WESTERN AgCredit®

REPORT TO SHAREHOLDERS
THIRD QUARTER
2021

WESTERN AGCREDIT

Management’s Discussion and Analysis of Financial Condition and Results of Operations:

Statement of Condition: As of September 30, 2021, total loan volume was $1,161.6 million, an increase of $33.0 million from the comparative period for 2020 and an increase of $18.6 million from December 31, both primarily due to the Association’s successful marketing efforts to obtain new good quality loan volume and purchases of loan participations. The allowance for loan losses decreased $2.6 million since September 30, 2020 and decreased $874 thousand since December 31, 2020. The decrease from September 30, 2020 is primarily due to decreases in specific allowances and improvements in commodity, LGD, and PD factors partially offset by increases in management adjustments. The decrease from December 31, 2020 is due to decreases in specific allowances and management adjustments and improvements in LGD and PD factors partially offset by deterioration in commodity factors.

The Association’s cash position decreased $824 thousand compared to year-end 2020 due to a smaller deposit being made at the end of September 2021 than at year-end 2020. Accrued interest receivable decreased $1.3 million from September 2020, primarily due to declining interest rates partially offset by increased loan volume. The Investment in CoBank increased $2.0 million from September 2020 due to higher loan volume and associated note payable during 2020. The $578 thousand increase in premises and equipment from September 2020 is due primarily to capitalized costs related to software programming, construction of a new office building for the Cedar City branch, computer equipment and software, and vehicle additions partially offset by normal depreciation. Other property owned increased $7.7 million compared to September 2020 due to a loan foreclosure and the associated acquired property activity. Other assets increased $2.7 million compared to September 2020, primarily due to increased prepaid pension costs. The $466 thousand increase in other assets from year-end 2020 is largely due to the increased accrual for CoBank patronage.

Note payable to CoBank increased $30.8 million from a year earlier primarily due to increased loan volume, which is primarily funded by the note payable. Funds held at September 30, 2021 was $7.5 million higher than year-end 2020 and $3.9 million less than September 30, 2020. Increases result from borrowers deposit of funds into the Association’s funds held account program and decreases result from borrowers use of funds. Accrued interest payable decreased $293 thousand or 27% from September 30, 2020 primarily due to declining interest rates partially offset by increased note payable. The Association accrues estimated member patronage each month, which was offset by the midyear patronage payment made in September, resulting in $2.4 million accrued patronage as of September 30, 2021. The $3.1 million of patronage distributions payable at December 31, 2020 is the accrued and declared 2020 patronage, subsequently paid to borrowers in February 2021. An additional $168 thousand in patronage from 2020 earnings was declared and accrued in January 2021 and included in the February 2021 payment. Other liabilities increased $448 thousand when compared to September 2020 primarily due to increased FCSIC premium payable. The $450 thousand decrease in other liabilities from year-end 2020 is largely due to the annual payments of Farm Credit Insurance Fund premiums and accrued employee incentives in the first quarter of each year.

Capital stock and participation certificates decreased $18 thousand from year-end 2020 due to stock retirements exceeding issuances. Unallocated retained earnings increased $13.9 million from year-end 2020, attributed to the Association’s net income partially offset by accrued member patronage, while the $19.1 million increase from September 2020 resulted from the Association’s net income of $28.5 million during this period less the $9.4 million in patronage distributions that were either accrued or paid during the period. The $57 thousand increase in accumulated other comprehensive loss from the comparative period in 2020 is attributed to the recording of a liability for certain employees participation in a non-qualified defined benefit pension restoration plan. The offset to the liability is an adjustment to accumulated other comprehensive loss.

Statement of Income: Year-to-date net interest income for 2021 increased $758 thousand or 3% when compared to the same period in 2020. Total interest income decreased $4.2 million primarily due to decreased average interest rate partially offset by increased loan volume while total interest expense decreased $5.0 million largely attributable to the decrease in the average cost of funds partially offset by increased note payable. The 2021 year-to-date reversal for loan losses is primarily due to decreases in specific allowances and management adjustments, and improved PD and LGD factors partially offset by decreases in commodity factors. The Association’s allowance for loan losses remained adequate at 0.18% of loans at September 30, 2021.

