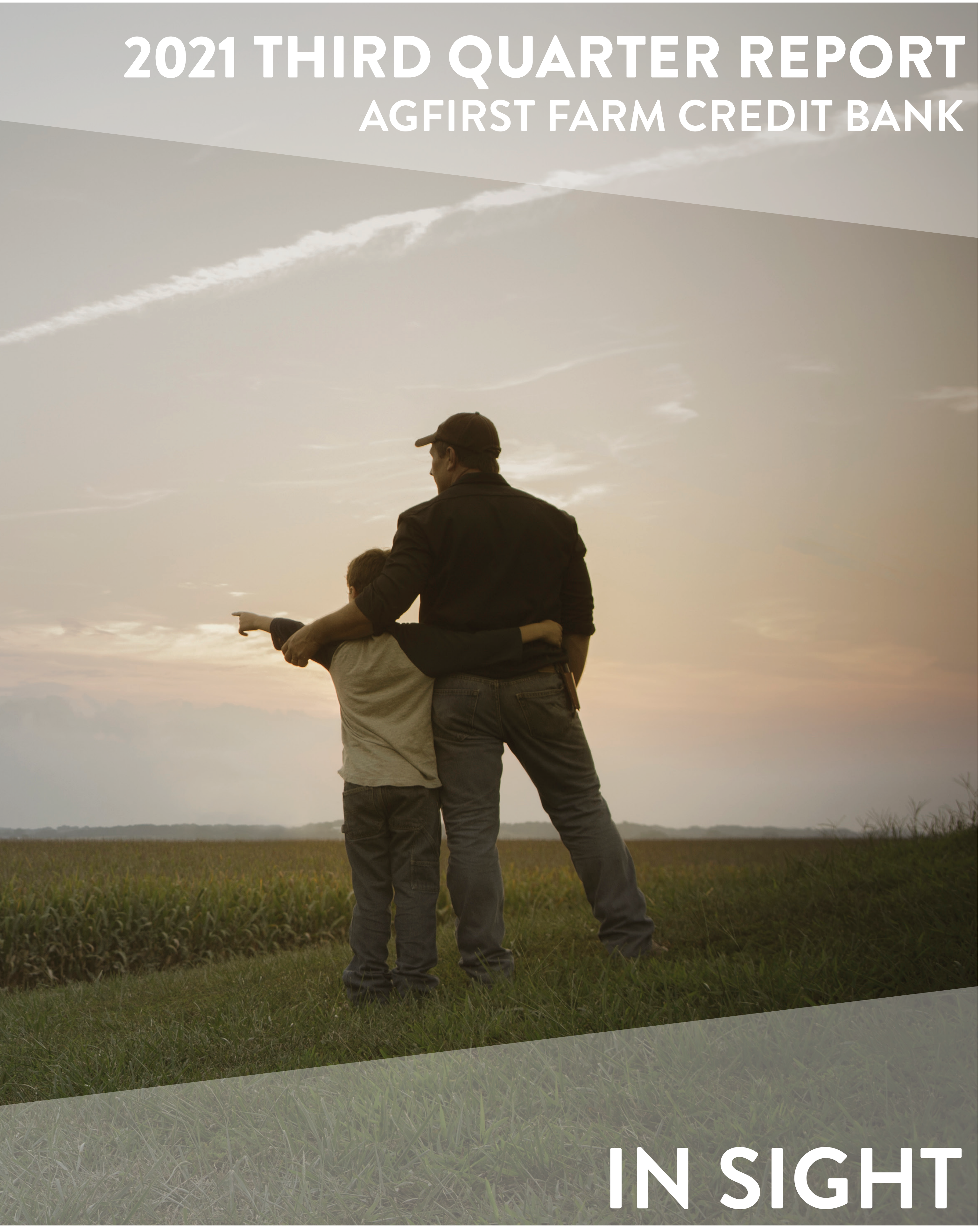
2021 THIRD QUARTER REPORT
AGFIRST FARM CREDIT BANK



IN SIGHT

THIRD QUARTER 2021

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CERTIFICATION

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

Ellis W. Taylor
Chairman of the Board

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

November 8, 2021

Report on Internal Control Over Financial Reporting

The Bank'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 Bank's 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 Bank'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 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 Bank, (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 Bank, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its Financial Statements.

The Bank'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 Bank'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 Bank's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2021.

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

November 8, 2021

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

The following discussion reviews the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank) as of and for the three and nine months ended September 30, 2021. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2020 Annual Report of AgFirst Farm Credit Bank. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the District. The accompanying financial statements were prepared under the oversight of the Audit Committee of the AgFirst Board of Directors.

Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of AgFirst. However, neither the three months nor the nine months results of operations may be indicative of an entire year due to the seasonal nature of a portion of AgFirst's business.

FORWARD-LOOKING INFORMATION

This quarterly report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from AgFirst's expectations and predictions due to a number of risks and uncertainties, many of which are beyond AgFirst's control.

There have been no material changes to the risks described in the Bank's 2020 Annual Report. Terms not defined herein have the meaning set forth in the 2020 Annual Report.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, AgFirst transitioned the vast majority of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. The Bank continues to operate in a remote work environment with a limited number of employees working at the Bank's headquarters.

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 Bank's 2020 Annual Report.

COVID-19 Support Programs

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

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

- Pandemic Livestock Indemnity Program - provides financial assistance to support producers of eligible swine, chickens, and turkeys depopulated from March 1, 2020 through December 26, 2020. To be eligible,

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

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP were fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States. Over the life of the program, the District extended loans to approximately 9,900 borrowers. As of September 30, 2021, the District had $67.8 million of these loans outstanding, of which $53.4 million is held at the Bank. In addition, through September 30, 2021, the volume of such loans that have received forgiveness from the SBA since the start of the program was $216.7 million.

For a detailed discussion of programs enacted in 2020, see pages 5 and 6 of the Bank's 2020 Annual Report.

CLIMATE CHANGE

Agricultural production is and always has been vulnerable to weather events and climate change. The USDA has recognized that the changing climate presents threats to U.S. and global agricultural production and rural communities. The impact of climate change including its effect on weather is, and will continue to be, a challenge for agricultural producers. Among the risks of climate change are:

- rising average temperatures,
- more frequent and severe storms,
- more forest fires, and
- extremes in flooding and droughts.

However, risks associated with climate change are mitigated, to some degree, by U.S. agricultural producers' ability to navigate changing industry dynamics from numerous perspectives, including trade, government policy, consumer preferences and weather. Producers regularly adopt new technologies, agronomic practices and financial strategies in response to evolving trends to ensure their competitiveness.

FINANCIAL CONDITION

Loan Portfolio

AgFirst's loan portfolio consists of direct loans to District Associations (Direct Notes), loan participations/ syndications purchased, Correspondent Lending loans (primarily first lien rural residential mortgages), and loans to Other Financing Institutions (OFIs) as shown below:

Loan Portfolio	**September 30,**	**December 31,**	**September 30,**	**September 2021 Compared to December 2020**		**September 2021 Compared to September 2020**	
(dollars in thousands)	**2021**	**2020**	**2020**	**$ Change**	**% Change**	**$ Change**	**% Change**
Direct Notes*	$ 19,195,235	$ 17,945,905	$ 17,687,095	$1,249,330	6.96 %	$1,508,140	8.53 %
Participations/Syndications Purchased, net*	5,366,242	5,094,229	4,927,027	272,013	5.34 %	439,215	8.91 %
Correspondent Lending	2,887,051	3,047,757	3,136,941	(160,706)	(5.27)%	(249,890)	(7.97)%
Loans to OFIs	155,549	137,098	138,878	18,451	13.46 %	16,671	12.00 %
Total	$ 27,604,077	$ 26,224,989	$ 25,889,941	$1,379,088	5.26 %	$1,714,136	6.62 %

	Portfolio Distribution		
	September 30, 2021	December 31, 2020	September 30, 2020
Direct Notes*	69.54 %	68.43 %	68.32 %
Participations/Syndications Purchased, net*	19.44 %	19.43 %	19.03 %
Correspondent Lending	10.46 %	11.62 %	12.11 %
Loans to OFIs	0.56 %	0.52 %	0.54 %
Total	100.00 %	100.00 %	100.00 %

**Net of participations sold.*

Loans outstanding totaled $27.604 billion at September 30, 2021, an increase of $1.379 billion, or 5.26 percent, compared to total loans outstanding at December 31, 2020 and an increase of $1.714 billion, or 6.62 percent, since September 30, 2020.

Loan volume since December 31, 2020 was positively impacted primarily by an increase in Direct Notes. Since the Direct Notes fund District Associations' lending activities, increases and decreases in the Direct Note portfolio are closely linked to the commodities and geographic distribution of the District Associations' loan portfolios. District loan growth since year-end was primarily due to growth in the field crops, forestry, grains, dairy, and cattle segments. Compared to September 30, 2020, the year-over-year increase in loan volume was primarily in the field crops, forestry, grains, utilities, and processing segments. Growth came from a combination of factors including new client acquisition, customers restructuring their balance sheets to take advantage of the current rate environment, liquidity needs due to commodity price escalation, and merger and acquisition activity. Growth during both periods was partially offset by declines in the rural home loans segment, as discussed further in the *Correspondent Lending* section below.

Credit Quality

Credit quality of AgFirst's loans is shown below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Acceptable	99.43 %	94.00 %	93.90 %
OAEM *	0.33 %	5.85 %	5.80 %
Substandard/doubtful/loss	0.24 %	0.15 %	0.30 %

**Other Assets Especially Mentioned.*

The table above reflects credit quality improvement during 2021, which was primarily due to the classification change in second quarter from OAEM to acceptable of a Direct Note to an Association. At September 30, 2021, this Association's Direct Note totaled approximately $1.536 billion.

While the Bank credit quality reflects overall improvement for the current period, it may deteriorate in future quarters in response to potential changes in government support for agricultural sectors and unemployment benefits, inflationary pressures, and unforeseen impacts from trade, weather, or agriculture-related events.

Direct Notes

AgFirst's primary business is to provide funding, operational support, and technology services to District Associations. Each Association, in addition to the Bank, is a federally chartered instrumentality of the United States and is regulated by the Farm Credit Administration (FCA). AgFirst provides a revolving line of credit, referred to as a Direct Note, to each of the District Associations. Each of the Associations funds its lending and general corporate activities primarily by borrowing under its Direct Note. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association. Each GFA contains minimum borrowing base margin, capital, and earnings requirements that must be maintained by the Association.

At September 30, 2021, the total Direct Note volume outstanding was $19.195 billion, an increase of $1.249 billion, or 6.96 percent, compared to December 31, 2020. Growth in Direct Note volume is attributed primarily to funding of Association loan volume increases, offset by Association earnings, including Bank patronage payments to Associations of approximately $370.3 million which were applied to the Association Direct Notes at the beginning of 2021. Compared to September 30, 2020, Direct Note volume increased $1.508 billion, or 8.53 percent. See the *Loan Portfolio* section above for the primary reasons for the change in Direct Notes.

	Direct Note Credit Quality as of:					
	September 30, 2021		December 31, 2020		September 30, 2020	
Classification	**% Total**	**# Total**	**% Total**	**# Total**	**% Total**	**# Total**
Acceptable	100.00 %	19	92.09 %	18	92.19 %	18
OAEM *	— %	—	7.91 %	1	7.81 %	1
Substandard/doubtful/loss	— %	—	— %	—	— %	—

**Other Assets Especially Mentioned*

At September 30, 2021, no District Associations were operating under a written agreement with the FCA, and none were operating under a special credit agreement pursuant to the GFA. See the *Credit Quality* section above for further discussion of change during 2021.

Presently, collection of the full Direct Note amount due is expected from all Associations in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for Direct Notes. Virtually all assets of the various Associations are pledged as collateral for their respective Direct Notes. In the opinion of management, all Association Direct Notes are adequately collateralized. The risk funds of an Association, including both capital and the allowance for loan losses, also protect the interest of the Bank should a Direct Note default.

Participations/Syndications

The Participations/Syndications portfolio consists of loan participations and syndications purchased primarily from other System institutions, commercial banks, and other lenders. As of September 30, 2021, this portfolio totaled $5.366 billion, an increase of $272.0 million, or 5.34 percent, from December 31, 2020 and an increase of $439.2 million, or 8.91%, from September 30, 2020. For both periods, loan growth was driven by increases in the utilities, dairy and processing segments. See the *Loan Portfolio* section above for the primary reasons for the change in the Participations/Syndications portfolio.

AgFirst employs a number of management techniques to limit credit risk, including underwriting standards, limits on the amounts of loans purchased from a single originator, and maximum hold positions to a single borrower and commodity. Although the participations/syndications portfolio is comprised of a small number of relatively large loans, it is diversified both geographically and on a commodity basis. Management makes adjustments to credit policy and underwriting standards when appropriate as a part of the ongoing risk management process.

