AgCarolina Farm Credit, ACA

THIRD QUARTER 2021

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2021 quarterly report of AgCarolina Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

B. Derek Potter
Chairman of the Board

David W. Corum
President
Chief Executive Officer

Matthew J. Currin
Senior Vice President
Chief Financial Officer

November 8, 2021

AgCarolina Farm Credit, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2021. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2021.

David W. Corum
President
Chief Executive Officer

Matthew J. Currin
Senior Vice President
Chief Financial Officer

November 8, 2021

AgCarolina Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgCarolina Farm Credit, ACA (Association) for the nine months ended September 30, 2021. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2020 annual report of the Association.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. The Association has returned to pre-pandemic working conditions in terms of employees returning to the office and resuming normal customer interactions, while following COVID-19 protocols.

The COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress has been made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by rising inflation, supply chain disruptions and labor shortages in the United States and globally.

See further discussion of business risks associated with COVID-19 in the 2020 Annual Report.

COVID-19 Support Programs

Since the onset of the COVID-19 pandemic, the U.S. government has taken a number of actions to help businesses, individuals, state/local governments, and educational institutions that have been adversely impacted by the economic disruption caused by the pandemic.

Since March 2021, the USDA rolled out the Pandemic Assistance initiative that provides assistance to producers and agricultural entities through various programs, which include, but are not limited to, the following:

- Pandemic Livestock Indemnity Program - provides financial assistance to support producers of eligible swine, chickens, and turkeys depopulated from March 1, 2020 through December 26, 2020. To be eligible, depopulation of poultry or livestock must have been due to insufficient processing access resulting from the COVID-19 pandemic;
- Pandemic Assistance for Timber Harvesters and Haulers Program - provides financial relief to timber harvesting and timber hauling businesses that experienced losses in 2020 due to COVID-19;
- Pandemic Cover Crop Program - for most insurance policies, provided premium support to producers who insured their spring crop and planted a qualifying cover crop during the 2021 crop year; and
- Specialty Crop Block Grant Program - funds innovative projects designed to support the expanding specialty crop food sector and explore new market opportunities for U.S. food and agricultural products.

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provides support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States. As of September 30, 2021, the Association had $11.6 million of loans outstanding to approximately 541 borrowers. In addition, through September 30, 2021, the volume of loans that have received forgiveness from the SBA since the start of the program was $11.7 million.

For a detailed discussion of programs enacted in 2020, see pages 5 and 6 of the 2020 Annual Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The five predominant commodities in the portfolio are tobacco, corn, forestry, soybeans, and rural rental real estate, which constitute $682,294 or 51.94 percent, of the net loan portfolio as of September 30, 2021. Other major farm commodities include poultry, cotton, and sweet potatoes. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on a given commodity.

The net loan volume of the Association as of September 30, 2021 was $1,261,241, an increase of $82,756 or 7.02 percent as compared to $1,178,485 at December 31, 2020. Net loans accounted for 95.75 percent of total assets at September 30, 2021 as compared to 95.12 percent of total assets at December 31, 2020. The increase in net loan volume during the reporting period is primarily attributed to growth in real estate loans and seasonal lending. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak in August and declines in the fall and winter months as farm commodities are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans decreased from $25,697 at December 31, 2020 to $16,151 on September 30, 2021. The balance has decreased due to payments being collected on larger loans and transfers back to accrual status.

Association management maintains an allowance for loan losses at a level considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2021 was $14,569, as compared to $14,071 at December 31, 2020, an increase of $498. The main reason for this increase was an increase in general reserves. The ratio of the allowance for loan losses to total loans at September 30, 2021 was 1.14 percent, which was slightly lower than the prior year end. The allowance was considered by management to be adequate to cover possible losses.

Other property owned was $287 as of September 30, 2021, which was up $287 compared to the balance at December 31, 2020. The increase was due to an addition of one acquired property.

RESULTS OF OPERATIONS

For the three months ended September 30, 2021

Net income for the three months ended September 30, 2021 totaled $5,475, a decrease of $6 or 0.11 percent, as compared to the same period of 2020. The primary reason for the decrease in net income as compared to the previous period is due to an increase in noninterest expense and a decrease in noninterest income.

