

**Third Quarter
Financial Report
September 30, 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 earnings derived from corn, soybeans, hogs and cattle. Of somewhat less significance are wheat, dairy and poultry.

In response to anticipation of a larger crop than initially expected, prices for corn and soybeans softened during the quarter. Despite this reduction in market prices, we anticipate positive profit margins for most producers. Drought conditions have eased across a majority of the region; however, pockets of short crops will exist with lost revenue being partially offset by strong crop insurance prices. Despite continued high feed costs, strong domestic and export demand for both beef and pork continue to provide profit opportunities.

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 \$33.5 billion at September 30, 2021, an increase of \$1.3 billion, or 4.1 percent from year-end. The increase was primarily due to an increase in long-term agricultural mortgage loans offset slightly by a decrease in production and intermediate term loans.

We recorded a \$75.2 million reversal of our provision for credit losses for the first nine months of 2021, as compared with recording a \$7.3 million provision for credit losses during the first nine months of 2020. This is due to overall credit quality improvement, predominantly in the grain, and cow/calf portfolios. Additionally, we incorporated a change in our estimated collateral values for agricultural real estate. Net recoveries of charge-offs for the first nine months of 2021 were \$244 thousand compared to net charge offs of \$10.3 million in the same period a year ago.

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

	September 30, 2021	December 31, 2020
Risk loans:		
Nonaccrual	\$ 130,961	\$ 167,524
Restructured	32,118	31,503
90 days past due still accruing interest*	8,179	2,338
Total risk loans	<u>171,258</u>	<u>201,365</u>
Other property owned, net	7,999	10,271
Total risk assets	<u>\$ 179,257</u>	<u>\$ 211,636</u>
Risk loans as a percentage of total loans	0.50%	0.62%
Nonaccrual loans as a percentage of total loans	0.39%	0.51%
Current nonaccrual loans as a percentage of total nonaccrual loans	83.0%	65.7%
Total delinquencies as a percentage of total loans	0.26%	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, swine 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:

	September 30, 2021	December 31, 2020
Allowance as a percentage of:		
Total loans	0.24%	0.47%
Nonaccrual loans	61.09%	90.73%
Total risk loans	46.71%	75.48%

Our adversely classified assets decreased during the first nine months of 2021 ending the quarter at 4.09 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 September 30, 2021.

Results of Operations

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

	For the nine months ended	
	September 30,	
	2021	2020
Net income (in thousands)	\$572,635	\$507,139
Return on average assets	2.23%	2.13%
Return on average members' equity	11.92%	11.21%

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 nine months ended September 30, 2021 compared to the same period in 2020 are outlined in the following table (dollars in thousands):

<u>Increase (decrease) in net income</u>	2021 vs. 2020
Net interest income	\$ 8,276
Provision for credit losses	82,569
Noninterest income	12,881
Noninterest expense	(36,546)
Provision for income taxes, net	(1,684)
Total change in net income	<u>\$ 65,496</u>

Net interest income was \$583.9 million for the first nine months of 2021 compared to \$575.7 million for the first nine months of 2020. The annualized net interest margin was 2.38 percent for the first nine months of 2021, compared to 2.52 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 nine months ended September 30, (dollars in thousands):

	2021 vs. 2020
Change in volume	\$ 45,910
Change in rates	(37,720)
Change in nonaccrual income	86
Net change	<u>\$ 8,276</u>

The increase in net interest income is due to higher loan volume offset by decreased interest rate spreads on the portfolio.

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 higher volume of AgDirect loan activity, loan fees due to the loans processed under the Paycheck Protection Program and 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 which is primarily impacted by Farm Credit System growth. The premium was 0.16 percent in the first nine months of 2021 compared to 0.08 percent during the first half of 2020 and 0.11 percent during the third quarter in 2020. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change the rates at any time.

