Farm Credit of Central Florida, ACA

THIRD QUARTER 2021

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2021 quarterly report of Farm Credit of Central Florida, 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.

Reginald T. Holt
Chief Executive Officer

Anne M. Sullivan
Chief Financial Officer

David A. Mereness
Chairman of the Audit committee

November 8, 2021

Farm Credit of Central Florida, 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.

Reginald T. Holt
Chief Executive Officer

Anne M. Sullivan
Chief Financial Officer

November 8, 2021

Farm Credit of Central Florida, 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 Farm Credit of Central Florida, ACA, (Association) for the period 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. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

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 and is allowing customers to visit branches.

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 Association's 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 provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP were 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 $6.1 million of these loans outstanding. In addition, through September 30, 2021, the volume of such loans that have received forgiveness from the SBA since the start of the program was $25.3 million.

For a detailed discussion of programs enacted in 2020, see pages 9 and 10 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 Association's loan portfolio is diversified over a range of agricultural commodities in our region, including horticulture, fruits/vegetables, citrus, and cattle. 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, reduces the level of dependency on a given commodity.

September 30, 2021 compared to December 31, 2020

Loan volume of the Association as of September 30, 2021, was $691,558, an increase of $33,460 as compared to $658,098 at December 31, 2020. Net loans outstanding at September 30, 2021, were $688,445 as compared to $654,815 at December 31, 2020. The short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak balance between October and December and declines between January and June as strawberry and other winter vegetable growers pay down their loans using proceeds from the sale of their crops. The result of this normal seasonal lending activity typically causes net loan volume to decrease on revolving credit lines. However, the ACA has experienced increased loan originations during 2021 in fully drawn long term loans therefore loan volumes have increased.

The Association has investment securities that are classified as held to maturity in the amount of $3,089 at September 30, 2021, as compared to $3,966 at December 31, 2020. Net loans and investment securities accounted for 96.70 percent of total assets at September 30, 2021, as compared to 95.57 percent of total assets at December 31, 2020.

The Association's total servicing portfolio has increased to $1,132,444 as compared to $1,077,362 at December 31, 2020, due to new money closings exceeding run-off and liquidations during the year.

September 30, 2021 compared to September 30, 2020

Loan volume of the Association as of September 30, 2021, was $691,558, an increase of $79,509 as compared to $612,049 at September 30, 2020. Net loans outstanding at September 30, 2021, were $688,445 as compared to $608,704 at September 30, 2020. The Association has investment securities that are classified as held to maturity in the amount of $3,089 at September 30, 2021, as compared to $4,384 at September 30, 2020. Net loans and investment securities accounted for 96.70 percent of total assets at September 30, 2021, as compared to 96.39 percent of total assets at September 30, 2020.

The Association's total servicing portfolio has increased to $1,132,444 as compared to $1,057,639 at September 30, 2020, due to new money closings exceeding run-off and liquidations over the past twelve months.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has slightly declined from year end and slightly improved since September 30, 2020. A slight increase in substandard assets has caused the decline since December, while a very slight decrease in substandard assets since September has caused the improvement. Acceptable and OAEM credit quality as a percentage of total loan portfolio was 99.08% as of September 30, 2021, compared to 99.45% at December 31, 2020 and 98.88% at September 30, 2020. Substandard credit quality was 0.92% as of September 30, 2021, compared to 0.55% at December 31, 2020 and 1.12% at September 30, 2020. The actual substandard asset volume has increased by $2,756 from year-end December 31, 2020. Nonaccrual loan volume was $5,009 at September 30, 2021, compared to $5,464 at December 31, 2020 and $5,211 at September 30, 2020, decreases of $455 and $202, respectively. The majority of the loan assets in nonaccrual are in the blueberry industry.

Association management maintains an allowance for loan losses in an amount 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 $3,113 or 0.45% of total loans compared to $3,283 or 0.50% of total loans at December 31, 2020, and $3,345 or 0.55% of total loans at September 30, 2020, and is considered by management to be adequate to cover possible losses. The allowance for loan loss is broken down between specific reserves assigned to an individual loan and general reserves which are available for the possible losses within the entire portfolio. The current allowance for loan loss at September 30, 2021, contains $965 in specific reserves and $2,148 in general reserves, of which $196 is allocated to the citrus portfolio and $1,446 is allocated to the nonfarm income and nursery portfolio. The following outlines the allowance for loan loss activity as of September 30, 2021.

