
Farm Credit of Northwest 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 Northwest 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.

/s/ Ricky K. Bitner
Chief Executive Officer

/s/ John P. Mottice
Chief Financial Officer

/s/ Cindy S. Eade
Chairperson of the Board

November 8, 2021

Farm Credit of Northwest 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.

/s/ Ricky K. Bitner
Chief Executive Officer

/s/ John P. Mottice
Chief Financial Officer

November 8, 2021

Farm Credit of Northwest 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 Northwest Florida, ACA (the Association) for the period ending September 30, 2021. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2020 Annual Report of the Association.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. As of the date of this report, the Association has returned to pre-pandemic working conditions.

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

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

COVID-19 SUPPORT PROGRAMS

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

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

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

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provides support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States.

For a detailed discussion of programs enacted in 2020, see the 2020 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the 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 including forestry, row crops, livestock, peanuts, horticulture, dairies and rural homes. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of September 30, 2021, was \$319,158, an increase of \$19,550 or 6.53 percent as compared to \$299,608 at December 31, 2020. Net loans outstanding (gross loans net of the allowance for loan losses) as of September 30, 2021, were \$314,052, an increase of \$19,356 or 6.57 percent as compared to \$294,696 at December 31, 2020. Net loans accounted for 97.06 percent of total assets as of September 30, 2021, as compared to 96.07 percent of total assets at December 31, 2020. The increase in loan volume was due primarily to an increase in net originated loans, partially offset by decreases in participation loans purchased and nonaccrual loans.

Portfolio credit quality increased during the first nine months of 2021. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" were 98.81 percent of total loans and accrued interest as of September 30, 2021, as compared to 98.38 percent at December 31, 2020.

Nonaccrual loans were \$685 as of September 30, 2021, a decrease of \$581 or 45.89 percent as compared to \$1,266 at December 31, 2020. The decrease reflects collections on multiple loans and the transfer of two accounts to other property owned.

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. The Association's Risk Management Committee, which is comprised of senior management and a member of the Board of Directors, evaluates the adequacy of the allowance on a quarterly basis. The evaluation considers factors which include, but are not limited to, loan loss experience, portfolio quality, loan portfolio composition, commodity prices, agricultural production conditions, and general economic conditions.

The Association considered the potential impact of the COVID-19 pandemic in its evaluation of the allowance and determined that the level of the allowance for loan losses was adequate to provide for probable and estimable losses as of the report date. The Association will continue to evaluate the impact of the pandemic on the level of the allowance in future periods.

The allowance for loan losses as of September 30, 2021, was \$5,106, an increase of \$194 or 3.95% as compared to \$4,912 at December 31, 2020. Activity during the first nine months of 2021 reflected recoveries of \$261, charge-offs of \$67 and no provision for or reversal of the allowance. The allowance for loan losses as of September 30, 2021, was considered by management to be adequate to cover probable and estimable losses inherent in the loan portfolio. The allowance represented 1.60 percent of gross loan volume as of September 30, 2021.

Other property owned was \$191 as of September 30, 2021, an increase of \$191 compared to \$0 at December 31, 2020. During the first nine months of 2021, activity included the acquisition of real estate and equipment, as well as the sale of equipment. Other property owned as of September 30, 2021, consisted of real estate.

Accounts receivable were \$1,765 as of September 30, 2021, a decrease of \$2,608 or 59.64 percent as compared to \$4,373 at December 31, 2020. Accounts receivable consist of general receivables as well as patronage receivables from AgFirst Farm Credit Bank (AgFirst or the Bank) and other Farm Credit System institutions. The decrease was due primarily to the fact that patronage receivables at December 31, 2020, included four quarters of accrued patronage as well as special patronage from AgFirst, as compared to three quarters of accrued patronage at September 30, 2021.

RESULTS OF OPERATIONS

For the three months ending September 30, 2021

Net income for the three months ending September 30, 2021, totaled \$1,374, an increase of \$301 or 28.05 percent as compared to net income of \$1,073 for the same period in 2020. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the three months ending September 30, 2021, was \$3,787, an increase of \$264 or 7.49 percent as compared to \$3,523 for the same period in 2020. The increase was due primarily to higher average loans outstanding and increased interest income on nonaccrual loans, partially offset by lower average interest rates.

