THIRD QUARTER 2021 QUARTERLY INFORMATION STATEMENT OF THE FARM CREDIT SYSTEM

Federal Farm Credit Banks Funding Corporation
101 Hudson Street, Suite 3505 • Jersey City, New Jersey 07302 • 201-200-8000

NOVEMBER 9, 2021

This quarterly information statement provides important information for investors in the debt securities jointly issued by the four Farm Credit System Banks — AgFirst Farm Credit Bank, AgriBank, FCB, CoBank, ACB and Farm Credit Bank of Texas (collectively, the Banks). These debt securities, which we refer to as Systemwide Debt Securities, include:

- Federal Farm Credit Banks Consolidated Systemwide Bonds,
- Federal Farm Credit Banks Consolidated Systemwide Discount Notes,
- Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes, and
- any other debt securities that the Farm Credit System Banks may jointly issue from time to time.

This quarterly information statement does not constitute an offer to sell or a solicitation of an offer to buy Systemwide Debt Securities. Systemwide Debt Securities are offered by the Federal Farm Credit Banks Funding Corporation (Funding Corporation) on behalf of the Banks pursuant to offering circulars for each type of debt offering. The relevant offering circular as of this date is the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated December 8, 2014, as amended by the supplements dated October 2, 2017, September 17, 2018, April 1, 2020, September 23, 2020 and September 24, 2020.

The offering circular may be amended or supplemented from time to time and a new offering circular may be issued. Before purchasing Systemwide Debt Securities, you should carefully read the relevant offering circular and related supplements, the most recent annual and quarterly information statements and other current information released by the Funding Corporation regarding the Banks and/or Systemwide Debt Securities. At this time, no Systemwide Debt Securities are being offered under the Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes Offering Circular dated July 19, 1993, as amended by supplements dated February 26, 1997 and June 11, 1999.

Systemwide Debt Securities are the joint and several obligations of the Banks and are not obligations of or guaranteed by the United States government. Systemwide Debt Securities are not required to be registered and have not been registered under the Securities Act of 1933. In addition, the Banks are not required to file and do not file periodic reports under the Securities Exchange Act of 1934. Systemwide Debt Securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of any offering material.

Certification

The undersigned certify that (1) we have reviewed this quarterly information statement, (2) this quarterly information statement has been prepared in accordance with all applicable statutory or regulatory requirements, and (3) the information contained in this quarterly information statement is true, accurate, and complete to the best of the signatories' knowledge and belief.

Matthew D. Walther
Chairman of the Board

Theresa E. McCabe
President and CEO

Karen R. Brenner
Managing Director — Financial Management Division

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

Farm Credit System quarterly and annual information statements and press releases relating to financial results or other developments affecting the System issued by the Funding Corporation for the current fiscal year and the two preceding fiscal years, as well as offering circulars relating to Systemwide Debt Securities and links to each Bank's website, are available on the Funding Corporation's website located at www.farmcreditfunding.com. Other information regarding the System can be found at www.farmcredit.com.

Copies of quarterly and annual reports of each Bank may be obtained, by request, from each respective Bank. In addition, reports of each Bank combined with its affiliated Associations may be obtained from each individual Bank. Bank addresses and telephone numbers are listed on page S-5 of this quarterly information statement. These documents and further information on each Bank or each Bank combined with its affiliated Associations and links to a Bank's affiliated Associations' websites are also available on each Bank's website as follows:

- AgFirst Farm Credit Bank — www.agfirst.com
- AgriBank, FCB — www.agribank.com
- CoBank, ACB — www.cobank.com
- Farm Credit Bank of Texas — www.farmcreditbank.com

Information contained on these websites is not incorporated by reference into this quarterly information statement and you should not consider information contained on these websites to be part of this quarterly information statement.