Allowance for Loan Losses Activity:	**YTD 2021**
Balance at beginning of period	$ 3,283
Charge-offs	(5)
Recoveries	125
Provisions/(Reversals)-General	(29)
Provisions/(Reversals)–Specifics	(261)
Balance at end of period	$ 3,113

The decrease in allowance for loan losses compared to December 2020 was a result of a decline in expected losses throughout the portfolio. Chargeoffs are funded through the allowance from previous and/or current increases in the provision for loan losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2021

Net income for the three months ended September 30, 2021, totaled $2,451, as compared to $1,934 for the same period in 2020. The increase of $517 for the period is associated directly with increased net interest income, increased income from financially related services, and increased patronage from other Farm Credit institutions.

Net interest income was $4,064 for the three months ended September 30, 2021, as compared to $3,849 for the same period in 2020. The increase is due to higher loan volumes, offset by decreased nonaccrual earnings. Investment interest income decreased by $8 or 34.78% to $15 from the prior period's $23 due to decreased investment volume. Loan interest income was $6,989 as compared to the prior period's $6,639. The increase of $350 or 5.27% is due to higher loan volume offset by lower borrower rates. Total interest expense was $2,940 as compared to the prior period's $2,813. The increase of $127 is due to increased volume offset by decreased loanable funds rates. Due to the ability to reprice loans, the Association has been able to decrease both borrowers' rates and the cost of funds, thus increasing loan spreads. Net interest income for the three months ending September 30, 2021, is shown in the following table:

	For the three months ended September 30,			
Net Interest Income	**2021**	**2020**	**$ change**	**% change**
Investment Interest Income	$ 15	$ 23	$ (8)	(34.78)%
Loan Interest Income	6,989	6,639	350	5.27
Total Interest Income	7,004	6,662	342	5.13
Total Interest Expense	2,940	2,813	127	4.51
Net Interest Income	$ 4,064	$ 3,849	$ 215	5.59 %

Allowance for loan loss activity for the quarter consisted of a $85 provision for the period compared to a $90 provision for the same period prior year. Provisions for loan losses for the three months ending September 30, 2021 are shown in the following table:

	For the three months ended September 30,			
Provisions/(Reversals) for Loan Losses	**2021**	**2020**	**$ Change**	**% change**
General Reserves	$ 155	$ 10 4	$ 51	49.04 %
Specific Reserves	(70)	(14)	(56)	400.00
Total Provisions/(Reversals)	$ 85	$ 90	$ (5)	(5.56)%

Noninterest income for the three months ended September 30, 2021, totaled $1,830, as compared to $1,428 for the same period of 2020, an increase of $402. The increase is primarily the result of increased fees for financially related services, increased patronage refunds from other Farm Credit institutions, and increased gains on sales of rural home loans. Noninterest income for the three months ending September 30, 2021, is shown in the following table:

	For the three months ended September 30,			
Noninterest Income	**2021**	**2020**	**$ change**	**% change**
Loan fees	$ 124	$ 107	$ 17	15.89%
Fees for financially related services	163	42	121	288.10
Patronage refunds from other Farm Credit Institutions	1,425	1,206	219	18.16
Gains (losses) on sales of rural home loans, net	87	39	48	123.08
Gains (losses) on sales of premises and equipment, net	19	(19)	38	(200.00)
Gains (losses) on other transactions	12	53	(41)	(77.36)
Total noninterest income	$ 1,830	$ 1,428	$ 402	28.15%

Noninterest expense for the three months ended September 30, 2021, increased $105 compared to the same period of 2020, primarily due to increased salaries and employee benefits and increased Insurance Fund premiums. The increase in salaries and benefits is primarily due to increases in pension costs for 2021. Farm Credit System Insurance Corporation (FCSIC) has set the premium to 16 basis points for 2021 (compared to11 basis points during that last two quarters of 2020) on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans. Noninterest expense for the three months ending September 30, 2021 is shown in the following table:

	For the three months ended September 30,			
Noninterest Expense	**2021**	**2020**	**$ change**	**% change**
Salary and employee benefits	$ 2,235	$ 2,170	$ 65	3.00 %
Occupancy and equipment	247	295	(48)	(16.27)
Insurance Fund Premium	215	133	82	61.65
(Gains) losses on other property owned, net	1	–	1	–
Other operating expenses	660	655	5	0.76
Total noninterest expense	$ 3,358	$ 3,253	$ 105	3.23 %

For the nine months ended September 30, 2021

Net income for the nine months ended September 30, 2021, totaled $9,520 as compared to $7,954 for the same period in 2020. The increase of $1,566 for the period is associated with increased net interest and non interest income and a reversal of provisions for loan losses, offset by increased operating expenses.