Interest expense for the three months ending September 30, 2021, was \$1,392, an increase of \$61 or 4.58 percent as compared to \$1,331 for the same period in 2020. The increase was due primarily to higher average balances on the Association's notes payable to AgFirst and reduced earnings on loanable funds, partially offset by lower interest rates.

Net interest income before provision (or reversal) for loan losses for the three months ending September 30, 2021, was \$2,395, an increase of \$203 or 9.26 percent as compared to \$2,192 for the same period in 2020. The increase was due primarily to higher average loans outstanding and increased income on nonaccrual loans, partially offset by lower average net interest spread and reduced earnings on loanable funds.

There was no provision for or reversal of the allowance for loan losses for the three months ending September 30, 2021, and September 30, 2020.

Noninterest income for the three months ending September 30, 2021, totaled \$758, an increase of \$216 or 39.85 percent as compared to \$542 for the same period in 2020. The increase was

due to higher patronage refunds and gains on sales of rural home loans, sales of premises and equipment, and other transactions, partially offset by reduced loan fees and other noninterest income.

Noninterest expense for the three months ending September 30, 2021, totaled \$1,779, an increase of \$118 or 7.10 percent as compared to \$1,661 for the same period in 2020. The increase was due to higher Insurance Fund premiums, other operating expenses and losses on other property owned, partially offset by reduced salaries and employee benefits and occupancy and equipment expense.

For the nine months ending September 30, 2021

Net income for the nine months ending September 30, 2021, totaled \$3,884, an increase of \$274 or 7.59 percent as compared to net income of \$3,610 for the same period in 2020. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the nine months ending September 30, 2021, was \$10,912, an increase of \$53 or 0.49 percent as compared to \$10,859 for the same period in 2020. The increase was due primarily to higher average loans outstanding, partially offset by lower average interest rates and reduced interest income on nonaccrual loans.

Interest expense for the nine months ending September 30, 2021, was \$3,964, a decrease of \$243 or 5.78 percent as compared to \$4,207 for the same period in 2020. The decrease was due primarily to lower average interest rates on the Association's notes payable to AgFirst, partially offset by higher average balances and reduced earnings on loanable funds.

Net interest income before provision (or reversal) for loan losses for the nine months ending September 30, 2021, was \$6,948, an increase of \$296 or 4.45 percent as compared to \$6,652 for the same period in 2020. The increase was due primarily to higher average loans outstanding and higher average net interest spread, partially offset by reduced earnings on loanable funds and reduced interest income on nonaccrual loans.

There was no provision for or reversal of the allowance for loan losses for the nine months ending September 30, 2021 and September 30, 2020.

Noninterest income for the nine months ending September 30, 2021, totaled \$2,224, an increase of \$380 or 20.61 percent as compared to \$1,844 for the same period in 2020. The increase was due primarily to higher patronage refunds, gains on sales of rural home loans, sales of premises and equipment and other transactions, partially offset by reduced loan fees, other noninterest income, and Insurance Fund refunds from the Farm Credit System Insurance Corporation.

Noninterest expense for the nine months ending September 30, 2021, totaled \$5,288, an increase of \$402 or 8.23 percent as compared to \$4,886 for the same period in 2020. The increase was due to higher salaries and employee benefits, Insurance Fund premiums, and other operating expenses, partially offset by lower occupancy and equipment expense.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst through the General Financing Agreement (GFA). The GFA 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.

Notes payable to AgFirst as of September 30, 2021, were \$231,751, an increase of \$18,530 or 8.69 percent as compared to \$213,221 at December 31, 2020. The increase was primarily the result of increased loan volume. The Association had no lines of credit with third parties as of September 30, 2021.

CAPITAL RESOURCES

Total members' equity as of September 30, 2021, was \$88,618, an increase of \$3,979 or 4.70 percent as compared to \$84,639 at December 31, 2020. Total capital stock and participation certificates were \$1,369 as of September 30, 2021, an increase of \$95 or 7.46 percent as compared to \$1,274 at December 31, 2020.

