Quarterly Report to Stockholders

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

as of September 30, 2021

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the third quarter of 2021. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2020 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.agloan.com, or can be obtained free of charge by calling our corporate headquarters at (707) 545-1200. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, the voting stock of American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, Colorado, and New Mexico, as well as the states of Nevada and Hawaii.

The Association continues to closely monitor the impact of the COVID-19 worldwide pandemic to its operations and borrowers. The Association originated loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP), which offered 100% SBA guaranteed loans designed to provide direct incentive for small businesses to keep workers employed. If loan proceeds are used for payroll, rent, mortgage interest, or utilities, and other conditions are met, SBA will forgive the loan and accrued interest of the borrower. As of May 31, 2021, the SBA concluded the PPP origination of loans and is currently processing forgiveness of principal and accrued interest when qualified. If not forgiven, a PPP loan will bear interest at a fixed 1.0% interest rate with up to a five-year maturity and payments deferred for six months.

Forward Looking Statements

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2020 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Preferred Stock and Subordinated Debt Offerings

In June 2021, the Association issued $300 million of Series A 5.25% fixed-rate reset perpetual non-cumulative preferred stock and $200 million of 3.375% fixed-to-floating rate subordinated notes due 2036. The Series A Preferred Stock and subordinated notes may be redeemed at the option of the Association no earlier than June 15, 2026 and June 15, 2031, respectively, subject to conditions. The Association utilized the net proceeds to provide more capacity to support the capital needs of its customers. In anticipation of the capital offerings, the Association was assigned a 'BBB+' long-term issuer credit rating on May 19, 2021 by S&P Global Ratings. On June 4, 2021, the announced issuances of preferred stock and subordinated debt were rated 'BB+' and 'BBB' by S&P Global Ratings. The most recent report from S&P Global was dated October 20, 2021, with no change to the aforementioned ratings.

Economic Overview

While the economy continues its overall recovery, drought, inflation, and the continued effects of the COVID-19 pandemic weigh on economic growth. Prices have surged among supply-side bottlenecks and generally strong demand. On an annual basis, the Consumer Price Index rose 5.4% in September 2021 from a year earlier. This amount is above the Federal Reserve's previously communicated targeted average inflation rate of 2%. Although described originally as transitory among declining prices in 2020, central bank officials expressed an expectation that the price surges may linger but should eventually fade. As a result of increasing inflation, there is an increasing anticipation that the Federal Reserve will increase the Federal Funds interest rate by the end of 2022, which is about a year earlier than was expected at the beginning of 2021. Additionally, it is widely held that the Federal Reserve will formally announce a tapering of its monthly purchase of $120 billion in bonds by the end of 2021. This program has been utilized to increase liquidity in the bond markets and keep lower longer-term interest rates. The unemployment rate fell to 4.8% in September; however, part of the decrease can be explained by workers exiting the labor force. Economic data suggest some workers may be retiring early or otherwise permanently leaving the labor force. The average hourly rate of private sector workers rose 0.6% during September 2021. As a result of exiting workers and increasing wages, the labor market remains tight for all sectors. Energy prices including crude oil and natural gas continue to rise, and the import/export markets continue to be impacted due to extremely congested cargo ship ports and increasing logistics costs. While exhibiting declines in September, most major domestic stock equity indexes are still well into positive territory on a year-to-date basis.

Of specific concern to agriculture are drought conditions in the western United States. Various governments have reduced water allocations in California, resulting in growers paying premiums for supplemental water purchases. 2021 crop production is expected to be smaller due to lower yields caused by reduced irrigation and decisions to leave land unplanted or abandoned based on water unavailability. Inflationary pressures have also weighed on profit margins for farmers and ranchers, especially for dairy and beef. Rising feed and other input prices are significantly impacting profitability. Agricultural producers are facing a shortage in workers amid the tight labor conditions. Some agriculture jobs require close contact, which can lead to difficulty in filling labor positions. Additionally, agricultural producers are competing with rising wage rates in non-agricultural industries such as hospitality. However, sectors which are large agricultural product purchasers such as schools, restaurants, conventions/arenas, and other tourist and hospitality businesses continue to reopen and therefore positively impact certain agricultural commodities.

