

**First Quarter
Financial Report
March 31, 2021**



Farm Credit Services *of* America
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Farm Credit Services of America, ACA

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

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of America, ACA, and its subsidiaries (Farm Credit Services of America). The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2020 Annual Report for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of America, ACA. To request a free copy of the AgriBank, FCB financial reports or additional copies of our report contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via electronic mail to [\\$sr@fcsamerica.com](mailto:$sr@fcsamerica.com) or view them at our Web site, www.fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or via electronic mail to: financialreporting@agribank.com. The AgriBank, financial reports are also available through AgriBank, FCB's Web site at www.agribank.com.

Forward-Looking Information

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

Commodity Review and Outlook Update

Repayment capacity for our loans is largely dependent upon income derived from corn, soybeans, hogs and cattle, of somewhat less significance are wheat, dairy and poultry.

Crop prices remained strong over the past quarter supported by continued strong export demand and an initial prospective planting report that reflects projected corn and soybean acres below estimates. Strong crop prices combined with elevated levels of federal payments contributed to strong financial performance across the grain sector. Price forecasts for cash grains are favorable and well above the cost of production for most producers.

Fed cattle prices continued to strengthen during the first quarter, however elevated feed costs continued to restrict profitability across the sector. Pork prices rallied significantly during the past quarter supported by anticipated lower production in 2021 and renewed concern over African Swine Fever in China. Despite elevated feed costs, this increase in pork prices contributed to significant profit opportunities for swine producers. Consistent with historical seasonal patterns, egg prices rallied during the first quarter contributing to strong profit margins. Since that time, prices have dropped and it is anticipated that feed costs and continued elevated supply will continue to pressure profitability for the remainder of 2021.

Operating loan renewals and the receipt of customer financial information is seasonally concentrated in the first quarter of each fiscal year. Our review of customer financial information reflected strong profitability across the grain sector. Profit levels across the protein sector were largely dependent on feeding programs and the marketing strategy of individual producers. Strong levels of federal aid tied to the COVID-19 pandemic continued to provide support across all sectors of agriculture. With a higher concentration in the grain sectors, we saw significant improvement in the overall credit quality of our portfolio.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2020 Annual Report for further analysis of farmland prices and industry conditions.

Refer to the last section of the Management's Discussion & Analysis in this report for further analysis of Other Matters, COVID-19.

Loan Portfolio

Total loans were \$32.7 billion at March 31, 2021, an increase of \$478 million, or 1.5 percent from year end. The increase was primarily due to an increase in long-term agricultural mortgage loans.

We recorded a \$23.7 million reversal of our provision for credit losses for the first three months of 2021, as compared with recording a provision of \$1.8 million reversal during the first three months of 2020. The reversal is due to overall credit quality improvement, predominantly in the grain industry followed by the beef feedlot and cow/calf industries. Additionally, fewer market disruptions than initially thought likely due to COVID-19 were experienced therefore the environmental adjustment was removed from the provision. Net charge-offs for the first three months of 2021 were \$327 thousand compared to net charge offs of \$2.2 million in the same period a year ago.

The following table summarizes risk assets and delinquency information (dollars in thousands):

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Risk loans:		
Nonaccrual	\$ 151,448	\$ 167,524
Restructured	32,284	31,503
90 days past due still accruing interest*	<u>5,845</u>	<u>2,338</u>
Total risk loans	<u>189,577</u>	<u>201,365</u>
Other property owned, net	<u>10,271</u>	<u>10,271</u>
Total risk assets	<u>\$ 199,848</u>	<u>\$ 211,636</u>
Risk loans as a percentage of total loans	0.57%	0.62%
Nonaccrual loans as a percentage of total loans	0.46%	0.51%
Current nonaccrual loans as a percentage of total nonaccrual loans	70.7%	65.7%
Total delinquencies as a percentage of total loans	0.43%	0.41%

*Accruing loans include accrued interest receivable.