The relatively stable credit quality for the participations/syndications portfolio is shown in the following chart:

	Participations/Syndications Credit Quality as of:		
Classification	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Acceptable	97.35 %	97.22 %	96.26 %
OAEM*	1.71 %	2.25 %	2.42 %
Substandard/doubtful/loss	0.94 %	0.53 %	1.32 %

**Other Assets Especially Mentioned.*

Correspondent Lending

The Correspondent Lending portfolio consists primarily of purchased first lien residential mortgages. As of September 30, 2021, the Correspondent Lending portfolio totaled $2.887 billion, a decrease of $160.7 million, or 5.27 percent, from December 31, 2020 and a decrease of $249.9 million, or 7.97 percent, from September 30, 2020. The decrease compared to both prior periods primarily resulted from increased early payoff activity by borrowers taking advantage of falling interest rates by refinancing with other lenders. While AgFirst has purchased a number of refinanced loans and new loans, a significant portion of its purchase volume has traditionally consisted of construction-to-permanent loans, the demand for which has been adversely affected by modifications of qualification standards established by loan insurers in response to the COVID-19 pandemic. During the third quarter, the qualification guidelines for construction-to-permanent loans have returned to pre-pandemic standards.

As of September 30, 2021, $763.9 million, or 26.46 percent of loans in the Correspondent Lending portfolio include a long-term standby commitment to purchase (LTSP). The LTSPs from the Federal National Mortgage Association (Fannie Mae) and/or Federal Agricultural Mortgage Corporation (Farmer Mac), give AgFirst the right to deliver delinquent loans to the guarantor at par. The balance of guaranteed loans will continue to decline as the LTSP program is no longer being utilized.

At September 30, 2021, 99.47 percent of the total Correspondent Lending loans, including accrued interest, was classified as acceptable and 0.53 percent was classified as substandard compared to 99.58 percent acceptable and 0.42 percent substandard at December 31, 2020. There were no loans classified as OAEM for the periods presented.

As a result of the COVID-19 pandemic, the Bank utilized forbearance programs offered by Fannie Mae to eligible borrowers for an initial six-month forbearance, with a potential maximum forbearance of twelve months. At September 30, 2021, loans totaling $8.2 million, or 0.28 percent of the Correspondent Lending portfolio, remained in the forbearance program.

Credit quality is expected to decline in future quarters due to borrowers reaching the end of forbearance programs and transitioning into other loss mitigation programs.

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the Bank totaled $35.3 million at September 30, 2021 compared to $26.3 million at December 31, 2020. The increase in nonaccrual loans primarily resulted from two new nonaccrual relationships in the utilities and tobacco segments which totaled $11.0 million and $5.4 million, respectively, at September 30, 2021. At September 30, 2021, nonaccrual loans were primarily in the rural home loan (50.07 percent of the total), utilities (31.16 percent), and tobacco (15.25 percent) segments. Nonaccrual loans were 0.13 percent of total loans outstanding at September 30, 2021 and 0.10 percent at December 31, 2020.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank. TDRs increased $10.5 million since December 31, 2020 primarily as a result of the restructuring of Correspondent Lending loans as they moved out of COVID-19 forbearance status, and totaled $23.0 million at September 30, 2021. TDRs at September 30, 2021 were comprised of $19.6 million of accruing restructured loans and $3.4 million of nonaccrual restructured loans. Restructured loans were primarily in the rural home loan (72.77% of the total) and other real estate (5.42 percent) segments.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. The Bank had no OPO at both September 30, 2021 and December 31, 2020.

Allowance for Loan Losses

The Bank maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within the loan portfolio as of each reported balance sheet date. The allowance for loan losses was $19.8 million at September 30, 2021, as compared with $18.3 million at December 31, 2020. The allowance at September 30, 2021 included specific reserves of $2.4 million (12.27 percent of the total) and general reserves of $17.4 million (87.73 percent). See *Provision for Loan Losses* section below for additional details regarding loan loss provision expense and reversals included in the net provision expense of $2.7 million recorded during the nine months ended September 30, 2021.

The total allowance at September 30, 2021 was comprised primarily of reserves for the rural home loan (26.02 percent of the total), utilities (17.63 percent), processing (16.23 percent), tree fruits and nuts (6.60 percent) and forestry (6.10 percent) segments. The allowance for loan losses was 0.07 percent of total loans outstanding at both September 30, 2021 and December 31, 2020. See Note 2, *Loans and Allowance for Loan Losses*, in the Notes to the Financial Statements for further information.

Interest Rate Risk Management

At September 30, 2021, the Bank's twelve-month Cumulative Repricing/Maturity Gap was a $3.454 billion asset sensitive position, meaning the volume of repricing/maturing assets exceeded the volume of liabilities that mature or reprice during that time period. An asset sensitive position generally implies an increase in net interest income in rising interest rate scenarios and lower net interest income in falling interest rate scenarios. However, a gap analysis does not capture the optionality that is inherent in some of the Bank's assets and liabilities. For example, during a period of rising interest rates, call options on fixed-rate debt may not be exercised and prepayment options on fixed-rate assets also slow as the economic incentive for borrowers to refinance decreases. In contrast, during a period of falling interest rates, call options on debt may be exercised and prepayment activity on loans increases. To supplement the Repricing/Maturity Gap analysis, the Bank utilizes a financial simulation model for measuring interest rate sensitivity of net interest income and market value of equity.

The following tables represent AgFirst's projected change over the next twelve months in net interest income and market value of equity for various rate movements as of September 30, 2021. Interest rate sensitivity for net interest income and market value of equity have not changed significantly since December 31, 2020. The upward and downward shocks are generally based on movements in interest rates which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed.

Net Interest Income
(dollars in thousands)

Scenarios	Net Interest Income	$ Change	% Change
+4.0% Shock	$611,998	$(2,879)	(0.47)%
+2.0% Shock	$626,688	$11,811	1.92%
Base line **	$614,877	—	—
-50% of 3M Tbill ***	$614,075	$(802)	(0.13)%

Market Value of Equity
(dollars in thousands)

Scenarios	Assets	Liabilities*	Equity*	$ Change	% Change
Book Value	$37,903,294	$35,222,711	$2,680,583	—	—
+4.0% Shock	$34,174,530	$32,023,132	$2,151,398	$(969,214)	(31.06)%
+2.0% Shock	$36,074,155	$33,484,173	$2,589,982	$(530,630)	(17.00)%
Base line **	$38,185,287	$35,064,675	$3,120,612	—	—
-50% of 3M Tbill ***	$38,204,815	$35,082,420	$3,122,395	$1,783	0.06%

* *For interest rate risk management, the $32.5 million perpetual preferred stock is included in liabilities rather than equity.*

** *Base line uses rates as of the balance sheet date before application of any interest rate shocks.*

*** *When the three-month Treasury bill interest rate is less than 4 percent, both the minus 200 and minus 400 basis point shocks are replaced with a downward shock which is equal to one-half of the three-month Treasury bill rate. At September 30, 2021, this downward shock was (2) basis points.*

Future of LIBOR

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

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Bank and Associations have exposure to LIBOR arising from loans made to customers, investment securities purchased, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Bank and Associations have implemented LIBOR transition plans and continue 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.

The following is a summary of District variable-rate financial instruments outstanding with LIBOR exposure at September 30, 2021:

(dollars in millions)	Due in 2021	Due in 2022	Due in 2023 (On or Before June 30)	Due After June 30, 2023	Total
Investments	$ —	$ 1	$ —	$ 1,122	$ 1,123
Loans	202	252	145	4,334	4,933
Total	$ 202	$ 253	$ 145	$ 5,456	$ 6,056
Systemwide debt securities	$ 350	$ 275	$ 35	$ —	$ 660
Preferred stock	—	—	—	33	33
Total	$ 350	$ 275	$ 35	$ 33	$ 693

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after December 31, 2021 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. As of September 30, 2021, less than 1 percent of total District investments, and approximately 2 percent of total District loans and 1 percent of Systemwide debt securities maturing after December 31, 2021 do not contain fallback provisions. The Bank's preferred stock may be redeemed on any five-year anniversary of its issuance. The next redemption date for the preferred stock is June, 2022.

Liquidity and Funding Sources

One of AgFirst’s primary responsibilities is to maintain sufficient liquidity to fund the lending operations of the District Associations, in addition to its own needs. Along with normal cash flows associated with lending operations, AgFirst has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Funding Corporation; and cash and investments.

AgFirst’s principal source of liquidity comes from its ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the System banks. AgFirst continually raises funds in the debt markets to support its mission, to repay maturing Systemwide Debt Securities, and to meet other obligations.

The U.S. government does not guarantee, directly or indirectly, Systemwide Debt Securities. However, the Farm Credit System, as a GSE, has benefited from broad access to the domestic and global capital markets. This access has provided the System with a dependable source of competitively priced debt which is critical for supporting the System’s mission of providing credit to agriculture and rural America.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Farm Credit System Insurance Corporation (FCSIC) has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB could advance funds to the FCSIC. Under its existing statutory authority, the FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks’ ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2022, unless otherwise renewed. The decision whether to seek funds from the FFB is at the discretion of the FCSIC. Each funding obligation of the FFB is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by AgFirst or the System.

Currently, Moody’s Investor Service and Fitch Ratings have assigned long-term debt ratings for the System of Aaa and AAA and short-term debt ratings of P-1 and F1, respectively. These are the highest ratings available from these rating agencies. S&P Global Ratings (S&P) maintains the long-term debt rating of the System at AA+, which directly corresponds to its AA+ long-term sovereign credit rating of the U.S. government. These rating agencies base their ratings on many quantitative and qualitative factors, including the System’s status as a GSE. Negative changes to the System’s credit ratings could reduce earnings by increasing debt funding costs and could also have a material adverse effect on liquidity, the ability to conduct normal business operations, and the Bank’s overall financial condition and results of operations. However, AgFirst anticipates continued access to funding necessary to support the District’s and Bank’s needs.

At September 30, 2021, AgFirst had $35.057 billion in total debt outstanding compared to $33.356 billion at December 31, 2020, an increase of $1.701 billion, or 5.10 percent.

To mitigate the risk of a disruption in the Bank's ability to issue debt securities, the Bank has investment securities repurchase agreements in place with several commercial banks for commitments totaling approximately $6.050 billion. A standard repurchase agreement involves the acquisition of immediately available funds through the sale of securities with a simultaneous commitment to repurchase the same securities on a certain date within one year at a specified price, including interest at an agreed upon rate. In addition, the System has established lines of credit in the event contingency funding is needed to meet obligations of System banks.

Cash and cash equivalents, which decreased $528.0 million from December 31, 2020 to a total of $685.7 million at September 30, 2021, consist primarily of cash on deposit and money market securities that are short-term in nature (maturities of overnight to 90 days). Incremental movements in cash and cash equivalents balances between reporting periods are due primarily to changes in liquidity needs in relation to upcoming debt maturities and operational funding needs.

Investments in debt securities totaled $9.257 billion, or 24.42 percent of total assets at September 30, 2021, compared to $8.515 billion, or 23.43 percent as of December 31, 2020, an increase of $741.2 million, or 8.70 percent. The majority of investments, $9.237 billion as of September 30, 2021, are classified as being available for sale. Available-for-sale investments at September 30, 2021 included $443.2 million in U.S. Treasury securities, $4.082 billion in U.S. government guaranteed securities, $4.339 billion in U.S. government agency guaranteed securities, and $371.8 million in non-agency asset-backed securities. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. See Note 3, *Investments*, in the Notes to the Financial Statements for further information regarding types of securities that may be held under applicable FCA guidelines.

Management maintains the available-for-sale liquidity investment portfolio size generally proportionate with that of the loan portfolio and within regulatory and policy guidelines which provide that a System bank may hold certain eligible available-for-sale investments in an amount not to exceed 35.00 percent of its quarterly average daily balance of loans outstanding. Based upon FCA guidelines, at September 30, 2021, the Bank's eligible available-for-sale investments were 33.95 percent of its quarterly average daily balance of loans outstanding.

As of September 30, 2021, AgFirst exceeded all applicable regulatory liquidity requirements. FCA regulations require that the Bank have a liquidity policy that establishes a minimum total "coverage" level of 90 days and that short-term liquidity requirements must be met by certain high quality investments or cash. "Coverage" is defined as the number of days that maturing debt could be funded with eligible cash, cash equivalents, and available-for-sale investments maintained by the Bank.

The FCA classifies eligible liquidity investments according to three liquidity quality levels with level 1 being the most liquid. The first 15 days of minimum liquidity coverage are met using only level 1 instruments, which include cash and cash equivalents. Days 16 through 30 of minimum liquidity coverage are met using level 1 and level 2 instruments. Level 2 consists primarily of U.S. government guaranteed securities. Days 31 through 90 are met using level 1, level 2, and level 3 securities. Level 3 consists primarily of U.S. government agency investments. Additionally, a supplemental liquidity buffer in excess of the 90-day minimum liquidity reserve is set to provide coverage to at least 120 days.

At September 30, 2021, AgFirst met each of the individual level criteria above and had a total of 227 days of maturing debt coverage compared to 196 days at December 31, 2020. The increase resulted from a change in the timing of upcoming debt maturities. Cash provided by the Bank's operating activities is an additional source of liquidity for the Bank that is not reflected in the coverage calculation.

See Note 3, *Investments*, and Note 4, *Debt*, in the Notes to the Financial Statements for further information.