Commodity Review and Outlook

The Association's commodity portfolio remains well-diversified. Wine grapes and wine and field crops lead our commodity portfolio at 16.8% and 14.3%, respectively, followed by tree fruits & nuts at 13.9%, dairies and dairy products at 11.5%, beef at 10.3%, and forest products at 7.7%. The top six commodities make up 74.5% of the total portfolio with the remaining 25.5% spread over sixteen additional categories, including an "Other" category. The bulk of the Association's wine portfolio continues to be centered in the super- and ultra-premium segments of the wine market. Field crops consist primarily of wheat, corn, soybeans, alfalfa, sorghum, and other grains. Tree fruits and nuts consists primarily of almonds, walnuts and orchards in California's Central Valley and Hawaii.

Following is a summary of economic conditions among the Association's significant commodities:

- **Wine grapes and wine:** The outlook for wine grapes and wine continues to improve from the beginning of the year. Demand for wine grapes have improved and spot prices have risen. Many wineries have a reduced wine inventory and plan to bottle a larger 2021 vintage. The 2021 grape crop is expected to be lower compared to previous years' levels due to the ongoing drought in California where water unavailability and hot temperatures are causing lower yields. Many wineries are still experimenting with different business practices in response to COVID-19. New-found sales practices during the pandemic will likely remain viable even as tasting rooms and higher-scale restaurants reopen and may represent a longer-term income stream for wineries. Recent forecasts estimate the total volume of table wines will end the year 2 percent above the previous year. The average price paid per bottle has increased consistently since the onset of the pandemic, but demand has kept pace with the general price increase. Overall exports have also increased from earlier in the year, although shipments to the European Union lag. To date in 2021, there has been a large increase in wine industry mergers and acquisitions activity worldwide. Acquirers have included both traditional wine industry conglomerates as well as private equity and special-purpose acquisition companies. Vineyard valuations remain strong and appear to be driven by forecasted property values several years in the future as compared to the profitability from winemaking.
- **Field Crops:** Field crop producers within the Association's territory are expecting a profitable year. Crop prices have remained elevated across the Association's territory. Chemical and fertilizer costs have followed the upward inflation trend, but many producers priced inputs for the current crop before the price run-up. Due to the drought, some producers in California have fallowed their fields and diverted water to tree fruit and nut crops and conditions have caused lowered production estimates. Overall exports remain strong and have helped to tighten stocks-to-use ratios. Supply chain disruptions due to damaged Gulf Coast ports from Hurricane Ida and backlogs in the West Coast ports likely reduced the potential export volume, but overall, the export pace has been strong. In October, the USDA raised their estimate of corn and soybean production to near record levels. Demand for corn and soybeans remains strong, therefore prices remain elevated relative to recent history. Producers that priced corn and soybeans

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earlier in the year are likely to recognize extremely strong profits. Ending stocks have been reduced below recent averages as production in the Upper Midwest and Northwest significantly declined, therefore cash wheat prices have improved. Some crop producers in California will be eligible to receive prevented plant crop insurance payments due to the lack of available water. Prices for hay have increased because of drought conditions.

- **Tree fruits and nuts:** Economic conditions remain mixed due to drought and shortages in labor markets and freight availability. Most tree and fruit nut growing regions in California are currently in extreme-to-exceptional drought conditions. Yields are expected to be lower as a result. Price forecasts have increased in light of expected stable-to-improving demand and lower yields. Effective export prices have increased, due to increased cost of freight, but total shipments of almonds have been very strong and pistachio and walnut shipments are around historical averages. Demand for almonds remains strong. The USDA expects total almond production to be down to 2.80 billion meat pounds as drought and heat appear to have reduced nut sizes. Lower yields are expected to neutralize increased prices within overall profitability. The 2021-2022 walnut crop is expected to be 15 percent lighter due to drought conditions. Supply is tight due to a sold-out crop from Chile and strong government purchases of the U.S. crop. Pistachio yields also point lower due to drought, although prices are expected to be stable. Avocado yields are lower as well, although prices have largely held around the $1.20 per pound range and demand remains very strong.

- **Dairy:** The dairy industry continues to manage through elevated input prices and drought conditions. While milk prices have been slightly better than historical averages, profit margins remain tight. The average wage rate for animal agricultural workers in California has increased approximately seven percent from one year ago levels according to USDA measurements, but labor availability remains constrained. Dairies looking to reduce long-term labor costs are turning to automation, such as automated feeding and milking systems. Feed costs remain elevated due to strong demand for feed crops, higher transportation costs, and drought conditions. Low milk-to-feed price ratios indicate high feed costs are cutting into profit margins. Demand for dairy products has risen due to strong exports and generally improving domestic consumption. The price of dairy cows has recently declined, mostly due to a lack of demand for older cows, marginal milk cows and heifers, but good quality milk cow prices have remained somewhat stable.