BUSINESS

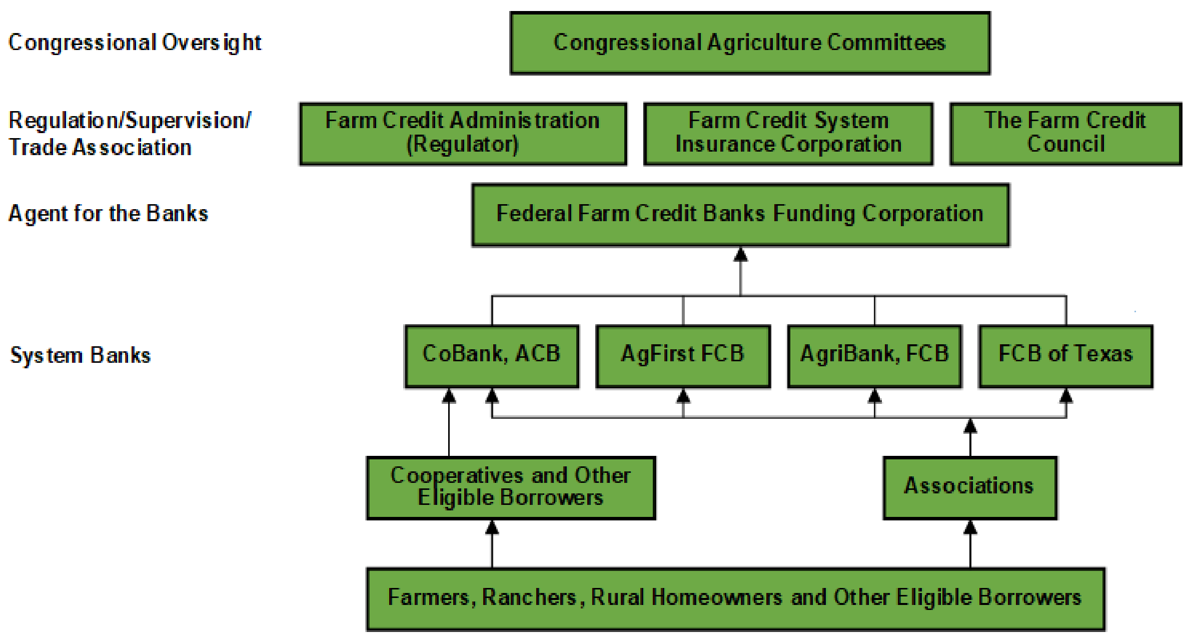
Overview of the Farm Credit System

The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. Our mission is to support rural communities and agriculture with reliable, consistent credit and financial services. We do this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those individuals and businesses. Consistent with our mission of supporting rural America, we also make rural residential real estate loans, finance rural power, communication and water infrastructures and make loans to support agricultural exports and to finance other eligible entities.

Congress established the Farm Credit Administration as the System's independent federal regulator to examine and regulate System institutions, including their safety and soundness. System institutions are federal instrumentalities.

Structure/Ownership of the Farm Credit System

The following chart depicts the current overall structure and ownership of the System.



The Associations are cooperatives owned by their borrowers, and the Farm Credit Banks (AgFirst, AgriBank and Texas) are cooperatives primarily owned by their affiliated Associations. The Agricultural Credit Bank (CoBank) is a cooperative principally owned by cooperatives, other eligible borrowers and its affiliated Associations. The Banks and Associations each have their own board of directors and are not commonly owned. Each Bank and Association manages and controls its own business activities, operations and financial performance.

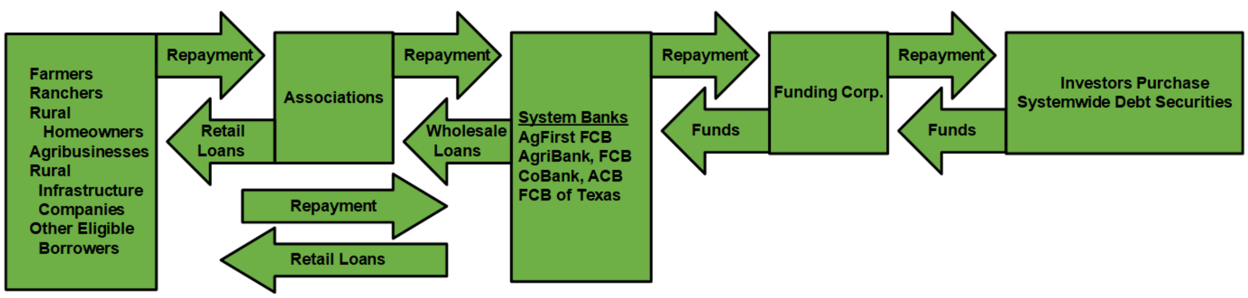
The Banks jointly own the Funding Corporation. The Funding Corporation, as agent for the Banks, issues and markets Systemwide Debt Securities in order to raise funds for the lending activities and operations of the Banks and Associations. The Funding Corporation also provides the Banks with certain accounting and financial reporting services, including the preparation of the System's quarterly and annual information statements and the System's combined financial statements contained in those information statements. As the System's financial spokesperson, the Funding Corporation is primarily responsible for financial disclosure and the release of public information concerning the financial condition and performance of the System.