FCA regulations require all Farm Credit institutions to maintain minimum capital ratios. Effective January 1, 2017, the regulatory capital requirements for Farm Credit System banks and associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced core surplus and total surplus ratios with common equity tier 1 (CET1) capital, tier 1 capital and total capital risk-based capital ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio remains in effect.

As of September 30, 2021, the Association was in compliance with all minimum regulatory capital ratios.

The following table sets forth the minimum regulatory capital ratios, which were effective January 1, 2017 and the Association's capital ratios as of September 30, 2021:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of September 30, 2021
Risk-adjusted ratios:				
CET1 Capital Ratio	4.5%	2.5%	7.0%	25.58%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	25.58%
Total Capital Ratio	8.0%	2.5%	10.5%	26.83%
Permanent Capital Ratio	7.0%	0.0%	7.0%	25.90%
Non risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	26.42%
UREE Leverage Ratio	1.5%	0.0%	1.5%	26.13%

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

If the capital ratios fall below 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.

REGULATORY MATTERS

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

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

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period is open until November 27, 2021.

On September 23, 2019, the FCA issued a proposed rule that would ensure the System's capital requirements, including certain regulatory disclosures, reflect the current expected

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

FUTURE OF LIBOR

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

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the

UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers and Systemwide Debt Securities that are issued by the Funding Corporation on the Bank's and Association's behalf. 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.

MANAGEMENT RETIREMENTS

On July 8, 2021, the Association announced the pending retirements of Ricky K. Bitner, Chief Executive Officer, and John P. Mottice, Chief Financial Officer, effective 12/31/21 and 3/31/22, respectively. A new Chief Executive Officer, John R. Gregory, has been hired effective November 1, 2021. A search is underway for a new Chief Financial Officer.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Consolidated Financial Statements, and the 2020 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table. 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: - 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. - An allowance will be established for estimated credit losses on any debt securities. - 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 850-526-4910 ext. 118, or writing John Mottice, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, FL 32447, or accessing the website, www.farmcredit-fl.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 Northwest Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2021 <i>(unaudited)</i>	December 31, 2020 <i>(audited)</i>
Assets		
Loans	\$ 319,158	\$ 299,608
Allowance for loan losses	(5,106)	(4,912)
Net loans	314,052	294,696
Loans held for sale	198	362
Accrued interest receivable	2,372	2,268
Equity investments in other Farm Credit institutions	3,036	3,018
Premises and equipment, net	1,840	1,943
Other property owned	191	—
Accounts receivable	1,765	4,373
Other assets	126	91
Total assets	\$ 323,580	\$ 306,751
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 231,751	\$ 213,221
Accrued interest payable	489	471
Patronage refunds payable	41	5,932
Accounts payable	502	322
Advanced conditional payments	158	—
Other liabilities	2,021	2,166
Total liabilities	234,962	222,112
Commitments and contingencies (Note 7)		
Members' Equity		
Capital stock and participation certificates	1,369	1,274
Retained earnings		
Allocated	36,420	36,420
Unallocated	50,829	46,945
Total members' equity	88,618	84,639
Total liabilities and members' equity	\$ 323,580	\$ 306,751

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(dollars in thousands)</i>				
Interest Income				
Loans	\$ 3,783	\$ 3,520	\$ 10,891	\$ 10,846
Other	4	3	21	13
Total interest income	3,787	3,523	10,912	10,859
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	1,392	1,330	3,963	4,200
Other	—	1	1	7
Total interest expense	1,392	1,331	3,964	4,207
Net interest income	2,395	2,192	6,948	6,652
Provision for loan losses	—	—	—	—
Net interest income after provision for loan losses	2,395	2,192	6,948	6,652
Noninterest Income				
Loan fees	13	18	79	101
Fees for financially related services	—	—	6	—
Patronage refunds from other Farm Credit institutions	591	475	1,742	1,433
Gains (losses) on sales of rural home loans, net	110	31	309	221
Gains (losses) on sales of premises and equipment, net	24	—	24	(1)
Gains (losses) on other transactions	6	—	24	(9)
Insurance Fund refunds	—	—	—	49
Other noninterest income	14	18	40	50
Total noninterest income	758	542	2,224	1,844
Noninterest Expense				
Salaries and employee benefits	1,191	1,199	3,669	3,518
Occupancy and equipment	58	60	182	194
Insurance Fund premiums	90	54	258	130
(Gains) losses on other property owned, net	2	(1)	1	1
Other operating expenses	438	349	1,178	1,043
Total noninterest expense	1,779	1,661	5,288	4,886
Net income	\$ 1,374	\$ 1,073	\$ 3,884	\$ 3,610
Other comprehensive income	—	—	—	—
Comprehensive income	\$ 1,374	\$ 1,073	\$ 3,884	\$ 3,610