Total risk loans have decreased since year-end due to a decrease in nonaccrual loans slightly offset by an increase in 90 days past due still accruing interest. The decrease in nonaccrual loans is primarily due to accounts in the grain and beef feedlot portfolios partially offset by an increase in the electrical services/generation portfolio. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

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

Comparative allowance coverage of various loan categories follows:

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Allowance as a percentage of:		
Total loans	0.39%	0.47%
Nonaccrual loans	85.18%	90.73%
Total risk loans	68.05%	75.48%

Our adversely classified assets decreased during the first three months of 2021 ending the quarter at 4.83 percent of the portfolio, compared to 5.95 percent of the portfolio at December 31, 2020. Adversely classified are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses, and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2021.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the three months ended	
	March 31,	
	<u>2021</u>	<u>2020</u>
Net income (in thousands)	\$186,937	\$172,638
Return on average assets	2.25%	2.24%
Return on average members' equity	12.21%	11.81%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the three months ended March 31, 2021 compared to the same period in 2020 are outlined in the following table (dollars in thousands):

<u>Increase (decrease) in net income</u>	<u>2021 vs. 2020</u>
Net interest income	(\$ 606)
Provision for credit losses	21,863
Noninterest income	5,051
Noninterest expense	(10,937)
Provision for income taxes, net	<u>(1,072)</u>
Total change in net income	<u>\$14,299</u>

Net interest income was \$190.9 million for the first three months of 2021 compared to \$191.5 million for the first three months of 2020. The annualized net interest margin was 2.39 percent for the first three months of 2021, compared to 2.60 percent for the same period in 2020.

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the three months ended March 31 (dollars in thousands):

	<u>2021 vs. 2020</u>
Change in volume	\$17,781
Change in rates	(18,046)
Change in nonaccrual income	<u>(341)</u>
Net change	<u>(\$ 606)</u>

The decrease in net interest income is due to lower interest rate spreads and less earnings on equity.

The variance in the provision for credit losses reflects our assessment of risk in the loan portfolio.

The increase in noninterest income is primarily due to an increase in AgDirect, LLP program fees due to the high volume of AgDirect loan activity and loan fees due to the loans processed under the Paycheck Protection Program in addition to Rural 1st fees. The increased fee income was slightly offset by no FCSIC insurance refund this year.

The increase in noninterest expense is primarily due to salary, benefits and other expenses for increased staffing levels to support business initiatives and an increase in insurance fund premium.

Farm Credit Services of America recorded \$5.7 million of operating expense credits under the income and expense sharing provisions of the alliance agreement in the first three months of 2021 compared to \$4.7 million for the first three months of 2020. Refer to Note 1 in our 2020 Annual Report for additional information on the alliance.

We may receive patronage from AgriBank, FCB and other Farm Credit Institutions. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the three months ended	
	March 31,	
	2021	2020
Patronage from AgriBank	\$35,334	\$33,642
AgDirect patronage distribution	2,702	2,682
Other patronage	829	1,326
Total patronage income	<u>\$38,865</u>	<u>\$37,650</u>

Funding, Liquidity and Members' Equity

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit. Our note payable matures in June 2022 at which time the note will be renegotiated, if not sooner. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as Farm Credit Services of America is a stockholder of AgriBank, FCB we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2021 or December 31, 2020.

Our members' equity increased to \$6.36 billion at March 31, 2021 compared to \$6.18 billion at December 31, 2020. The increase was due to the net income recorded for the first three months of 2021.

Farm Credit Administration regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2020 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section.

