
AgGeorgia Farm Credit, ACA

THIRD QUARTER 2021

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2021 quarterly report of AgGeorgia Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ James R. Crain
Chief Executive Officer

/s/ Brandie L. Thompson
Chief Financial Officer

/s/ Richard D. “Dave” Neff
Chairman of the Board

November 8, 2021

AgGeorgia Farm Credit, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2021. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2021.

/s/ James R. Crain
Chief Executive Officer

/s/ Brandie L. Thompson
Chief Financial Officer

November 8, 2021

AgGeorgia Farm Credit, ACA

Management's Discussion and Analysis

of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgGeorgia Farm Credit, ACA (Association or AgGeorgia) for the period ended September 30, 2021. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2020 Annual Report of the Association.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. By June 2020, the Association returned to nearly pre-pandemic working conditions, transitioning to remote work arrangements as needed during peak COVID-19 outbreaks. 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 COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress has been made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by rising inflation, supply chain disruptions and labor shortages in the United States and globally.

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

COVID-19 Support Programs

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

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

- Pandemic Livestock Indemnity Program - provides financial assistance to support producers of eligible swine, chickens, and turkeys depopulated from March 1, 2020

through December 26, 2020. To be eligible, depopulation of poultry or livestock must have been due to insufficient processing access resulting from the COVID-19 pandemic;

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

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP were fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States. As of September 30, 2021, the Association had \$584.1 thousand of these loans outstanding. In addition, through September 30, 2021, the volume of such loans that have received forgiveness from the SBA since the start of the program was \$311.7 thousand.

For a detailed discussion of programs enacted in 2020, see pages 4 thru 6 of the 2020 Annual Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate term loans and long term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including poultry, cotton, timber, peanuts and livestock. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The total loan volume of the Association as of September 30, 2021 was \$1,146,245, an increase of \$179,857 as compared to \$966,388 at December 31, 2020. Net loans outstanding at

September 30, 2021 were \$1,139,001, as compared to \$959,833 at December 31, 2020. This increase in loan volume is primarily related to increased demand for loans. Net loans accounted for 96.64 percent of total assets at September 30, 2021, as compared to 95.22 percent of total assets at December 31, 2020.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has remained stable, and credit administration remains satisfactory. Nonaccrual loans decreased from \$7,936 at December 31, 2020 to \$7,577 at September 30, 2021, as a result of timely management of nonearning assets.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2021, was \$7,244 compared to \$6,555 at December 31, 2020, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2021

Net income for the three months ended September 30, 2021 totaled 5,894, as compared to \$4,915 for the same period in 2020. This increase is a combination of higher net interest income, provision for loan losses expense and noninterest income in 2021 versus a provision for loan loss reversal and lower noninterest income in 2020. Net interest income for the period increased \$1,236 compared to the same period in 2020, for a total of \$9,499 for the period ended September 30, 2021.

Non-interest income for the three months ended September 30, 2021, totaled \$2,088, as compared to \$1,946 for the same period of 2020. This increase is primarily due to increased patronage from other Farm Credit institutions during third quarter 2021 compared to the third quarter 2020. Non-interest expense for the three months ended September 30, 2021 totaled \$5,558, an increase of \$52 compared to the same period of 2020, which was primarily related to salaries and employee benefits and increased insurance Fund premiums.

For the nine months ended September 30, 2021

Net income for the nine months ended September 30, 2021, totaled \$26,778 as compared to \$24,947 for the same period in 2020. Net interest income increased \$1,831 for the nine months ended September 30, 2021, as compared to the same period in 2020. This increase is primarily related to increased interest income and decreased interest expense in 2021. The Association recorded a provision for loan losses expense of \$821 for the nine months ended September 30, 2021, as

compared to a reversal of \$829 for the same period in 2020. Non-interest income for the nine months ended September 30, 2021, totaled \$6,502 as compared to \$5,664 for the same period of 2020, an increase of \$838. Higher Patronage refunds from other Farm Credit institutions and fees income in 2021 versus 2020 led to the increase in non-interest income. Non-interest expense for the nine months ended September 30, 2021, increased \$551 compared to the same period of 2020. This overall increase is the result of an increase in salaries and employee benefits and Insurance Fund premiums and a decrease in other operating expenses.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2021, was \$899,261 as compared to \$729,253 at December 31, 2020.