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
(dollars in thousands)		Allocated	Unallocated	
Balance at December 31, 2019	\$ 1,132	\$ 37,244	\$ 45,599	\$ 83,975
Comprehensive income			3,610	3,610
Capital stock/participation certificates issued/(retired), net	95			95
Retained earnings retired		(824)		(824)
Balance at September 30, 2020	\$ 1,227	\$ 36,420	\$ 49,209	\$ 86,856
Balance at December 31, 2020	\$ 1,274	\$ 36,420	\$ 46,945	\$ 84,639
Comprehensive income			3,884	3,884
Capital stock/participation certificates issued/(retired), net	95			95
Balance at September 30, 2021	\$ 1,369	\$ 36,420	\$ 50,829	\$ 88,618

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

Farm Credit of Northwest 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 Northwest 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 5, *Fair Value Measurement*). Actual results could differ from those estimates.

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

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association

There were no applicable Updates issued by the Financial Accounting Standards Board (FASB) during the period.

ASUs Pending Effective Date

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

Potential effects of ASUs issued in previous periods:

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

Accounting Standards Effective During the Period

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

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

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent

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

- In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.
- In December 2019, the FASB issued ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments simplify the accounting for income taxes by removing the following exceptions:
 - Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income),
 - Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment,
 - Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and

- Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

The amendments also simplify the accounting for income taxes by doing the following:

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

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

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	September 30, 2021	December 31, 2020
Real estate mortgage	\$ 225,061	\$ 217,004
Production and intermediate-term	62,901	58,073
Loans to cooperatives	1,491	1,475
Processing and marketing	8,509	9,078
Farm-related business	4,835	3,706
Rural residential real estate	15,317	9,229
International	1,044	1,043
Total loans	\$ 319,158	\$ 299,608

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	\$ 16,605	\$ 50,906	\$ —	\$ 293	\$ 142	\$ —	\$ 16,747	\$ 51,199
Production and intermediate-term	3,097	12,815	12	—	—	—	3,109	12,815
Loans to cooperatives	1,493	—	—	—	—	—	1,493	—
Processing and marketing	8,318	—	—	—	—	—	8,318	—
Farm-related business	264	—	—	—	—	—	264	—
International	1,045	—	—	—	—	—	1,045	—
Total	\$ 30,822	\$ 63,721	\$ 12	\$ 293	\$ 142	\$ —	\$ 30,976	\$ 64,014

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	\$ 17,791	\$ 61,596	\$ —	\$ 343	\$ 192	\$ —	\$ 17,983	\$ 61,939
Production and intermediate-term	3,146	10,238	—	—	—	—	3,146	10,238
Loans to cooperatives	1,478	—	—	—	—	—	1,478	—
Processing and marketing	8,951	—	—	—	—	—	8,951	—
Farm-related business	264	—	—	—	—	—	264	—
International	1,045	—	—	—	—	—	1,045	—
Total	\$ 32,675	\$ 71,834	\$ —	\$ 343	\$ 192	\$ —	\$ 32,867	\$ 72,177