The $45 thousand increase in 2021 year-to-date total noninterest income was due to a $703 thousand increase in patronage from Farm Credit Institutions partially offset by a decrease of $344 thousand in loan fees collected (primarily due to income from PPP fees collected in 2020), $308 thousand in other noninterest income, and $6 thousand in financially related services income. Other noninterest income consists of the Farm Credit Insurance Fund distribution, allocated income from the System Captive Insurance Company, and rental income for a portion of the South Jordan, Tremonton, and Evanston buildings.

Total year-to-date noninterest expense increased $364 thousand or 4% compared to the same period in 2020. The increase resulted from a $486 thousand, or 81%, increase in the Farm Credit Insurance Fund premium, a $100 thousand increase in other operating expense, and a $35 thousand increase in occupancy and equipment partially offset by a $113 thousand decrease in salaries and employee benefits, a $108 thousand increase in the gain on sale of premises and equipment (primarily from the sale of the Cedar City building) and a $36 thousand increase in gain on other property owned. The increase in the Farm Credit Insurance Fund premium is due to an increase in the premium rate. Increase in other operating expense is primarily due to lower expenses recognized in 2020 due to the COVID-19 pandemic.

The Association's $21.9 million 2021 year-to-date net income is $1.5 million higher than projected in the Association's business plan primarily due to higher than projected reversal for loan losses and lower than projected operating expenses.

Please refer to “Notes to the Association Consolidated Financial Statements” and the Association’s 2020 Annual Report for additional information. The financial statements were prepared under the oversight of the Association’s Audit Committee.

WESTERN AGCREDIT
CONSOLIDATED STATEMENTS OF CONDITION
(Unaudited)
(Dollars in thousands)

	September 30,		December 31,	
	2021	2020	2020	2019
ASSETS				
Loans	**$ 1,161,601**	$ 1,128,638	$ 1,142,973	$ 1,094,728
Less: Allowance for loan losses	**(2,165)**	(4,811)	(3,039)	(2,944)
Net loans	**1,159,436**	1,123,827	1,139,934	1,091,784
Cash	**826**	1,281	1,650	514
Accrued interest receivable	**19,590**	20,905	14,342	18,335
Investment in CoBank	**36,911**	34,897	36,889	34,864
Premises and equipment, net	**11,989**	11,411	12,192	10,787
Other property owned	**7,753**	48	770	45
Deferred tax assets, net	**357**	530	483	126
Other assets	**12,135**	9,424	11,669	9,103
Total assets	**$ 1,248,997**	$ 1,202,323	$ 1,217,929	$ 1,165,558
LIABILITIES				
Note payable to CoBank	**$ 954,051**	$ 923,260	$ 943,008	$ 910,183
Funds held	**27,782**	31,723	20,253	18,959
Accrued interest payable	**812**	1,105	1,025	1,742
Accrued member patronage	**2,407**	1,787	-	-
Patronage distributions payable	**-**	-	3,140	3,543
Other liabilities	**4,178**	3,730	4,628	4,193
Total liabilities	**989,230**	961,605	972,054	938,620
Commitments and contingencies				
MEMBERS' EQUITY				
Capital stock and participation certificates	**1,511**	1,531	1,529	1,510
Unallocated retained earnings	**258,313**	239,187	244,421	225,428
Accumulated other comprehensive loss	**(57)**	-	(75)	-
Total members' equity	**259,767**	240,718	245,875	226,938
Total liabilities and members' equity	**$ 1,248,997**	$ 1,202,323	$ 1,217,929	$ 1,165,558

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

WESTERN AGCREDIT
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands)