	As of March 31, 2021	As of December 31, 2020	Regulatory Minimums	Minimums with Buffers
Risk-adjusted:				
Common equity tier 1 ratio	15.54%	16.06%	4.5%	7.0%
Tier 1 capital ratio	15.54%	16.06%	6.0%	8.5%
Total capital ratio	16.01%	16.55%	8.0%	10.5%
Permanent capital ratio	15.61%	16.13%	7.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	16.75%	17.32%	4.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	17.79%	18.35%	1.5%	1.5%

Other Matters - COVID-19

The Association has not seen a material adverse impact from the COVID-19 pandemic. While various geographic locations continue to see elevated rates of infection and hospitalization rates, vaccination efforts have accelerated and the primary recessionary pressures are showing signs of easing and federal aid to both agriculture and the general economy has provided financial support and assistance to partially mitigate the financial impact. Commodity prices for the primary industries financed have recovered with near term forecasts reflecting breakeven to positive profit margins for most producers.

The United States government instituted various programs in support of the COVID-19 economic recovery in early 2020 and early 2021. These programs made available for small businesses approximately \$813.5 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the United States Small Business Administration (SBA). Since beginning the program, we have successfully processed \$187.4 million in PPP loans for customers with Production and Intermediate Term type loans. To date, \$32.7 million have been forgiven.

Despite volatility and uncertainty in the market, we have weathered the significant challenges presented by the current operating environment and our operations are fully functioning. Our business continuity response has allowed us to continue to serve our customers and the remote work environment has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely or due to limited staff.

We do not anticipate additional material deterioration in overall credit quality levels while delinquency and provision expense levels are projected to be stable.

Certification

This report has been prepared under the oversight of the Board's Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.



Mark Jensen
President and CEO
May 3, 2021



Steve Henry
Chairperson, ACA Board of Directors
May 3, 2021



Craig P. Kinnison
Executive Vice-President and CFO
May 3, 2021

Farm Credit Services of America, ACA Consolidated Balance Sheets

(dollars in thousands)

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Loans	\$32,684,729	\$32,206,504
Allowance for loan losses	129,000	152,000
Net loans	32,555,729	32,054,504
Cash	35,571	57,690
Accrued interest receivable	337,335	418,161
Investment in AgriBank, FCB	726,223	710,310
Investment in AgDirect, LLP	75,980	74,087
Premises and equipment, net	238,693	243,615
Other property owned	10,271	10,271
Investment in RBIC	27,539	25,797
Deferred tax asset, net	6,217	5,731
Other assets	98,474	78,059
Total assets	<u>\$34,112,032</u>	<u>\$33,678,225</u>
LIABILITIES		
Notes payable	\$27,433,416	\$26,876,605
Accrued interest payable	93,375	93,089
Patronage payable	62,303	339,000
Reserve for unfunded lending commitments	13,000	14,000
Other liabilities	146,068	178,597
Total liabilities	<u>27,748,162</u>	<u>27,501,291</u>
Commitments and contingencies (Note 5)		
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	93,567	92,081
Class E common stock	3,755	3,764
Less: Capital stock receivable	(97,322)	(95,845)
Retained earnings	6,363,870	6,176,934
Total members' equity	<u>6,363,870</u>	<u>6,176,934</u>
Total liabilities and members' equity	<u>\$34,112,032</u>	<u>\$33,678,225</u>

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

Farm Credit Services of America, ACA Consolidated Statements of Income

(dollars in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2021	2020
NET INTEREST INCOME		
Interest income	\$284,372	\$337,495
Interest expense	93,500	146,017
Net interest income	190,872	191,478
Reversal of provision for credit losses	(23,673)	(1,810)
Net interest income after provision for credit losses	214,545	193,288
NONINTEREST INCOME		
Patronage income from AgriBank, FCB	35,334	33,642
Insurance fund refund	-	6,359
Loan fees	14,289	7,863
Insurance services	1,387	2,949
AgDirect program fees	19,542	15,467
Patronage income from AgDirect, LLP	2,702	2,682
Servicing fee income from AgriBank, FCB	397	184
Rural 1st program fees	1,733	709
Gain on other property owned	116	1,368
Gain (loss) on RBIC	1,807	(870)
Other noninterest income	2,419	4,322
Total noninterest income	79,726	74,675
NONINTEREST EXPENSE		
Salaries and employee benefits	65,125	61,869
Occupancy and equipment expense	11,722	9,627
Insurance fund premiums	11,010	5,158
Other operating expenses	16,728	16,994
Total noninterest expense	104,585	93,648
Income before income taxes	189,686	174,315
Provision for income taxes	2,749	1,677
Net income	<u>\$186,937</u>	<u>\$172,638</u>