Capital

Total shareholders' equity increased $235.2 million, or 9.49 percent, from December 31, 2020 to $2.713 billion at September 30, 2021. This increase is primarily attributed to 2021 unallocated retained earnings from net income of $357.4 million, partially offset by a decrease in net unrealized gains of $109.3 million on investments primarily due to an increase in interest rates which decreased the fair value of existing available-for-sale fixed-rate investment securities, and redemption of perpetual preferred stock of $12.0 million.

During 2021, the Bank repurchased, through privately negotiated transactions, and subsequently cancelled, Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock with par value totaling $16.8 million. The repurchase transactions resulted in an average discounted price of 71.40% par value. The effect of the repurchases on shareholders' equity was to reduce perpetual preferred stock outstanding by $16.8 million and to increase additional paid-in capital by $4.8 million.

Regulatory Capital Ratios

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations. The requirements are based on regulatory ratios as defined by the FCA.

AgFirst's regulatory ratios are shown in the following table:

	Regulatory Minimum, Including Buffer*	9/30/21	12/31/20	9/30/20
Permanent Capital Ratio	7.00 %	18.74 %	19.39 %	18.42 %
Common Equity Tier 1 (CET1) Capital Ratio	7.00 %	18.45 %	18.99 %	18.02 %
Tier 1 Capital Ratio	8.50 %	18.71 %	19.36 %	18.39 %
Total Regulatory Capital Ratio	10.50 %	18.86 %	19.51 %	18.54 %
Tier 1 Leverage Ratio**	5.00 %	6.72 %	7.09 %	6.75 %
Unallocated Retained Earnings (URE) and URE Equivalents	1.50 %	5.92 %	6.18 %	5.84 %

** Includes full capital conservation buffers.*
*** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

The permanent capital, CET1 capital, tier 1 capital, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage ratio and URE and URE equivalents component of the tier 1 leverage ratio do not incorporate any risk-adjusted weighting of assets. These ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgFirst exceeded minimum regulatory requirements for all of the ratios. The Bank's capital ratios declined at September 30, 2021 compared to December 31, 2020 due primarily to the distribution of 2020 cash patronage of $390.4 million on December 31, 2020, which represented approximately 93.46 percent of 2020 net income. In addition, the Bank modified the stock equalization methodology effective December 31, 2020 which resulted in a $16.9 million stock redemption and reduction in capital. Because the capital ratios are calculated using a three-month average daily balance, the full impacts of these reductions in capital were not present in the year-end ratios. Compared to September 30, 2020, the risk-based capital ratios increased primarily due to a higher level of net income for the 2021 period, while the tier 1 leverage ratio slightly declined due to an increase in total assets.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2021 was $357.4 million compared to $275.3 million for the nine months ended September 30, 2020, an increase of $82.1 million, or 29.81 percent. Net income for the three months ended September 30, 2021 was $116.9 million compared to $119.4 million for the three months ended September 30, 2020, a decrease of $2.5 million, or 2.08 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the Nine Months Ended September 30, 2021	For the Year Ended December 31, 2020	Annualized for the Nine Months Ended September 30, 2020
Return on average assets	1.30 %	1.17 %	1.03 %
Return on average shareholders' equity	18.26 %	15.90 %	14.33 %
Net interest margin	1.80 %	1.67 %	1.59 %
Operating expense as a percentage of net interest income and noninterest income	27.93 %	27.91 %	29.70 %
Net (charge-offs) recoveries to average loans	(0.01)%	0.03 %	0.00 %

The annualized return on average assets, return on average shareholders' equity, and net interest margin were favorable for the first nine months of 2021 compared to the same period in 2020 and to the year ended December 31, 2020 primarily due to higher annualized net interest income in the 2021 period. For the operating expense as a percentage of net interest income and noninterest income ratio, operating expense consists of noninterest expenses excluding losses (gains) from other property owned.

Net (charge-offs) recoveries were minimal for all periods presented.

See *Allowance for Loan Losses*, *Net Interest Income*, *Noninterest Income*, and *Noninterest Expenses* sections for further discussion.

Net Interest Income

Net interest income for the three months ended September 30, 2021 was $163.0 million compared to $161.4 million for the same period of 2020, an increase of $1.6 million or 0.98 percent. For the nine months ended September 30, 2021, net interest income was $484.3 million compared to $414.7 million for the same period of 2020, an increase of $69.5 million, or 16.77 percent. The net interest margin, which is net interest income as a percentage of average earning assets, was 1.76 percent and 1.80 percent for the three and nine months ended September 30, 2021, a decrease of 5 basis points and an increase of 21 basis points, respectively, compared to the same periods in the prior year. The increases in net interest income primarily resulted from lower rates paid on interest-bearing liabilities which was achieved by calling debt in response to declining interest rates, partially offset by refinancing of interest-earning assets at lower interest rates.

The COVID-19 impact on interest rates provided the Bank opportunities to call and replace $7.251 billion of debt for the first nine months of 2021, and $38.081 billion for the first nine months of 2020. The average rate reduction for the debt called during 2021 (the difference between the rates on the called bonds and the rates on the replacement bonds) was 22 basis points, resulting in interest expense savings of $64.3 million, net of debt extinguishment expense of $9.2 million, over the remaining life of the bonds of 3.77 years. Replacement bonds generally have terms similar to those of the bonds being replaced. For the year ended December 31, 2020, $43.043 billion of debt was called and replaced. The average rate reduction was 63 basis points resulting in interest expense savings of $954.8 million, net of debt extinguishment expense of $65.5 million, over the remaining life of the bonds called.

The effects of changes in volume and interest rates on net interest income for the three and nine months ended September 30, 2021, as compared with the corresponding periods in 2020, are presented in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and to the levels of average interest rates. Accordingly, the benefit derived from funding earning assets with interest-free funds (principally capital) is reflected solely as a volume increase.

	For the Three Months Ended September 30, 2021 vs September 30, 2020			For the Nine Months Ended September 30, 2021 vs September 30, 2020		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income:						
Loans	$ 8,187	$ (15,579)	$ (7,392)	$ 19,152	$ (90,163)	$ (71,011)
Investments & Cash Equivalents	662	(3,673)	(3,011)	2,865	(31,479)	(28,614)
Other	(32)	(554)	(586)	(79)	(1,780)	(1,859)
Total Interest Income	8,817	(19,806)	(10,989)	21,938	(123,422)	(101,484)
Interest Expense:						
Interest-Bearing Liabilities	1,533	(14,100)	(12,567)	3,530	(174,554)	(171,024)
Changes in Net Interest Income	$ 7,284	$ (5,706)	$ 1,578	$ 18,408	$ 51,132	$ 69,540

Provision for Loan Losses

AgFirst measures risks inherent in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for loan loss expense so that appropriate reserves for loan losses are maintained. Loan loss provision was a net expense of $760 thousand and $2.7 million for the three and nine months ended September 30, 2021, respectively, compared to a net reversal of $399 thousand and a net expense of $514 thousand, respectively, for the corresponding periods in 2020.

For the three and nine months ended September 30, 2021, the provision for loan losses included net provision expense for specific reserves of $194 thousand and $3.1 million, respectively, and net provision expense for general reserves of $566 thousand and net provision reversals of $448 thousand, respectively. Total net provision expense for the three months ended September 30, 2021 primarily related to provision expense for borrowers in the tree fruits and nuts ($746 thousand) and processing ($641 thousand) segments, partially offset by provision reversals in the utilities ($480 thousand) and nursery/greenhouse ($212 thousand) segments. For the nine-month period in 2021, the net provision expense primarily related to provision expense for borrowers in the utilities ($2.0 million), processing ($827 thousand), and tree fruits and nuts ($691 thousand) segments, partially offset by provision reversals in the forestry ($468 thousand) and nursery/greenhouse ($366 thousand) segments.

For the three and nine months ended September 30, 2020, the provision for loan losses included net provision reversals for specific reserves of $600 thousand and $1.5 million, respectively, and net provision expense for general reserves of $201 thousand and $2.0 million, respectively. Total net provision reversal for the three months ended September 30, 2020 primarily related to provision reversals for borrowers in the nursery/greenhouse ($720 thousand), utilities ($539 thousand), and swine ($206 thousand) segments, partially offset by provision expense for borrowers in the rural home loan ($796 thousand) and processing ($223 thousand) segments. For the nine-month period in 2020, the net provision expense primarily related to provision expense for borrowers in the rural home loan ($1.1 million), forestry (1.0 million), and processing ($881 thousand) segments, partially offset by provision reversals in the nursery/greenhouse ($975 thousand) and field crops ($847 thousand) segments.

See the *Allowance for Loan Losses* section above and Note 2, *Loans and Allowance for Loan Losses,* in the Notes to the Financial Statements for further information.

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended September 30,**			**For the Nine Months Ended September 30,**		
(dollars in thousands)	**2021**	**2020**	**Increase/ (Decrease)**	**2021**	**2020**	**Increase/ (Decrease)**
Loan fees	$ 3,013	$ 3,287	$ (274)	$ 9,225	$ 8,130	$ 1,095
Lease income	843	780	63	2,398	2,335	63
Gains (losses) on investments, net	—	—	—	330	7,215	(6,885)
Gains (losses) on debt extinguishment	(4,370)	(14,353)	9,983	(9,204)	(58,300)	49,096
Gains (losses) on other transactions	173	8,085	(7,912)	2,647	10,628	(7,981)
Insurance premium refund	—	—	—	—	2,622	(2,622)
Other noninterest income	2,240	1,977	263	9,939	5,722	4,217
Total noninterest income	$ 1,899	$ (224)	$ 2,123	$ 15,335	$ (21,648)	$ 36,983

For the three and nine months ended September 30, 2021 compared to the corresponding periods in 2020, noninterest income increased $2.1 million and $37.0 million, respectively. Significant line item dollar variances are discussed below.

For the nine months ended September 30, 2021 compared to the same period in the prior year, loan fees increased $1.1 million. The increase was primarily due to an increase of $721 thousand in commitment fees in the participations portfolio and an increase of $355 thousand in servicing fees in the Correspondent Lending portfolio.

Gains on investments decreased $6.9 million for the nine-month period ended September 30, 2021 compared to the same period in 2020. As part of its normal portfolio management activities, the Bank periodically packages and sells amortizing securities that have relatively small remaining balances and correspondingly high administrative costs. During the first nine months of 2021, the Bank sold such securities with a par value of approximately $43.9 million and recognized net gains of $330 thousand compared to sales of securities with a par value of approximately $55.9 million and net gains of $7.2 million recorded during the first nine months of 2020.

Debt issuance expense is amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through gains (losses) on debt extinguishment. The amount of issuance cost expensed when a bond is called is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $1.890 billion and $7.251 billion for the three and nine months ended September 30, 2021, respectively, compared to $8.719 billion and $38.081 billion for the three and nine months ended September 30, 2020, respectively. Accordingly, losses on debt extinguishment decreased $10.0 million and $49.1 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. See *Net Interest Income* section above for further discussion.

For the three and nine months ended September 30, 2021 compared to the corresponding periods in the prior year, net gains on other transactions decreased $7.9 million and $8.0 million, respectively. The decreases in both the three- and nine-month periods resulted primarily from $5.4 million and $8.1 million in gains on the sale of Correspondent Lending loans of $180.2 million and $287.8 million in the 2020 periods, respectively, to capitalize on market premiums in the portfolio and manage long-term risk during a period of market volatility. In addition, gains recognized on the fair value of mortgage servicing rights decreased by $1.4 million and $1.8 million, respectively, for the three- and nine-month periods, as servicing retained from these loan sales increased gains in the 2020 periods. For the nine-month period, the decreases were partially offset by an increase of $1.4 million in market value gains on supplemental retirement plan trust assets due to more favorable market returns for 2021 while a decrease of $1.2 million was recognized for the three-month period due to less favorable market returns.

In the first quarter of 2020, the Bank received an insurance premium refund of $2.6 million from the FCSIC which insures the System's debt obligations. This refund is nonrecurring and resulted from the assets of the FCSIC exceeding the secure base amount, as defined by the Farm Credit Act, at the end of the preceding year. No refund was received in 2021.

For the nine months ended September 30, 2021, other noninterest income increased $4.2 million due to an increase in patronage income received from other Farm Credit institutions, primarily from entities outside the District related to participation loans sold to them.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the Three Months Ended September 30,**			**For the Nine Months Ended September 30,**		
(dollars in thousands)	**2021**	**2020**	**Increase/ (Decrease)**	**2021**	**2020**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 18,345	$ 18,272	$ 73	$ 58,222	$ 54,455	$ 3,767
Occupancy and equipment	1,713	1,913	(200)	5,266	5,641	(375)
Insurance Fund premiums	4,473	3,112	1,361	13,263	7,560	5,703
Other operating expenses	22,614	18,766	3,848	62,789	49,100	13,689
Losses (gains) from other property owned	16	69	(53)	35	519	(484)
Total noninterest expenses	$ 47,161	$ 42,132	$ 5,029	$ 139,575	$ 117,275	$ 22,300

Noninterest expenses for the three and nine months ended September 30, 2021 increased $5.0 million and $22.3 million compared to the corresponding periods in 2020. Significant line item dollar variances are discussed below.

Salaries and employee benefits increased $3.8 million for the nine months ended September 30, 2021 compared to the same period in 2020. The increase resulted from $2.8 million in higher salaries and incentives primarily due to normal salary administration and an increase in headcount. Higher pension expense of $1.4 million due to higher service cost also contributed to the increase.