	For the quarter ended September 30,		For the nine months ended September 30,	
	2021	**2020**	**2021**	2020
INTEREST INCOME				
Loans	**$ 11,933**	$ 12,236	**$ 35,471**	$ 39,693
Total interest income	**11,933**	12,236	**35,471**	39,693
INTEREST EXPENSE				
Note payable to CoBank	**2,779**	3,496	**8,146**	13,003
Funds held	**26**	34	**80**	203
Total interest expense	**2,805**	3,530	**8,226**	13,206
Net interest income	**9,128**	8,706	**27,245**	26,487
Reversal of / (provision for) loan losses	**217**	(1,986)	**1,159**	(2,354)
Net interest income after provision for loan losses	**9,345**	6,720	**28,404**	24,133
NONINTEREST INCOME				
Patronage distribution from Farm Credit Institutions	**1,193**	980	**3,578**	2,875
Financially related services income	**15**	37	**45**	51
Loan fees	**113**	283	**339**	683
Other noninterest income	**87**	45	**165**	473
Total noninterest income	**1,408**	1,345	**4,127**	4,082
NONINTEREST EXPENSE				
Salaries and employee benefits	**2,244**	2,396	**6,834**	6,947
Occupancy and equipment	**149**	141	**452**	417
Other operating expense	**684**	721	**2,193**	2,093
Farm Credit Insurance Fund premium	**359**	252	**1,090**	604
(Gains)/losses on other property owned, net	**(33)**	15	**(24)**	12
Gain on sale of premises and equipment	**-**	-	**(150)**	(42)
Total noninterest expense	**3,403**	3,525	**10,395**	10,031
Income before income taxes	**7,350**	4,540	**22,136**	18,184
(Provision)/benefit for income taxes	**(48)**	432	**(231)**	281
Net income	**$ 7,302**	$ 4,972	**$ 21,905**	$ 18,465
COMPREHENSIVE INCOME				
Amortization of retirement costs	**6**	-	**18**	-
Total comprehensive income	**$ 7,308**	$ 4,972	**$ 21,923**	$ 18,465

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

WESTERN AGCREDIT
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(Unaudited)
(Dollars in thousands)

	At-Risk Equity			
	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$ 1,510	$ 225,428	$ -	$ 226,938
Comprehensive income		18,465		18,465
Accrued member patronage		(4,706)		(4,706)
Capital stock and participation certificates issued	107			107
Capital stock and participation certificates retired	(86)			(86)
Balance at September 30, 2020	$ 1,531	$ 239,187	$ -	$ 240,718
Balance at December 31, 2020	$ 1,529	$ 244,421	$ (75)	$ 245,875
Comprehensive income		**21,905**	**18**	**21,923**
Accrued member patronage		**(7,845)**		**(7,845)**
Patronage declared and accrued		**(168)**		**(168)**
Capital stock and participation certificates issued	**96**			**96**
Capital stock and participation certificates retired	**(114)**			**(114)**
Balance at September 30, 2021	**$ 1,511**	**$ 258,313**	**$ (57)**	**$ 259,767**

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

WESTERN AGCREDIT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and $ amounts in thousands)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Western AgCredit, ACA and wholly-owned subsidiaries, Western AgCredit, PCA and Western AgCredit, FLCA (collectively called "the Association"), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2020 are contained in the 2020 Annual Report to Stockholders. These unaudited third quarter 2021 financial statements should be read in conjunction with the 2020 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020 as contained in the 2020 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2021. Descriptions of the significant accounting policies are included in the 2020 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020 through December 31, 2022. The Association is evaluating the impact of adoption on the Association's financial condition and results of operations.

In January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The institution adopted the guidance in the first quarter of 2021 and the impact was not material to the institution's financial condition or results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	September 30, 2021	December 31, 2020
Real estate mortgage	$ 789,161	$ 767,863
Production & intermediate-term	282,714	290,877
Agribusiness:		
Cooperative	11,140	11,128
Processing and marketing	51,711	46,062
Farm related business	10,641	12,073
Rual infrastructure:		
Communication	5,506	6,296
Energy	10,728	8,498
Mission-related	-	176
Total loans	$ 1,161,601	$ 1,142,973

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Board Policy and Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of the quarter ended September 30, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 32,238	$ 71,686	$ 177,806	$ -	$ 210,044	$ 71,686
Production & intermediate-term	26,915	14,342	15,975	-	42,890	14,342
Agribusiness:						
Cooperative	11,140	-	-	-	11,140	-
Processing and marketing	29,941	12,853	5,121	-	35,062	12,853
Farm related business	3,536	-	30	-	3,566	-
Rural infrastructure:						
Communication	5,506	-	-	-	5,506	-
Energy	10,728	-	-	-	10,728	-
Total participations	$ 120,004	$ 98,881	$ 198,932	$ -	$ 318,936	$ 98,881

