Second 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 six months ended June 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", as recent precipitation created optimism for fall crops. Commodity prices remained elevated though volatile, as the lack of South American crop production drove large Chinese purchases from the U.S. Input costs continued to rise as inflation reached 5% to end the second quarter of 2021.

Cattle-on-feed was up 4% over last year, as the available front-end supply of fed cattle continued to favor the packing segment especially given that demand remained high. Exports were up almost 33 million pounds from prior year. Continued high corn prices and the rapidly increasing pace of inflation will all play a role in the continued front-end supply. Risk management practices are being utilized to help mitigate market volatility.

The real estate market continued to be active in the second quarter of 2021 as producers looked for opportunities to expand acreage. 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.

In December 2020, Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which, among other provisions, allocated additional funding for Paycheck Protection Program (PPP) loans and allows certain existing PPP borrowers to apply for additional loans or draws on existing loans. The Association obtained approval to participate as a lender in the PPP and continued to provide funds to eligible borrowers during the first quarter of 2021.

LOAN PORTFOLIO

Loans outstanding at June 30, 2021, totaled $1.39 billion, an increase of $22.5 million, or 1.6%, 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 $16.1 million at June 30, 2021, down $4.0 million, or 19.7%, 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.

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time, we are unable to predict whether or 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 a LIBOR transition plan to address the phase out of LIBOR rates in the future, including any updates to processes and loan servicing technology.

RESULTS OF OPERATIONS

High Plains Farm Credit, ACA posted strong financial results for the six-month period ending June 30, 2021. Net income for the six months ended June 30, 2021, was $16.2 million, an increase of $2.5 million, or 18.0%, 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 six months ended June 30, 2021, net interest income was $18.1 million, an increase of $1.6 million, or 9.4%, compared with the six months ended June 30, 2020. Net interest income increased primarily as a result of loan volume growth.

The credit loss reversal for the six months ended June 30, 2021, was $230 thousand, a change of $516 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 $1.1 million during the first six months of 2021 compared with the first six 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 PPP loans originated as well as an increase in purchased participation loan fees. Patronage distribution from Farm Credit institutions increased in the first six months ended June 30, 2021, compared with the first six 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 FCSIC refund was received in 2021.

Mineral income is distributed to us quarterly by CoBank with $216 thousand received during the first six months of 2021. The decrease of $26 thousand for the six months ended June 30, 2021, compared with first six months of 2020 is primarily the result of reduced demand caused by the pandemic, lower oil and natural gas prices, reduced drilling activity and production at the beginning of the year.

During the first six months of 2021, noninterest expense increased $687 thousand to $7.3 million, primarily due to an increase in FCSIC insurance of $494 thousand and purchased services from AgVantis of $144 thousand partially offset by a decrease in salaries and benefits of $34 thousand. 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 June 30, 2021, was $281.8 million, an increase from $265.5 million at December 31, 2020. This increase is due to net income, net stock issuances, partially offset by preferred stock dividends declared.

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

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.

//signature on file//
Keith Kennedy
Chairperson of the Board
August 9, 2021

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

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

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John T. Booze
Chief Financial Officer
August 9, 2021

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2021	December 31 2020
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 1,391,642**	$ 1,369,160
Less allowance for loan losses	**3,076**	3,205
Net loans	**1,388,566**	1,365,955
Cash	**4,645**	18,175
Accrued interest receivable	**17,105**	14,765
Investment in CoBank, ACB	**47,409**	46,893
Premises and equipment, net	**5,023**	5,188
Prepaid benefit expense	**3,396**	3,252
Other assets	**5,992**	8,379
Total assets	**$ 1,472,136**	$ 1,462,607
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,165,586**	$ 1,151,724
Advance conditional payments	**16,110**	20,060
Accrued interest payable	**1,124**	1,202
Patronage distributions payable	**-**	12,900
Accrued benefits liability	**78**	83
Deferred tax liability	**177**	177
Reserve for unfunded commitments	**597**	702
Other liabilities	**6,685**	10,270
Total liabilities	**1,190,357**	1,197,118
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**5,155**	5,025
Capital stock	**1,795**	1,777
Additional paid-in capital	**69,380**	69,380
Unallocated retained earnings	**205,449**	189,307
Total shareholders' equity	**281,779**	265,489
Total liabilities and shareholders' equity	**$ 1,472,136**	$ 1,462,607