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		September 30, 2021	December 31, 2020
Real estate mortgage:			Farm-related business:		
Acceptable	95.48%	96.58%	Acceptable	79.16%	70.69%
OAEM	3.71	2.16	OAEM	—	—
Substandard/doubtful/loss	0.81	1.26	Substandard/doubtful/loss	20.84	29.31
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Rural residential real estate:		
Acceptable	97.17%	97.28%	Acceptable	99.54%	99.09%
OAEM	1.39	1.07	OAEM	—	0.05
Substandard/doubtful/loss	1.44	1.65	Substandard/doubtful/loss	0.46	0.86
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			Total loans:		
Acceptable	100.00%	100.00%	Acceptable	95.92%	96.60%
OAEM	—	—	OAEM	2.89	1.78
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	1.19	1.62
	100.00%	100.00%		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	\$ —	\$ 142	\$ 142	\$ 226,618	\$ 226,760	
Production and intermediate-term	487	209	696	62,783	63,479	
Loans to cooperatives	—	—	—	1,492	1,492	
Processing and marketing	—	—	—	8,527	8,527	
Farm-related business	—	—	—	4,854	4,854	
Rural residential real estate	53	—	53	15,321	15,374	
International	—	—	—	1,044	1,044	
Total	\$ 540	\$ 351	\$ 891	\$ 320,639	\$ 321,530	

	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	\$ —	\$ 347	\$ 347	\$ 218,428	\$ 218,775	
Production and intermediate-term	65	236	301	58,214	58,515	
Loans to cooperatives	—	—	—	1,476	1,476	
Processing and marketing	—	—	—	9,096	9,096	
Farm-related business	—	—	—	3,723	3,723	
Rural residential real estate	—	—	—	9,247	9,247	
International	—	—	—	1,044	1,044	
Total	\$ 65	\$ 583	\$ 648	\$ 301,228	\$ 301,876	

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	\$ 342	\$ 509
Production and intermediate-term	313	722
Rural residential real estate	30	35
Total	\$ 685	\$ 1,266
Accruing restructured loans:		
Real estate mortgage	\$ 1,532	\$ 1,583
Production and intermediate-term	125	130
Total	\$ 1,657	\$ 1,713
Accruing loans 90 days or more past due:		
Production and intermediate-term	\$ 3	\$ —
Total	\$ 3	\$ —
Total nonperforming loans	\$ 2,345	\$ 2,979
Other property owned	191	—
Total nonperforming assets	\$ 2,536	\$ 2,979
Nonaccrual loans as a percentage of total loans	0.21%	0.42%
Nonperforming assets as a percentage of total loans and other property owned	0.79%	0.99%
Nonperforming assets as a percentage of capital	2.86%	3.52%

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	\$ 336	\$ 675
Past due	349	591
Total	\$ 685	\$ 1,266
Impaired accrual loans:		
Restructured	\$ 1,657	\$ 1,713
90 days or more past due	3	—
Total	\$ 1,660	\$ 1,713
Total impaired loans	\$ 2,345	\$ 2,979
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	
	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
Impaired loans:							
With a related allowance for credit losses:							
Real estate mortgage	\$ 142	\$ 193	\$ 11	\$ 156	\$ 7	\$ 171	\$ 11
Production and intermediate-term	264	279	62	289	13	316	20
Total	\$ 406	\$ 472	\$ 73	\$ 445	\$ 20	\$ 487	\$ 31
With no related allowance for credit losses:							
Real estate mortgage	\$ 1,732	\$ 1,801	\$ —	\$ 1,897	\$ 84	\$ 2,077	\$ 131
Production and intermediate-term	177	194	—	194	8	213	14
Rural residential real estate	30	71	—	32	2	36	2
Total	\$ 1,939	\$ 2,066	\$ —	\$ 2,123	\$ 94	\$ 2,326	\$ 147
Total impaired loans:							
Real estate mortgage	\$ 1,874	\$ 1,994	\$ 11	\$ 2,053	\$ 91	\$ 2,248	\$ 142
Production and intermediate-term	441	473	62	483	21	529	34
Rural residential real estate	30	71	—	32	2	36	2
Total	\$ 2,345	\$ 2,538	\$ 73	\$ 2,568	\$ 114	\$ 2,813	\$ 178