- **Beef:** Demand for beef has remained strong. Domestic demand has increased as consumers continue to purchase beef as larger events such as conferences have resumed. Export demand has also been robust, which has tightened the already short available supply of beef. The demand surge has resulted in an increase in retail beef prices. There is concern that retail prices will blunt future demand. Drought also weighs on the cattle industry. Pasture conditions in the western U.S. have significantly declined due to reduced availability of grass and water. Many ranchers have culled herds to reduce stocking rates. Continued drought conditions could cause cow values to decline somewhat. Inflationary pressure on feed prices has caused profit margins to be thin. The price of corn is likely the largest driver to higher feed prices. Many feedlots have been actively hedging and pricing the corn market during the recent downturn to minimize rising future feed costs. Potential future profit margins are scattered and heavily related to the availability of pasture and feed. Ranchers in drought-stricken areas are projected to have much higher costs, however, some producers will be eligible for indemnity payments from insurance programs.

- **Forest products:** Lumber prices continued an unpredictable path up at the end of the third quarter, after falling sharply since May. Futures prices are up 40% since late August, while spot prices are up 27%. Conditions in the forest products industry are heavily dependent on housing starts and interest rates. Housing starts have stabilized over the past twelve months but are still higher than the previous decade. While residential construction spending has continued to increase, non-residential construction has declined to 2018 levels. Total construction remains at historically elevated levels. As previously noted, there is an increased expectation that rate increases from the Federal Reserve will commence next year and will likely put upward pressure on home mortgage and construction interest rates. Monthly lumber production has increased, surpassing 3.0 billion board feet in several months. Prices for medium density fiberboard have remained elevated. Prices for kraft, pulp, and fiber products have also generally improved, while newsprint remains subdued. The supply and cost of labor and transportation have cut into margins. Wildfires remain of concern; however, the impact of a fire will depend upon the general age of the timber stocking impacted. Young plantations and pole sized timber are usually completely lost when burned, while older stands with merchantable timber can be salvaged.

Loan Portfolio

Management's Discussion and Analysis

Total loan volume was $15.1 billion at September 30, 2021, an increase of $897 million from $14.2 billion at December 31, 2020. The increase was caused both by draws on existing facilities and new originations, partially offset by anticipated seasonal loan repayments. On a year-over-year basis, loan volume increased by $1.7 billion when compared to September 30, 2020, resulting in a growth rate of 13.0%. Although credit quality has slightly decreased to 97.9% at September 30, 2021 from 98.5% at December 31, 2020, the Association's overall credit quality remains strong. Credit quality is a measurement of loan volume classified as either "Acceptable" or "Other Assets Especially Mentioned" divided by total loan volume under the Farm Credit System 14-point probability of default rating scale.

In addition to the $15.1 billion of loan and lease volume reported on our balance sheet, we serviced an additional $6.0 billion of loan volume for other institutions as of September 30, 2021.

Nonearning Assets

Nonaccrual loan volume increased by $3.1 million to $54.6 million at September 30, 2021, compared to $51.5 million at December 31, 2020. The change in nonaccrual loan volume was primarily due to transfers to nonaccrual status and disbursements on nonaccrual loans of $30.1 million, offset by $20.8 million year-to-date repayments on nonaccrual loans, charge-offs of nonaccrual loans of $6.3 million, and loans reinstated to accrual status of $0.9 million. Nonaccrual loan volume represented 0.36% of total loan volume at the end of September 30, 2021, compared to 0.42% at September 30, 2020 and 0.36% at December 31, 2020.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded commitments. The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current economic and environmental conditions. Total allowance for credit losses was $40.3 million at September 30, 2021, which included a $36.1 million allowance for loan losses and a $4.2 million reserve for unfunded commitments.

Investment in CoBank

In June 2021, the CoBank Board of Directors approved changes to certain capital plans and patronage programs which are expected to have a favorable impact upon the Association. CoBank increased the target patronage for association direct note balances to 45 basis points, from 39 basis points retroactive back to January 1, 2021. In addition, the loan base period used for determining required stock investment in CoBank for affiliated associations was increased to the five-year trailing average from a one-year average. These changes are effective beginning in 2021 for patronage distributions and stock retirements expected to be made in March 2022. Although subject to CoBank Board of Directors approval, at this time, the Association is expecting a significant stock retirement to be received during 2022, in an amount which presently cannot be determined.