For the three months ended September 30, 2021, total interest income increased by $278 compared to the same period of 2020. The increase in interest income is due to an increase in accrual interest income as a result of increased loan volume. Interest income from nonaccrual loans was $575 for the three months ended September 30, 2021, a decrease of $13 from the same period of 2020. Interest expense decreased $43 for the three months ended September 30, 2021, as compared to the same period of 2020. The decrease in interest expense is mainly attributed to decreased fixed and variable interest rates.

Noninterest income for the three months ended September 30, 2021 totaled $2,463 as compared to $2,937 for the same period of 2020, a decrease of $474. The overall decrease is primarily due to a decrease in fee income and net gains. Loan fees and fees for financially related services decreased a combined $161 for the period as compared to the prior year.

Noninterest expense for the three months ended September 30, 2021 was $5,736, an increase of $356, or 6.62 percent as compared to the same period of 2020. This increase is mostly due to an increase in other operating expenses.

For the nine months ended September 30, 2021

Net income for the nine months ended September 30, 2021 totaled $16,917, an increase of $1,419, or 9.16 percent, as compared to the same period of 2020. The primary reason for the increase in net income was an increase in noninterest income. At September 30, 2021, total interest income decreased by $2,243 compared to the same period in 2020. The decrease in interest income is mainly due to a decrease in fixed and variable interest rates.

Interest income from nonaccrual loans was $778 as of September 30, 2021, a decrease of $544 from the same period of 2020. Interest expense decreased $2,082 for the first nine months in 2021, as compared to the same period of 2020. The decrease in interest expense is attributed to decreased variable and fixed interest rates.

Noninterest income for the nine months ended September 30, 2021 totaled $10,722 as compared to $8,877 for the same period of 2020, an increase of $1,845. The increase is primarily due to an increase in fee income related to PPP loans.

Noninterest expense for the nine months ended September 30, 2021 was $17,734, an increase of $1,325 as compared to the same period of 2020. Salaries and employee benefits totaled $12,764 for the nine months ended September 30, 2021, for an increase of $733 or 6.09 percent, as compared to the same period of 2020. The increase is primarily due to increased hiring of employees.

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with AgFirst Farm Credit Bank (Bank) and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

Funding Sources

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association.

The total notes payable to the Bank at September 30, 2021 was $994,003 as compared to $915,503 at December 31, 2020. The 8.57 percent increase during the period was a result of an increase in loan volume.

The Association has no lines of credit outstanding with third parties as of September 30, 2021.

CAPITAL RESOURCES

Total members' equity at September 30, 2021, increased 9.74 percent to $308,200 from the December 31, 2020, total of $280,842. The increase is attributed to the net of an increase in retained earnings related to net income and an increase in preferred stock. Preferred stock was $39,957 as of September 30, 2021, as compared to $29,541 on December 31, 2020, for an increase of 35.26 percent.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum capital ratios, which are shown in the table below. As of September 30, 2021, all capital ratios were well above the minimum regulatory requirements.

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

The following sets forth the regulatory capital ratios, which were effective January 1, 2017:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of September 30, 2021
Risk-adjusted ratios:				
CET1 Capital	4.5%	0.625%	5.125%	19.38%
Tier 1 Capital	6.0%	0.625%	6.625%	19.38%
Total Capital	8.0%	0.625%	8.625%	20.51%
Permanent Capital Ratio	7.0%	0.0%	7.0%	22.76%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	19.54%
UREE Leverage Ratio	1.5%	0.0%	1.5%	19.57%

** The capital conservation buffers have a 3 year phase-in period and will become fully effective January 1, 2020. Risk-adjusted ratio minimums will increase 0.625% each year until fully phased in. There is no phase-in period for the tier 1 leverage ratio.*

REGULATORY MATTERS

On September 9, 2021, the FCA adopted a final rule that amended certain sections of the FCA's regulations to provide technical corrections, amendments, and clarification to certain provisions in the FCA's tier 1/tier 2 capital framework for the Farm Credit System. The rule incorporates guidance previously provided by the FCA related to its tier 1/tier 2 capital framework as well as ensures that the FCA's capital requirements continue to be comparable to the standardized approach that the other federal banking regulatory agencies have adopted. The final rule will become effective on January 1, 2022, or 30 days after publication in the Federal Register during which either house of Congress is in session, whichever is later.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period is open until January 24, 2022.

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit

System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period is open until November 27, 2021.