Insurance Fund premiums increased $1.4 million and $5.7 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The increases resulted primarily from an increase in the base annual premium rate to 16 basis points in 2021 from 8 basis points in the first half of 2020 and 11 basis points in the second half of 2020. The FCSIC Board makes premium rate adjustments, as necessary, to maintain the secure base amount which is based upon insured debt outstanding at System banks. The Insurance Fund premium rate will remain at 16 basis points for the remainder of 2021.

For the three and nine months ended September 30, 2021, other operating expenses increased $3.8 million and $13.7 million, respectively, compared to the same periods in the prior year. The increase for both periods was primarily related to technology initiatives which resulted in higher contractor costs of $2.6 million and $10.0 million for the three- and nine-month periods, respectively, and higher hardware and software maintenance and depreciation costs of $1.7 million and $4.6 million for the three- and nine-month periods, respectively. These increases were incurred at the Bank as the centralized service provider for the District Associations and are expected to be offset through efficiencies gained at District Associations.

REGULATORY MATTERS

Capital

The following quantitative disclosures contain regulatory disclosures as required for the Bank under Regulation §628.62 and §628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total regulatory capital ratios. As required, these disclosures are made available for at least three years and can be accessed via AgFirst's website at www.agfirst.com.

SCOPE OF APPLICATION

AgFirst Farm Credit Bank (AgFirst or the Bank) is one of the four banks of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The Bank prepares financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

As of September 30, 2021, the AgFirst District consisted of the Bank and 19 District Associations. All 19 were structured as Agricultural Credit Association (ACA) holding companies, with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. AgFirst is owned jointly by these 19 Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution that issued the equities may count the amount as capital.

CAPITAL STRUCTURE

The table below outlines the Bank's capital structure for the capital adequacy calculations as of September 30, 2021:

(dollars in thousands)		**3-Month Average Daily Balance**
Common Equity Tier 1 Capital (CET1)		
Common cooperative equities:		
Statutory minimum purchased borrower stock	$	23
Other required member purchased stock		112,873
Allocated equities:		
Allocated stock subject to retirement		198,963
Nonqualified allocated surplus subject to retirement		416
Unallocated retained earnings		2,178,685
Paid-in capital		62,847
Regulatory adjustments and deductions made to CET1*		(77,430)
Total CET1 Capital	$	2,476,377
Additional Tier 1 Capital (AT1)		
Non-cumulative perpetual preferred stock	$	35,772
Regulatory adjustments and deductions made to AT1		—
Total AT1 Capital	$	35,772
Total Tier 1 Capital	$	2,512,149
Tier 2 Capital		
Allowance for loan losses	$	19,670
Reserve for unfunded commitments		473
Regulatory adjustments and deductions made to total capital		—
Total Tier 2 Capital	$	20,143
Total Regulatory Capital	$	2,532,292

**Primarily investments in other System institutions.*

CAPITAL ADEQUACY AND CAPITAL BUFFERS

The table below outlines the Bank's risk-weighted assets by exposure calculated on a three-month average daily balance (including accrued interest of that exposure) as of September 30, 2021:

(dollars in thousands)	Risk-Weighted Assets
Exposures to:	
Government-sponsored entities, including Direct Notes to Associations	$ 4,772,755
Depository institutions	30,593
Corporate exposures, including borrower loans and leases	5,438,260
Residential mortgage loans	1,023,744
Past due > 90 days and nonaccrual loans	49,312
Securitizations	82,515
Exposures to obligors and other assets	147,132
Off-balance sheet exposures	1,879,060
Total risk-weighted assets	$ 13,423,371

As of September 30, 2021, the Bank exceeded all capital requirements to which it was subject, including applicable capital buffers. The risk-adjusted capital ratios exceeded the regulatory minimum levels, including the conservation buffer, by at least 8.36 percent. Additionally, the Tier 1 leverage ratio was 1.72 percent in excess of its required minimum leverage ratio, including the buffer. If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following sets forth the regulatory capital ratios as of September 30, 2021:

Ratio	Regulatory Minimum Requirement	Capital Conservation Buffer	Minimum Requirement, Including Buffer	Capital Ratios
Risk-adjusted ratios:				
CET1 Capital	4.50 %	2.50 %	7.00 %	18.45 %
Tier 1 Capital	6.00 %	2.50 %	8.50 %	18.71 %
Total Regulatory Capital	8.00 %	2.50 %	10.50 %	18.86 %
Permanent Capital	7.00 %	0.00 %	7.00 %	18.74 %
Non-risk-adjusted ratios:				
Tier 1 Leverage*	4.00 %	1.00 %	5.00 %	6.72 %
URE and URE Equivalents Leverage	1.50 %	0.00 %	1.50 %	5.92 %

**The Tier 1 Leverage Ratio must include a minimum of 1.5% of URE and URE Equivalents.*

CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's FLCAs, PCAs, and ACAs as well as OFIs. The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of September 30, 2021. The Bank's allowance for loan losses at September 30, 2021 included a qualitative reserve of $367 thousand for additional risks for loans remaining in forbearance in the Correspondent Lending portfolio. See Note 2, *Loans and Allowance for Loan Losses*, and Note 3, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1 of the Bank's Annual Report, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Excluding accrued interest receivable, at September 30, 2021, the Bank's Direct Note portfolio totaled $19.195 billion and aggregate District Associations' loan portfolios totaled $25.444 billion.

The following table illustrates certain significant credit risk mitigants within AgFirst's loan portfolio which reduce capital requirements as of September 30, 2021:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 60,453	$ 81,590	$ —	— %
Loans with conditional guarantee	765,532	793,501	158,700	3 %
Direct Notes	19,232,896	18,971,720	3,794,344	70 %
Total	$ 20,058,881	$ 19,846,811	$ 3,953,044	73 %

The following table illustrates the geographic distribution of the aggregate loan portfolios for AgFirst District Associations which approximates the credit risk in the Direct Note portfolio as of September 30, 2021:

AgFirst Total District Associations Loan Portfolios by State

	Percent of Portfolio
North Carolina	16 %
Georgia	11
Pennsylvania	10
Virginia	10
Ohio	8
Florida	8
Maryland	6
Alabama	6
South Carolina	6
Kentucky	4
Mississippi	3
Louisiana	2
Delaware	2
All Other States	8
Total	100 %

The following table illustrates the various major commodity groups in the aggregate District Associations' loan portfolios based on borrower eligibility as a percentage of the aggregate outstanding District Associations' loan volume at September 30, 2021:

AgFirst Total District Associations
Loan Portfolios by Commodity Group
Based on Eligibility

	Percent of Portfolio
Forestry	15 %
Poultry	13
Field Crops	12
Cattle	9
Grains	8
Corn	6
Other Real Estate	5
Dairy	5
Tree Fruits and Nuts	3
Cotton	3
Nursery/Greenhouse	3
Rural Home Loans	3
Swine	3
Processing	2
Other	10
Total	100 %

The following table illustrates the aggregate District Associations' loan portfolios based upon repayment dependency by commodity as a percentage of the aggregate outstanding District Associations' loan volume at September 30, 2021:

AgFirst Total District Associations
Loan Portfolios by Commodity Group
Based on Repayment Dependency

	Percent of Portfolio
Non-Farm Income	35 %
Poultry	14
Grains	6
Forestry	5
Corn	5
Dairy	5
Cattle	4
Fruit & Vegetables	4
Cotton	3
Farm Related Business	3
Field Crops	3
Swine	2
Other Real Estate	2
Nursery/Greenhouse	2
Tobacco	2
Other	5
Total	100 %

The following table illustrates AgFirst's loan portfolio by geographic distribution at September 30, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by State

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
North Carolina	$ 1,296,431	$ 209,754	$ 1,506,185	$ 1,381,345	$ 178,639	$ 1,559,984
Georgia	1,008,900	470,041	1,478,941	980,817	392,820	1,373,637
Florida	592,636	384,783	977,419	611,797	343,557	955,354
Texas	452,370	163,701	616,071	423,603	132,851	556,454
Minnesota	330,112	285,371	615,483	327,237	276,745	603,982
Virginia	435,754	104,552	540,306	461,812	67,798	529,610
South Carolina	425,869	79,675	505,544	437,043	55,847	492,890
California	341,994	111,573	453,567	296,648	99,147	395,795
Pennsylvania	272,396	179,749	452,145	228,190	155,956	384,146
New York	306,956	101,802	408,758	268,758	103,100	371,858
Ohio	203,885	165,146	369,031	193,412	106,741	300,153
Illinois	182,556	145,649	328,205	173,388	94,474	267,862
Louisiana	175,358	129,006	304,364	175,915	122,176	298,091
Maryland	274,085	17,629	291,714	279,632	18,237	297,869
Missouri	162,709	121,787	284,496	187,284	103,691	290,975
Kentucky	221,715	6,297	228,012	217,333	5,734	223,067
Tennessee	105,921	94,363	200,284	42,587	52,840	95,427
All other states	1,619,195	1,036,819	2,656,014	1,642,434	960,585	2,603,019
Direct Notes	19,195,235	2,257,380	21,452,615	18,268,394	2,636,575	20,904,969
Total loans	$ 27,604,077	$ 6,065,077	$ 33,669,154	$ 26,597,629	$ 5,907,513	$ 32,505,142

The following table shows the various major commodity groups in the portfolio based on borrower eligibility at September 30, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Eligibility

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
Rural Home Loans	$ 2,752,367	$ 126,169	$ 2,878,536	$ 2,825,555	$ 84,951	$ 2,910,506
Utilities	1,113,641	888,268	2,001,909	1,042,957	723,079	1,766,036
Processing	1,043,718	877,523	1,921,241	1,040,343	729,032	1,769,375
Forestry	918,291	481,226	1,399,517	876,213	414,551	1,290,764
Field Crops	399,251	201,626	600,877	360,536	219,325	579,861
Tree Fruits and Nuts	218,022	185,818	403,840	221,525	172,347	393,872
Dairy	266,895	58,450	325,345	169,082	63,220	232,302
Grains	186,105	109,797	295,902	194,602	98,158	292,760
Swine	161,090	76,059	237,149	175,525	78,431	253,956
Nursery/Greenhouse	148,942	76,697	225,639	160,814	72,906	233,720
Other Real Estate	189,587	18,311	207,898	196,594	16,700	213,294
Cattle	143,735	62,858	206,593	145,235	48,949	194,184
Other	867,198	644,895	1,512,093	920,254	549,289	1,469,543
Direct Notes	19,195,235	2,257,380	21,452,615	18,268,394	2,636,575	20,904,969
Total loans	$ 27,604,077	$ 6,065,077	$ 33,669,154	$ 26,597,629	$ 5,907,513	$ 32,505,142

The following table segregates loans based upon repayment dependency by commodity at September 30, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Repayment Dependency

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
Non-Farm Income	$ 3,097,812	$ 57,716	$ 3,155,528	$ 3,143,024	$ 141,372	$ 3,284,396
Utilities	1,090,896	1,014,437	2,105,333	1,042,979	723,079	1,766,058
Forestry	774,232	468,327	1,242,559	745,515	396,610	1,142,125
Processing and Marketing	491,482	704,094	1,195,576	484,137	555,923	1,040,060
Farm Related Business	458,967	183,532	642,499	448,033	182,416	630,449
Poultry	311,170	216,795	527,965	316,218	205,034	521,252
Fruit & Vegetables	375,816	137,447	513,263	326,212	154,608	480,820
Grains	319,628	153,470	473,098	272,424	120,181	392,605
Swine	281,143	165,462	446,605	289,420	139,221	428,641
Dairy	266,996	104,680	371,676	263,904	106,027	369,931
Sugar	156,767	179,788	336,555	158,104	196,231	354,335
Cattle	151,116	94,767	245,883	158,611	69,635	228,246
Other	632,817	327,182	959,999	680,654	280,601	961,255
Direct Notes	19,195,235	2,257,380	21,452,615	18,268,394	2,636,575	20,904,969
Total loans	$ 27,604,077	$ 6,065,077	$ 33,669,154	$ 26,597,629	$ 5,907,513	$ 32,505,142

A significant source of liquidity for the Bank is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end. This table does not include accrued interest.

	September 30, 2021			
(dollars in thousands)	Due Less Than 1 Year	Due 1 Through 5 Years	Due After 5 Years	Total
Direct Notes	$ 1,660,230	$ 4,246,412	$ 13,288,593	$ 19,195,235
Real estate mortgage	8,316	244,703	839,435	1,092,454
Production and intermediate-term	129,491	602,376	196,675	928,542
Loans to cooperatives	57,877	343,610	134,660	536,147
Processing and marketing	66,624	976,069	455,873	1,498,566
Farm-related business	467	37,198	35,397	73,062
Communication	248	225,849	275,200	501,297
Power and water/waste disposal	59,244	277,392	427,314	763,950
Rural residential real estate	67,946	19,658	2,665,201	2,752,805
International	22,554	38,357	38,502	99,413
Lease receivables	—	—	1,905	1,905
Loans to OFIs	119,501	36,048	—	155,549
Other (including Mission Related)	—	337	4,815	5,152
Total loans	$ 2,192,498	$ 7,048,009	$ 18,363,570	$ 27,604,077
Percentage	7.94 %	25.53 %	66.53 %	100.00 %

The following table illustrates AgFirst's impaired loans by geographic distribution at September 30, 2021. This table does not include accrued interest.