Farm Credit Services of America recorded \$18.3 million of operating expense credits under the income and expense sharing provisions of the alliance agreement in the first nine months of 2021 compared to \$10.8 million for the first nine 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 entities. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the nine months ended	
	September 30,	
	2021	2020
Patronage from AgriBank, FCB	\$ 112,710	\$ 112,393
AgDirect partnership distribution	7,340	6,922
Other patronage	1,421	1,326
Total patronage income	<u>\$ 121,471</u>	<u>\$ 120,641</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 2024 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 September 30, 2021 or December 31, 2020.

Our members' equity increased to \$6.75 billion at September 30, 2021 compared to \$6.18 billion at December 31, 2020. The increase was due to the net income recorded for the first nine 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 September 30, 2021	As of December 31, 2020	Regulatory Minimums	Capital Conservation Buffers
Risk-adjusted:				
Common equity tier 1 ratio	15.91%	16.06%	4.50%	7.00%
Tier 1 capital ratio	15.91%	16.06%	6.00%	8.50%
Total capital ratio	16.27%	16.55%	8.00%	10.50%
Permanent capital ratio	15.96%	16.13%	7.00%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	17.21%	17.32%	4.00%	5.00%
Unallocated retained earnings and equivalents leverage ratio	18.32%	18.35%	1.50%	1.50%

Other Matters - COVID-19

We have not seen a material adverse impact from the COVID-19 pandemic. As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the United States. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture.

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 \$220.0 million in PPP loans for customers with Production and

Intermediate Term type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans. To date, \$182.7 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 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
November 2, 2021



Steve Henry
Chairperson, ACA Board of Directors
November 2, 2021



Craig P. Kinnison
Executive Vice-President and CFO
November 2, 2021

Farm Credit Services of America, ACA Consolidated Balance Sheet

(dollars in thousands)

	September 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Loans	\$ 33,522,551	\$ 32,206,504
Allowance for loan losses	80,000	152,000
Net loans	33,442,551	32,054,504
Cash	27,479	57,690
Accrued interest receivable	487,618	418,161
Investment in AgriBank, FCB	744,242	710,310
Investment in AgDirect, LLP	84,247	74,087
Premises and equipment, net	238,922	243,615
Other property owned	7,999	10,271
Investment in RBIC	38,244	25,797
Deferred tax asset, net	6,449	5,731
Other assets	99,568	78,059
Total assets	\$ 35,177,319	\$ 33,678,225
LIABILITIES		
Notes payable	\$ 28,156,900	\$ 26,876,605
Accrued interest payable	96,783	93,089
Patronage payable	—	339,000
Reserve for unfunded lending commitments	11,000	14,000
Other liabilities	162,794	178,597
Total liabilities	28,427,477	27,501,291
Commitments and contingencies (Note 5)		
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	95,626	92,081
Class E common stock	3,793	3,764
Less: Capital stock receivable	(99,419)	(95,845)
Retained earnings	6,749,842	6,176,934
Total members' equity	6,749,842	6,176,934
Total liabilities and members' equity	\$ 35,177,319	\$ 33,678,225

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

Farm Credit Services of America, ACA Consolidated Statement of Income

(dollars in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
NET INTEREST INCOME				
Interest income	\$ 294,171	\$ 296,193	\$ 868,822	\$ 933,427
Interest expense	96,947	99,171	284,882	357,763
Net interest income	197,224	197,022	583,940	575,664
(Reversal of) provision for credit losses	(42,235)	(4,707)	(75,244)	7,325
Net interest income after (reversal of) provision for credit losses	239,459	201,729	659,184	568,339
 NONINTEREST INCOME				
Patronage income from AgriBank, FCB	35,638	39,808	112,710	112,393
AgDirect program fees	17,287	16,106	54,520	48,283
Loan fees	5,017	5,210	28,983	26,206
Insurance services	18,575	13,524	22,279	18,060
Patronage income from AgDirect, LLP	2,229	2,025	7,340	6,922
FCSIC Insurance Refund	—	—	—	6,359
Rural 1st program fees	2,535	2,109	6,834	4,144
Gain (loss) on RBIC	1,233	(751)	2,859	(2,119)
Other noninterest income	2,624	3,956	8,774	11,170
Total noninterest income	85,138	81,987	244,299	231,418
 NONINTEREST EXPENSE				
Salaries and employee benefits	71,854	62,771	199,385	187,623
Occupancy and equipment expense	13,592	9,413	37,247	30,086
Insurance fund premiums	10,985	7,326	33,171	17,873
Loss (gain) on other property owned	(3)	539	322	(495)
Other operating expenses	18,274	17,210	53,658	52,150
Total noninterest expense	114,702	97,259	323,783	287,237
 Income before income taxes	209,895	186,457	579,700	512,520
Provision for income taxes	1,678	1,429	7,065	5,381
Net income	\$ 208,217	\$ 185,028	\$ 572,635	\$ 507,139