On September 23, 2019, the FCA issued a proposed rule that would ensure the System's capital requirements, including certain regulatory disclosures, reflect the current expected credit losses methodology, which revises the accounting for credit losses under U.S. generally accepted accounting principles. The proposed rule identifies which credit loss allowances under the Current Expected Credit Losses (CECL) methodology in the Financial Accounting Standards Board's "Measurement of Credit Losses on Financial Instruments" are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ended on November 22, 2019.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers and Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2020 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the table below.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts at the adoption date. • The guidance is expected to be adopted January 1, 2023.

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NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-919-250-9500, writing Matthew J. Currin, AgCarolina Farm Credit, ACA, P. O. Box 14789, Raleigh, NC 27620, or accessing the website, *www.agcarolina.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgCarolina Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2021 *(unaudited)*	December 31, 2020 *(audited)*
Assets		
Cash	**$ 49**	$ 4
Loans	**1,275,810**	1,192,556
Allowance for loan losses	**(14,569)**	(14,071)
Net loans	**1,261,241**	1,178,485
Accrued interest receivable	**17,864**	14,184
Equity investments in other Farm Credit institutions	**11,998**	11,981
Premises and equipment, net	**15,443**	11,858
Other property owned	**287**	—
Accounts receivable	**5,978**	18,419
Other assets	**4,375**	4,057
Total assets	**$ 1,317,235**	$ 1,238,988
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 994,003**	$ 915,503
Accrued interest payable	**1,725**	1,661
Patronage refunds payable	**5**	28,096
Accounts payable	**1,483**	1,204
Advanced conditional payments	**130**	9
Other liabilities	**11,689**	11,673
Total liabilities	**1,009,035**	958,146
Commitments and contingencies (Note 7)		
Members' Equity		
Capital stock and participation certificates	**43,965**	33,400
Retained earnings		
Allocated	**177,724**	177,724
Unallocated	**86,511**	69,718
Total members' equity	**308,200**	280,842
Total liabilities and members' equity	**$ 1,317,235**	$ 1,238,988

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

AgCarolina Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Interest Income				
Loans	**$ 13,960**	$ 13,682	**$ 38,834**	$ 41,077
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**5,206**	5,249	**14,553**	16,635
Net interest income	**8,754**	8,433	**24,281**	24,442
Provision for loan losses	**1**	509	**347**	1,412
Net interest income after provision for loan losses	**8,753**	7,924	**23,934**	23,030
Noninterest Income				
Loan fees	**530**	565	**4,343**	2,603
Fees for financially related services	**10**	136	**63**	204
Patronage refunds from other Farm Credit institutions	**2,028**	2,055	**5,953**	5,744
Gains (losses) on sales of premises and equipment, net	**94**	60	**330**	101
Gains (losses) on other transactions	**(199)**	121	**33**	(7)
Insurance Fund refunds	**—**	—	**—**	232
Total noninterest income	**2,463**	2,937	**10,722**	8,877
Noninterest Expense				
Salaries and employee benefits	**3,957**	4,044	**12,764**	12,031
Occupancy and equipment	**265**	208	**768**	698
Insurance Fund premiums	**391**	255	**1,094**	604
(Gains) losses on other property owned, net	**—**	23	**1**	165
Other operating expenses	**1,123**	850	**3,107**	2,911
Total noninterest expense	**5,736**	5,380	**17,734**	16,409
Income before income taxes	**5,480**	5,481	**16,922**	15,498
Provision for income taxes	**5**	—	**5**	—
Net income	**$ 5,475**	$ 5,481	**$ 16,917**	$ 15,498
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 5,475**	$ 5,481	**$ 16,917**	$ 15,498

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

AgCarolina Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2019	$ 30,162	$ 174,551	$ 68,879	$ 273,592
Comprehensive income			15,498	15,498
Capital stock/participation certificates issued/(retired), net	8,771			8,771
Dividends declared/paid	266		(266)	—
Patronage distribution adjustment		53	(214)	(161)
Balance at September 30, 2020	$ 39,199	$ 174,604	$ 83,897	$ 297,700
Balance at December 31, 2020	**$ 33,400**	**$ 177,724**	**$ 69,718**	**$ 280,842**
Comprehensive income			**16,917**	**16,917**
Capital stock/participation certificates issued/(retired), net	**10,441**			**10,441**
Dividends declared/paid	**124**		**(124)**	**—**
Balance at September 30, 2021	**$ 43,965**	**$ 177,724**	**$ 86,511**	**$ 308,200**

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

AgCarolina Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of AgCarolina Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A full description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association
There were no applicable Updates issued by the Financial Accounting Standards Board (FASB) during the period.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting.