Financial Condition and Results of Operations

Net income for the nine months ended September 30, 2021 was $263.6 million compared to $176.5 million for the same period last year, an increase of $87.2 million. The change in net income was primarily due to the following reasons:

- Net interest income increased by $63.2 million year-over-year due to growth in accrual loan volume and a higher net interest margin. The increase in the net interest margin was primarily caused by a decrease in our cost of funds. The Association's weighted average interest rate on interest-bearing liabilities excluding the subordinated debt offering was 0.65% and 0.84% as of September 30, 2021 and 2020, respectively. Including the subordinated debt offering, the weighted average rate was 0.69% as of September 30, 2021.
- Provision for credit losses decreased by $3.8 million year-over-year. The decrease was caused by a lower provision recorded through September 30, 2020 primarily as a result of changes in assumptions in the provision estimate in March 2021.
- Noninterest income increased by $21.4 million year-over-year. The increase was primarily due to an $17.2 million increase in patronage income from Farm Credit Institutions. As previously noted, CoBank increased the target patronage on the Association

direct note retroactive back to January 1, 2021. This was partially offset by a return of excess Farm Credit System Insurance Corporation (FCSIC) insurance funds of $2.5 million received in March 2020. No refund will be received in 2021.

- FCSIC insurance, a component of noninterest operating expense, increased by $7.2 million when compared to September 2020. The FCSIC board approved an insurance premium assessment rate on adjusted insured debt of 16 basis points for 2021, an increase from 11 basis points in 2020. Their board also approved continuing an additional 10 basis point assessment on nonaccrual loans.
- Overall, noninterest operating expenses decreased by $1.2 million compared to the same period last year, primarily caused by decreases in purchased services, technology expenses, and salaries and benefits.

The major components of change in net income are summarized as follows:

	For the Nine Months Ended		Increase (Decrease) in
	Sep. 30, 2021	**Sep. 30, 2020**	**Net Income**
Net interest income	$330,066	$266,882	$63,184
Provision for credit losses	(5,254)	(9,016)	3,762
Patronage income	75,783	58,583	17,200
Other income, net	25,465	21,264	4,201
Operating expenses	(162,450)	(161,254)	(1,196)
Provision for income taxes	(2)	(2)	-
Net income	**$263,608**	**$176,457**	**$87,151**

The following table shows the Association's year-to-date annualized return on average assets, return on equity, and net interest margin.

	September 30,	
	2021	**2020**
Return on average assets	2.29%	1.77%
Return on common equity	15.15%	10.76%
Return on total equity	14.06%	10.06%
Net interest margin	3.03%	2.84%

Liquidity and Funding

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low-cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. The Association has also received funding from preferred stock, subordinated debt, and funds held accounts.

Members' Equity

The Association's capital position remains strong. Total members' equity was $2.745 billion at the end of the third quarter, an increase of $375.7 million from $2.369 billion at December 31, 2020. The increase in equity is primarily the result of the Association's strong year-to-date net income and the issuance of the aforementioned $300 million Series A Preferred Stock, offset by the redemption and retirement of all Class H Preferred Stock on March 31, 2021. The Association was in compliance with all capital ratio requirements at September 30, 2021. The Association's strong earnings and capital position enable us to effectively serve our mission and our customers and support our ability to maintain our cash patronage distribution program.

Certification

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

Gary Harshberger Chairman	Curt Hudnutt Chief Executive Officer	Vern Zander Chief Financial Officer

November 9, 2021

Consolidated Statements of Condition *(dollars in thousands)*

	September 30, 2021	December 31, 2020
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$15,067,543	$14,170,874
Less: allowance for loan losses	(36,182)	(33,211)
Net loans	15,031,361	14,137,663
Cash	12,154	61,128
Accrued interest receivable	142,183	114,735
Investment in CoBank	475,173	472,402
Investment in AgDirect	21,012	17,306
Premises and equipment, net	116,244	120,859
Other property owned	4,160	4,160
Other assets	325,472	165,887
Total assets	**$16,127,759**	**$15,094,140**
LIABILITIES		
Notes payable to CoBank	$12,764,812	$12,258,563
Subordinated notes, net	197,550	-
Funds Held accounts	262,929	146,415
Accrued interest payable	24,087	22,778
Cash patronage and preferred stock dividends payable	-	141,971
Reserve for unfunded commitments	4,156	4,482
Other liabilities	129,394	150,776
Total liabilities	**13,382,928**	**12,724,985**
MEMBERS' EQUITY		
Preferred stock	300,000	175,623
Common stock and participation certificates	10,456	10,212
Additional paid-in capital	677,110	683,656
Unallocated retained surplus	1,774,354	1,520,252
Accumulated other comprehensive loss	(17,089)	(20,588)
Total members' equity	**2,744,831**	**2,369,155**
Total liabilities and members' equity	**$16,127,759**	**$15,094,140**