Total Outstanding Impaired Loans by State

(dollars in thousands)	At Period End	Year-to-Date Average Balance
North Carolina	$ 21,500	$ 16,798
Texas	13,149	9,185
Georgia	4,530	3,158
Arkansas	3,645	3,736
South Carolina	3,122	2,307
Florida	1,995	2,229
Virginia	1,903	2,021
Maryland	1,453	1,635
Kentucky	1,322	1,088
Pennsylvania	1,132	1,071
Tennessee	880	670
All other states	3,424	3,362
Total impaired loans	$ 58,055	$ 47,260

The Bank does not use credit default swaps as part of its credit risk management approach.

Credit Risk Mitigation Related to Investments

Credit risk in AgFirst's investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies.

The following table shows the investment exposures covered by a guarantee as of September 30, 2021. This table does not include accrued interest.

(dollars in thousands)	Amortized Cost	Fair Value	% of Total Investments	Risk- Weighted Exposures
Unconditional Guarantee:				
U.S. Govt. Treasury Securities	$ 443,095	$ 443,230	5 %	$ —
U.S. Govt. Guaranteed	4,021,403	4,082,427	44 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	4,322,873	4,339,730	47 %	820,321
Total	$ 8,787,371	$ 8,865,387	96 %	$ 820,321

COUNTERPARTY CREDIT RISK

Counterparty credit risk exposures may consist of derivative instruments and repurchase-style transactions. By using derivative instruments, the Bank exposes itself to credit and market risk. The amount of this exposure depends on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain in the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the Bank is exposed to an economic loss if the counterparty defaults. When the fair value of the derivative contract is negative, the counterparty is exposed to an economic loss in the event of a Bank default and the Bank has no credit risk exposure.

To minimize the risk of credit losses, the Bank transacts with counterparties that have an investment grade credit rating from a major rating agency and also monitors the credit standing of, and levels of exposure to, individual counterparties. The Bank typically enters into master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts.

Financial instruments qualifying as eligible collateral are specifically defined under individual counterparty credit support agreements, but generally include cash, U.S. Treasury debt obligations, debt obligations of certain federal agencies and mortgage-backed securities guaranteed by certain federal agencies. Federal agencies include the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks. The value of the instrument when used as collateral may be discounted from its market price up to 10 percent, depending on the security type, issuer and term. Such discounts are defined in the credit support agreement.

At September 30, 2021, the Bank had one foreign currency forward outstanding with a notional value of $2.5 million.

SECURITIZATION

The Bank has elected to utilize the simplified supervisory formula risk-based capital approach (SSFA) for securitization exposures. As such, the Bank's asset-backed securities (ABS) portfolio is risk weighted on an individual security level. As of September 30, 2021, the ABS risk-weights ranged from 20.00 percent to 42.95 percent, with a weighted average risk-weight of 20.30 percent. Total risk-weighted assets for these investment securities utilizing a three-month average daily balance was $78.8 million at September 30, 2021.

The following table shows the risk-weight distribution of the amortized cost for ABS securities as of September 30, 2021 which are risk weighted using the SSFA approach. This table does not include accrued interest.

	ABS Securities by SSFA Risk Weight Classification		
(dollars in thousands)	**Automobile ABSs**	**Credit Card ABSs**	**Total**
0% – 50%	$ 27,136	$ 341,418	$ 368,554
Greater than 50%	—	—	—
Total Exposure	$ 27,136	$ 341,418	$ 368,554

As of September 30, 2021, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the three months ended September 30, 2021, there were no sales of ABS securities that resulted in realized gains or losses.

Refer to Note 3, *Investments*, in the Notes to the Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of mortgage-backed securities (MBSs) and ABSs held in the Bank's investment portfolio.

EQUITIES

At September 30, 2021, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

For discussion of AgFirst's market value of equity and projected change over the next twelve months in net interest income for various rate movements as of September 30, 2021, see the *Interest Rate Sensitivity* section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

OTHER 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.

EXECUTIVE MANAGEMENT CHANGES

Isvara M. A. Wilson, Executive Vice President and Chief Administrative Officer, resigned effective October 8, 2021. Subsequently, the Bank restructured its executive management team to assume these duties.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2020 Annual Report of AgFirst Farm Credit Bank for recently issued accounting pronouncements.

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 complete 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. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts at the adoption date. • The guidance is expected to be adopted January 1, 2023.

NOTE: Shareholder investment in a District 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, Controller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Combined information concerning AgFirst Farm Credit Bank and District Associations can also be obtained at the Bank's website, *www.agfirst.com*. AgFirst prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no quarterly report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Balance Sheets

(dollars in thousands)	September 30, 2021	December 31, 2020
	(unaudited)	(audited)
Assets		
Cash	**$ 485,690**	$ 693,685
Cash equivalents	**200,000**	520,000
Investments in debt securities:		
Available-for-sale (amortized cost of $9,155,442 and $8,294,821, respectively)	**9,236,708**	8,485,350
Held-to-maturity (fair value of $22,671 and $35,235, respectively)	**19,937**	30,078
Total investments in debt securities	**9,256,645**	8,515,428
Loans	**27,604,077**	26,224,989
Allowance for loan losses	**(19,808)**	(18,257)
Net loans	**27,584,269**	26,206,732
Accrued interest receivable	**82,106**	81,564
Accounts receivable	**105,374**	145,300
Equity investments in other Farm Credit institutions	**81,532**	80,647
Premises and equipment, net	**72,411**	61,164
Other assets	**35,267**	33,686
Total assets	**$ 37,903,294**	$ 36,338,206
Liabilities		
Systemwide bonds payable	**$ 29,698,026**	$ 25,693,876
Systemwide notes payable	**5,359,243**	7,662,337
Accrued interest payable	**35,529**	27,097
Accounts payable	**46,633**	428,425
Other liabilities	**50,780**	48,607
Total liabilities	**35,190,211**	33,860,342
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Perpetual preferred stock	**32,500**	49,250
Capital stock and participation certificates	**311,859**	311,859
Additional paid-in-capital	**63,673**	58,883
Retained earnings		
Allocated	**416**	416
Unallocated	**2,227,463**	1,871,594
Accumulated other comprehensive income (loss)	**77,172**	185,862
Total shareholders' equity	**2,713,083**	2,477,864
Total liabilities and equity	**$ 37,903,294**	$ 36,338,206

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

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Interest Income				
Investments	**$ 33,314**	$ 36,325	**$ 96,905**	$ 125,519
Loans	**176,043**	183,435	**516,564**	587,575
Other	**28**	614	**68**	1,927
Total interest income	**209,385**	220,374	**613,537**	715,021
Interest Expense	**46,435**	59,002	**129,253**	300,277
Net interest income	**162,950**	161,372	**484,284**	414,744
Provision for (reversal of allowance for) loan losses	**760**	(399)	**2,675**	514
Net interest income after provision for (reversal of allowance for) loan losses	**162,190**	161,771	**481,609**	414,230
Noninterest Income				
Loan fees	**3,013**	3,287	**9,225**	8,130
Lease income	**843**	780	**2,398**	2,335
Gains (losses) on investments, net	**—**	—	**330**	7,215
Gains (losses) on debt extinguishment	**(4,370)**	(14,353)	**(9,204)**	(58,300)
Gains (losses) on other transactions	**173**	8,085	**2,647**	10,628
Insurance premium refund	**—**	—	**—**	2,622
Other noninterest income	**2,240**	1,977	**9,939**	5,722
Total noninterest income	**1,899**	(224)	**15,335**	(21,648)
Noninterest Expenses				
Salaries and employee benefits	**18,345**	18,272	**58,222**	54,455
Occupancy and equipment	**1,713**	1,913	**5,266**	5,641
Insurance Fund premiums	**4,473**	3,112	**13,263**	7,560
Other operating expenses	**22,614**	18,766	**62,789**	49,100
Losses (gains) from other property owned	**16**	69	**35**	519
Total noninterest expenses	**47,161**	42,132	**139,575**	117,275
Net income	**$ 116,928**	$ 119,415	**$ 357,369**	$ 275,307
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	**(63,803)**	2,363	**(109,263)**	152,359
Change in value of cash flow hedges	**(24)**	(79)	**(65)**	(215)
Employee benefit plans adjustments	**213**	147	**638**	442
Other comprehensive income (loss) (Note 5)	**(63,614)**	2,431	**(108,690)**	152,586
Comprehensive income	**$ 53,314**	$ 121,846	**$ 248,679**	$ 427,893

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-In-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2019	$ 49,250	$ 325,278	$ 58,883	$ 418	$ 1,848,506	$ 48,483	$ 2,330,818
Comprehensive income					275,307	152,586	427,893
Dividends paid on perpetual preferred stock					(791)		(791)
Retained earnings retired				(3)			(3)
Patronage distribution adjustment					73		73
Balance at September 30, 2020	$ 49,250	$ 325,278	$ 58,883	$ 415	$ 2,123,095	$ 201,069	$ 2,757,990
Balance at December 31, 2020	$ 49,250	$ 311,859	$ 58,883	$ 416	$ 1,871,594	$ 185,862	$ 2,477,864
Comprehensive income (loss)					**357,369**	**(108,690)**	**248,679**
Redemption of perpetual preferred stock (Note 5)	**(16,750)**		**4,790**				**(11,960)**
Dividends paid on perpetual preferred stock					**(419)**		**(419)**
Patronage distribution adjustment					**(1,081)**		**(1,081)**
Balance at September 30, 2021	**$ 32,500**	**$ 311,859**	**$ 63,673**	**$ 416**	**$ 2,227,463**	**$ 77,172**	**$ 2,713,083**

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

Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the Nine Months Ended September 30, 2021	2020
Cash flows from operating activities:		
Net income	**$ 357,369**	$ 275,307
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation on premises and equipment	**9,678**	6,234
Amortization of net deferred loan (fees) costs and premium amortization (discount accretion)	**6,554**	6,274
Premium amortization (discount accretion) on investment securities	**15,899**	15,409
(Premium amortization) discount accretion on bonds and notes	**13,448**	59,284
Provision for loan losses	**2,675**	514
(Gains) losses on other property owned, net	**(19)**	458
(Gains) losses on investments, net	**(330)**	(7,215)
(Gains) losses on debt extinguishment	**9,204**	58,300
(Gains) losses on other transactions	**(2,647)**	(10,628)
Net change in loans held for sale	**(1)**	3,602
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	**(542)**	12,395
(Increase) decrease in accounts receivable	**39,926**	(76,158)
Increase (decrease) in accrued interest payable	**8,432**	(70,754)
Increase (decrease) in accounts payable	**8,420**	(5,773)
Change in other, net	**3,491**	(1,328)
Total adjustments	**114,188**	(9,386)
Net cash provided by (used in) operating activities	**471,557**	265,921
Cash flows from investing activities:		
Investment securities purchased	**(2,979,400)**	(2,771,704)
Proceeds from maturities and prepayments of investment securities	**2,069,062**	2,171,908
Proceeds from sales of investment securities	**44,224**	62,865
Net (increase) decrease in loans	**(1,387,158)**	(784,123)
(Increase) decrease in equity investments in other Farm Credit System institutions	**(885)**	(740)
Net increase in premises and equipment	**(20,776)**	(12,370)
Proceeds from sale of premises and equipment	**238**	11
Proceeds from sale of other property owned	**411**	587
Net cash provided by (used in) investing activities	**(2,274,284)**	(1,333,566)
Cash flows from financing activities:		
Bonds and notes issued	**21,830,404**	53,625,555
Bonds and notes retired	**(20,152,000)**	(52,516,202)
Redemption of perpetual preferred stock	**(11,960)**	—
Distribution to shareholders	**(391,293)**	(266,869)
Dividends paid on perpetual preferred stock	**(419)**	(791)
Retained earnings retired	**—**	(3)
Net cash provided by (used in) financing activities	**1,274,732**	841,690
Net increase (decrease) in cash and cash equivalents	**(527,995)**	(225,955)
Cash and cash equivalents, beginning of period	**1,213,685**	1,094,559
Cash and cash equivalents, end of period	**$ 685,690**	$ 868,604
Supplemental schedule of non-cash activities:		
Receipt of property in settlement of loans	**$ 392**	$ 197
Change in unrealized gains (losses) on investments, net	**(109,263)**	152,359
Employee benefit plans adjustments	**(638)**	(442)
Supplemental information:		
Interest paid	**$ 107,373**	$ 311,747

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

Notes to the Financial Statements

(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of AgFirst Farm Credit Bank (AgFirst or Bank). AgFirst and its related Agricultural Credit Associations (Associations or District Associations) are collectively referred to as the AgFirst District (District). A complete description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations of the Bank as of and for the year ended December 31, 2020 are contained in the 2020 Annual Report to Shareholders. These unaudited interim financial statements should be read in conjunction with the latest Annual Report to Shareholders.

On August 31, 2021, the boards of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA announced intentions to pursue a merger. The Associations, with combined total assets of $5.5 billion, anticipate a merger date of July 1, 2022 subject to receiving all regulatory and shareholder approvals required.