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 6,235	$ 16,685
Production & intermediate-term	8,869	14,217
Total nonaccural loans	15,104	30,902
Accruing restructured loans:		
Production & intermediate-term	-	9
Total accruing restructured loans	-	9
Accruing loans 90 days or more past due:		
Production & intermediate-term	-	-
Total accruing loans 90 days or more past due	-	-
Total nonperforming loans	15,104	30,911
Other property owned	7,753	770
Total nonperforming assets	$ 22,857	$ 31,681

The Association did not have any accruing loans 90 days or more past due for the reporting period.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	97.66%	93.90%
OAEM	0.85%	2.97%
Substandard	1.49%	3.13%
Total	100.00%	100.00%
Production & intermediate-term		
Acceptable	94.93%	88.14%
OAEM	1.27%	5.75%
Substandard	3.80%	6.11%
Total	100.00%	100.00%
Agribusiness		
Acceptable	95.21%	96.52%
OAEM	4.75%	1.70%
Substandard	0.04%	1.78%
Total	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Mission-related		
Acceptable	0.00%	100.00%
Total	0.00%	100.00%
Total Loans		
Acceptable	96.88%	92.67%
OAEM	1.18%	3.56%
Substandard	1.94%	3.77%
Total loans	100.00%	100.00%

The following tables provide an age analysis of past due loans (including accrued interest) as of:

September 30, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less then 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment >90 days and Accruing
Real estate mortgage	$ -	$ 4,842	$ 4,842	$ 799,995	$ 804,837	$ -
Production and intermediate-term	2,529	6,886	9,415	276,884	286,299	-
Agribusiness	-	-	-	73,782	73,782	-
Rural infrastructure	-	-	-	16,273	16,273	-
Mission-related	-	-	-	-	-	-
Total	$ 2,529	$ 11,728	$ 14,257	$ 1,166,934	$ 1,181,191	$ -

December 31, 2020	30-89 Days Past Due	90 days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment >90 days and Accruing
Real estate mortgage	$ -	$ 12,354	$ 12,354	$ 766,843	$ 779,197	$ -
Production and intermediate-term	1,381	12,593	13,974	279,610	293,584	-
Agribusiness	-	-	-	69,546	69,546	-
Rural infrastructure	-	-	-	14,812	14,812	-
Mission-related	-	-	-	176	176	-
Total	$ 1,381	$ 24,947	$ 26,328	$ 1,130,987	$ 1,157,315	$ -

Additional impaired loan information is as follows:

	At September 30, 2021			At December 31, 2020		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for loan loss:						
Real estate mortgage	$ 6,115	$ 6,084	$ 41	$ 15,905	$ 15,706	$ 82
Production and intermediate-term	8,869	8,819	178	14,217	16,529	734
Total	$ 14,984	$ 14,903	$ 219	$ 30,122	$ 32,235	$ 816
Impaired loans with no related allowance for loan loss:						
Real estate mortgage	$ 120	$ 152	$ -	$ 780	$ 811	$ -
Production and intermediate-term	-	-	-	9	9	-
Total	$ 120	$ 152	$ -	$ 789	$ 820	$ -
Total impaired loans:						
Real estate mortgage	$ 6,235	$ 6,236	$ 41	$ 16,685	$ 16,517	$ 82
Production and intermediate-term	8,869	8,819	178	14,226	16,538	734
Total	$ 15,104	$ 15,055	$ 219	$ 30,911	$ 33,055	$ 816

For the three months ended	September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan loss:				
Real estate mortgage	$ 5,664	$ -	$ 17,062	$ 88
Production and intermediate-term	9,788	-	24,453	67
Total	$ 15,452	$ -	$ 41,515	$ 155
Impaired loans with no related allowance for loan loss:				
Real estate mortgage	$ 557	$ 211	$ 785	$ -
Production and intermediate-term	8	-	36	-
Total	$ 565	$ 211	$ 821	$ -
Total impaired loans:				
Real estate mortgage	$ 6,221	$ 211	$ 17,847	$ 88
Production and intermediate-term	9,796	-	24,489	67
Total	$ 16,017	$ 211	$ 42,336	$ 155

For the nine months ended	September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan loss:				
Real estate mortgage	$ 9,822	$ 411	$ 12,428	$ -
Production and intermediate-term	12,343	-	19,667	17
Total	$ 22,165	$ 411	$ 32,095	$ 17
Impaired loans with no related allowance for loan loss:				
Real estate mortgage	$ 695	$ 388	$ 780	$ 190
Production and intermediate-term	9	39	92	353
Total	$ 704	$ 427	$ 872	$ 543
Total impaired loans:				
Real estate mortgage	$ 10,517	$ 799	$ 13,208	$ 190
Production and intermediate-term	12,352	39	19,759	370
Total	$ 22,869	$ 838	$ 32,967	$ 560