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Update moves or references several disclosure requirements from Section 45 - Other Presentation Matters to Section 50 - Disclosures. It also includes minor changes to other guidance such as Cash Balance Plans, Unusual or Infrequent Items, Transfers and Servicing, Guarantees, Income Taxes, Foreign Currency, Imputation of Interest, Not For Profits and Real Estate Projects. The amendments had no impact on the statements of financial condition and results of operations.

- In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.

- In December 2019, the FASB issued ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments simplify the accounting for income taxes by removing the following exceptions:
  - Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income),
  - Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment,
  - Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and
  - Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

  The amendments also simplify the accounting for income taxes by doing the following:
  - Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax,
  - Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction,
  - Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority,
  - Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, and
  - Making minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method.

  For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Adoption of this guidance did not have a material impact on the statements of financial condition and results of operations.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	September 30, 2021	December 31, 2020
Real estate mortgage	$ 735,576	$ 683,095
Production and intermediate-term	450,024	411,724
Loans to cooperatives	2,579	4,488
Processing and marketing	39,829	47,451
Farm-related business	13,413	10,074
Communication	(2)	1,737
Power and water/waste disposal	310	9
Rural residential real estate	34,081	33,978
Total loans	$ 1,275,810	$ 1,192,556

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

	September 30, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,212	$ 29,133	$ –	$ –	$ –	$ –	$ 9,212	$ 29,133
Production and intermediate-term	19,411	76,653	4,205	219,546	–	–	23,616	296,199
Loans to cooperatives	2,585	–	–	–	–	–	2,585	–
Processing and marketing	13,329	22,589	1,271	–	–	–	14,600	22,589
Farm-related business	162	222	130	–	–	–	292	222
Power and water/waste disposal	311	–	–	–	–	–	311	–
Total	$ 45,010	$ 128,597	$ 5,606	$ 219,546	$ –	$ –	$ 50,616	$ 348,143

	December 31, 2020							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,556	$ 39,981	$ –	$ 1,387	$ –	$ –	$ 9,556	$ 41,368
Production and intermediate-term	17,955	60,609	3,991	173,159	–	–	21,946	233,768
Loans to cooperatives	4,492	–	–	–	–	–	4,492	–
Processing and marketing	19,890	26,569	1,171	–	–	–	21,061	26,569
Farm-related business	271	194	161	–	–	–	432	194
Communication	1,740	–	–	–	–	–	1,740	–
Power and water/waste disposal	10	–	–	–	–	–	10	–
Total	$ 53,914	$ 127,353	$ 5,323	$ 174,546	$ –	$ –	$ 59,237	$ 301,899

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	September 30, 2021	December 31, 2020
Real estate mortgage:		
Acceptable	91.94%	88.77%
OAEM	5.48	4.98
Substandard/doubtful/loss	2.58	6.25
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	88.36%	86.57%
OAEM	8.14	7.19
Substandard/doubtful/loss	3.50	6.24
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	92.23%	94.36%
OAEM	3.55	5.64
Substandard/doubtful/loss	4.22	–
	100.00%	100.00%

	September 30, 2021	December 31, 2020
Farm-related business:		
Acceptable	98.50%	97.15%
OAEM	0.37	0.48
Substandard/doubtful/loss	1.13	2.37
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Power and water/waste disposal		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	97.98%	97.90%
OAEM	1.48	1.22
Substandard/doubtful/loss	0.54	0.88
	100.00%	100.00%
Total loans:		
Acceptable	90.93%	88.61%
OAEM	6.19	5.60
Substandard/doubtful/loss	2.88	5.79
	100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	September 30, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 4,245	$ 3,083	$ 7,328	$ 739,277	$ 746,605
Production and intermediate-term	310	1,020	1,330	455,170	456,500
Loans to cooperatives	–	–	–	2,580	2,580
Processing and marketing	1,686	–	1,686	38,308	39,994
Farm-related business	17	152	169	13,314	13,483
Communication	–	–	–	(2)	(2)
Power and water/waste disposal	–	–	–	310	310
Rural residential real estate	95	–	95	34,109	34,204
Total	$ 6,353	$ 4,255	$ 10,608	$ 1,283,066	$ 1,293,674