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

Consolidated Statements of Comprehensive Income *(dollars in thousands)*

(Unaudited)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
INTEREST INCOME				
Loans	$143,325	$129,419	$419,574	$404,028
Total interest income	**143,325**	**129,419**	**419,574**	**404,028**
INTEREST EXPENSE				
Notes payable CoBank	28,767	35,672	86,119	136,205
Subordinated notes	1,729	-	2,104	-
Funds Held and other interest	530	269	1,285	941
Total interest expense	**31,026**	**35,941**	**89,508**	**137,146**
Net interest income	**112,299**	**93,478**	**330,066**	**266,882**
Provision for credit losses	(2,242)	(85)	(5,254)	(9,016)
Net interest income after provision for credit losses	**110,057**	**93,393**	**324,812**	**257,866**
NON-INTEREST INCOME				
Patronage income from CoBank	16,472	12,852	49,696	37,220
Patronage income from other Farm Credit institutions	7,581	5,822	24,490	19,898
Patronage income from AgDirect	583	498	1,597	1,465
Loan origination fees	7,330	2,858	14,526	11,762
Servicing fees and late charges	381	920	2,697	1,879
Financially related services	2,583	1,869	4,292	3,409
Miscellaneous	1,957	(12)	3,950	4,214
Total non-interest income	**36,887**	**24,807**	**101,248**	**79,847**
NON-INTEREST EXPENSES				
Salaries and benefits	37,895	35,878	101,274	104,688
Occupancy and equipment expense	2,671	2,684	7,858	7,639
Insurance fund premiums	4,620	2,895	14,092	6,898
Supervisory and examination expense	846	552	2,283	2,174
Other operating expenses	14,589	15,251	36,943	39,855
Total non-interest expenses	**60,621**	**57,260**	**162,450**	**161,254**
Income before income taxes	86,323	60,940	263,610	176,459
Provision for income taxes	-	-	(2)	(2)
Net income	**$86,323**	**$60,940**	**$263,608**	**$176,457**
COMPREHENSIVE INCOME				
Actuarial gain in retirement obligation	1,167	751	3,499	2,251
Total comprehensive income	**$87,490**	**$61,691**	**$267,107**	**$178,708**

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

Consolidated Statements of Changes in Members' Equity *(dollars in thousands)*

For the Nine Months Ended September 30, 2020 and 2021

(Unaudited)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	**$9,545**	**$127,955**	**$683,656**	**$1,420,692**	**$(14,267)**	**$2,227,581**
Comprehensive income				176,457	2,251	178,708
Stock/participation certificates issued	987	160,813				161,800
Stock/participation certificates retired	(496)	(122,303)				(122,799)
Preferred stock dividends		1,053		(1,053)		-
Adjustment to prior period patronage accrual				(3,610)		(3,610)
Other				(2)		(2)
Balance at September 30, 2020	**$10,036**	**$167,518**	**$683,656**	**$1,592,484**	**$(12,016)**	**$2,441,678**
Balance at December 31, 2020	**$10,212**	**$175,623**	**$683,656**	**$1,520,252**	**$(20,588)**	**$2,369,155**
Comprehensive income				263,608	3,499	267,107
Series A preferred stock issued		300,000				300,000
Stock/participation certificates issued	1,032	49,681				50,713
Stock/participation certificates retired	(788)	(225,575)				(226,363)
Preferred stock dividends		271		(4,251)		(3,980)
Adjustment to prior period patronage accrual				(5,255)		(5,255)
Issuance initial costs			(6,546)			(6,546)
Balance at September 30, 2021	**$10,456**	**$300,000**	**$677,110**	**$1,774,354**	**$(17,089)**	**$2,744,831**

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

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2020 are contained in the 2020 Annual Report to Stockholders (2020 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited third quarter 2021 financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020 as contained in the 2020 Annual Report.

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

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association adopted this guidance as of January 1, 2021.