Impaired loans:	December 31, 2020			Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 264	\$ 263	\$ 83	\$ 288	\$ 21
Production and intermediate-term	369	381	80	404	30
Total	\$ 633	\$ 644	\$ 163	\$ 692	\$ 51
With no related allowance for credit losses:					
Real estate mortgage	\$ 1,828	\$ 1,878	\$ —	\$ 2,000	\$ 147
Production and intermediate-term	483	657	—	528	38
Rural residential real estate	35	72	—	38	3
Total	\$ 2,346	\$ 2,607	\$ —	\$ 2,566	\$ 188
Total impaired loans:					
Real estate mortgage	\$ 2,092	\$ 2,141	\$ 83	\$ 2,288	\$ 168
Production and intermediate-term	852	1,038	80	932	68
Rural residential real estate	35	72	—	38	3
Total	\$ 2,979	\$ 3,251	\$ 163	\$ 3,258	\$ 239

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:								
Balance at June 30, 2021	\$ 3,666	\$ 1,013	\$ 234	\$ —	\$ —	\$ 201	\$ 17	\$ 5,131
Charge-offs	(50)	—	—	—	—	—	—	(50)
Recoveries	9	16	—	—	—	—	—	25
Provision for loan losses	(28)	(20)	4	—	—	44	—	—
Balance at September 30, 2021	\$ 3,597	\$ 1,009	\$ 238	\$ —	\$ —	\$ 245	\$ 17	\$ 5,106
Balance at December 31, 2020	\$ 3,561	\$ 948	\$ 235	\$ —	\$ —	\$ 151	\$ 17	\$ 4,912
Charge-offs	(50)	(17)	—	—	—	—	—	(67)
Recoveries	237	23	1	—	—	—	—	261
Provision for loan losses	(151)	55	2	—	—	94	—	—
Balance at September 30, 2021	\$ 3,597	\$ 1,009	\$ 238	\$ —	\$ —	\$ 245	\$ 17	\$ 5,106
Balance at June 30, 2020	\$ 3,224	\$ 964	\$ 209	\$ —	\$ 19	\$ 104	\$ 17	\$ 4,537
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	35	20	—	—	—	67	—	122
Provision for loan losses	19	29	2	—	—	(50)	—	—
Balance at September 30, 2020	\$ 3,278	\$ 1,013	\$ 211	\$ —	\$ 19	\$ 121	\$ 17	\$ 4,659
Balance at December 31, 2019	\$ 3,204	\$ 983	\$ 192	\$ 21	\$ 19	\$ 93	\$ 17	\$ 4,529
Charge-offs	(1)	(29)	—	—	—	—	—	(30)
Recoveries	60	27	6	—	—	67	—	160
Provision for loan losses	15	32	13	(21)	—	(39)	—	—
Balance at September 30, 2020	\$ 3,278	\$ 1,013	\$ 211	\$ —	\$ 19	\$ 121	\$ 17	\$ 4,659
Allowance on loans evaluated for impairment:								
Individually	\$ 11	\$ 62	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 73
Collectively	3,586	947	238	—	—	245	17	5,033
Balance at September 30, 2021	\$ 3,597	\$ 1,009	\$ 238	\$ —	\$ —	\$ 245	\$ 17	\$ 5,106
Individually	\$ 83	\$ 80	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 163
Collectively	3,478	868	235	—	—	151	17	4,749
Balance at December 31, 2020	\$ 3,561	\$ 948	\$ 235	\$ —	\$ —	\$ 151	\$ 17	\$ 4,912
Recorded investment in loans evaluated for impairment:								
Individually	\$ 1,874	\$ 438	\$ —	\$ —	\$ —	\$ 30	\$ —	\$ 2,342
Collectively	224,886	63,041	14,873	—	—	15,344	1,044	319,188
Balance at September 30, 2021	\$ 226,760	\$ 63,479	\$ 14,873	\$ —	\$ —	\$ 15,374	\$ 1,044	\$ 321,530
Individually	\$ 2,092	\$ 852	\$ —	\$ —	\$ —	\$ 35	\$ —	\$ 2,979
Collectively	216,683	57,663	14,295	—	—	9,212	1,044	298,897
Balance at December 31, 2020	\$ 218,775	\$ 58,515	\$ 14,295	\$ —	\$ —	\$ 9,247	\$ 1,044	\$ 301,876

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following table presents additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the period. There were no new TDRs that occurred during the three months ended September 30, 2021 and the three and nine month periods ended September 30, 2020.