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		507,139	507,139
Patronage accrual adjustment		(1,494)	(1,494)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	12,259		12,259
Release of customer stock receivable associated with retired stock	(7,317)		(7,317)
Less: Capital stock receivable	(94,571)		(94,571)
Balance at September 30, 2020	<u>\$ —</u>	<u>\$ 6,328,195</u>	<u>\$ 6,328,195</u>
Balance at December 31, 2020	\$ —	\$ 6,176,934	\$ 6,176,934
Net income		572,635	572,635
Patronage accrual adjustment		273	273
Capital stock:			
Issuance of stock in exchange for customer stock receivable	10,979		10,979
Release of customer stock receivable associated with retired stock	(7,405)		(7,405)
Less: Capital stock receivable	(3,574)		(3,574)
Balance at September 30, 2021	<u>\$ —</u>	<u>\$ 6,749,842</u>	<u>\$ 6,749,842</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 nine months ended September 30, 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. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Implementation matters yet to be addressed include drafting of accounting policies and designing 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.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	September 30, 2021		December 31, 2020	
	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	\$ 21,149,697	63.1 %	\$ 19,321,012	60.0 %
Production and intermediate term	6,114,517	18.3	6,732,401	20.8
Agribusiness	3,644,056	10.9	3,561,409	11.1
Rural residential real estate	1,009,927	3.0	1,145,324	3.6
Rural infrastructure	981,781	2.9	870,928	2.7
Mission-related investments	510,215	1.5	477,332	1.5
Agricultural export finance	112,358	0.3	98,098	0.3
Total loans	\$ 33,522,551	100.0 %	\$ 32,206,504	100.0 %

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 September 30, 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 September 30, 2021							
	Acceptable		OAEM		Substandard/Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	
Long-term agricultural mortgage	\$ 19,842,164	92.18 %	\$ 806,758	3.75 %	\$ 876,621	4.07 %	\$ 21,525,543	
Production and intermediate term	5,373,267	87.34 %	432,058	7.02 %	346,801	5.64 %	6,152,126	
Agribusiness	3,417,421	93.25 %	130,081	3.55 %	117,346	3.20 %	3,664,848	
Rural residential real estate	949,200	93.39 %	26,307	2.59 %	40,867	4.02 %	1,016,374	
Rural infrastructure	972,162	98.40 %	7,682	0.78 %	8,080	0.82 %	987,924	
Mission-related investments	550,826	100.00 %	—	—	—	—	550,826	
Agricultural export finance	112,528	100.00 %	—	—	—	—	112,528	
Total	\$ 31,217,568	91.79 %	\$ 1,402,886	4.12 %	\$ 1,389,715	4.09 %	\$ 34,010,169	

	As of December 31, 2020							
	Acceptable		OAEM		Substandard/Doubtful		Total	
	Amount	%	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	\$ 28,644,108	87.80 %	\$ 2,039,814	6.25 %	\$ 1,940,743	5.95 %	\$ 32,624,665	