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended June 30 2021	For the three months ended June 30 2020	For the six months ended June 30 2021	For the six months ended June 30 2020
INTEREST INCOME				
Loans	**$ 12,295**	$ 12,820	**$ 24,851**	$ 27,279
Total interest income	**12,295**	12,820	**24,851**	27,279
INTEREST EXPENSE				
Note payable to CoBank, ACB	**3,305**	4,359	**6,743**	10,703
Other	**26**	24	**52**	74
Total interest expense	**3,331**	4,383	**6,795**	10,777
Net interest income	**8,964**	8,437	**18,056**	16,502
(Credit loss reversal)/Provision for credit losses	**(223)**	294	**(230)**	286
Net interest income after credit loss reversal/provision for credit losses	**9,187**	8,143	**18,286**	16,216
NONINTEREST INCOME				
Financially related services income	**46**	25	**99**	112
Loan fees	**329**	274	**887**	284
Patronage distribution from Farm Credit institutions	**2,090**	1,466	**3,774**	2,963
Farm Credit Insurance Fund distribution	**-**	-	**-**	276
Mineral income	**132**	108	**216**	242
Other noninterest income	**59**	128	**242**	260
Total noninterest income	**2,656**	2,001	**5,218**	4,137
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,618**	1,698	**3,459**	3,493
Occupancy and equipment	**158**	139	**315**	259
Purchased services from AgVantis, Inc.	**618**	545	**1,235**	1,091
Farm Credit Insurance Fund premium	**441**	197	**892**	398
Supervisory and examination costs	**115**	108	**230**	215
Other noninterest expense	**629**	554	**1,192**	1,180
Total noninterest expense	**3,579**	3,241	**7,323**	6,636
Income before income taxes	**8,264**	6,903	**16,181**	13,717
Provision for income taxes	**7**	6	**14**	13
Net income	**8,257**	6,897	**16,167**	13,704
COMPREHENSIVE INCOME				
Amortization of retirement costs	**-**	48	**-**	96
Total comprehensive income	**$ 8,257**	$ 6,945	**$ 16,167**	$ 13,800

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				13,704	96	13,800
Stock issued	1,302	61				1,363
Stock retired	-	(53)				(53)
Preferred stock dividends declared	-			(63)		(63)
Balance at June 30, 2020	$ 6,974	$ 1,752	$ 69,380	$ 189,614	$ (101)	$ 267,619
Balance at December 31, 2020	$ 5,025	$ 1,777	$ 69,380	$ 189,307	$ -	$ 265,489
Comprehensive income				16,167	-	16,167
Stock issued	130	123				253
Stock retired	-	(105)				(105)
Preferred stock dividends declared	-			(25)		(25)
Balance at June 30, 2021	**$ 5,155**	**$ 1,795**	**$ 69,380**	**$ 205,449**	**$ -**	**$ 281,779**

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 second 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)	**June 30, 2021**	December 31, 2020
Real estate mortgage	**$ 821,608**	$ 806,613
Production and intermediate-term	**394,691**	402,374
Agribusiness	**132,468**	133,890
Rural infrastructure	**42,630**	26,018
Rural residential real estate	**245**	265
Total loans	**$ 1,391,642**	$ 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 June 30, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 73,032	$ 75,330	$ 1,094	$ -	$ 74,126	$ 75,330
Production and intermediate-term	79,963	282,341	523	-	80,486	282,341
Agribusiness	95,684	36,678	-	1,510	95,684	38,188
Rural infrastructure	42,630	-	-	-	42,630	-
Total	$ 291,309	$ 394,349	$ 1,617	$ 1,510	$ 292,926	$ 395,859

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:

	June 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**91.34%**	91.80%
OAEM	**5.12%**	4.26%
Substandard	**3.54%**	3.94%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**92.78%**	92.51%
OAEM	**3.48%**	2.87%
Substandard	**3.74%**	4.62%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**94.67%**	88.31%
OAEM	**5.33%**	11.69%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**84.72%**	85.81%
Substandard	**15.28%**	14.19%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**92.32%**	91.82%
OAEM	**4.52%**	4.49%
Substandard	**3.16%**	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)	**June 30, 2021**	December 31, 2020
Nonaccrual loans		
Real estate mortgage	**$ 1,345**	$ 1,594
Production and intermediate-term	**162**	192
Rural residential real estate	**38**	38
Total nonaccrual loans	**$ 1,545**	$ 1,824
Accruing restructured loans		
Real estate mortgage	**$ 509**	$ 509
Total accruing restructured loans	**$ 509**	$ 509
Accruing loans 90 days past due		
Real estate mortgage	**$ 2,310**	$ -
Total accruing loans 90 days past due	**$ 2,310**	$ -
Total impaired loans	**$ 4,364**	$ 2,333
Total high risk assets	**$ 4,364**	$ 2,333

The Association had no other property owned for the periods presented.

Additional impaired loan information is as follows:

(dollars in thousands)	June 30, 2021 Recorded Investment	June 30, 2021 Unpaid Principal Balance	June 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	**$ 4,164**	**$ 4,375**		$ 2,104	$ 2,454	
Production and intermediate-term	**162**	**214**		192	235	
Agribusiness	**-**	**107**		-	107	
Rural residential real estate	**38**	**39**		37	39	
Total	**$ 4,364**	**$ 4,735**		$ 2,333	$ 2,835	
Total impaired loans:						
Real estate mortgage	**$ 4,164**	**$ 4,375**	**$ -**	$ 2,104	$ 2,454	$ -
Production and intermediate-term	**162**	**214**	**-**	192	235	-
Agribusiness	**-**	**107**	**-**	-	107	-
Rural residential real estate	**38**	**39**	**-**	37	39	-
Total	**$ 4,364**	**$ 4,735**	**$ -**	$ 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 June 30, 2021 Average Impaired Loans	For the Three Months Ended June 30, 2021 Interest Income Recognized	For the Three Months Ended June 30, 2020 Average Impaired Loans	For the Three Months Ended June 30, 2020 Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 1,948**	**$ 14**	$ 2,466	$ 288
Production and intermediate-term	**162**	**-**	217	-
Rural residential real estate	**38**	**-**	28	-
Total	**$ 2,148**	**$ 14**	$ 2,711	$ 288
Total impaired loans:				
Real estate mortgage	**$ 1,948**	**$ 14**	$ 2,466	$ 288
Production and intermediate-term	**162**	**-**	217	-
Rural residential real estate	**38**	**-**	28	-
Total	**$ 2,148**	**$ 14**	$ 2,711	$ 288

(dollars in thousands)	**For the Six Months Ended June 30, 2021** Average Impaired Loans	Interest Income Recognized	For the Six Months Ended June 30, 2020 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Real estate mortgage	**$ -**	**$ -**	$ 465	$ -
Total	**$ -**	**$ -**	$ 465	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 2,011**	**$ 102**	$ 3,693	$ 301
Production and intermediate-term	**177**	**-**	221	-
Rural residential real estate	**38**	**-**	14	-
Total	**$ 2,226**	**$ 102**	$ 3,928	$ 301
Total impaired loans:				
Real estate mortgage	**$ 2,011**	**$ 102**	$ 4,158	$ 301
Production and intermediate-term	**177**	**-**	221	-
Rural residential real estate	**38**	**-**	14	-
Total	**$ 2,226**	**$ 102**	$ 4,393	$ 301

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

	June 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	$ 2,947	$ 2,567	$ 5,514	$ 828,625	$ 834,139	$ 2,310
Production and intermediate-term	189	-	189	398,490	398,679	-
Agribusiness	-	-	-	132,970	132,970	-
Rural infrastructure	-	-	-	42,712	42,712	-
Rural residential real estate	-	-	-	247	247	-
Total	$ 3,136	$ 2,567	$ 5,703	$ 1,403,044	$ 1,408,747	$ 2,310