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

Allowance for Loan Losses	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for / (reversal of) loan losses	Balance at September 30, 2021
Real estate mortgage	$ 756	$ -	$ -	$ (19)	$ 737
Production & intermediate-term	1,216	(29)	45	(265)	967
Agribusiness	348	-	-	51	399
Rural infrastructure	46	-	-	16	62
Mission-related	-	-	-	-	-
Total	$ 2,366	$ (29)	$ 45	$ (217)	$ 2,165

Allowance for Loan Losses	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for / (reversal of) loan losses	Balance at September 30, 2021
Real estate mortgage	$ 788	$ -	$ -	$ (51)	$ 737
Production & intermediate-term	1,975	(181)	466	(1,293)	967
Agribusiness	241	-	-	158	399
Rural infrastructure	35	-	-	27	62
Mission-related	-	-	-	-	-
Total	$ 3,039	$ (181)	$ 466	$ (1,159)	$ 2,165

Allowance for Loan Losses	Balance at June 30, 2020	Charge-offs	Recoveries	Provision for / (reversal of) loan losses	Balance at September 30, 2020
Real estate mortgage	$ 668	$ -	$ -	$ 173	$ 841
Production & intermediate-term	2,023	(82)	-	1,766	3,707
Agribusiness	200	-	-	23	223
Rural infrastructure	16	-	-	24	40
Mission-related	-	-	-	-	-
Total	$ 2,907	$ (82)	$ -	$ 1,986	$ 4,811

Allowance for Loan Losses	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for / (reversal of) loan losses	Balance at September 30, 2020
Real estate mortgage	$ 531	$ -	$ -	$ 310	$ 841
Production & intermediate-term	2,225	(492)	5	1,969	3,707
Agribusiness	184	-	-	39	223
Rural infrastructure	4	-	-	36	40
Mission-related	-	-	-	-	-
Total	$ 2,944	$ (492)	$ 5	$ 2,354	$ 4,811

	Allowance for Loan Losses Ending Balance at September 30, 2021		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2021	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ 41	$ 696	$ 6,235	$ 798,602
Production and intermediate-term	178	789	8,869	277,430
Agribusiness	-	399	-	73,782
Rural infrastructure	-	62	-	16,273
Total	$ 219	$ 1,946	$ 15,104	$ 1,166,087

	Allowance for Loan Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ 82	$ 706	$ 16,685	$ 762,512
Production and intermediate-term	734	1,241	14,226	279,358
Agribusiness	-	241	-	69,546
Rural infrastructure	-	35	-	14,812
Mission-related	-	-	-	176
Total	$ 816	$ 2,223	$ 30,911	$ 1,126,404

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 regarding troubled debt restructurings (whether accrual or nonaccrual) that occurred during the third quarters of 2021 and 2020.

	For the Three months Ended September 30, 2021		For the Three Months Ended September 30, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Production and intermediate-term	$ 1,688	$ 1,688	$ -	$ -
Total	$ 1,688	$ 1,688	$ -	$ -

	For the Nine Months Ended September 30, 2021		For the Nine Months Ended September 30, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Production and intermediate-term	$ 1,696	$ 1,696	$ 125	$ 125
Total	$ 1,696	$ 1,696	$ 125	$ 125

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

There were no additional commitments to lend to borrowers whose loans have been modified in TDR's as of September 30, 2021 or December 31, 2020.

The following table provides information on outstanding loans restructured as TDR's at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	$ 1,274	$ 2,265	$ 1,274	$ 2,265
Production and intermediate-term	2,474	925	2,474	916
Total	$ 3,748	$ 3,190	$ 3,748	$ 3,181

* represents the portion of loans modified as TDRs (first column) that are in nonaccrual status

NOTE 3 - CAPITAL

In accordance with the Farm Credit Act, each borrower is required to invest in capital stock (in the case of agricultural loans) or participation certificates (in the case of rural home and farm-related business loans) as a condition of borrowing. Borrowers purchase an amount of stock equal to the lesser of one thousand dollars or 2% of the amount borrowed at the customer level. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment; the aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. In accordance with the Farm Credit Act, such equities are unprotected and at risk.