Net interest income increased $371 or 3.24% for the nine months ended September 30, 2021, as compared to the same period in 2020. The increase is due to higher loan volumes, offset by decreased loanable funds and nonaccrual earnings. Net interest income for the nine months ending September 30, 2020 is shown in the following table:

	For the nine months ended September 30,			
Net Interest Income	**2021**	**2020**	**$ change**	**% change**
Investment Interest Income	$ 51	$ 89	$ (38)	(42.70)%
Loan Interest Income	20,376	20,399	(23)	(0.11)
Total Interest Income	20,427	20,488	(61)	(0.30)
Total Interest Expense	8,589	9,021	(432)	(4.79)
Net Interest Income	$ 11,838	$ 11,467	$ 371	3.24 %

The effects of changes in average volume and interest rates on net interest income over the past nine months are presented in the following table:

Change in Net Interest Income:

	Volume	**Rate**	**Non-accrual**	**Amortization**	**Total**
	(dollars in thousands)				
Change in NII	$ 1,186	$ (571)	$ (257)	$ 13	$ 371

Allowance for loan loss activity consisted of a $290 reversal, as compared to a $214 provision for the same period last year. The decrease in allowance for loan losses compared to December 2020 was a result of a decline in expected losses throughout the portfolio. Provisions for loan losses for the nine months ending September 30, 2021 are shown in the following table:

	For the nine months ended September 30,			
Provisions for Loan Losses	**2021**	**2020**	**$ change**	**% change**
General Reserves	$ (29)	$ 694	$ (723)	(104.18)%
Specific Reserves	(261)	(480)	219	(45.63)
Total Provisions/(Reversals)	$ (290)	$ 214	$ (504)	(235.51)%

Noninterest income for the nine months ended September 30, 2021, totaled $6,952, as compared to $5,855 for the same period of 2020, an increase of $1,097. The increase is primarily a result of increased fees from financially related services, increased patronage refunds from other Farm Credit institutions, increased gains on sales of premises and equipment and gains on other transactions, offset by a lower refund from the Farm Credit System Insurance Corporation. During the three quarters of 2021, the Association has recorded $1,687 in crop insurance income as opposed to $859 during the same period of 2020. The Association recorded a total $378 of fees from PPP loans in the first three quarters of 2021 as compared to $830 during 2020. These payments are nonrecurring and were generated from the guaranteed loan program (PPP) that was part of the CARES Act. During the first quarter of 2020, the Association recorded $107 of insurance premium refunds from the Farm Credit System Insurance Corporation (FCSIC), which insures the system's debt obligations, as opposed to no refund in 2021. These payments are nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act. Noninterest income for the nine months ending September 30, 2021 is shown in the following table:

	For the nine months ended September 30,			
Noninterest Income	**2021**	**2020**	**$ change**	**% change**
Loan fees	$ 639	$ 1,043	$ (404)	(38.73)%
Fees for financially related services	1,723	871	852	97.82
Patronage refunds from other Farm Credit institutions	4,246	3,675	571	15.54
Gains (losses) on sales of rural home loans, net	179	161	18	11.18
Gains (losses) on sales of premises and equipment, net	57	(19)	76	(400.00)
Gains (losses) on other Transactions	104	16	88	550.00
Insurance Fund refund	–	107	(107)	(100.00)
Other noninterest income	4	1	3	300.00
Total noninterest income	$ 6,952	$ 5,855	$ 1,097	18.74 %

Noninterest expense for the nine months ended September 30, 2021 increased $406 compared to the same period of 2020. The increase is related to increases in salaries and employee benefits and insurance fund premiums, offset by a gain on the sale of OPOs. Salaries and employee benefits increased $327 or 5.43% during the period due to increased employee head count and pension expenses. The Association Insurance Fund premiums are $314 more than prior year. This is because the Farm Credit System Insurance Corporation (FCSIC) has set the premium to 16 basis points for 2021 (compared to 8 basis points for the first six months of 2020 and 11 bps for the last six months of 2020) on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans for the past two years. The Association sold two properties during the first nine months of 2021 for a total gain of $159 as compared to no properties sold and no gain or loss during the first nine months of 2020. Noninterest expense for the nine months ending September 30, 2021 is shown in the following table:

	For the nine months ended September 30,			
Noninterest Expense	**2021**	**2020**	**$ change**	**% change**
Salary and employee benefits	$ 6,354	$ 6,027	$ 327	5.43 %
Occupancy and equipment	735	755	(20)	(2.65)
Insurance Fund Premium	633	319	314	98.43
(Gains) losses on other property owned, net	(159)	–	(159)	–
Other operating expenses	1,997	2,053	(56)	(2.73)
Total noninterest expense	$ 9,560	$ 9,154	$ 406	4.44 %

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 $574,086 as compared to $548,714 at December 31, 2020. The increase is attributable to borrowings to fund new loans being greater than paydowns in the normal course of business.

CAPITAL RESOURCES

Total members' equity at September 30, 2021, increased to $127,192 from the December 31, 2020, total of $118,693. The increase is primarily attributed to the increase in unallocated surplus resulting from net income. Total capital stock and participation certificates were $1,104 on September 30, 2021, compared to $1,008 on December 31, 2020. This increase is attributed to the issuance of stock and participation certificates in the normal course of business.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

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%	2.50%	7.00%	17.59%
Tier 1 Capital	6.0%	2.50%	8.50%	17.59%
Total Capital	8.0%	2.50%	10.50%	18.04%
Permanent Capital Ratio	7.0%	0.0%	7.0%	17.67%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	17.42%
UREE Leverage Ratio	1.5%	0.0%	1.5%	15.25%

** The capital conservation buffers had a 3 year phase-in period which became fully effective January 1, 2020.*

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. For all periods presented, the Association exceeded minimum regulatory standards for all capital ratios.

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.

SENIOR MANAGEMENT CHANGES

Effective October 1, 2021, Kerri Kilby assumed the role as Chief Credit Officer. D. Scott Fontenot had temporarily assumed the role in April 2021 and maintained the Chief Operating Officer role. With this change, Mr. Fontenot will continue his role as Chief Operating Officer.

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, 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.

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 1-800-533-2773, or writing Anne M. Sullivan, CFO, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802, or accessing the website, *www.farmcreditcfl.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.

Farm Credit Of Central Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)		September 30, 2021		December 31, 2020
		(unaudited)		*(audited)*
Assets				
Cash	**$**	**11**	$	12
Investments in debt securities:				
Held to maturity (fair value of $3,057 and $3,924, respectively)		**3,089**		3,966
Loans		**691,558**		658,098
Allowance for loan losses		**(3,113)**		(3,283)
Net loans		**688,445**		654,815
Accrued interest receivable		**2,698**		2,671
Equity investments in other Farm Credit institutions		**6,755**		6,636
Premises and equipment, net		**4,862**		4,936
Other property owned		**—**		227
Accounts receivable		**4,382**		11,030
Other assets		**4,915**		5,032
Total assets	**$**	**715,157**	$	689,325
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**574,086**	$	548,714
Accrued interest payable		**985**		950
Patronage refunds payable		**187**		9,757
Accounts payable		**962**		793
Other liabilities		**11,745**		10,418
Total liabilities		**587,965**		570,632
Commitments and contingencies (Note 8)				
Members' Equity				
Capital stock and participation certificates		**1,104**		1,008
Retained earnings				
Allocated		**19,103**		20,380
Unallocated		**107,649**		98,129
Accumulated other comprehensive income (loss)		**(664)**		(824)
Total members' equity		**127,192**		118,693
Total liabilities and members' equity	**$**	**715,157**	$	689,325