Refer to Note 2 in our 2020 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. The Association is evaluating the impact of adoption of these standards on its financial condition and results of operations.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

	September 30, 2021		December 31, 2020	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$8,567,683	56.9%	$7,802,390	55.1%
Production and intermediate-term	3,135,314	20.8%	3,132,095	22.1%
Agribusiness	2,809,830	18.6%	2,747,599	19.4%
Rural infrastructure	511,617	3.4%	445,199	3.1%
Agricultural export finance	41,567	0.3%	41,563	0.3%
Rural residential real estate	1,532	0.0%	2,028	0.0%
Total loans	**$15,067,543**	**100.0%**	**$14,170,874**	**100.0%**

PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at September 30, 2021. The Association had no participations purchased from or sold to non-Farm Credit institutions at September 30, 2021.

	Other Farm Credit Institutions	
	Participations	
	Purchased	Sold
Real estate mortgage	$508,691	$1,788,827
Production and intermediate-term	659,648	1,008,368
Agribusiness	1,466,467	2,152,561
Rural infrastructure	480,389	63,393
Agricultural export finance	41,567	-
Total	**$3,156,762**	**$5,013,149**

Notes to the Consolidated Financial Statements *(continued)*

CREDIT QUALITY

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- **Acceptable:** Assets are expected to be fully collectible and represent the highest quality,
- **Other Assets Especially Mentioned (OAEM):** Assets are currently collectible but exhibit some potential weakness,
- **Substandard:** Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- **Doubtful:** Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- **Loss:** Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of September 30, 2021, the allowance for loan losses is adequate based on information currently available.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type:

	As of September 30, 2021						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$8,346,019	96.1%	$169,424	2.0%	$161,907	1.9%	$8,677,350
Production and intermediate-term	2,970,996	94.1%	92,661	2.9%	94,076	3.0%	3,157,733
Agribusiness	2,739,455	97.2%	13,951	0.5%	66,091	2.3%	2,819,497
Rural infrastructure	508,679	99.4%	3,272	0.6%	-	0.0%	511,951
Rural residential real estate	1,433	93.3%	-	0.0%	103	6.7%	1,536
Agricultural export finance	41,659	100.0%	-	0.0%	-	0.0%	41,659
Total	**$14,608,241**	**96.1%**	**$279,308**	**1.8%**	**$322,177**	**2.1%**	**$15,209,726**

	As of December 31, 2020						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$7,549,864	95.7%	$181,442	2.3%	$154,959	2.0%	$7,886,265
Production and intermediate-term	2,972,700	94.3%	125,286	4.0%	54,833	1.7%	3,152,819
Agribusiness	2,697,367	97.8%	49,731	1.8%	10,123	0.4%	2,757,221
Rural infrastructure	445,417	100.0%	-	0.0%	-	0.0%	445,417
Rural residential real estate	1,916	94.2%	-	0.0%	119	5.8%	2,035
Agricultural export finance	41,852	100.0%	-	0.0%	-	0.0%	41,852
Total	**$13,709,116**	**96.0%**	**$356,459**	**2.5%**	**$220,034**	**1.5%**	**$14,285,609**

Notes to the Consolidated Financial Statements *(continued)*

IMPAIRED ASSETS

Impaired assets (including related accrued interest) are as follows:

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$41,004	$40,246
Production and intermediate-term	13,304	6,538
Agribusiness	211	4,638
Rural residential real estate	103	119
Total nonaccrual loans	**54,622**	**51,541**
Accruing restructured loans:		
Real estate mortgage	10,195	10,854
Production and intermediate-term	16	18
Total accruing restructured loans	**10,211**	**10,872**
Accruing loans > 90 days past due:		
Real estate mortgage	1,158	-
Production and intermediate-term	611	509
Total accruing loans > 90 days past due	**1,769**	**509**
Total impaired loans	**66,602**	**62,922**
Other property owned	4,160	4,160
Total impaired assets	**$70,762**	**$67,082**

Additional impaired loan information is as follows:

	At September 30, 2021			For the Nine Months Ended September 30, 2021	
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans:					
with a related allowance for credit losses	$8,708	$10,670	$2,830	$5,447	$0
with no related allowance for credit losses	57,894	80,530	-	93,347	2,988
Total	**$66,602**	**$91,200**	**$2,830**	**$98,794**	**$2,988**