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

Farm Credit Services of America, ACA Consolidated Statement of Changes in Members' Equity

(dollars in thousands)
(unaudited)

	<u>At-risk Capital</u>		<u>Total Members' Equity</u>
	<u>Capital Stock</u>	<u>Retained Earnings</u>	
Balance at December 31, 2019	\$ 89,629	\$5,822,550	\$5,912,179
Net income		172,638	172,638
Patronage accrual adjustment		(1,494)	(1,494)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	3,973		3,973
Release of customer stock receivable associated with retired stock	(2,734)		(2,734)
Less: Capital stock receivable	(90,868)		(90,868)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$5,993,694</u>	<u>\$5,993,694</u>
Balance at December 31, 2020	\$ -	\$6,176,934	\$6,176,934
Net income		186,937	186,937
Patronage accrual adjustment		(1)	(1)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	4,613		4,613
Release of customer stock receivable associated with retired stock	(3,136)		(3,136)
Less: Capital stock receivable	(1,477)		(1,477)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$6,363,870</u>	<u>\$6,363,870</u>

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ended December 31, 2021. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2020 Annual Report for the year ended December 31, 2020.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the Financial Accounting Standards Board issued 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur. The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate. During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 “Measurement of Credit Losses on Financial Instruments”. The guidance was originally effective for non-United States Securities Exchange Commission filers for the first quarter of 2021. In November 2019, the Financial Accounting Standards Board issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted. The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. Implementation efforts are underway and include the development and testing of our system, data requirements, guidance interpretation and related accounting policy decisions, and consideration of relevant internal processes and controls. We are currently unable to estimate the impact on our financial statements.

Refer to Note 2 in our 2020 Annual Report for additional information on other accounting standards that have been issued but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	March 31, 2021		December 31, 2020	
	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	\$20,016,076	61.2 %	\$19,321,012	60.0 %
Production and intermediate term	6,367,965	19.5	6,732,401	20.8
Agribusiness	3,691,203	11.3	3,561,409	11.1
Rural residential real estate	1,094,131	3.4	1,145,324	3.6
Rural infrastructure	920,131	2.8	870,928	2.7
Mission-related investments	467,225	1.4	477,332	1.5
Agricultural export finance	127,998	0.4	98,098	0.3
Total loans	<u>\$32,684,729</u>	<u>100.0 %</u>	<u>\$32,206,504</u>	<u>100.0 %</u>

Credit Quality

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

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

We had no loans categorized as loss at March 31, 2021 or December 31, 2020.

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 (dollars in thousands):

	As of March 31, 2021						Total Amount
	Acceptable		OAEM		Substandard/Doubtful		
	Amount	%	Amount	%	Amount	%	
Long-term agricultural mortgage	\$18,267,746	90.21%	\$ 963,344	4.76%	\$1,019,915	5.03%	\$20,251,005
Production and intermediate term	5,469,263	85.49%	496,814	7.77%	431,137	6.74%	6,397,214
Agribusiness	3,403,242	91.70%	221,068	5.96%	87,054	2.34%	3,711,364
Rural residential real estate	1,019,476	92.67%	31,764	2.89%	48,876	4.44%	1,100,116
Rural infrastructure	910,282	98.24%	7,814	0.84%	8,525	0.92%	926,621
Mission-related investments	507,530	100.00%	-	-	-	-	507,530
Agricultural export finance	128,214	100.00%	-	-	-	-	128,214
Total	<u>\$29,705,753</u>	<u>89.96%</u>	<u>\$1,720,804</u>	<u>5.21%</u>	<u>\$1,595,507</u>	<u>4.83%</u>	<u>\$33,022,064</u>