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

Farm Credit Of Central Florida, 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	**$ 6,989**	$ 6,639	**$ 20,376**	$ 20,399
Investments	**15**	23	**51**	89
Total interest income	**7,004**	6,662	**20,427**	20,488
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**2,940**	2,813	**8,589**	9,021
Net interest income	**4,064**	3,849	**11,838**	11,467
Provision for (reversal of allowance for) loan losses	**85**	90	**(290)**	214
Net interest income after provision for (reversal of allowance for) loan losses	**3,979**	3,759	**12,128**	11,253
Noninterest Income				
Loan fees	**124**	107	**639**	1,043
Fees for financially related services	**163**	42	**1,723**	871
Patronage refunds from other Farm Credit institutions	**1,425**	1,206	**4,246**	3,675
Gains (losses) on sales of rural home loans, net	**87**	39	**179**	161
Gains (losses) on sales of premises and equipment, net	**19**	(19)	**57**	(19)
Gains (losses) on other transactions	**12**	53	**104**	16
Insurance Fund refunds	**—**	—	**—**	107
Other noninterest income	**—**	—	**4**	1
Total noninterest income	**1,830**	1,428	**6,952**	5,855
Noninterest Expense				
Salaries and employee benefits	**2,235**	2,170	**6,354**	6,027
Occupancy and equipment	**247**	295	**735**	755
Insurance Fund premiums	**215**	133	**633**	319
(Gains) losses on other property owned, net	**1**	—	**(159)**	—
Other operating expenses	**660**	655	**1,997**	2,053
Total noninterest expense	**3,358**	3,253	**9,560**	9,154
Net income	**$ 2,451**	$ 1,934	**$ 9,520**	$ 7,954
Other comprehensive income net of tax				
Employee benefit plans adjustments	**53**	32	**160**	96
Comprehensive income	**$ 2,504**	$ 1,966	**$ 9,680**	$ 8,050

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 942	$ 21,637	$ 91,532	$ (664)	$ 113,447
Comprehensive income			7,954	96	8,050
Capital stock/participation certificates issued/(retired), net	59				59
Retained earnings retired		(1,257)			(1,257)
Balance at September 30, 2020	$ 1,001	$ 20,380	$ 99,486	$ (568)	$ 120,299
Balance at December 31, 2020	**$ 1,008**	**$ 20,380**	**$ 98,129**	**$ (824)**	**$ 118,693**
Comprehensive income			**9,520**	**160**	**9,680**
Capital stock/participation certificates issued/(retired), net	**96**				**96**
Retained earnings retired		**(1,277)**			**(1,277)**
Balance at September 30, 2021	**$ 1,104**	**$ 19,103**	**$ 107,649**	**$ (664)**	**$ 127,192**

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

Farm Credit of Central Florida, 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 Farm Credit of Central Florida, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A 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 6, *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	$ 436,516	$ 389,241
Production and intermediate-term	134,691	148,613
Loans to cooperatives	6,534	8,865
Processing and marketing	72,794	74,678
Farm-related business	16,325	6,241
Communication	4,994	14,446
Power and water/waste disposal	1,443	–
Rural residential real estate	11,821	9,576
International	6,440	6,438
Total loans	$ 691,558	$ 658,098

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	$ 24,751	$ 47,993	$ 633	$ 33,150	$ –	$ –	$ 25,384	$ 81,143
Production and intermediate-term	24,333	39,795	11,806	1,925	–	–	36,139	41,720
Loans to cooperatives	6,555	–	–	–	–	–	6,555	–
Processing and marketing	42,972	30,763	343	25,387	–	–	43,315	56,150
Farm-related business	685	348	449	–	–	–	1,134	348
Communication	5,027	–	–	–	–	–	5,027	–
Power and water/waste disposal	1,446	–	–	–	–	–	1,446	–
International	6,446	–	–	–	–	–	6,446	–
Total	$ 112,215	$ 118,899	$ 13,231	$ 60,462	$ –	$ –	$ 125,446	$ 179,361

	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	$ 30,183	$ 45,595	$ 4,000	$ 33,843	$ –	$ –	$ 34,183	$ 79,438
Production and intermediate-term	30,752	59,135	1,585	1,575	–	–	32,337	60,710
Loans to cooperatives	8,890	–	–	–	–	–	8,890	–
Processing and marketing	47,691	31,723	–	18,300	–	–	47,691	50,023
Farm-related business	685	1,049	–	–	–	–	685	1,049
Communication	14,483	–	–	–	–	–	14,483	–
International	6,446	–	–	–	–	–	6,446	–
Total	$ 139,130	$ 137,502	$ 5,585	$ 53,718	$ –	$ –	$ 144,715	$ 191,220