CAPITAL RESOURCES

Total members' equity at September 30, 2021 increased \$10,055 to \$265,953 from the December 31, 2020 total of \$255,898. The increase is primarily related to year to date net income. Total capital stock and participation certificates were \$4,863 on September 30, 2021, compared to \$4,515 on December 31, 2020. This increase is attributed to the issuance of stock on new loans being greater than the retirement of stock on loans liquidated in the normal course of business.

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced existing core surplus and total surplus ratios with common equity tier 1 (CET1), tier 1 capital, and total capital risk-based capital ratios. The new regulations also replaced the existing net collateral ratio with a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The current permanent capital ratio (PCR) remains in effect.

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

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

Calculation of PCR risk-adjusted assets includes the allowance for loan losses as a deduction from risk-adjusted assets. This differs from the other risk-based capital calculations.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.

- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital.
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios, which were effective January 1, 2017:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of September 30, 2021
Risk-adjusted ratios:				
CET1 Capital	4.5%	2.5%	7.0%	21.62%
Tier 1 Capital	6.0%	2.5%	8.5%	21.62%
Total Capital	8.0%	2.5%	10.5%	22.23%
Permanent Capital Ratio	7.0%	0.0%	7.0%	21.75%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	21.89%
UREE Leverage Ratio	1.5%	0.0%	1.5%	15.82%

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

If the capital ratios fall below 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.

FUTURE OF LIBOR

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

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the

LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

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

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

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2020 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
<i>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	
- Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. - Changes the present incurred loss impairment guidance for loans to an expected loss model. - Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. - Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. - Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. - Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	- Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. - The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: - The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, - An allowance will be established for estimated credit losses on any debt securities, - The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. - The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. - The guidance is expected to be adopted January 1, 2023.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst’s annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association’s annual and quarterly reports are also available upon request free of charge by calling 478-987-8300 Ext. 113, writing Brandie Thompson, Chief Financial Officer, AgGeorgia Farm Credit, ACA, P.O. Box 1820, Perry, GA 31069, or accessing the website, www.aggeorgia.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgGeorgia Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2021 <i>(unaudited)</i>	December 31, 2020 <i>(audited)</i>
Assets		
Cash	\$ 11	\$ 310
Loans	1,146,245	966,388
Allowance for loan losses	(7,244)	(6,555)
Net loans	1,139,001	959,833
Accrued interest receivable	11,786	11,291
Equity investments in other Farm Credit institutions	10,218	10,216
Premises and equipment, net	9,771	9,516
Other property owned	257	307
Accounts receivable	5,432	14,595
Other assets	2,145	1,968
Total assets	\$ 1,178,621	\$ 1,008,036
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 899,261	\$ 729,253
Accrued interest payable	1,687	1,512
Patronage refunds payable	1,476	6,019
Accounts payable	1,410	2,587
Advanced conditional payments	—	7
Other liabilities	8,834	12,760
Total liabilities	912,668	752,138
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	4,863	4,515
Retained earnings		
Allocated	65,788	71,535
Unallocated	195,789	180,347
Accumulated other comprehensive income (loss)	(487)	(499)
Total members' equity	265,953	255,898
Total liabilities and members' equity	\$ 1,178,621	\$ 1,008,036