Basis of Presentation
In the opinion of management, the accompanying 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 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 Bank's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

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

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Bank
The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year end:

- In January 2021, the FASB issued ASU 2021-01—Reference Rate Reform (Topic 848): Scope. The amendments clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This Update to the expedients and exceptions in Topic 848 captures the incremental consequences of the scope clarification and tailors the existing guidance to derivative instruments affected by the discounting transition. At period end, there were no derivative instruments outstanding within the scope of this guidance.

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 August 2018, the FASB issued ASU 2018-14 Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this Update remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of certain disclosures, and add new disclosure requirements identified as relevant. Although narrow in scope, the amendments are considered an important part of the FASB's efforts to improve the effectiveness of disclosures in the notes to financial statements by applying concepts in the Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements. The amendments are effective for fiscal years ending after December 15, 2020, for public business entities. 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

A summary of loans outstanding at period end follows:

(dollars in thousands)	September 30, 2021	December 31, 2020
Direct Notes	$ 19,195,235	$ 17,945,905
Real estate mortgage	1,092,454	1,116,668
Production and intermediate-term	928,542	1,163,424
Loans to cooperatives	536,147	561,335
Processing and marketing	1,498,566	1,229,744
Farm-related business	73,062	46,732
Communication	501,297	462,287
Power and water/waste disposal	763,950	569,315
Rural residential real estate	2,752,805	2,899,911
International	99,413	84,948
Lease receivables	1,905	2,274
Loans to other financing institutions (OFIs)	155,549	137,098
Other (including Mission Related)	5,152	5,348
Total loans	$ 27,604,077	$ 26,224,989

A substantial portion of the Bank's loan portfolio consists of notes receivable from District Associations (Direct Notes). These notes are used by the Associations to fund their loan portfolios, which collateralize the notes. Therefore, the Bank's concentration of credit risk in various agricultural commodities associated with these notes approximates that of the District as a whole. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. A substantial portion of the Associations' lending activities is collateralized, and their exposure to credit loss associated with lending activities is reduced accordingly. The risk funds of an Association, including both capital and the allowance for loan losses, also protect the interest of the Bank.

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During the first nine months of 2021, the Bank purchased $450.0 million of residential mortgage loans from various Farm Credit System (System) associations and sold $5.1 million from the portfolio. These amounts are not included in the table below. 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	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,184,234	$ —	$ —	$ —	$ 1,184,234
Real estate mortgage	969,161	239,652	407,112	168,219	—	—	1,376,273	407,871
Production and intermediate-term	700,662	276,692	490,677	266,118	281,995	—	1,473,334	542,810
Loans to cooperatives	—	90,449	627,807	—	—	—	627,807	90,449
Processing and marketing	539,972	480,516	665,719	403,443	1,196,790	17,289	2,402,481	901,248
Farm-related business	61,170	3,127	15,081	—	—	—	76,251	3,127
Communication	—	125,876	628,234	—	—	—	628,234	125,876
Power and water/waste disposal	—	29,444	795,075	—	—	—	795,075	29,444
Rural residential real estate	437	—	—	—	—	—	437	—
International	—	40,887	140,375	—	—	—	140,375	40,887
Lease receivables	—	—	1,905	—	—	—	1,905	—
Other (including Mission Related)	5,192	—	—	—	—	—	5,192	—
Total	$ 2,276,594	$ 1,286,643	$ 3,771,985	$ 2,022,014	$ 1,478,785	$ 17,289	$ 7,527,364	$ 3,325,946

	December 31, 2020							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,140,679	$ —	$ —	$ —	$ 1,140,679
Real estate mortgage	925,168	268,995	461,829	139,113	—	—	1,386,997	408,108
Production and intermediate-term	1,006,855	289,335	566,819	414,651	293,111	—	1,866,785	703,986
Loans to cooperatives	—	100,108	662,244	—	—	—	662,244	100,108
Processing and marketing	427,406	492,099	585,801	374,018	1,105,058	16,095	2,118,265	882,212
Farm-related business	34,777	3,127	15,197	—	—	—	49,974	3,127
Communication	—	147,445	610,556	—	—	—	610,556	147,445
Power and water/waste disposal	—	23,332	593,855	—	—	—	593,855	23,332
International	—	40,659	125,704	—	—	—	125,704	40,659
Lease receivables	1,829	—	445	—	—	—	2,274	—
Other (including Mission Related)	5,392	—	—	—	—	—	5,392	—
Total	$ 2,401,427	$ 1,365,100	$ 3,622,450	$ 2,068,461	$ 1,398,169	$ 16,095	$ 7,422,046	$ 3,449,656

The recorded investment in a receivable is the face amount 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.

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
Direct Notes:		
Acceptable	100.00 %	92.09 %
OAEM	—	7.91
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Real estate mortgage:		
Acceptable	96.75 %	97.58 %
OAEM	2.37	1.20
Substandard/doubtful/loss	0.88	1.22
	100.00 %	100.00 %
Production and intermediate-term:		
Acceptable	93.13 %	94.17 %
OAEM	4.24	4.67
Substandard/doubtful/loss	2.63	1.16
	100.00 %	100.00 %
Loans to cooperatives:		
Acceptable	96.99 %	96.15 %
OAEM	3.01	3.85
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Processing and marketing:		
Acceptable	98.96 %	97.96 %
OAEM	0.68	2.04
Substandard/doubtful/loss	0.36	—
	100.00 %	100.00 %
Farm-related business:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Communication:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %

	September 30, 2021	December 31, 2020
Power and water/waste disposal:		
Acceptable	98.57 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	1.43	—
	100.00 %	100.00 %
Rural residential real estate:		
Acceptable	99.44 %	99.56 %
OAEM	—	—
Substandard/doubtful/loss	0.56	0.44
	100.00 %	100.00 %
International:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Lease receivables:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Loans to OFIs:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Other (including Mission Related):		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Total loans:		
Acceptable	99.43 %	94.00 %
OAEM	0.33	5.85
Substandard/doubtful/loss	0.24	0.15
	100.00 %	100.00 %

The following tables provide an aging analysis of the recorded investment in past due loans as of:

(dollars in thousands)	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
Direct Notes	$ —	$ —	$ —	$ 19,232,896	$ 19,232,896
Real estate mortgage	6,521	—	6,521	1,091,567	1,098,088
Production and intermediate-term	9,213	—	9,213	923,595	932,808
Loans to cooperatives	—	—	—	536,695	536,695
Processing and marketing	5,840	—	5,840	1,496,094	1,501,934
Farm-related business	438	—	438	72,851	73,289
Communication	—	—	—	501,422	501,422
Power and water/waste disposal	—	10,980	10,980	755,783	766,763
Rural residential real estate	3,048	12,629	15,677	2,744,082	2,759,759
International	—	—	—	99,598	99,598
Lease receivables	—	—	—	1,910	1,910
Loans to OFIs	—	—	—	155,811	155,811
Other (including Mission Related)	—	—	—	5,264	5,264
Total	$ 25,060	$ 23,609	$ 48,669	$ 27,617,568	$ 27,666,237

(dollars in thousands)	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
Direct Notes	$ —	$ —	$ —	$ 17,982,813	$ 17,982,813
Real estate mortgage	205	1,939	2,144	1,120,679	1,122,823
Production and intermediate-term	5,459	—	5,459	1,161,619	1,167,078
Loans to cooperatives	—	—	—	562,094	562,094
Processing and marketing	208	—	208	1,232,500	1,232,708
Farm-related business	112	—	112	46,705	46,817
Communication	—	—	—	462,394	462,394
Power and water/waste disposal	—	—	—	570,922	570,922
Rural residential real estate	48,459	10,606	59,065	2,848,659	2,907,724
International	—	—	—	85,328	85,328
Lease receivables	—	—	—	2,281	2,281
Loans to OFIs	—	—	—	137,379	137,379
Other (including Mission Related)	—	—	—	5,428	5,428
Total	$ 54,443	$ 12,545	$ 66,988	$ 26,218,801	$ 26,285,789

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

(dollars in thousands)	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 1,264	$ 3,169
Production and intermediate-term	—	6,960
Processing and marketing	5,385	—
Power and water/waste disposal	10,980	—
Rural residential real estate	17,676	16,124
Total	$ 35,305	$ 26,253
Accruing restructured loans:		
Real estate mortgage	$ 1,061	$ 418
Production and intermediate-term	1,264	1,385
Rural residential real estate	13,500	2,990
Other (including Mission Related)	3,746	3,829
Total	$ 19,571	$ 8,622
Accruing loans 90 days or more past due:		
Real estate mortgage	$ —	$ 596
Rural residential real estate	3,541	534
Total	$ 3,541	$ 1,130
Total nonperforming loans	$ 58,417	$ 36,005
Other property owned	—	—
Total nonperforming assets	$ 58,417	$ 36,005
Nonaccrual loans as a percentage of total loans	0.13 %	0.10 %
Nonperforming assets as a percentage of total loans and other property owned	0.21 %	0.14 %
Nonperforming assets as a percentage of capital	2.15 %	1.45 %

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.

(dollars in thousands)	September 30, 2021	December 31, 2020
Impaired nonaccrual loans:		
Current as to principal and interest	$ 9,128	$ 11,971
Past due	26,177	14,282
Total nonaccrual loans	$ 35,305	$ 26,253
Impaired accrual loans:		
Restructured	$ 19,571	$ 8,622
90 days or more past due	3,541	1,130
Total impaired accrual loans	$ 23,112	$ 9,752
Total impaired loans	$ 58,417	$ 36,005
Additional commitments to lend	$ 7,346	$ 1,889

The Bank 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 loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Bank 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 Bank manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Bank sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

(dollars in thousands)	September 30, 2021			Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
Impaired Loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:							
Real estate mortgage	$ 160	$ 159	$ 1	$ 162	$ —	$ 288	$ —
Production and intermediate-term	—	—	—	—	—	—	—
Processing and marketing	5,365	5,429	246	8,610	—	2,905	—
Power and water/waste disposal	10,980	10,999	1,760	10,980	—	5,376	—
Rural residential real estate	14,052	13,798	331	14,007	—	9,282	—
Other (including Mission Related)	3,746	3,684	92	3,688	57	3,753	175
Total	$ 34,303	$ 34,069	$ 2,430	$ 37,447	$ 57	$ 21,604	$ 175
With no related allowance for credit losses:							
Real estate mortgage	$ 2,165	$ 2,193	$ —	$ 3,736	$ 125	$ 3,598	$ 194
Production and intermediate-term	1,264	1,255	—	2,519	282	5,768	389
Processing and marketing	20	—	—	—	—	—	—
Power and water/waste disposal	—	—	—	—	—	—	—
Rural residential real estate	20,665	19,971	—	17,693	463	16,290	1,035
Other (including Mission Related)	—	—	—	—	—	—	—
Total	$ 24,114	$ 23,419	$ —	$ 23,948	$ 870	$ 25,656	$ 1,618
Total impaired loans:							
Real estate mortgage	$ 2,325	$ 2,352	$ 1	$ 3,898	$ 125	$ 3,886	$ 194
Production and intermediate-term	1,264	1,255	—	2,519	282	5,768	389
Processing and marketing	5,385	5,429	246	8,610	—	2,905	—
Power and water/waste disposal	10,980	10,999	1,760	10,980	—	5,376	—
Rural residential real estate	34,717	33,769	331	31,700	463	25,572	1,035
Other (including Mission Related)	3,746	3,684	92	3,688	57	3,753	175
Total	$ 58,417	$ 57,488	$ 2,430	$ 61,395	$ 927	$ 47,260	$ 1,793

(dollars in thousands)	December 31, 2020			Year Ended December 31, 2020	
Impaired Loans	**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	$ 103	$ 103	$ 1	$ 105	$ —
Production and intermediate-term	—	—	—	—	—
Loans to cooperatives	—	—	—	4,654	1,247
Rural residential real estate	9,420	9,268	338	5,680	—
Other (including Mission Related)	3,829	3,824	92	3,887	241
Total	$ 13,352	$ 13,195	$ 431	$ 14,326	$ 1,488
With no related allowance for credit losses:					
Real estate mortgage	$ 4,080	$ 4,084	$ —	$ 3,094	$ 80
Production and intermediate-term	8,345	8,988	—	9,418	1,814
Loans to cooperatives	—	—	—	—	—
Rural residential real estate	10,228	9,659	—	15,475	764
Other (including Mission Related)	—	—	—	—	—
Total	$ 22,653	$ 22,731	$ —	$ 27,987	$ 2,658
Total impaired loans:					
Real estate mortgage	$ 4,183	$ 4,187	$ 1	$ 3,199	$ 80
Production and intermediate-term	8,345	8,988	—	9,418	1,814
Loans to cooperatives	—	—	—	4,654	1,247
Rural residential real estate	19,648	18,927	338	21,155	764
Other (including Mission Related)	3,829	3,824	92	3,887	241
Total	$ 36,005	$ 35,926	$ 431	$ 42,313	$ 4,146