	December 31, 2020				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 2,262	$ 4,210	$ 6,472	$ 684,971	$ 691,443
Production and intermediate-term	647	2,134	2,781	414,385	417,166
Loans to cooperatives	–	–	–	4,489	4,489
Processing and marketing	–	–	–	47,691	47,691
Farm-related business	139	179	318	9,814	10,132
Communication	–	–	–	1,737	1,737
Power and water/waste disposal	–	–	–	9	9
Rural residential real estate	–	1	1	34,072	34,073
Total	$ 3,048	$ 6,524	$ 9,572	$ 1,197,168	$ 1,206,740

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 5,583	$ 11,634
Production and intermediate-term	8,723	13,866
Processing and marketing	1,686	–
Farm-related business	152	179
Rural residential real estate	7	18
Total	$ 16,151	$ 25,697
Accruing restructured loans:		
Real estate mortgage	$ 1,968	$ 1,476
Production and intermediate-term	208	218
Total	$ 2,176	$ 1,694
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 18,327	$ 27,391
Other property owned	287	–
Nonperforming assets	$ 18,614	$ 27,391
Nonaccrual loans as a percentage of total loans	1.27%	2.15%
Nonperforming assets as a percentage of total loans and other property owned	1.46%	2.30%
Nonperforming assets as a percentage of capital	6.04%	9.75%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	September 30, 2021	December 31, 2020
Impaired nonaccrual loans:		
Current as to principal and interest	$ 10,140	$ 18,621
Past due	6,011	7,076
Total	$ 16,151	$ 25,697
Impaired accrual loans:		
Restructured	$ 2,176	$ 1,694
90 days or more past due	–	–
Total	$ 2,176	$ 1,694
Total impaired loans	$ 18,327	$ 27,391
Additional commitments to lend	$ 1,740	$ 3,740

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	September 30, 2021			Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:							
Real estate mortgage	$ 1,876	$ 1,868	$ 352	$ 2,374	$ 61	$ 2,486	$ 86
Production and intermediate-term	7,812	9,457	2,401	9,884	254	10,349	359
Processing and marketing	–	–	–	–	–	–	–
Farm-related business	–	–	–	–	–	–	–
Rural residential real estate	–	–	–	–	–	–	–
Total	$ 9,688	$ 11,325	$ 2,753	$ 12,258	$ 315	$ 12,835	$ 445
With no related allowance for credit losses:							
Real estate mortgage	$ 5,675	$ 7,871	$ –	$ 7,181	$ 185	$ 7,519	$ 261
Production and intermediate-term	1,119	2,565	–	1,416	36	1,483	51
Processing and marketing	1,686	1,700	–	2,133	55	2,234	77
Farm-related business	152	153	–	193	5	202	7
Rural residential real estate	7	106	–	9	–	9	–
Total	$ 8,639	$ 12,395	$ –	$ 10,932	$ 281	$ 11,447	$ 396
Total impaired loans:							
Real estate mortgage	$ 7,551	$ 9,739	$ 352	$ 9,555	$ 246	$ 10,005	$ 347
Production and intermediate-term	8,931	12,023	2,401	11,300	290	11,832	410
Processing and marketing	1,686	1,700	–	2,133	55	2,234	77
Farm-related business	152	152	–	193	5	202	7
Rural residential real estate	7	106	–	9	–	9	–
Total	$ 18,327	$ 23,720	$ 2,753	$ 23,190	$ 596	$ 24,282	$ 841

Impaired loans:	December 31, 2020 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2020 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 3,398	$ 3,587	$ 352	$ 3,395	$ 247
Production and intermediate-term	9,378	11,021	2,217	9,368	680
Farm-related business	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 12,776	$ 14,608	$ 2,569	$ 12,763	$ 927
With no related allowance for credit losses:					
Real estate mortgage	$ 9,712	$ 11,971	$ –	$ 9,701	$ 704
Production and intermediate-term	4,706	6,221	–	4,700	341
Farm-related business	179	190	–	179	13
Rural residential real estate	18	201	–	18	1
Total	$ 14,615	$ 18,583	$ –	$ 14,598	$ 1,059
Total impaired loans:					
Real estate mortgage	$ 13,110	$ 15,558	$ 352	$ 13,096	$ 951
Production and intermediate-term	14,084	17,242	2,217	14,068	1,021
Farm-related business	179	190	–	179	13
Rural residential real estate	18	201	–	18	1
Total	$ 27,391	$ 33,191	$ 2,569	$ 27,361	$ 1,986