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest Income				
Loans	\$ 14,636	\$ 13,166	\$ 41,137	\$ 40,121
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	5,137	4,903	14,359	15,174
Net interest income	9,499	8,263	26,778	24,947
Provision for (reversal of allowance for) loan losses	132	(214)	821	(829)
Net interest income after provision for (reversal of allowance for) loan losses	9,367	8,477	25,957	25,776
Noninterest Income				
Loan fees	95	194	589	590
Fees for financially related services	16	4	101	34
Patronage refunds from other Farm Credit institutions	1,959	1,576	5,546	4,756
Gains (losses) on sales of premises and equipment, net	(7)	50	35	76
Gains (losses) on other transactions	24	122	230	34
Insurance Fund refunds	—	—	—	174
Other noninterest income	1	—	1	—
Total noninterest income	2,088	1,946	6,502	5,664
Noninterest Expense				
Salaries and employee benefits	3,869	3,793	11,146	10,577
Occupancy and equipment	298	253	753	739
Insurance Fund premiums	335	193	929	458
(Gains) losses on other property owned, net	7	20	(119)	56
Other operating expenses	1,049	1,247	3,603	3,931
Total noninterest expense	5,558	5,506	16,312	15,761
Income before income taxes	5,897	4,917	16,147	15,679
Provision for income taxes	3	2	5	4
Net income	\$ 5,894	\$ 4,915	\$ 16,142	\$ 15,675
Other comprehensive income net of tax				
Employee benefit plans adjustments	4	134	12	402
Comprehensive income	\$ 5,898	\$ 5,049	\$ 16,154	\$ 16,077

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
(dollars in thousands)		Allocated	Unallocated		
Balance at December 31, 2019	\$ 4,277	\$ 71,030	\$ 168,613	\$ (752)	\$ 243,168
Comprehensive income			15,675	402	16,077
Capital stock/participation certificates issued/(retired), net	161				161
Retained earnings retired		(10,917)			(10,917)
Patronage distribution adjustment		447	(649)		(202)
Balance at September 30, 2020	\$ 4,438	\$ 60,560	\$ 183,639	\$ (350)	\$ 248,287
Balance at December 31, 2020	\$ 4,515	\$ 71,535	\$ 180,347	\$ (499)	\$ 255,898
Comprehensive income			16,142	12	16,154
Capital stock/participation certificates issued/(retired), net	348				348
Retained earnings retired		(6,229)			(6,229)
Patronage distribution adjustment		482	(700)		(218)
Balance at September 30, 2021	\$ 4,863	\$ 65,788	\$ 195,789	\$ (487)	\$ 265,953

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

AgGeorgia Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

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

Organization

The accompanying financial statements include the accounts of AgGeorgia Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

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

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and

other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

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

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

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

ASUs Pending Effective Date

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

Potential effects of ASUs issued in previous periods:

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

Accounting Standards Effective During the Period

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

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

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to

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

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

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

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

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

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	September 30, 2021	December 31, 2020
Real estate mortgage	\$ 842,834	\$ 680,466
Production and intermediate-term	259,709	244,868
Loans to cooperatives	2,108	2,581
Processing and marketing	20,321	19,552
Farm-related business	5,650	5,296
Rural residential real estate	13,734	11,738
International	1,889	1,887
Total loans	\$ 1,146,245	\$ 966,388

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

September 30, 2021

	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 9,471	\$ 73,241	\$ 48	\$ —	\$ —	\$ —	\$ 9,519	\$ 73,241
Production and intermediate-term	6,333	11,824	1,025	—	—	—	7,358	11,824
Loans to cooperatives	1,042	—	—	—	—	—	1,042	—
Processing and marketing	5,631	59,712	—	—	7,996	—	13,627	59,712
Farm-related business	—	—	53	—	—	—	53	—
International	1,894	—	—	—	—	—	1,894	—
Total	\$ 24,371	\$ 144,777	\$ 1,126	\$ —	\$ 7,996	\$ —	\$ 33,493	\$ 144,777

December 31, 2020

	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 10,254	\$ 61,120	\$ 53	\$ —	\$ —	\$ —	\$ 10,307	\$ 61,120
Production and intermediate-term	5,132	13,817	197	—	—	—	5,329	13,817
Loans to cooperatives	2,588	—	—	—	—	—	2,588	—
Processing and marketing	4,230	30,658	—	—	—	—	4,230	30,658
Farm-related business	—	—	60	—	—	—	60	—
International	1,893	—	—	—	—	—	1,893	—
Total	\$ 24,097	\$ 105,595	\$ 310	\$ —	\$ —	\$ —	\$ 24,407	\$ 105,595