Systemwide Debt Securities are the general unsecured joint and several obligations of the Banks. Systemwide Debt Securities are not obligations of and are not guaranteed by the United States government. In addition, Systemwide Debt Securities are not the direct obligations of the Associations and, as a result, the capital of the Associations may not be available to support principal or interest payments on Systemwide Debt Securities.

Our Business Model

A Bank and its affiliated Associations are financially and operationally interdependent as the Bank is statutorily required to serve as an intermediary between the financial markets and the retail lending activities of its affiliated Associations. The Banks are the primary source of funds for the Associations. Associations are not legally authorized to accept deposits and may not borrow from other financial institutions without the approval of their affiliated Bank. The Banks are not legally authorized to accept deposits and they principally obtain their funds through the issuance of Systemwide Debt Securities. Other less significant sources of funding for the Banks and the Associations include internally generated earnings, the issuance of common and preferred equities and subordinated debt. As a result, the loans made by the Associations are primarily funded by the issuance of Systemwide Debt Securities by the Banks. The repayment of Systemwide Debt Securities is dependent upon the ability of borrowers to repay their loans from the Associations. In addition, CoBank makes retail loans and leases directly to agricultural and rural infrastructure cooperatives and businesses and other eligible entities. The Banks and Associations also purchase loan participations from other System entities and non-System lenders. Therefore, the repayment of Systemwide Debt Securities is also dependent upon the ability of these borrowers to repay their loans.

The chart below illustrates the flow of funds from investors in Systemwide Debt Securities to the System's borrowers and the ultimate repayment of funds to investors resulting from borrower loan repayments.



Overview of Our Business

As required by the Farm Credit Act, we specialize in providing financing and related services to eligible, creditworthy borrowers in the agricultural and rural sectors, to certain related entities, and to domestic or foreign parties in connection with the export of U.S. agricultural products. We make credit available in all 50 states, the Commonwealth of Puerto Rico, and, under conditions set forth in the Farm Credit Act, U.S. territories.

System institutions may also provide a variety of financially related services to their borrowers designed to enhance their business, including acting as agent or broker for credit and mortgage-life insurance, disability insurance, various types of crop insurance and livestock risk protection. The insurance is made available through private insurers.

Other services offered by System institutions include estate planning, record keeping, tax planning and preparation, fee appraisal and cash management products and services. In addition, some System institutions provide leasing and related services to their customers.

Government-Sponsored Enterprise Status

In order to better accomplish our mission, Congress has granted the System certain attributes that result in government-sponsored enterprise status for the System. As a government-sponsored enterprise, we have traditionally been able to raise funds at competitive rates and terms, in varying economic environments. This ability to raise funds has historically allowed us to make competitively priced loans to eligible borrowers through all economic cycles and thus accomplish our mission.

Agricultural Industry Overview

The agricultural sector has been and remains a key economic force in the U.S. economy and is strongly affected by domestic and global economic conditions, government policies and a changing climate. Global and domestic adverse weather events, food safety, disease, pandemics and other unfavorable conditions also directly affect the agricultural sector.

The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. Profitability in our business is dependent on the health of the U.S. agricultural sector, which is heavily influenced by domestic and world demand for agricultural products, and impacted by government policies and support programs, including crop insurance, which is available to producers of certain agricultural commodities. Further, off-farm income is important to the repayment ability of many agricultural producers. Accordingly, our business also may be impacted by the health of the general U.S. economy.

System Lending Institutions

The two types of entities through which we conduct our lending business are the Banks and the Associations.