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	Total
Activity related to the allowance for credit losses:							
Balance at June 30, 2021	$ 7,099	$ 6,449	$ 638	$ 16	$ –	$ 313	$ 14,515
Charge-offs	–	–	–	–	–	–	–
Recoveries	40	13	–	–	–	–	53
Provision for loan losses	32	109	(126)	(16)	3	(1)	1
Balance at September 30, 2021	$ 7,171	$ 6,571	$ 512	$ –	$ 3	$ 312	$ 14,569
Balance at December 31, 2020	$ 6,942	$ 6,193	$ 594	$ 17	$ –	$ 325	$ 14,071
Charge-offs	(3)	(54)	–	–	–	–	(57)
Recoveries	91	117	–	–	–	–	208
Provision for loan losses	141	315	(82)	(17)	3	(13)	347
Balance at September 30, 2021	$ 7,171	$ 6,571	$ 512	$ –	$ 3	$ 312	$ 14,569
Balance at June 30, 2020	$ 6,467	$ 7,676	$ 537	$ 17	$ –	$ 332	$ 15,029
Charge-offs	(25)	(45)	–	–	–	–	(70)
Recoveries	23	39	–	–	–	–	62
Provision for loan losses	(81)	650	(34)	(2)	–	(24)	509
Balance at September 30, 2020	$ 6,384	$ 8,320	$ 503	$ 15	$ –	$ 308	$ 15,530
Balance at December 31, 2019	$ 6,504	$ 7,297	$ 527	$ 17	$ –	$ 333	$ 14,678
Charge-offs	(542)	(110)	–	–	–	–	(652)
Recoveries	41	51	–	–	–	–	92
Provision for loan losses	381	1,082	(24)	(2)	–	(25)	1,412
Balance at September 30, 2020	$ 6,384	$ 8,320	$ 503	$ 15	$ –	$ 308	$ 15,530
Allowance on loans evaluated for impairment:							
Individually	$ 352	$ 2,401	$ –	$ –	$ –	$ –	$ 2,753
Collectively	6,819	4,170	512	–	3	312	11,816
Balance at September 30, 2021	$ 7,171	$ 6,571	$ 512	$ –	$ 3	$ 312	$ 14,569
Individually	$ 352	$ 2,217	$ –	$ –	$ –	$ –	$ 2,569
Collectively	6,590	3,976	594	17	–	325	11,502
Balance at December 31, 2020	$ 6,942	$ 6,193	$ 594	$ 17	$ –	$ 325	$ 14,071
Recorded investment in loans evaluated for impairment:							
Individually	$ 7,551	$ 8,931	$ 1,838	$ –	$ –	$ 7	$ 18,327
Collectively	739,054	447,569	54,219	(2)	310	34,197	1,275,347
Balance at September 30, 2021	$ 746,605	$ 456,500	$ 56,057	$ (2)	$ 310	$ 34,204	$ 1,293,674
Individually	$ 13,110	$ 14,084	$ 179	$ –	$ –	$ 18	$ 27,391
Collectively	678,333	403,082	62,133	1,737	9	34,055	1,179,349
Balance at December 31, 2020	$ 691,443	$ 417,166	$ 62,312	$ 1,737	$ 9	$ 34,073	$ 1,206,740

**Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*

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 following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. There were no new TDRs that occurred during the three months ended September 30, 2020.