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	September 30, 2021	December 31, 2020		September 30, 2021	December 31, 2020
Real estate mortgage:			Farm-related business:		
Acceptable	97.16%	96.10%	Acceptable	100.00%	100.00%
OAEM	1.94	2.47	OAEM	—	—
Substandard/doubtful/loss	0.90	1.43	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Rural residential real estate:		
Acceptable	92.75%	90.46%	Acceptable	98.15%	97.77%
OAEM	2.93	6.04	OAEM	1.76	2.11
Substandard/doubtful/loss	4.32	3.50	Substandard/doubtful/loss	0.09	0.12
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			Total loans:		
Acceptable	100.00%	100.00%	Acceptable	96.24%	94.81%
OAEM	—	—	OAEM	2.11	3.29
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	1.65	1.90
	100.00%	100.00%		100.00%	100.00%

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

September 30, 2021						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 2,636	\$ 844	\$ 3,480	\$ 847,157	\$ 850,637	
Production and intermediate-term	712	3,062	3,774	259,745	263,519	
Loans to cooperatives	—	—	—	2,122	2,122	
Processing and marketing	—	—	—	20,394	20,394	
Farm-related business	—	—	—	5,686	5,686	
Rural residential real estate	277	12	289	13,494	13,783	
International	—	—	—	1,890	1,890	
Total	\$ 3,625	\$ 3,918	\$ 7,543	\$ 1,150,488	\$ 1,158,031	

December 31, 2020						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 2,945	\$ 893	\$ 3,838	\$ 684,029	\$ 687,867	
Production and intermediate-term	772	4,392	5,164	243,404	248,568	
Loans to cooperatives	—	—	—	2,581	2,581	
Processing and marketing	—	—	—	19,669	19,669	
Farm-related business	60	—	60	5,274	5,334	
Rural residential real estate	287	1	288	11,483	11,771	
International	—	—	—	1,889	1,889	
Total	\$ 4,064	\$ 5,286	\$ 9,350	\$ 968,329	\$ 977,679	

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	\$ 2,462	\$ 1,996
Production and intermediate-term	5,103	5,925
Rural residential real estate	12	15
Total	<u>\$ 7,577</u>	<u>\$ 7,936</u>
Accruing restructured loans:		
Real estate mortgage	\$ 19,009	\$ 17,895
Production and intermediate-term	7,358	9,070
Rural residential real estate	10	12
Total	<u>\$ 26,377</u>	<u>\$ 26,977</u>
Accruing loans 90 days or more past due:		
Total	<u>\$ —</u>	<u>\$ —</u>
Total nonperforming loans	\$ 33,954	\$ 34,913
Other property owned	257	307
Total nonperforming assets	<u>\$ 34,211</u>	<u>\$ 35,220</u>
Nonaccrual loans as a percentage of total loans	0.66%	0.82%
Nonperforming assets as a percentage of total loans and other property owned	2.98%	3.64%
Nonperforming assets as a percentage of capital	<u>12.86%</u>	<u>13.76%</u>

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	September 30, 2021	December 31, 2020
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 3,089	\$ 2,325
Past due	4,488	5,611
Total	<u>\$ 7,577</u>	<u>\$ 7,936</u>
Impaired accrual loans:		
Restructured	\$ 26,377	\$ 26,977
90 days or more past due	—	—
Total	<u>\$ 26,377</u>	<u>\$ 26,977</u>
Total impaired loans	<u>\$ 33,954</u>	<u>\$ 34,913</u>
Additional commitments to lend	<u>\$ 50</u>	<u>\$ —</u>