(dollars in thousands)	December 31, 2020 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 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 March 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2021
Real estate mortgage	$ 677	$ -	$ -	$ (18)	$ 659
Production and intermediate-term	2,131	-	-	(63)	2,068
Agribusiness	435	-	-	(143)	292
Rural infrastructure	48	-	-	9	57
Total	$ 3,291	$ -	$ -	$ (215)	$ 3,076

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2021
Real estate mortgage	$ 709	$ -	$ -	$ (50)	$ 659
Production and intermediate-term	2,183	(4)	-	(111)	2,068
Agribusiness	274	-	-	18	292
Rural infrastructure	39	-	-	18	57
Total	$ 3,205	$ (4)	$ -	$ (125)	$ 3,076

(dollars in thousands)	Balance at March 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	$ 765	$ -	$ -	$ (11)	$ 754
Production and intermediate-term	2,128	-	-	221	2,349
Agribusiness	180	-	-	(31)	149
Rural infrastructure	8	-	-	4	12
Total	$ 3,081	$ -	$ -	$ 183	$ 3,264

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	$ 799	$ -	$ -	$ (45)	$ 754
Production and intermediate-term	2,096	(4)	-	257	$ 2,349
Agribusiness	122	-	-	27	149
Rural infrastructure	9	-	-	3	12
Total	$ 3,026	$ (4)	$ -	$ 242	$ 3,264

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 June 30		For the Six Months Ended June 30	
(dollars in thousands)	**2021**	2020	**2021**	2020
Balance at beginning of period	**$ 605**	$ 480	**$ 702**	$ 547
Provision for/(Reversal of) reserve for unfunded commitment	**(8)**	111	**(105)**	44
Total	**$ 597**	$ 591	**$ 597**	$ 591

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at June 30, 2021		Recorded Investments in Loans Outstanding Ending Balance at June 30, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 659	$ 4,164	$ 829,975
Production and intermediate-term	-	2,068	162	398,517
Agribusiness	-	292	-	132,970
Rural infrastructure	-	57	-	42,712
Rural residential real estate	-	-	38	209
Total	$ -	$ 3,076	$ 4,364	$ 1,404,383

	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 six months ended June 30, 2021 or June 30, 2020.

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the first six months of 2021 and 2020. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at June 30, 2021 and December 31, 2020. TDR volume at June 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)	**June 30, 2021**	December 31, 2020	**June 30, 2021**	December 31, 2020
Real estate mortgage	**$ 509**	$ 562	**$ -**	$ 53
Total	**$ 509**	$ 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 June 30, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	14.92%	15.56%	4.5%	2.5%	7.0%
Tier 1 capital ratio	14.92%	15.56%	6.0%	2.5%	8.5%
Total capital ratio	15.18%	15.83%	8.0%	2.5%	10.5%
Permanent capital ratio	15.30%	15.95%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	15.61%	16.40%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	17.59%	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:

(dollars in thousands)	For the Three Months Ended June 30 **2021**	2020	For the Six Months Ended June 30 **2021**	2020
Pension and other benefit plans:				
Beginning balance	**$ -**	$ (149)	**$ -**	$ (197)
Amounts reclassified from accumulated other comprehensive income/loss	**-**	48	**-**	96
Net current period other comprehensive income/(loss)	**-**	48	**-**	96
Ending balance	**$ -**	$ (101)	**$ -**	$ (101)

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

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

	Amount Reclassified from Accumulated Other Comprehensive Loss		
	For the Six Months Ended June 30		
(dollars in thousands)	**2021**	2020	Location of Gain/Loss Recognized in Statement of Income
Pension and other benefit plans: Net actuarial loss	**$ -**	$ 96	Salaries and employee benefits
Total reclassifications	**$ -**	$ 96	

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

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

The Association had no assets or liabilities measured at fair value on a non-recurring basis at June 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 August 9, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.