	At September 30, 2020			For the Nine Months Ended September 30, 2020	
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans:					
with a related allowance for credit losses	$7,030	$7,631	$2,520	$4,550	$0
with no related allowance for credit losses	60,452	81,815	-	57,020	4,062
Total	**$67,482**	**$89,446**	**$2,520**	**$61,570**	**$4,062**

Notes to the Consolidated Financial Statements *(continued)*

DELINQUENCY

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

September 30, 2021	30-89 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	$829	$11,084	$11,913	$8,665,437	$8,677,350
Production and intermediate-term	1,376	3,005	4,381	3,153,352	3,157,733
Agribusiness	30	-	30	2,819,467	2,819,497
Rural infrastructure	-	-	-	511,951	511,951
Rural residential real estate	-	18	18	1,518	1,536
Agricultural export finance	-	-	-	41,659	41,659
Total	**$2,235**	**$14,107**	**$16,342**	**$15,193,383**	**$15,209,726**

December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$17,416	$9,549	$26,965	$7,859,300	$7,886,265
Production and intermediate-term	6,362	1,788	8,150	3,144,669	3,152,819
Agribusiness	1,268	4,572	5,840	2,751,381	2,757,221
Rural infrastructure	-	-	-	445,417	445,417
Rural residential real estate	97	21	118	1,917	2,035
Agricultural export finance	-	-	-	41,852	41,852
Total	**$25,143**	**$15,930**	**$41,073**	**$14,244,536**	**$14,285,609**

Notes to the Consolidated Financial Statements *(continued)*

TROUBLED DEBT RESTRUCTURINGS

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

The Association had no new TDRs during the first nine months of 2021 and 2020.

In the allowance for loan loss analysis, TDR loans are individually evaluated, and a specific allowance is established based on the likelihood the current events will result in an anticipated loss on the individual loans.

The following table provides information on outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table at September 30, 2021:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	Sep. 30, 2021	**Dec. 31, 2020**	**Sep. 30, 2021**	**Dec. 31, 2020**	**Sep. 30, 2021**	**Dec. 31, 2020**
Real estate mortgage	$10,174	$8,219	$2,492	$2,614	$12,666	$10,833
Production and intermediate-term	15	18	-	-	15	18
Total	**$10,189**	**$8,237**	**$2,492**	**$2,614**	**$12,681**	**$10,851**

At September 30, 2021, the Association had no additional commitments to lend to borrowers whose loans have been modified in TDRs.

ALLOWANCE FOR LOAN LOSSES

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

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at Sep. 30, 2021	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Sep. 30, 2021**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$11,108	$895	$10,213	$8,677,350	$52,357	$8,624,993
Production and intermediate-term	15,178	1,935	13,243	3,166,346	13,931	3,152,415
Agribusiness	9,244	-	9,244	2,810,897	211	2,810,686
Rural infrastructure	553	-	553	511,950	-	511,950
Rural residential real estate	-	-	-	1,524	103	1,421
Agricultural export finance	99	-	99	41,659	-	41,659
Total	**$36,182**	**$2,830**	**$33,352**	**$15,209,726**	**$66,602**	**$15,143,124**

Notes to the Consolidated Financial Statements *(continued)*

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at Dec. 31, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Dec. 31, 2020**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$11,815	$1,322	$10,493	$7,886,265	$51,100	$7,835,165
Production and intermediate-term	13,699	304	13,395	3,169,087	7,065	3,162,022
Agribusiness	7,003	-	7,003	2,740,953	4,638	2,736,315
Rural infrastructure	503	-	503	445,417	-	445,417
Rural residential real estate	1	-	1	2,035	119	1,916
Agricultural export finance	190	-	190	41,852	-	41,852
Total	**$33,211**	**$1,626**	**$31,585**	**$14,285,609**	**$62,922**	**$14,222,687**

A summary of the changes in the Allowance for Loan Losses is as follows:

	September 30,	
	2021	**2020**
Allowance for Loan Losses		
Balance at beginning of year	$33,211	$25,807
Charge-offs	(6,323)	(1,031)
Recoveries	3,714	1,160
Provision for/(Reversal of) loan losses	5,580	8,157
Balance at end of quarter	**$36,182**	**$34,093**

NOTE 3 – LEASES

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

Future minimum lease payments under non-cancellable leases as of September 30, 2021 were as follows:

	Operating Leases	**Finance Leases**	**Total**
2021 (excluding the nine months ended 9/30/21)	$214	$160	$374
2022	748	479	1,227
2023	649	426	1,075
2024	599	136	735
2025	512	92	604
Thereafter	1,688	-	1,688
Total lease payments	**4,410**	**1,293**	**5,703**
Less: interest	-	(19)	(19)
Total	**$4,410**	**$1,274**	**$5,684**

Right-of-use assets, net of accumulated amortization, amounted to $4.4 million for the period ended September 30, 2021.