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

(dollars in thousands)	Direct Notes	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other**	Total
Activity related to the allowance for credit losses:										
Balance at June 30, 2021	$ —	$ 1,501	$ 2,712	$ 5,104	$ 1,000	$ 3,115	$ 5,701	$ 144	$ 392	$ 19,669
Charge-offs	—	—	—	—	—	—	(686)	—	—	(686)
Recoveries	—	—	21	—	—	—	44	—	—	65
Provision for loan losses	—	(21)	886	175	(36)	(385)	95	—	46	760
Balance at September 30, 2021	$ —	$ 1,480	$ 3,619	$ 5,279	$ 964	$ 2,730	$ 5,154	$ 144	$ 438	$ 19,808
Balance at December 31, 2020	$ —	$ 1,551	$ 3,289	$ 4,553	$ 923	$ 1,024	$ 6,394	$ 130	$ 393	$ 18,257
Charge-offs	—	—	—	—	—	—	(1,210)	—	—	(1,210)
Recoveries	—	—	21	—	—	—	65	—	—	86
Provision for loan losses	—	(71)	309	726	41	1,706	(95)	14	45	2,675
Balance at September 30, 2021	$ —	$ 1,480	$ 3,619	$ 5,279	$ 964	$ 2,730	$ 5,154	$ 144	$ 438	$ 19,808
Balance at June 30, 2020	$ —	$ 1,598	$ 3,774	$ 4,655	$ 1,035	$ 2,123	$ 5,335	$ 139	$ 420	$ 19,079
Charge-offs	—	—	—	—	—	—	(5)	—	—	(5)
Recoveries	—	—	501	—	—	—	—	—	—	501
Provision for loan losses	—	95	(768)	32	(102)	(440)	797	(1)	(12)	(399)
Balance at September 30, 2020	$ —	$ 1,693	$ 3,507	$ 4,687	$ 933	$ 1,683	$ 6,127	$ 138	$ 408	$ 19,176
Balance at December 31, 2019	$ —	$ 1,667	$ 3,448	$ 5,112	$ 771	$ 1,438	$ 5,046	$ 137	$ 413	$ 18,032
Charge-offs	—	—	—	—	—	—	(16)	—	—	(16)
Recoveries	—	—	646	—	—	—	—	—	—	646
Provision for loan losses	—	26	(587)	(425)	162	245	1,097	1	(5)	514
Balance at September 30, 2020	$ —	$ 1,693	$ 3,507	$ 4,687	$ 933	$ 1,683	$ 6,127	$ 138	$ 408	$ 19,176
Allowance on loans evaluated for impairment:										
Individually	$ —	$ 1	$ —	$ 246	$ —	$ 1,760	$ 331	$ —	$ 92	$ 2,430
Collectively	—	1,479	3,619	5,033	964	970	4,823	144	346	17,378
Balance at September 30, 2021	$ —	$ 1,480	$ 3,619	$ 5,279	$ 964	$ 2,730	$ 5,154	$ 144	$ 438	$ 19,808
Individually	$ —	$ 1	$ —	$ —	$ —	$ —	$ 338	$ —	$ 92	$ 431
Collectively	—	1,550	3,289	4,553	923	1,024	6,056	130	301	17,826
Balance at December 31, 2020	$ —	$ 1,551	$ 3,289	$ 4,553	$ 923	$ 1,024	$ 6,394	$ 130	$ 393	$ 18,257
Recorded investment in loans evaluated for impairment:										
Individually	$ 19,232,896	$ 134,443	$ 1,264	$ 5,385	$ —	$ 10,980	$ 669,010	$ —	$ 3,746	$ 20,057,724
Collectively	—	963,645	931,544	2,106,533	501,422	755,783	2,090,749	99,598	159,239	7,608,513
Balance at September 30, 2021	$ 19,232,896	$ 1,098,088	$ 932,808	$ 2,111,918	$ 501,422	$ 766,763	$ 2,759,759	$ 99,598	$ 162,985	$ 27,666,237
Individually	$ 17,982,813	$ 148,634	$ 8,345	$ —	$ —	$ —	$ 814,606	$ —	$ 3,829	$ 18,958,227
Collectively	—	974,189	1,158,733	1,841,619	462,394	570,922	2,093,118	85,328	141,259	7,327,562
Balance at December 31, 2020	$ 17,982,813	$ 1,122,823	$ 1,167,078	$ 1,841,619	$ 462,394	$ 570,922	$ 2,907,724	$ 85,328	$ 145,088	$ 26,285,789

* *Includes the loan types: Loans to Cooperatives, Processing and Marketing, and Farm-related Business.*

** *Includes the loan types: Mission Related Loans, Loans to OFIs, and Lease Receivables.*

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 tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. The tables do not include any purchased credit impaired loans.

(dollars in thousands)	Three Months Ended September 30, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ —	$ 698	$ —	$ 698	
Rural residential real estate	8,720	—	—	8,720	
Total	$ 8,720	$ 698	$ —	$ 9,418	
Post-modification:					
Real estate mortgage	$ —	$ 698	$ —	$ 698	
Rural residential real estate	9,378	—	—	9,378	(680)
Total	$ 9,378	$ 698	$ —	$ 10,076	$ (680)

(dollars in thousands)	Nine Months Ended September 30, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 644	$ 698	$ —	$ 1,342	
Rural residential real estate	12,362	—	—	12,362	
Total	$ 13,006	$ 698	$ —	$ 13,704	
Post-modification:					
Real estate mortgage	$ 651	$ 698	$ —	$ 1,349	
Rural residential real estate	13,256	—	—	13,256	(680)
Total	$ 13,907	$ 698	$ —	$ 14,605	$ (680)

(dollars in thousands)	Three Months Ended September 30, 2020				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Rural residential real estate	$ 315	$ —	$ —	$ 315	
Total	$ 315	$ —	$ —	$ 315	
Post-modification:					
Rural residential real estate	$ 328	$ —	$ —	$ 328	—
Total	$ 328	$ —	$ —	$ 328	$ —

(dollars in thousands)	Nine Months Ended September 30, 2020				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Rural residential real estate	$ 744	$ 85	$ —	$ 829	
Total	$ 744	$ 85	$ —	$ 829	
Post-modification:					
Rural residential real estate	$ 766	$ 87	$ —	$ 853	$ —
Total	$ 766	$ 87	$ —	$ 853	$ —

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 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,	
(dollars in thousands)	2021	2020	2021	2020
Defaulted troubled debt restructurings:				
Real estate mortgage	$ —	$ —	$ 605	$ —
Rural residential real estate	$ —	$ 87	$ 383	$ 87
Total	$ —	$ 87	$ 988	$ 87

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	
(dollars in thousands)	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	$ 1,244	$ 1,344	$ 183	$ 926
Production and intermediate-term	1,264	1,444	—	59
Rural residential real estate	16,711	5,801	3,211	2,811
Other (including Mission Related)	3,746	3,829	—	—
Total	$ 22,965	$ 12,418	$ 3,394	$ 3,796
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.

Investments in Debt Securities

The Bank's investments in debt securities consist primarily of mortgage-backed securities (MBSs) collateralized by U.S. government or U.S. agency guaranteed residential and commercial mortgages (agency securities). Also included are asset-backed securities (ABSs) which are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held to maintain a liquidity reserve, manage short-term surplus funds, and manage interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

Non-agency ABSs are included in available-for-sale investments. These securities must meet the applicable FCA regulatory guidelines which require them to be high quality, senior class, and rated in the top category (AAA/Aaa) by Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. To achieve these ratings, the securities may have a guarantee of timely payment of principal and interest, credit enhancements achieved through over-collateralization or other means, priority of payments for senior classes over junior classes, or bond insurance. All of the non-agency securities owned have one or more credit enhancement features.

Held-to-maturity investments in debt securities consist primarily of Mission Related Investments (MRIs) acquired primarily under the Rural America Bond (RAB) pilot programs. RABs are private placement securities, which generally have some form of credit enhancement.

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At September 30, 2021, the Bank held $42.5 million in U.S. Treasury securities for that purpose. The remainder of the compensating balance was held in cash in a demand deposit account. These securities are excluded when calculating the amount of eligible liquidity investments.

Available-for-sale

A summary of the amortized cost and fair value of debt securities held as available-for-sale investments at period end follows:

	September 30, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 443,095	$ 213	$ (78)	$ 443,230	0.38 %
U.S. Govt. Guaranteed	4,021,403	88,763	(27,739)	4,082,427	1.76
U.S. Govt. Agency Guaranteed	4,322,390	34,858	(17,992)	4,339,256	1.32
Non-Agency ABSs	368,554	3,241	—	371,795	1.82
Total	$ 9,155,442	$ 127,075	$ (45,809)	$ 9,236,708	1.49 %

	December 31, 2020				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 317,755	$ 1,121	$ (6)	$ 318,870	0.50 %
U.S. Govt. Guaranteed	4,229,674	134,591	(2,841)	4,361,424	2.19
U.S. Govt. Agency Guaranteed	3,105,575	50,946	(964)	3,155,557	1.25
Non-Agency ABSs	641,817	7,699	(17)	649,499	1.30
Total	$ 8,294,821	$ 194,357	$ (3,828)	$ 8,485,350	1.70 %

Held-to-maturity

A summary of the amortized cost and fair value of debt securities held as held-to-maturity investments at period end follows:

	September 30, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 483	$ —	$ (9)	$ 474	5.95 %
RABs and Other	19,454	2,743	—	22,197	5.95
Total	$ 19,937	$ 2,743	$ (9)	$ 22,671	5.95 %

	December 31, 2020				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 1,121	$ —	$ (22)	$ 1,099	5.67 %
RABs and Other	28,957	5,179	—	34,136	5.99
Total	$ 30,078	$ 5,179	$ (22)	$ 35,235	5.98 %

A summary of the contractual maturity, estimated fair value and amortized cost of investment securities at September 30, 2021 follows:

Available-for-sale

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Treasury Securities	$ 330,577	0.45 %	$ 112,653	0.17 %	$ —	— %	$ —	— %	$ 443,230	0.38 %
U.S. Govt. Guaranteed	—	—	7,179	4.24	401,147	1.98	3,674,101	1.73	4,082,427	1.76
U.S. Govt. Agency Guaranteed	24,111	(0.03)	182,795	1.00	872,706	0.61	3,259,644	1.54	4,339,256	1.32
Non-Agency ABSs	—	—	371,795	1.82	—	—	—	—	371,795	1.82
Total fair value	$ 354,688	0.42 %	$ 674,422	1.34 %	$1,273,853	1.04 %	$6,933,745	1.64 %	$9,236,708	1.49 %
Total amortized cost	$ 354,603		$ 670,897		$1,258,417		$6,871,525		$9,155,442	

Held-to-maturity

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency Guaranteed	$ —	— %	$ —	— %	$ —	— %	$ 483	5.95 %	$ 483	5.95 %
RABs and Other	—	—	6,034	6.12	—	—	13,420	5.87	19,454	5.95
Total amortized cost	$ —	— %	$ 6,034	6.12 %	—	— %	$ 13,903	5.87 %	$ 19,937	5.95 %
Total fair value	$ —		$ 6,379		$ —		$ 16,292		$ 22,671	

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

An investment is considered impaired if its fair value is less than its cost. This also applies to those securities other-than-temporarily impaired for which a credit loss has been recognized but noncredit-related losses continue to remain unrealized. The following tables show the fair value and gross unrealized losses for all investments that have been in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	September 30, 2021					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 162,637	$ (78)	$ —	$ —	$ 162,637	$ (78)
U.S. Govt. Guaranteed	1,246,050	(26,567)	185,736	(1,172)	1,431,786	(27,739)
U.S. Govt. Agency Guaranteed	1,560,645	(17,547)	108,275	(454)	1,668,920	(18,001)
Total	$ 2,969,332	$ (44,192)	$ 294,011	$ (1,626)	$ 3,263,343	$ (45,818)

	December 31, 2020					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 49,955	$ (6)	$ —	$ —	$ 49,955	$ (6)
U.S. Govt. Guaranteed	443,230	(1,371)	442,431	(1,470)	885,661	(2,841)
U.S. Govt. Agency Guaranteed	225,320	(378)	161,265	(608)	386,585	(986)
Non-Agency ABSs	17,589	(17)	—	—	17,589	(17)
Total	$ 736,094	$ (1,772)	$ 603,696	$ (2,078)	$ 1,339,790	$ (3,850)

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

The Bank performs periodic credit reviews, including OTTI analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Bank has not recognized any credit losses for the periods presented as the impairments were deemed temporary and result from non-credit related factors. The Bank has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities. Substantially all of these investments were in U.S. government agency securities and the Bank expects these securities would not be settled at a price less than their amortized cost.

Note 4 — Debt

Bonds and Notes

AgFirst, unlike commercial banks and other depository institutions, obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued jointly by the System banks through the Funding Corporation. Certain conditions must be met before AgFirst can participate in the issuance of Systemwide Debt Securities. As one condition of participation, AgFirst is required by the Farm Credit Act and FCA regulations to maintain specified eligible assets at least equal in value to the total amount of debt obligations outstanding for which it is primarily liable. This requirement does not provide holders of Systemwide Debt Securities with a security interest in any assets of the banks.

In accordance with FCA regulations, each issuance of Systemwide Debt Securities ranks equally with other unsecured Systemwide Debt Securities. Systemwide Debt Securities are not issued under an indenture and no trustee is provided with respect to these securities. Systemwide Debt Securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event.