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

	September 30, 2021			Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:							
Real estate mortgage	\$ 103	\$ 103	\$ 103	\$ 104	\$ 2	\$ 107	\$ 4
Production and intermediate-term	2,457	2,702	770	2,481	41	2,559	95
Farm-related business	—	—	—	—	—	—	—
Rural residential real estate	—	—	—	—	—	—	—
Total	<u>\$ 2,560</u>	<u>\$ 2,805</u>	<u>\$ 873</u>	<u>\$ 2,585</u>	<u>\$ 43</u>	<u>\$ 2,666</u>	<u>\$ 99</u>
With no related allowance for credit losses:							
Real estate mortgage	\$ 21,368	\$ 21,338	\$ —	\$ 21,579	\$ 359	\$ 22,251	\$ 827
Production and intermediate-term	10,004	12,112	—	10,102	168	10,417	388
Farm-related business	—	68	—	—	—	—	—
Rural residential real estate	22	24	—	22	—	23	1
Total	<u>\$ 31,394</u>	<u>\$ 33,542</u>	<u>\$ —</u>	<u>\$ 31,703</u>	<u>\$ 527</u>	<u>\$ 32,691</u>	<u>\$ 1,216</u>
Total impaired loans:							
Real estate mortgage	\$ 21,471	\$ 21,441	\$ 103	\$ 21,683	\$ 361	\$ 22,358	\$ 831
Production and intermediate-term	12,461	14,814	770	12,583	209	12,976	483
Farm-related business	—	68	—	—	—	—	—
Rural residential real estate	22	24	—	22	—	23	1
Total	<u>\$ 33,954</u>	<u>\$ 36,347</u>	<u>\$ 873</u>	<u>\$ 34,288</u>	<u>\$ 570</u>	<u>\$ 35,357</u>	<u>\$ 1,315</u>

	December 31, 2020			Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans:					
With a related allowance for credit losses:					
Real estate mortgage	\$ 165	\$ 193	\$ 105	\$ 173	\$ 7
Production and intermediate-term	3,617	4,136	1,374	3,790	162
Rural residential real estate	—	—	—	—	—
Total	\$ 3,782	\$ 4,329	\$ 1,479	\$ 3,963	\$ 169
With no related allowance for credit losses:					
Real estate mortgage	\$ 19,726	\$ 19,891	\$ —	\$ 20,670	\$ 884
Production and intermediate-term	11,378	13,531	—	11,923	510
Rural residential real estate	27	29	—	28	1
Total	\$ 31,131	\$ 33,451	\$ —	\$ 32,621	\$ 1,395
Total impaired loans:					
Real estate mortgage	\$ 19,891	\$ 20,084	\$ 105	\$ 20,843	\$ 891
Production and intermediate-term	14,995	17,667	1,374	15,713	672
Rural residential real estate	27	29	—	28	1
Total	\$ 34,913	\$ 37,780	\$ 1,479	\$ 36,584	\$ 1,564

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

	Real Estate Mortgage	Production and Intermediate-	Agribusiness*	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:							
Balance at June 30, 2021	\$ 3,823	\$ 3,114	\$ 101	\$ —	\$ 31	\$ 2	\$ 7,071
Charge-offs	—	(38)	—	—	—	—	(38)
Recoveries	46	33	—	—	—	—	79
Provision for loan losses	69	57	5	—	2	(1)	132
Balance at September 30, 2021	\$ 3,938	\$ 3,166	\$ 106	\$ —	\$ 33	\$ 1	\$ 7,244
Balance at December 31, 2020	\$ 2,570	\$ 3,894	\$ 74	\$ —	\$ 16	\$ 1	\$ 6,555
Charge-offs	—	(301)	—	—	—	—	(301)
Recoveries	56	113	—	—	—	—	169
Provision for loan losses	1,312	(540)	32	—	17	—	821
Balance at September 30, 2021	\$ 3,938	\$ 3,166	\$ 106	\$ —	\$ 33	\$ 1	\$ 7,244
Balance at June 30, 2020	\$ 2,467	\$ 4,153	\$ 88	\$ 28	\$ 19	\$ 1	\$ 6,756
Charge-offs	—	(88)	—	—	—	—	(88)
Recoveries	—	93	—	—	—	—	93
Provision for loan losses	(46)	(113)	(39)	(10)	(6)	—	(214)
Balance at September 30, 2020	\$ 2,421	\$ 4,045	\$ 49	\$ 18	\$ 13	\$ 1	\$ 6,547
Balance at December 31, 2019	\$ 2,638	\$ 4,698	\$ 36	\$ 15	\$ 16	\$ 1	\$ 7,404
Charge-offs	(23)	(172)	—	—	—	—	(195)
Recoveries	10	157	—	—	—	—	167
Provision for loan losses	(204)	(638)	13	3	(3)	—	(829)
Balance at September 30, 2020	\$ 2,421	\$ 4,045	\$ 49	\$ 18	\$ 13	\$ 1	\$ 6,547
Allowance on loans evaluated for impairment:							
Individually	\$ 103	\$ 770	\$ —	\$ —	\$ —	\$ —	\$ 873
Collectively	3,835	2,396	106	—	33	1	6,371
Balance at September 30, 2021	\$ 3,938	\$ 3,166	\$ 106	\$ —	\$ 33	\$ 1	\$ 7,244
Individually	\$ 105	\$ 1,374	\$ —	\$ —	\$ —	\$ —	\$ 1,479
Collectively	2,465	2,520	74	—	16	1	5,076
Balance at December 31, 2020	\$ 2,570	\$ 3,894	\$ 74	\$ —	\$ 16	\$ 1	\$ 6,555
Recorded investment in loans evaluated for impairment:							
Individually	\$ 29,147	\$ 17,454	\$ —	\$ —	\$ 22	\$ —	\$ 46,623
Collectively	821,490	246,065	28,202	—	13,761	1,890	1,111,408
Balance at September 30, 2021	\$ 850,637	\$ 263,519	\$ 28,202	\$ —	\$ 13,783	\$ 1,890	\$ 1,158,031
Individually	\$ 29,425	\$ 22,518	\$ —	\$ —	\$ 27	\$ —	\$ 51,970
Collectively	658,442	226,050	27,584	—	11,744	1,889	925,709
Balance at December 31, 2020	\$ 687,867	\$ 248,568	\$ 27,584	\$ —	\$ 11,771	\$ 1,889	\$ 977,679