Retirement of at-risk equities will be solely at the discretion of the Board of Directors at the lower of par or book value, and repayment of a loan cannot automatically result in retirement of the corresponding stock or participation certificates. The Board of Directors may adjust the required level of capitalization as necessary to meet the Association's long-term capital goals.

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1 capital, tier 1 capital, and total capital risk-based capital ratios. The new regulations added a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect.

Risk adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

The new capital ratios are depicted in the table below.

	Regulatory Minimums	Capital Conservation Buffer	Total	As of September 30, 2021
Risk-adjusted:				
Common Equity tier 1 capital ratio	4.5%	2.5%	7.0%	17.30%
Tier 1 capital ratio	6.0%	2.5%	8.5%	17.30%
Total capital ratio	8.0%	2.5%	10.5%	17.48%
Permanent captial ratio	7.0%	0.0%	7.0%	17.33%
Non-risk-adjusted				
Tier 1 leverage ratio	4.0%	1.0%	5.0%	18.55%
UREE leverage ratio	1.5%	0.0%	1.5%	19.50%

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Balance at June 30, 2021	$ -	$ (63)
Net current period comprehensive income	-	6
Balance at September 30, 2021	$ -	$ (57)

	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Balance at June 30, 2020	$ -	$ -
Net current period comprehensive income	-	-
Balance at September 30, 2020	$ -	$ -

	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2020	$ -	$ (75)
Net current period comprehensive income	-	18
Balance at September 30, 2021	$ -	$ (57)

	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2019	$ -	$ -
Net current period comprehensive income	-	-
Balance at September 30, 2020	$ -	$ -

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 to the 2020 Annual Report for a more complete description.

Assets measured at fair value on a non-recurring basis for the applicable fair value hierarchy values are summarized below:

	Total Fair Value	
	September 30, 2021	December 31, 2020
LEVEL 3 - Assets:		
Impaired loans	$ 15,104	$ 30,902
Other property owned	7,753	770

Valuation Techniques

As more fully discussed in Note 2 to the 2020 Annual Report to Stockholders, the FASB established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities subject to fair value measurement. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

Other Property Owned – Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Loans Evaluated for Impairment - For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans are collateral-dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of, and judgment about, current market conditions, specific issues relating to the collateral, and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and the net loan is reported at its fair value. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

NOTE 5 - INVESTMENT IN COBANK

The Association is required to maintain a minimum at-risk investment in CoBank stock based on a percentage of the Association's average borrowings from CoBank. The required stock investment in CoBank, which can change from time to time, is 4.00%.

The stockholder's investment in the Association is materially affected by the financial condition and results of operation of CoBank. CoBank's Third Quarter 2021 Report to Shareholders can be obtained free of charge from their website (www.cobank.com) or by contacting us at 10980 South Jordan Gateway, South Jordan, UT 84095 or by calling 800-824-9198.

NOTE 6 – EMPLOYEE BENEFIT PLANS

The following table summarizes the components of net periodic benefit costs for the nine months ended September 30:

Pension Benefits

	2021	2020
Service cost	$ 66	$ 60
Amortization of prior service costs	-	-
Amortization of net actuarial loss	(189)	-
Net periodic benefit cost	$ (123)	$ 60

The components of net periodic benefit cost other than the service cost component are included in the line item “other income/(expense)” in the income statement.

The Association previously disclosed in its financial statements for the year ended December 31, 2020 that it expected to contribute $1.9 million to its pension plan in 2021. As of September 30, 2021, $1.3 million of contributions have been made to the qualified pension plan. The Association presently anticipates contributing an additional $637 thousand to fund its pension plan in 2021 for a total of $1.9 million.

NOTE 7 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 2, 2021, the date the financial statements were available to be issued, and no material subsequent events were identified.

CERTIFICATION

The undersigned certify that they have reviewed this quarterly report and that it has been prepared in accordance with all statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Wayne a Smith
Wayne A. Smith
Chairman of the Board of Directors

David G. Brown
President and Chief Executive Officer

Darren Haas
Darren L. Haas
Senior Vice President and Chief Financial Officer

November 2, 2021