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 September 30, 2021</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>90 Days or More Past Due and Accruing</u>
Long-term agricultural mortgage	\$ 13,467	\$ 11,362	\$ 24,829	\$ 21,500,714	\$ 21,525,543	\$ —
Production and intermediate term	6,177	9,644	15,821	6,136,305	6,152,126	1,474
Agribusiness	18,975	162	19,137	3,645,711	3,664,848	162
Rural residential real estate	2,884	769	3,653	1,012,721	1,016,374	—
Rural infrastructure	—	—	—	987,924	987,924	182
Mission-related investments	19,973	6,361	26,334	524,492	550,826	6,361
Agricultural export finance	—	—	—	112,528	112,528	—
Total	<u>\$ 61,476</u>	<u>\$ 28,298</u>	<u>\$ 89,774</u>	<u>\$ 33,920,395</u>	<u>\$ 34,010,169</u>	<u>\$ 8,179</u>

<u>As of December 31, 2020</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>90 Days or More Past Due and Accruing</u>
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):

	<u>As of September 30,</u>	
	<u>2021</u>	<u>2020</u>
Risk loans with specific allowance	\$ 19,408	\$ 41,812
Risk loans without specific allowance	151,850	224,177
Total risk loans	<u>\$ 171,258</u>	<u>\$ 265,989</u>
Total specific allowance	<u>\$ 8,774</u>	<u>\$ 13,388</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income recognized on nonaccrual loans	\$ 921	\$ 835
Interest income on risk accrual loans	1,056	1,842
Interest income recognized on risk loans	<u>\$ 1,977</u>	<u>\$ 2,677</u>
Average risk loans	\$ 218,218	\$ 302,036

There were approximately \$1.8 million in commitments to lend additional funds to customers whose loans were at risk at September 30, 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 September 30, (dollars in thousands):

	2021		2020	
	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
	Production and intermediate term	\$ 588	\$ 488	\$ 431

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 September 30, (dollars in thousands):

	2021	2020
	Recorded Investment	Recorded Investment
Long-term agricultural mortgage	\$ —	\$ 7,410

There were \$1.1 million in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at September 30, 2021.

The following table presents troubled debt restructurings outstanding at:

TDRs Outstanding (in thousands) As of:	September 30, 2021	December 31, 2020
Accrual status:		
Long-term agricultural mortgage	\$ 21,054	\$ 21,229
Production and intermediate term	11,016	10,225
Agribusiness	—	—
Rural residential real estate	48	49
Total TDRs in accrual status	<u>\$ 32,118</u>	<u>\$ 31,503</u>
Nonaccrual status:		
Long-term agricultural mortgage	\$ 8,865	\$ 10,501
Production and intermediate term	1,977	2,078
Agribusiness	330	659
Rural residential real estate	—	—
Total TDRs in nonaccrual status	<u>\$ 11,172</u>	<u>\$ 13,238</u>
Total TDRs:		
Long-term agricultural mortgage	\$ 29,919	\$ 31,730
Production and intermediate term	12,993	12,303
Agribusiness	330	659
Rural residential real estate	48	49
Total TDRs	<u>\$ 43,290</u>	<u>\$ 44,741</u>

Allowance for Loan Losses

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

	September 30,	
	2021	2020
Allowance for loan losses		
Balance at beginning of year	\$ 152,000	\$ 163,000
(Reversal of) provision for loan losses	(72,244)	5,325
Charge-offs	(1,910)	(12,062)
Recoveries	2,155	1,737
Balance at end of quarter	<u>\$ 80,000</u>	<u>\$ 158,000</u>
Reserve for unfunded lending commitments		
Balance at beginning of year	\$ 14,000	\$ 11,000
(Reversal of) provision for unfunded lending commitments	(3,000)	2,000
Balance at end of quarter	<u>\$ 11,000</u>	<u>\$ 13,000</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 seven 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 September 30, 2021, our current total commitment is \$100 million of which \$54.1 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 assets or liabilities measured at fair value on a recurring basis at September 30, 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 September 30, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	—	—	\$ 15,283	\$ 15,283
Other property owned	—	—	\$ 7,999	\$ 7,999
Fair Value Measurement Using				
As of December 31, 2020	Level 1	Level 2	Level 3	Total Fair Value
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 seven Rural Business Investment Companies. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through November 2, 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.