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following 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.

Three Months Ended September 30, 2021					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	\$ 328	\$ —	\$ —	\$ 328	
Total	\$ 328	\$ —	\$ —	\$ 328	
Post-modification:					
Production and intermediate-term	\$ 328	\$ —	\$ —	\$ 328	\$ —
Total	\$ 328	\$ —	\$ —	\$ 328	\$ —

Nine Months Ended September 30, 2021					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 1,594	\$ 5,549	\$ —	\$ 7,143	
Production and intermediate-term	645	968	—	1,613	
Total	\$ 2,239	\$ 6,517	\$ —	\$ 8,756	
Post-modification:					
Real estate mortgage	\$ 1,605	\$ 5,688	\$ —	\$ 7,293	\$ —
Production and intermediate-term	645	1,021	—	1,666	(8)
Total	\$ 2,250	\$ 6,709	\$ —	\$ 8,959	\$ (8)

Three Months Ended September 30, 2020					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 239	\$ 395	\$ —	\$ 634	
Production and intermediate-term	1,220	1,188	—	2,408	
Total	\$ 1,459	\$ 1,583	\$ —	\$ 3,042	
Post-modification:					
Real estate mortgage	\$ 256	\$ 395	\$ —	\$ 651	\$ —
Production and intermediate-term	1,224	1,191	—	2,415	(15)
Total	\$ 1,480	\$ 1,586	\$ —	\$ 3,066	\$ (15)

Nine Months Ended September 30, 2020					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 1,410	\$ 3,144	\$ —	\$ 4,554	
Production and intermediate-term	5,432	2,767	—	8,199	
Farm-related business	—	165	—	165	
Total	\$ 6,842	\$ 6,076	\$ —	\$ 12,918	
Post-modification:					
Real estate mortgage	\$ 1,427	\$ 3,444	\$ —	\$ 4,871	\$ —
Production and intermediate-term	5,443	2,794	—	8,237	(15)
Farm-related business	—	165	—	165	—
Total	\$ 6,870	\$ 6,403	\$ —	\$ 13,273	\$ (15)

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,	
	2021	2020	2021	2020
Real estate mortgage	\$ —	\$ 648	\$ —	\$ 706
Production and intermediate-term	—	2,195	—	2,374
Total	\$ —	\$ 2,843	\$ —	\$ 3,080