	As of December 31, 2020						Total Amount
	Acceptable		OAEM		Substandard/Doubtful		
	Amount	%	Amount	%	Amount	%	
Long-term agricultural mortgage	\$17,234,691	87.87%	\$1,130,440	5.76%	\$1,250,124	6.37%	\$19,615,255
Production and intermediate term	5,593,153	82.52%	625,256	9.22%	559,823	8.26%	6,778,232
Agribusiness	3,272,644	91.40%	236,122	6.59%	71,812	2.01%	3,580,578
Rural residential real estate	1,057,558	91.65%	40,003	3.47%	56,371	4.88%	1,153,932
Rural infrastructure	866,475	98.79%	7,993	0.91%	2,613	0.30%	877,081
Mission-related investments	520,991	100.00%	-	-	-	-	520,991
Agricultural export finance	98,596	100.00%	-	-	-	-	98,596
Total	<u>\$28,644,108</u>	<u>87.80%</u>	<u>\$2,039,814</u>	<u>6.25%</u>	<u>\$1,940,743</u>	<u>5.95%</u>	<u>\$32,624,665</u>

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (dollars in thousands):

<u>As of March 31, 2021</u>	30-89 Days	90 Days or	Total	Not Past Due	Total	90 Days or
	Past Due	More Past Due	Past Due	or Less Than	Loans	More Past Due
				30 Days		and Accruing
				Past Due		
Long-term agricultural mortgage	\$ 21,236	\$23,468	\$ 44,704	\$20,206,301	\$20,251,005	\$2,480
Production and intermediate term	66,141	11,063	77,204	6,320,010	6,397,214	1,133
Agribusiness	3,609	218	3,827	3,707,537	3,711,364	-
Rural residential real estate	1,765	2,399	4,164	1,095,952	1,100,116	-
Rural infrastructure	-	-	-	926,621	926,621	-
Mission-related investments	8,734	2,232	10,966	496,564	507,530	2,232
Agricultural export finance	-	-	-	128,214	128,214	-
Total	<u>\$101,485</u>	<u>\$39,380</u>	<u>\$140,865</u>	<u>\$32,881,199</u>	<u>\$33,022,064</u>	<u>\$5,845</u>

<u>As of December 31, 2020</u>	30-89 Days	90 Days or	Total	Not Past Due	Total	90 Days or
	Past Due	More Past Due	Past Due	or Less Than	Loans	More Past Due
				30 Days		and Accruing
				Past Due		
Long-term agricultural mortgage	\$29,239	\$ 23,782	\$53,021	\$19,562,234	\$19,615,255	\$360
Production and intermediate term	31,001	14,381	45,382	6,732,850	6,778,232	393
Agribusiness	98	5,633	5,731	3,574,847	3,580,578	-
Rural residential real estate	2,299	2,178	4,477	1,149,455	1,153,932	-
Rural infrastructure	-	-	-	877,081	877,081	-
Mission-related investments	24,354	1,585	25,939	495,052	520,991	1,585
Agricultural export finance	-	-	-	98,596	98,596	-
Total	<u>\$86,991</u>	<u>\$47,559</u>	<u>\$134,550</u>	<u>\$32,490,115</u>	<u>\$32,624,665</u>	<u>\$2,338</u>

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Accruing loans include principal and interest. The following tables present information concerning risk loans (dollars in thousands):

	As of March 31,	
	<u>2021</u>	<u>2020</u>
Risk loans with specific allowance	<u>\$ 15,684</u>	<u>\$ 43,246</u>
Risk loans without specific allowance	<u>173,893</u>	<u>227,048</u>
Total risk loans	<u><u>\$189,577</u></u>	<u><u>\$270,294</u></u>
Total specific allowance	<u><u>\$7,260</u></u>	<u><u>\$15,531</u></u>
	For the three months ended	
	March 31,	
	<u>2021</u>	<u>2020</u>
Interest income recognized on nonaccrual loans	<u>\$ 888</u>	<u>\$1,229</u>
Interest income recognized on risk accrual loans	<u>689</u>	<u>830</u>
Interest income recognized on risk loans	<u><u>\$1,577</u></u>	<u><u>\$2,059</u></u>
Average risk loans	<u><u>\$230,181</u></u>	<u>\$316,488</u>

There were approximately \$5.0 million in commitments to lend additional funds to customers whose loans were at risk at March 31, 2021.

