**	$ 2,126	$ 15
Production and intermediate-term	**141**	**-**	193	-
Rural residential real estate	**38**	**-**	40	-
Total	**$ 2,557**	**$ 7**	$ 2,359	$ 15

(dollars in thousands)	**For the Nine Months Ended September 30, 2021** Average Impaired Loans	**For the Nine Months Ended September 30, 2021** Interest Income Recognized	For the Nine Months Ended September 30, 2020 Average Impaired Loans	For the Nine Months Ended September 30, 2020 Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 2,135**	**$ 109**	$ 3,167	$ 317
Production and intermediate-term	**164**	**-**	211	-
Rural residential real estate	**38**	**-**	23	-
Total	**$ 2,337**	**$ 109**	$ 3,401	$ 317
Total impaired loans:				
Real estate mortgage	**$ 2,135**	**$ 109**	$ 3,476	$ 317
Production and intermediate-term	**164**	**-**	211	-
Rural residential real estate	**38**	**-**	23	-
Total	**$ 2,337**	**$ 109**	$ 3,710	$ 317

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

	September 30, 2021					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 1,278	$ 273	$ 1,551	$ 848,357	$ 849,908	$ -
Production and intermediate-term	449	-	449	391,590	392,039	-
Agribusiness	-	-	-	120,458	120,458	-
Rural infrastructure	-	-	-	43,867	43,867	-
Rural residential real estate	-	-	-	216	216	-
Total	$ 1,727	$ 273	$ 2,000	$ 1,404,488	$ 1,406,488	$ -

	December 31, 2020					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 457	$ 407	$ 864	$ 816,072	$ 816,936	$ -
Production and intermediate-term	231	-	231	406,293	406,524	-
Agribusiness	-	-	-	134,160	134,160	-
Rural infrastructure	-	-	-	26,039	26,039	-
Rural residential real estate	-	-	-	266	266	-
Total	$ 688	$ 407	$ 1,095	$ 1,382,830	$ 1,383,925	$ -

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

(dollars in thousands)	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 659	$ -	$ -	$ (29)	$ 630
Production and intermediate-term	2,068	(4)	-	(127)	1,937
Agribusiness	292	-	-	(13)	279
Rural infrastructure	57	-	-	4	61
Total	$ 3,076	$ (4)	$ -	$ (165)	$ 2,907

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 709	$ -	$ -	$ (79)	$ 630
Production and intermediate-term	2,183	(4)	-	(242)	1,937
Agribusiness	274	-	-	5	279
Rural infrastructure	39	-	-	22	61
Total	$ 3,205	$ (4)	$ -	$ (294)	$ 2,907

(dollars in thousands)	Balance at June 30, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2020
Real estate mortgage	$ 754	$ -	$ -	$ (108)	$ 646
Production and intermediate-term	2,349	-	-	(119)	2,230
Agribusiness	149	-	-	(1)	148
Rural infrastructure	12	-	-	12	24
Total	$ 3,264	$ -	$ -	$ (216)	$ 3,048

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2020
Real estate mortgage	$ 799	$ -	$ -	$ (153)	$ 646
Production and intermediate-term	2,096	(4)	-	138	2,230
Agribusiness	122	-	-	26	148
Rural infrastructure	9	-	-	15	24
Total	$ 3,026	$ (4)	$ -	$ 26	$ 3,048

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2021**	2020	**2021**	2020
Balance at beginning of period	**$ 597**	$ 591	**$ 702**	$ 547
Provision for reserve for unfunded commitment	**128**	125	**23**	169
Total	**$ 725**	$ 716	**$ 725**	$ 716

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at September 30, 2021		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 630	$ 1,839	$ 848,069
Production and intermediate-term	-	1,937	137	391,902
Agribusiness	-	279	-	120,458
Rural infrastructure	-	61	-	43,867
Rural residential real estate	-	-	38	178
Total	$ -	$ 2,907	$ 2,014	$ 1,404,474

	Allowance for Loan Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 709	$ 2,104	$ 814,832
Production and intermediate-term	-	2,183	192	406,332
Agribusiness	-	274	-	134,160
Rural infrastructure	-	39	-	26,039
Rural residential real estate	-	-	37	229
Total	$ -	$ 3,205	$ 2,333	$ 1,381,592

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the nine months ended September 30, 2021 or September 30, 2020.

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the first nine months of 2021 and 2020. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at September 30, 2021 and December 31, 2020. TDR volume at September 30, 2021 consisted of one accrual loan. This restructure was based upon a court-ordered bankruptcy plan.

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.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
(dollars in thousands)	**September 30, 2021**	December 31, 2020	**September 30, 2021**	December 31, 2020
Real estate mortgage	**$ 502**	$ 562	**$ -**	$ 53
Total	**$ 502**	$ 562	**$ -**	$ 53

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

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

	As of September 30, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	15.01%	15.56%	4.5%	2.5%	7.0%
Tier 1 capital ratio	15.01%	15.56%	6.0%	2.5%	8.5%
Total capital ratio	15.25%	15.83%	8.0%	2.5%	10.5%
Permanent capital ratio	15.25%	15.95%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	15.92%	16.40%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	17.89%	18.59%	1.5%	-	1.5%

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2021**	2020	**2021**	2020
Pension and other benefit plans:				
Beginning balance	**$ -**	$ (101)	**$ -**	$ (197)
Amounts reclassified from accumulated other comprehensive loss	**-**	48	**-**	144
Net current period other comprehensive income	**-**	48	**-**	144
Ending balance	**$ -**	$ (53)	**$ -**	$ (53)

The following table represents reclassifications out of accumulated other comprehensive income/loss.

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
(dollars in thousands)	**2021**	2020	
Pension and other benefit plans:			
Net actuarial loss	**$ -**	$ 48	Salaries and employee benefits
Total reclassifications	**$ -**	$ 48	

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
(dollars in thousands)	**2021**	2020	
Pension and other benefit plans:			
Net actuarial loss	**$ -**	$ 144	Salaries and employee benefits
Total reclassifications	**$ -**	$ 144	

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

	Fair Value Measurement Using			Total Fair Value
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
September 30, 2021	**$ 33**	**$ -**	**$ -**	**$ 33**
December 31, 2020	$ 76	$ -	$ -	$ 76

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

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

Valuation Techniques

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

Assets Held in Non-Qualified Benefits Trusts

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

Loans Evaluated for Impairment

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

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.