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	\$ 19,263	\$ 18,306	\$ 254	\$ 411
Production and intermediate-term	10,214	11,840	2,856	2,770
Rural residential real estate	10	12	—	—
Total loans	\$ 29,487	\$ 30,158	\$ 3,110	\$ 3,181
Additional commitments to lend	\$ —	\$ —		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 3.29 percent of the issued stock of the Bank as of September 30, 2021 net of any reciprocal investment. As of that date, the Bank's assets totaled \$37.9 billion and

shareholders' equity totaled \$2.7 billion. The Bank's earnings were \$357 million for the first nine months of 2021. In addition, the Association held investments of \$1,356 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

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

Note 5 — Members' Equity

Accumulated other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component (a)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Employee Benefit Plans:				
Balance at beginning of period	\$ (491)	\$ (484)	\$ (499)	\$ (752)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	4	134	12	402
Net current period other comprehensive income	4	134	12	402
Balance at end of period	\$ (487)	\$ (350)	\$ (487)	\$ (350)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)				
	Three Months Ended September 30,		Nine Months Ended September 30,		Income Statement Line Item
	2021	2020	2021	2020	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ (4)	\$ (134)	\$ (12)	\$ (402)	See Note 7.
Net amounts reclassified	\$ (4)	\$ (134)	\$ (12)	\$ (402)	

(a) Amounts in parentheses indicate debits to AOCI.

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

September 30, 2021					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<u>Recurring Measurements</u>					
Assets:					
Assets held in trust funds	\$ 1,941	\$ 1,941	\$ —	\$ —	\$ 1,941
Recurring Assets	\$ 1,941	\$ 1,941	\$ —	\$ —	\$ 1,941
Liabilities:					
Recurring Liabilities	\$ —	\$ —	\$ —	\$ —	\$ —
<u>Nonrecurring Measurements</u>					
Assets:					
Impaired loans	\$ 1,687	\$ —	\$ —	\$ 1,687	\$ 1,687
Other property owned	257	—	—	286	286
Nonrecurring Assets	\$ 1,944	\$ —	\$ —	\$ 1,973	\$ 1,973
<u>Other Financial Instruments</u>					
Assets:					
Cash	\$ 11	\$ 11	\$ —	\$ —	\$ 11
Loans	1,137,314	—	—	1,141,847	1,141,847
Other Financial Assets	\$ 1,137,325	\$ 11	\$ —	\$ 1,141,847	\$ 1,141,858
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	\$ 899,261	\$ —	\$ —	\$ 895,358	\$ 895,358
Other Financial Liabilities	\$ 899,261	\$ —	\$ —	\$ 895,358	\$ 895,358

December 31, 2020					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	\$ 1,793	\$ 1,793	\$ –	\$ –	\$ 1,793
Recurring Assets	\$ 1,793	\$ 1,793	\$ –	\$ –	\$ 1,793
Liabilities:					
Recurring Liabilities	\$ –	\$ –	\$ –	\$ –	\$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	\$ 2,303	\$ –	\$ –	\$ 2,303	\$ 2,303
Other property owned	307	–	–	342	342
Nonrecurring Assets	\$ 2,610	\$ –	\$ –	\$ 2,645	\$ 2,645
Other Financial Instruments					
Assets:					
Cash	\$ 310	\$ 310	\$ –	\$ –	\$ 310
Loans	957,530	–	–	972,603	972,603
Other Financial Assets	\$ 957,840	\$ 310	\$ –	\$ 972,603	\$ 972,913
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	\$ 729,253	\$ –	\$ –	\$ 734,360	\$ 734,360
Other Financial Liabilities	\$ 729,253	\$ –	\$ –	\$ 734,360	\$ 734,360

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in

certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements				
	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	\$ 1,973	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pension	\$ 710	\$ 739	\$ 2,129	\$ 2,215
401(k)	166	150	576	523
Other postretirement benefits	189	173	577	510
Total	\$ 1,065	\$ 1,062	\$ 3,282	\$ 3,248

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

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

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Subsequent Events

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

On October 18, 2021, AgFirst's Board of Directors indicated an intention to declare, in December 2021, a special patronage distribution. The Association will receive between approximately \$9,971 and \$10,386 which will be recorded as patronage refunds from other Farm Credit institutions.