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	99.77%	99.70%
OAEM	0.12	0.15
Substandard/doubtful/loss	0.11	0.15
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.16%	95.12%
OAEM	0.56	3.07
Substandard/doubtful/loss	4.28	1.81
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	September 30, 2021	December 31, 2020
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Power and water/waste disposal:		
Acceptable	100.00%	–%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Rural residential real estate:		
Acceptable	98.50%	95.70%
OAEM	0.67	0.94
Substandard/doubtful/loss	0.83	3.36
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	98.89%	98.66%
OAEM	0.19	0.79
Substandard/doubtful/loss	0.92	0.55
	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	$ 64	$ 1,911	$ 1,975	$ 436,567	$ 438,542
Production and intermediate-term	44	1,510	1,554	133,519	135,073
Loans to cooperatives	–	–	–	6,536	6,536
Processing and marketing	–	–	–	72,933	72,933
Farm-related business	–	–	–	16,375	16,375
Communication	–	–	–	4,995	4,995
Power and water/waste disposal	–	–	–	1,443	1,443
Rural residential real estate	82	17	99	11,790	11,889
International	–	–	–	6,452	6,452
Total	$ 190	$ 3,438	$ 3,628	$ 690,610	$ 694,238

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	$ –	$ 504	$ 504	$ 390,769	$ 391,273
Production and intermediate-term	681	1,000	1,681	147,306	148,987
Loans to cooperatives	–	–	–	8,869	8,869
Processing and marketing	–	–	–	74,847	74,847
Farm-related business	–	–	–	6,253	6,253
Communication	–	–	–	14,447	14,447
Rural residential real estate	132	24	156	9,463	9,619
International	–	–	–	6,451	6,451
Total	$ 813	$ 1,528	$ 2,341	$ 658,405	$ 660,746

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	$ 2,528	$ 2,666
Production and intermediate-term	2,466	2,691
Rural residential real estate	15	107
Total	$ 5,009	$ 5,464
Accruing restructured loans:		
Real estate mortgage	$ 739	$ 824
Production and intermediate-term	1,805	1,997
Rural residential real estate	83	230
Total	$ 2,627	$ 3,051
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 7,636	$ 8,515
Other property owned	–	227
Total nonperforming assets	$ 7,636	$ 8,742
Nonaccrual loans as a percentage of total loans	0.72%	0.83%
Nonperforming assets as a percentage of total loans and other property owned	1.10%	1.33%
Nonperforming assets as a percentage of capital	6.00%	7.37%

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	$ 1,571	$ 3,339
Past due	3,438	2,125
Total	$ 5,009	$ 5,464
Impaired accrual loans:		
Restructured	$ 2,627	$ 3,051
90 days or more past due	–	–
Total	$ 2,627	$ 3,051
Total impaired loans	$ 7,636	$ 8,515
Additional commitments to lend	$ –	$ –

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	$ 1,946	$ 2,046	$ 54	$ 1,974	$ 15	$ 2,087	$ 60
Production and intermediate-term	3,328	2,896	911	3,376	26	3,568	102
Rural residential real estate	82	83	–	84	1	88	32
Total	$ 5,356	$ 5,025	$ 965	$ 5,434	$ 42	$ 5,743	$ 164
With no related allowance for credit losses:							
Real estate mortgage	$ 1,321	$ 1,687	$ –	$ 1,340	$ 11	$ 1,416	$ 40
Production and intermediate-term	943	1,708	–	957	7	1,011	29
Rural residential real estate	16	110	–	16	–	17	1
Total	$ 2,280	$ 3,505	$ –	$ 2,313	$ 18	$ 2,444	$ 70
Total impaired loans:							
Real estate mortgage	$ 3,267	$ 3,733	$ 54	$ 3,314	$ 26	$ 3,503	$ 100
Production and intermediate-term	4,271	4,604	911	4,333	33	4,579	131
Rural residential real estate	98	193	–	100	1	105	3
Total	$ 7,636	$ 8,530	$ 965	$ 7,747	$ 60	$ 8,187	$ 234

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	$ 2,520	$ 2,721	$ 71	$ 3,644	$ 216
Production and intermediate-term	3,941	3,457	1,035	5,700	338
Rural residential real estate	230	229	–	332	20
Total	$ 6,691	$ 6,407	$ 1,106	$ 9,676	$ 574
With no related allowance for credit losses:					
Real estate mortgage	$ 970	$ 1,165	$ –	$ 1,405	$ 84
Production and intermediate-term	747	1,490	–	1,079	64
Rural residential real estate	107	215	–	154	9
Total	$ 1,824	$ 2,870	$ –	$ 2,638	$ 157
Total impaired loans:					
Real estate mortgage	$ 3,490	$ 3,886	$ 71	$ 5,049	$ 300
Production and intermediate-term	4,688	4,947	1,035	6,779	402
Rural residential real estate	337	444	–	486	29
Total	$ 8,515	$ 9,277	$ 1,106	$ 12,314	$ 731