	Three Months Ended September 30, 2021				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	$ –	$ 29	$ –	$ 29	
Total	$ –	$ 29	$ –	$ 29	
Post-modification:					
Production and intermediate-term	$ –	$ 29	$ –	$ 29	$ –
Total	$ –	$ 29	$ –	$ 29	$ –

	Nine Months Ended September 30, 2021				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 40	$ 1,026	$ 1,066	
Production and intermediate-term	–	5,707	456	6,163	
Total	$ –	$ 5,747	$ 1,482	$ 7,229	
Post-modification:					
Real estate mortgage	$ –	$ 40	$ 1,050	$ 1,090	$ (10)
Production and intermediate-term	–	7,606	457	8,063	(15)
Total	$ –	$ 7,646	$ 1,507	$ 9,153	$ (25)

	Nine Months Ended September 30, 2020				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 1,645	$ –	$ 1,645	
Production and intermediate-term	–	4,683	–	4,683	
Total	$ –	$ 6,328	$ –	$ 6,328	
Post-modification:					
Real estate mortgage	$ –	$ 1,645	$ –	$ 1,645	$ –
Production and intermediate-term	–	6,173	–	6,173	(1)
Total	$ –	$ 7,818	$ –	$ 7,818	$ (1)

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	$ 3,119	$ 3,794	$ 1,151	$ 2,318
Production and intermediate-term	7,597	5,632	7,389	5,414
Total loans	$ 10,716	$ 9,426	$ 8,540	$ 7,732
Additional commitments to lend	$ 440	$ 2,121		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 4.21 percent of the issued stock of the Bank as of September 30, 2021 net of any reciprocal investment. As of that date, the Bank's assets totaled $37.9 billion and shareholders' equity totaled $2.7 billion. The Bank's earnings were $357 million for the first nine months of 2021. In addition, the Association held investments of $666 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities could also include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	September 30, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets held in trust funds	$ 4,271	$ 4,271	$ –	$ –	$ 4,271
Recurring Assets	$ 4,271	$ 4,271	$ –	$ –	$ 4,271
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans*	$ 7,089	$ –	$ –	$ 7,089	$ 7,089
Other property owned	287	–	–	320	320
Nonrecurring Assets	$ 7,376	$ –	$ –	$ 7,409	$ 7,409
Other Financial Instruments					
Assets:					
Cash	$ 49	$ 49	$ –	$ –	$ 49
Loans	1,254,152	–	–	1,244,986	1,244,986
Accounts receivable	5,978	5,978	–	–	5,978
Other Financial Assets	$ 1,260,179	$ 6,027	$ –	$ 1,244,986	$ 1,251,013
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 994,003	$ –	$ –	$ 990,056	$ 990,056
Other Financial Liabilities	$ 994,003	$ –	$ –	$ 990,056	$ 990,056

	December 31, 2020				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 3,978	$ 3,978	$ –	$ –	$ 3,978
Recurring Assets	$ 3,978	$ 3,978	$ –	$ –	$ 3,978
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans**	$ 12,087	$ –	$ –	$ 12,087	$ 12,087
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 12,087	$ –	$ –	$ 12,087	$ 12,087
Other Financial Instruments					
Assets:					
Cash	$ 4	$ 4	$ –	$ –	$ 4
Loans	1,166,398	–	–	1,173,281	1,173,281
Accounts receivable	18,419	18,419	–	–	18,419
Other Financial Assets	$ 1,184,821	$ 18,423	$ –	$ 1,173,281	$ 1,191,704
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 915,503	$ –	$ –	$ 921,295	$ 921,295
Other Financial Liabilities	$ 915,503	$ –	$ –	$ 921,295	$ 921,295

**Carrying value of impaired loans is the balance of loans with a related specific reserve ($9,688) less related specific reserves ($2,753) associated with impaired loans plus impaired loans with no specific reserve with an associated charge-off ($154).*

***Carrying value of impaired loans is the balance of loans with a related specific reserve ($12,776) less related specific reserves ($2,569) associated with impaired loans plus impaired loans with no specific reserve with an associated charge-off ($1,880).*

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 7,409	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
			Collateral discounts	10-50%

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Accounts receivable	Carrying value	Par/principal
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

Note 6 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pension	$ 527	$ 432	$ 1,580	$ 1,295
401(k)	196	183	687	650
Other postretirement benefits	92	101	281	309
Total	$ 815	$ 716	$ 2,548	$ 2,254

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2021.

Further details regarding employee benefit plans are contained in the 2020 Annual Report to Shareholders.

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 8 — Subsequent Events

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through November 8, 2021, which was the date the financial statements were issued.

On October 18, 2021, AgFirst's Board of Directors indicated an intention to declare, in December 2021, a special patronage distribution. The Association will receive between approximately $11,197 and $11,663 which will be recorded as patronage refunds from other Farm Credit institutions.