NOTE 4 – MEMBERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of September 30, 2021. The Association exceeded all regulatory minimum capital requirements as of September 30, 2021 and December 31, 2020.

	Regulatory Minimums	Capital Conservation Buffer	Total	Sep. 30, 2021	Dec. 31, 2020
Risk-adjusted:					
Common Equity Tier 1 Capital	4.5%	2.5%	7.0%	**10.79%**	**11.55%**
Tier 1 Capital	6.0%	2.5%	8.5%	**12.53%**	**11.55%**
Total Capital	8.0%	2.5%	10.5%	**13.91%**	**11.79%**
Permanent Capital	7.0%	0.0%	7.0%	**13.88%**	**12.83%**
Non-risk-adjusted:					
Tier 1 Leverage	4.0%	1.0%	5.0%	**14.34%**	**13.16%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**13.57%**	**13.94%**

The Association has a class of preferred stock known as H Stock of which 500 million shares of the stock are authorized at $1.00 par value. H Stock ownership is limited to existing common stockholders of the Association and is considered "at-risk." The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. Effective March 31, 2021, the Board approved the redemption and retirement of all outstanding shares of H Stock. At September 30, 2021, there were no shares of H Stock issued and outstanding.

The Association is also authorized to issue other preferred stock with an aggregate par value of up to $900 million outstanding, subject to certain regulatory and other limitations. On June 14, 2021, the Association issued $300.0 million of Series A non-cumulative perpetual preferred stock at $1,000 par value per share. The issuance will carry an annual dividend rate of 5.25% payable quarterly until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026 and quarterly thereafter. The Association made its first dividend payment on September 15, 2021.

The Series A preferred stock is junior upon liquidation or dissolution to any subordinated debt, existing and future debt obligations, and to any series of preferred stock issued in the future with priority rights. Series A preferred stock has a preference as to dividends and is senior upon liquidation or dissolution to outstanding Class C common stock, Class F participation certificates, and patronage equities.

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

Balance at December 31, 2020	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Other comprehensive loss before reclassifications	$(20,588)	$(20,588)
Amounts reclassified from accumulated other comprehensive loss	3,499	3,499
Net current period other comprehensive income	3,499	3,499
Balance at September 30, 2021	**$(17,089)**	**$(17,089)**

Notes to the Consolidated Financial Statements *(continued)*

	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2019		
Other comprehensive loss before reclassifications	$(14,267)	$(14,267)
Amounts reclassified from accumulated other comprehensive loss	2,251	2,251
Net current period other comprehensive income	2,251	2,251
Balance at September 30, 2020	**$(12,016)**	**$(12,016)**

The following table represents reclassifications out of accumulated other comprehensive income (loss):

	For the Nine Months Ended		Location of Gain/(Loss) Recognized in Statement of Income
	Sep. 30, 2021	Sep. 30, 2020	
Pension and other benefit plans:			
Net actuarial gain	$3,499	$2,251	Salaries & Benefits
Total amounts reclassified	**$3,499**	**$2,251**	

NOTE 5 – SUBORDINATED NOTES

In June 2021, the Association issued $200.0 million of aggregate principal amount of Subordinated Notes (Notes), due in 2036, which may be redeemed all or in part on any interest payment date on or after June 2031. The Notes bear a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The Notes are subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The Notes are not considered System debt and are not an obligation of, nor guaranteed by any System entity. Further, payments on the Notes are not insured by the FCSIC. The notes are presented net of unamortized issuance costs of approximately $2.5 million on the Consolidated Statements of Condition.

NOTE 6 – FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2020 Annual Report.

Assets and liabilities measured at fair value for each of the fair value hierarchy values are summarized below:

	September 30, 2021 Fair Value Measurement Using		December 31, 2020 Fair Value Measurement Using	
	Level 1	Level 3	Level 1	Level 3
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$27,419		$22,044	
Measured at fair value on a non-recurring basis:				
Loans		$5,878		$1,382
Other Property Owned		$4,425		$4,425

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

Valuation Techniques: Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

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

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

Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 9, 2021, which is the date the financial statements were available to be issued.