A summary of changes in the allowance for loan losses and period end 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	International	Total
Activity related to the allowance for credit losses:								
Balance at June 30, 2021	$ 1,086	$ 1,637	$ 228	$ 6	$ –	$ 10	$ 1	$ 2,968
Charge-offs	–	–	–	–	–	–	–	–
Recoveries	17	36	–	–	–	7	–	60
Provision for loan losses	(78)	74	95	–	2	(9)	1	85
Balance at September 30, 2021	$ 1,025	$ 1,747	$ 323	$ 6	$ 2	$ 8	$ 2	$ 3,113
Balance at December 31, 2020	$ 1,195	$ 1,775	$ 258	$ 20	$ –	$ 33	$ 2	$ 3,283
Charge-offs	–	(5)	–	–	–	–	–	(5)
Recoveries	35	75	–	–	–	15	–	125
Provision for loan losses	(205)	(98)	65	(14)	2	(40)	–	(290)
Balance at September 30, 2021	$ 1,025	$ 1,747	$ 323	$ 6	$ 2	$ 8	$ 2	$ 3,113
Balance at June 30, 2020	$ 1,143	$ 1,654	$ 211	$ 26	$ 65	$ 148	$ 2	$ 3,249
Charge-offs	–	–	–	–	–	–	–	–
Recoveries	5	–	–	–	–	1	–	6
Provision for loan losses	76	26	17	(9)	1	(21)	–	90
Balance at September 30, 2020	$ 1,224	$ 1,680	$ 228	$ 17	$ 66	$ 128	$ 2	$ 3,345
Balance at December 31, 2019	$ 1,468	$ 1,390	$ 107	$ 19	$ 17	$ 110	$ 2	$ 3,113
Charge-offs	–	(3)	–	–	–	–	–	(3)
Recoveries	6	–	–	–	–	15	–	21
Provision for loan losses	(250)	293	121	(2)	49	3	–	214
Balance at September 30, 2020	$ 1,224	$ 1,680	$ 228	$ 17	$ 66	$ 128	$ 2	$ 3,345
Allowance on loans evaluated for impairment:								
Individually	$ 54	$ 911	$ –	$ –	$ –	$ –	$ –	$ 965
Collectively	971	836	323	6	2	8	2	2,148
Balance at September 30, 2021	$ 1,025	$ 1,747	$ 323	$ 6	$ 2	$ 8	$ 2	$ 3,113
Individually	$ 71	$ 1,035	$ –	$ –	$ –	$ –	$ –	$ 1,106
Collectively	1,124	740	258	20	–	33	2	2,177
Balance at December 31, 2020	$ 1,195	$ 1,775	$ 258	$ 20	$ –	$ 33	$ 2	$ 3,283
Recorded investment in loans evaluated for impairment:								
Individually	$ 3,267	$ 4,322	$ –	$ –	$ –	$ 98	$ –	$ 7,687
Collectively	435,275	130,751	95,844	4,995	1,443	11,791	6,452	686,551
Balance at September 30, 2021	$ 438,542	$ 135,073	$ 95,844	$ 4,995	$ 1,443	$ 11,889	$ 6,452	$ 694,238
Individually	$ 3,490	$ 4,744	$ –	$ –	$ –	$ 337	$ –	$ 8,571
Collectively	387,783	144,243	89,969	14,447	–	9,282	6,451	652,175
Balance at December 31, 2020	$ 391,273	$ 148,987	$ 89,969	$ 14,447	$ –	$ 9,619	$ 6,451	$ 660,746

**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. There were no new TDRs that occurred during the three and nine month periods ended September 30, 2021 and September 30, 2020.