The following table provides a summary of AgFirst's participation in outstanding Systemwide Debt Securities by maturity.

	September 30, 2021					
(dollars in thousands)	Bonds		Discount Notes		Total	
Maturities	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate
One year or less	$ 7,999,977	0.25 %	$ 5,359,243	0.07 %	$ 13,359,220	0.18 %
Greater than one year to two years	6,466,343	0.20	—	—	6,466,343	0.20
Greater than two years to three years	3,338,599	0.40	—	—	3,338,599	0.40
Greater than three years to four years	3,197,461	0.58	—	—	3,197,461	0.58
Greater than four years to five years	2,034,665	0.78	—	—	2,034,665	0.78
Greater than five years	6,660,981	1.33	—	—	6,660,981	1.33
Total	$ 29,698,026	0.57 %	$ 5,359,243	0.07 %	$ 35,057,269	0.49 %

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at September 30, 2021 was 133 days.

Note 5 — Shareholders' Equity

Perpetual Preferred Stock

Payment of dividends or redemption price on issued Preferred Stock may be restricted if the Bank fails to satisfy applicable minimum capital adequacy, surplus, and collateral requirements.

During 2021, the Bank repurchased, through privately negotiated transactions, and subsequently cancelled, Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock with par value totaling $16.8 million. The effect of the repurchases on shareholders' equity was to reduce preferred stock outstanding by $16.8 million and to increase additional paid-in capital by $4.8 million.

Accumulated Other Comprehensive Income

The following tables present the activity related to accumulated other comprehensive income (AOCI):

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

(dollars in thousands)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Investment Securities:				
Balance at beginning of period	$ 145,069	$ 202,320	$ 190,529	$ 52,324
Other comprehensive income before reclassifications	(63,803)	2,363	(108,933)	159,574
Amounts reclassified from AOCI	—	—	(330)	(7,215)
Net current period other comprehensive income	(63,803)	2,363	(109,263)	152,359
Balance at end of period	$ 81,266	$ 204,683	$ 81,266	$ 204,683
Cash Flow Hedges:				
Balance at beginning of period	$ 246	$ 397	$ 287	$ 533
Other comprehensive income before reclassifications	(23)	—	(23)	—
Amounts reclassified from AOCI	(1)	(79)	(42)	(215)
Net current period other comprehensive income	(24)	(79)	(65)	(215)
Balance at end of period	$ 222	$ 318	$ 222	$ 318
Employee Benefit Plans:				
Balance at beginning of period	$ (4,529)	$ (4,079)	$ (4,954)	$ (4,374)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	213	147	638	442
Net current period other comprehensive income	213	147	638	442
Balance at end of period	$ (4,316)	$ (3,932)	$ (4,316)	$ (3,932)
Total Accumulated Other Comprehensive Income:				
Balance at beginning of period	$ 140,786	$ 198,638	$ 185,862	$ 48,483
Other comprehensive income before reclassifications	(63,826)	2,363	(108,956)	159,574
Amounts reclassified from AOCI	212	68	266	(6,988)
Net current period other comprehensive income	(63,614)	2,431	(108,690)	152,586
Balance at end of period	$ 77,172	$ 201,069	$ 77,172	$ 201,069

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

(dollars in thousands)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020	Income Statement Line Item
Investment Securities:					
Sales gains & losses	$ —	$ —	$ 330	$ 7,215	Gains (losses) on investments, net
Holding gains & losses	—	—	—	—	Net other-than-temporary impairment
Net amounts reclassified	—	—	330	7,215	
Cash Flow Hedges:					
Interest income	$ 24	$ 79	$ 65	$ 215	Interest income on investment securities
Gains (losses) on other transactions	(23)	—	(23)	—	Gains (losses) on other transactions
Net amounts reclassified	1	79	42	215	
Employee Benefit Plans:					
Periodic pension costs	$ (213)	$ (147)	$ (638)	$ (442)	See Note 7.
Net amounts reclassified	(213)	(147)	(638)	(442)	
Total reclassifications for period	$ (212)	$ (68)	$ (266)	$ 6,988	

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. Level 1 assets and liabilities could include investment securities and derivative contracts that are traded in an active exchange market, in addition to certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter 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 2 assets and liabilities could include investment securities that are traded in active, non-exchange markets and derivative contracts that are traded in active, over-the-counter markets.

Level 3 inputs are unobservable and supported by little or no market activity. Level 3 assets and liabilities could include investments and derivative contracts whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, and other instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets and liabilities could also include investments and derivative contracts 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 most recent Annual Report to Shareholders.

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				
(dollars in thousands)	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 443,230	$ —	$ 443,230	$ —	$ 443,230
U.S. Govt. guaranteed	4,082,427	—	4,082,427	—	4,082,427
U.S. Govt. Agency guaranteed	4,339,256	—	4,339,256	—	4,339,256
Non-agency ABSs	371,795	—	371,795	—	371,795
Total investments in debt securities available-for-sale	9,236,708	—	9,236,708	—	9,236,708
Federal funds sold, securities purchased under resale agreements, and other	200,000	—	200,000	—	200,000
Mortgage servicing rights	2,315	—	—	2,315	2,315
Assets held in trust funds	20,403	20,403	—	—	20,403
Recurring Assets	$ 9,459,426	$ 20,403	$ 9,436,708	$ 2,315	$ 9,459,426
Liabilities:					
Mortgage servicing rights	$ 74	$ —	$ —	$ 74	$ 74
Recurring Liabilities	$ 74	$ —	$ —	$ 74	$ 74
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 31,873	$ —	$ —	$ 31,873	$ 31,873
Nonrecurring Assets	$ 31,873	$ —	$ —	$ 31,873	$ 31,873
Other Financial Instruments					
Assets:					
Cash	$ 485,690	$ 485,690	$ —	$ —	$ 485,690
Investments in debt securities held-to-maturity	19,937	—	474	22,197	22,671
Loans	27,552,396	—	—	27,551,609	27,551,609
Other Financial Assets	$ 28,058,023	$ 485,690	$ 474	$ 27,573,806	$ 28,059,970
Liabilities:					
Systemwide debt securities	$ 35,057,269	$ —	$ —	$ 34,986,396	$ 34,986,396
Other Financial Liabilities	$ 35,057,269	$ —	$ —	$ 34,986,396	$ 34,986,396

(dollars in thousands)	December 31, 2020 Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 318,870	$ —	$ 318,870	$ —	$ 318,870
U.S. Govt. guaranteed	4,361,424	—	4,361,424	—	4,361,424
U.S. Govt. agency guaranteed	3,155,557	—	3,155,557	—	3,155,557
Non-agency ABSs	649,499	—	649,499	—	649,499
Total investments in debt securities available-for-sale	8,485,350	—	8,485,350	—	8,485,350
Federal funds sold, securities purchased under resale agreements, and other	520,000	—	520,000	—	520,000
Mortgage servicing rights	2,356	—	—	2,356	2,356
Assets held in trust funds	18,463	18,463	—	—	18,463
Recurring Assets	$ 9,026,169	$ 18,463	$ 9,005,350	$ 2,356	$ 9,026,169
Liabilities:					
Mortgage servicing rights	$ 64	$ —	$ —	$ 64	$ 64
Recurring Liabilities	$ 64	$ —	$ —	$ 64	$ 64
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 12,921	$ —	$ —	$ 12,921	$ 12,921
Nonrecurring Assets	$ 12,921	$ —	$ —	$ 12,921	$ 12,921
Other Financial Instruments					
Assets:					
Cash	$ 693,685	$ 693,685	$ —	$ —	$ 693,685
Investments in debt securities held to maturity	30,078	—	1,099	34,136	35,235
Loans	26,193,811	—	—	26,505,373	26,505,373
Other Financial Assets	$ 26,917,574	$ 693,685	$ 1,099	$ 26,539,509	$ 27,234,293
Liabilities:					
Systemwide debt securities	$ 33,356,213	$ —	$ —	$ 33,459,724	$ 33,459,724
Other Financial Liabilities	$ 33,356,213	$ —	$ —	$ 33,459,724	$ 33,459,724

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.

Investments in Debt Securities

The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease). Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques
Management determines the Bank's valuation policies and procedures. Internal valuation processes are calibrated annually by an independent consultant. Fair value measurements are analyzed on a periodic basis. Documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing.

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

(dollars in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 31,873	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Mortgage servicing rights, net	$ 2,241	Discounted cash flow	Constant prepayment rate	**
			Fees and costs	**

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	Input
Debt securities available-for-sale	Discounted cash flow	Constant prepayment rate
		Probability of default
		Loss severity
	Quoted prices	Price for similar security
	Vendor priced	**
Federal funds sold, securities purchased under resale agreements and other	Carrying value	Par/principal and appropriate interest yield

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Cash and cash equivalents	Carrying value	Par/principal and appropriate interest yield
Debt securities held-to-maturity	Discounted cash flow	Constant prepayment rate
		Prepayment rates
		Probability of default
		Risk-adjusted spread
		Loss severity
	Quoted prices	Price for similar security
	Vendor priced	**
Systemwide debt securities	Discounted cash flow	Benchmark yield curve
		Derived yield spread
		Own credit risk
Cash collateral	Carrying value	Par/principal and appropriate interest yield

* *Ranges for this type of input are not useful because each collateral property is unique.*

** *The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

Note 7 — Employee Benefit Plans

Following are retirement and other postretirement benefit expenses for the Bank:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(dollars in thousands)	2021	2020	2021	2020
Pension	$ 2,106	$ 1,621	$ 6,316	$ 4,825
401k	1,075	917	3,097	2,734
Other postretirement benefits	253	250	743	746
Total	$ 3,434	$ 2,788	$ 10,156	$ 8,305

Expenses in the above table include allocated estimates of funding for multiemployer plans in which the Bank participates. These amounts may change when a total funding amount and allocation is determined by the respective Plans' Sponsor Committees. 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 most recent annual report to Shareholders.

Note 8 — Commitments and Contingencies

Under the Farm Credit Act of 1971, each System bank is primarily liable for its portion of Systemwide bond and discount note obligations. Additionally, the four banks are jointly and severally liable for the bonds and notes of the other System banks under the terms of the Joint and Several Liability Allocation Agreement. Published in the Federal Register, the agreement prescribes the payment mechanisms to be employed in the event one of the banks is unable to meet its debt obligations.

In the event a bank is unable to timely pay principal or interest on an insured debt obligation for which the bank is primarily liable, the Farm Credit System Insurance Corporation (FCSIC) must expend amounts in the Insurance Fund to the extent available to ensure the timely payment of principal and interest on the insured debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the banks on the obligation cannot be invoked until the amounts in the Insurance Fund have been exhausted. However, because of other mandatory and discretionary uses of the Insurance Fund, there is no assurance that there will be sufficient funds to pay the principal or interest on the insured debt obligation.

Once joint and several liability provisions are initiated, the FCA is required to make "calls" to satisfy the liability first on all non-defaulting banks in the proportion that each non-defaulting bank's available collateral (collateral in excess of collateralized obligations) bears to the aggregate available collateral of all non-defaulting banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each non-defaulting bank's remaining assets. Upon making a call on non-defaulting banks with respect to a Systemwide Debt Security issued on behalf of a defaulting bank, the FCA is required to appoint FCSIC as the receiver for the defaulting bank. The receiver would be required to expeditiously liquidate assets of the bank.

AgFirst did not anticipate making any payments on behalf of its co-obligors under the Joint and Several Liability Allocation Agreement for any of the periods presented. The total amount outstanding and the carrying amount of the Bank's liability under the agreement are as follows:

(dollars in billions)	September 30, 2021	December 31, 2020
Total System bonds and notes	$ 329.008	$ 322.655
AgFirst bonds and notes	35.057	33.356

From time to time, legal actions are pending against the Bank in which claims for money damages are asserted. On at least a quarterly basis, the Bank 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 and legal counsel are of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Bank.

Because it is remote that the Bank will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Additional Financial Information

Offsetting of Financial Assets

(dollars in thousands)	September 30, 2021	December 31, 2020
Reverse repurchase and similar arrangements	$ 200,000	$ 520,000
Gross Amount of Recognized Assets	200,000	520,000
Reverse repurchase and similar arrangements	—	—
Gross Amounts Offset in the Balance Sheets	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 200,000	$ 520,000
Financial Instruments	(200,000)	(520,000)
Gross Amounts Not Offset in the Balance Sheets	(200,000)	(520,000)
Net Amount	$ —	$ —

There were no liabilities subject to master netting arrangements or similar agreements during the reporting periods.

The reverse repurchase agreements are accounted for as collateralized lending.

Combined Districtwide Financial Statements

The accompanying financial statements exclude financial information of the Bank's affiliated Associations. The Bank and its affiliated Associations are collectively referred to as the AgFirst District. The Bank separately publishes certain unaudited combined financial information of the AgFirst District, including a statement of condition and statement of comprehensive income, which can be found on the Bank's website at **www.agfirst.com**.

Note 10 — Subsequent Events

The Bank 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, the Bank's Board of Directors indicated an intention to declare, in December 2021, a special patronage distribution between $240.0 million and $250.0 million.

AGFIRST
FARM CREDIT BANK

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