Outstanding Recorded Investment	Nine Months Ended September 30, 2021					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Pre-modification:						
Real estate mortgage	\$ 71	\$ —	\$ —	\$ 71		
Production and intermediate-term	31	—	—	31		
Total	\$ 102	\$ —	\$ —	\$ 102		
Post-modification:						
Real estate mortgage	\$ 71	\$ —	\$ —	\$ 71	\$ —	
Production and intermediate-term	31	—	—	31	—	
Total	\$ 102	\$ —	\$ —	\$ 102	\$ —	

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.

The following table presents the outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Defaulted troubled debt restructurings:				
Real estate mortgage	\$ 65	\$ —	\$ 134	\$ —
Total	\$ 65	\$ —	\$ 134	\$ —

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	\$ 1,597	\$ 1,583	\$ 65	\$ —
Production and intermediate-term	189	534	64	404
Total loans	\$ 1,786	\$ 2,117	\$ 129	\$ 404
Additional commitments to lend	\$ —	\$ —		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 0.91 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 \$577 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

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

Note 5 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities 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	
<u>Recurring Measurements</u>										
Assets:										
Assets held in trust	\$	6	\$	6	\$	—	\$	—	\$	6
Recurring Assets	\$	6	\$	6	\$	—	\$	—	\$	6
Liabilities:										
Recurring Liabilities	\$	—	\$	—	\$	—	\$	—	\$	—
<u>Nonrecurring Measurements</u>										
Assets:										
Impaired loans	\$	333	\$	—	\$	—	\$	333	\$	333
Other property owned		191		—		—		258		258
Nonrecurring Assets	\$	524	\$	—	\$	—	\$	591	\$	591
<u>Other Financial Instruments</u>										
Assets:										
Cash	\$	—	\$	—	\$	—	\$	—	\$	—
Loans		313,917		—		—		313,169		313,169
Other Financial Assets	\$	313,917	\$	—	\$	—	\$	313,169	\$	313,169
Liabilities:										
Notes payable to AgFirst Farm Credit Bank	\$	231,751	\$	—	\$	—	\$	231,695	\$	231,695
Other Financial Liabilities	\$	231,751	\$	—	\$	—	\$	231,695	\$	231,695

December 31, 2020

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust	\$ 5	\$ 5	\$ –	\$ –	\$ 5
Recurring Assets	\$ 5	\$ 5	\$ –	\$ –	\$ 5
Liabilities:					
Recurring Liabilities	\$ –	\$ –	\$ –	\$ –	\$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	\$ 470	\$ –	\$ –	\$ 470	\$ 470
Other property owned	–	–	–	–	–
Nonrecurring Assets	\$ 470	\$ –	\$ –	\$ 470	\$ 470
Other Financial Instruments					
Assets:					
Cash	\$ –	\$ –	\$ –	\$ –	\$ –
Loans	294,588	–	–	297,444	297,444
Other Financial Assets	\$ 294,588	\$ –	\$ –	\$ 297,444	\$ 297,444
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	\$ 213,221	\$ –	\$ –	\$ 215,237	\$ 215,237
Other Financial Liabilities	\$ 213,221	\$ –	\$ –	\$ 215,237	\$ 215,237

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	\$ 591	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
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 6 — Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pension	\$ 92	\$ 71	\$ 277	\$ 212
401(k)	77	72	244	216
Other postretirement benefits	27	25	81	76
Total	\$ 196	\$ 168	\$ 602	\$ 504

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

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

Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions would not be material in relation to the financial position of the Association. Because it is remote 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 8 — Subsequent Events

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

On October 18, 2021, AgFirst's Board of Directors indicated an intention to declare, in December 2021, a special patronage distribution. The Association will receive between approximately \$2,701 and \$2,813 which will be recorded as patronage refunds from other Farm Credit institutions.