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	$ 739	$ 824	$ –	$ –
Production and intermediate-term	1,907	2,109	102	112
Rural residential real estate	82	229	(1)	(1)
Total loans	$ 2,728	$ 3,162	$ 101	$ 111
Additional commitments to lend	$ –	$ –		

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	September 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 3,089	$ 9	$ (41)	$ 3,057	2.96%

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 3,966	$ 13	$ (55)	$ 3,924	2.92%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	September 30, 2021		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	150	150	1.14
After five years through ten years	218	213	2.33
After ten years	2,721	2,694	3.11
Total	$ 3,089	$ 3,057	2.96%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	September 30, 2021			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ –	$ –	$ 1,877	$ (41)

	December 31, 2020			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 359	$ –	$ 2,456	$ (55)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Substantially all of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

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 2.22 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 $772 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 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Employee Benefit Plans:				
Balance at beginning of period	$ (717)	$ (600)	$ (824)	$ (664)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	53	32	160	96
Net current period other comprehensive income	53	32	160	96
Balance at end of period	$ (664)	$ (568)	$ (664)	$ (568)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2021	**2020**	**2021**	**2020**	**Income Statement Line Item**
Defined Benefit Pension Plans:					
Periodic pension costs	$ (53)	$ (32)	$ (160)	$ (96)	See Note 7.
Net amounts reclassified	$ (53)	$ (32)	$ (160)	$ (96)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — 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 also could 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:					
Assets held in trust funds	$ 840	$ 840	$ –	$ –	$ 840
Recurring Assets	$ 840	$ 840	$ –	$ –	$ 840
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 4,391	$ –	$ –	$ 4,391	$ 4,391
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 4,391	$ –	$ –	$ 4,391	$ 4,391
Other Financial Instruments					
Assets:					
Cash	$ 11	$ 11	$ –	$ –	$ 11
Investments in debt securities, held-to-maturity	3,089	–	3,057	–	3,057
Loans	684,054	–	–	679,310	679,310
Other Financial Assets	$ 687,154	$ 11	$ 3,057	$ 679,310	$ 682,378
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 574,086	$ –	$ –	$ 570,994	$ 570,994
Other Financial Liabilities	$ 574,086	$ –	$ –	$ 570,994	$ 570,994

	December 31, 2020									
		Total Carrying Amount		Level 1		Level 2		Level 3		Total Fair Value
Recurring Measurements										
Assets:										
Assets held in trust funds	$	748	$	748	$	–	$	–	$	748
Recurring Assets	$	748	$	748	$	–	$	–	$	748
Liabilities:										
Recurring Liabilities	$	–	$	–	$	–	$	–	$	–
Nonrecurring Measurements										
Assets:										
Impaired loans	$	5,585	$	–	$	–	$	5,585	$	5,585
Other property owned		227		–		–		227		227
Nonrecurring Assets	$	5,812	$	–	$	–	$	5,812	$	5,812
Other Financial Instruments										
Assets:										
Cash	$	12	$	12	$	–	$	–	$	12
Investments in debt securities, held-to-maturity		3,966		–		3,924		–		3,924
Loans		649,230		–		–		653,183		653,183
Other Financial Assets	$	653,208	$	12	$	3,924	$	653,183	$	657,119
Liabilities:										
Notes payable to AgFirst Farm Credit Bank	$	548,714	$	–	$	–	$	553,499	$	553,499
Other Financial Liabilities	$	548,714	$	–	$	–	$	553,499	$	553,499

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	$	4,391	Appraisal	Income and expense	*
				Comparable sales	*
				Replacement cost	*
				Comparability adjustments	*

** 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
Investments in debt securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk-adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — 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	$ 308	$ 226	$ 924	$ 678
401(k)	96	98	356	355
Other postretirement benefits	52	45	150	108
Total	$ 456	$ 369	$ 1,430	$ 1,141

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 8 — 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 that 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 9 — Leases

Lessee

The Association leases certain assets, consisting primarily of real estate, transportation and office equipment, under standard industry terms. The contracts are assessed at inception to determine whether a contract is, or contains, a lease.

The components of lease costs were as follows:

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Operating lease cost	$ 283	$ 717
Variable lease cost (costs excluded from lease payments)	82	–
Sublease income	–	–
Lease costs	$ 365	$ 717

Other information related to leases was as follows:

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 296	$ 424
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 3	$ 4,289

Lease term and discount rate for the periods ended were as follows:

	September 30, 2021	December 31, 2020
Weighted average remaining lease term in years:		
Operating leases	14.25	15.00
Weighted average discount rate:		
Operating leases	3.09%	3.09%

Maturities of lease liabilities as of period end were as follows:

	Operating Leases September 30, 2021
2021	$ 132
2022	403
2023	411
2024	420
2025	430
Thereafter	4,944
Total lease payments	6,740
Less: imputed interest	1,355
Total lease liabilities	$ 5,385

Note 10 — 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 $6,581 and $6,855 which will be recorded as patronage refunds from other Farm Credit institutions.