Troubled Debt Restructurings

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

The following table presents information regarding troubled debt restructurings that occurred during the period ended March 31 (dollars in thousands):

	2021		2020	
	Premodification Outstanding <u>Recorded Investment</u>	Postmodification Outstanding <u>Recorded Investment</u>	Premodification Outstanding <u>Recorded Investment</u>	Postmodification Outstanding <u>Recorded Investment</u>
Production and intermediate term	<u>\$588</u>	<u>\$488</u>	<u>\$272</u>	<u>\$272</u>

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

The following table presents information regarding troubled debt restructurings that occurred within the previous twelve months for which there was a subsequent payment default during the period ended March 31 (dollars in thousands):

	2021	2020
	<u>Recorded Investment</u>	<u>Recorded Investment</u>
Long-term agricultural mortgage	<u>\$ -</u>	<u>\$7,490</u>

There were \$1.4 million in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at March 31, 2021.

The following table presents troubled debt restructurings outstanding at:

TDRs Outstanding (in thousands)	March 31, 2021	December 31, 2020
As of:		
Accrual status:		
Long-term agricultural mortgage	\$21,327	\$21,229
Production and intermediate term	10,908	10,225
Agribusiness	-	-
Rural residential real estate	49	49
Total TDRs in accrual status	<u>\$32,284</u>	<u>\$31,503</u>
Nonaccrual status:		
Long-term agricultural mortgage	\$ 9,576	\$10,501
Production and intermediate term	2,141	2,078
Agribusiness	333	659
Rural residential real estate	-	-
Total TDRs in nonaccrual status	<u>\$12,050</u>	<u>\$13,238</u>
Total TDRs:		
Long-term agricultural mortgage	\$30,903	\$31,730
Production and intermediate term	13,049	12,303
Agribusiness	333	659
Rural residential real estate	49	49
Total TDRs	<u>\$44,334</u>	<u>\$44,741</u>

Allowance for Loan Losses

An analysis of changes in the allowance for credit losses follows (dollars in thousands):

Allowance for loan losses	March 31,	
	2021	2020
Balance at beginning of year	\$152,000	\$163,000
Reversal of provision for loan losses	(22,673)	(1,810)
Charge-offs	(976)	(2,891)
Recoveries	649	701
Balance at end of quarter	<u>\$129,000</u>	<u>\$159,000</u>

Reserve for unfunded lending commitments	March 31,	
	2021	2020
Balance at beginning of year	\$14,000	\$11,000
Reversal of provision for credit losses for unfunded lending commitments	(1,000)	-
Balance at end of quarter	<u>\$13,000</u>	<u>\$11,000</u>

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

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in six Rural Business Investment Companies (RBIC). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. As of March 31, 2021, our current total commitment is \$100.0 million of which \$64.9 million is unfunded with varying commitment end dates through December 2030. Certain commitments may have an option to extend under specific circumstances.

Note 4 – Fair Value Measurements

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

We did not have any material assets or liabilities measured at fair value on a recurring basis at March 31, 2021, or December 31, 2020. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

As of March 31, 2021	<u>Fair Value Measurement Using</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Loans	-	-	\$13,213	\$13,213
Other property owned	-	-	\$10,271	\$10,271

As of December 31, 2020	<u>Fair Value Measurement Using</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Loans	-	-	\$20,268	\$20,268
Other property owned	-	-	\$10,271	\$10,271

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

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they fall under Level 3.

Note 5- Commitments and Contingencies

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

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a Rural Business Investment Company. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through May 3, 2021 which is the date the financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.