Banks

At September 30, 2021, the System had four Banks (three Farm Credit Banks and one Agricultural Credit Bank). The Banks' lending operations include wholesale loans to their affiliated Associations and loan participations in eligible loans purchased from Associations, other Banks and non-System lenders. In addition, CoBank, as the Agricultural Credit Bank, has additional nationwide authority to make retail loans directly to agricultural and rural infrastructure cooperatives and businesses and other eligible entities.

The Banks obtain a substantial majority of funds for their lending operations through the issuance of Systemwide Debt Securities, but also obtain some of their funds from internally generated earnings and from the issuance of common and preferred equities.

Associations

At September 30, 2021, the System had 67 Associations throughout the United States and the Commonwealth of Puerto Rico. There were 66 Agricultural Credit Associations with Production Credit Association and Federal Land Credit Association subsidiaries, and one Federal Land Credit Association. The Federal Land Credit Association makes real estate mortgage loans, including rural residential real estate loans. Agricultural Credit Associations may, directly or through their subsidiaries, make real estate mortgage loans, production and intermediate-term loans, agribusiness loans (processing and marketing loans, and certain farm-related business loans) and rural residential real estate loans. These retail loans are made to farmers, ranchers, producers or harvesters of aquatic products, farm-related businesses and rural homeowners. Associations may also purchase eligible loan participations from other System entities and non-System lenders.

The Associations obtain a substantial majority of the funds for their lending operations from borrowings from their affiliated Bank, but also obtain some of their funds from internally generated earnings, from the issuance of common and preferred equities and subordinated debt.

Farm Credit Insurance Fund

As more fully discussed on page 22 in the *2020 Annual Information Statement*, the Farm Credit System Insurance Corporation's primary purpose is to insure the timely payment of principal and interest on Systemwide Debt Securities. The Insurance Corporation maintains the Insurance Fund for this purpose and for certain other mandatory and discretionary purposes. In the event a Bank is unable to timely pay principal or interest on any insured debt obligation for which that Bank is primarily liable, the Insurance Corporation must expend amounts in the Insurance Fund to the extent available to insure the timely payment of principal and interest on the debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the Banks on the debt obligation cannot be invoked until the Insurance Fund is exhausted. The insurance provided through use of the Insurance Fund is not an obligation of and is not a guarantee by the U.S. government.

Disclosure Obligations

The Farm Credit Administration has promulgated regulations intended to ensure the appropriate disclosure of financial and other information concerning the System to investors in Systemwide Debt Securities and other interested parties. These disclosures are the responsibility of the System Disclosure Entities, which consist of the Banks and the Funding Corporation. For a description of the responsibilities of the System Disclosure Entities, see pages 17 and 18 of the *2020 Annual Information Statement*.

Governance — Code of Ethics

Each Bank and the Funding Corporation have adopted codes of ethics that apply to their chief executive officers, certain other executives, and finance and accounting senior professionals who are involved with the preparation of the System's financial statements and the maintenance of the financial records supporting the financial statements.

The Funding Corporation will disclose material amendments to or any waivers from a required provision of the codes of ethics for any individual covered by the Banks' or the Funding Corporation's codes of ethics by including that information in future information statements. No such amendments or waivers were made during the first nine months of 2021. A copy of the Funding Corporation's code of ethics related to the preparation of the System's quarterly and annual information statements can be accessed on the Funding Corporation's website at www.farmcreditfunding.com. Each Bank's code of ethics includes similar content and can be accessed through each of their respective websites listed on page 2.

Risk Factors

There have been no material changes to the risk factors previously disclosed in the System's *2020 Annual Information Statement*.

OTHER BUSINESS MATTERS

Legal Proceedings

In June 2016, a lawsuit was commenced by the filing of a complaint in the United States District Court Southern District of New York against CoBank by a number of investors who held CoBank's 7.875% Subordinated Notes due in 2018. For additional information, see Note 14 to the accompanying condensed combined financial statements.

At September 30, 2021, various other lawsuits were pending or threatened against System institutions. Each System institution to which a pending or threatened lawsuit relates intends to vigorously defend against such action. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on the System's combined results of operations or financial condition.

SELECTED COMBINED FINANCIAL DATA AND KEY FINANCIAL RATIOS

The following selected combined financial data for each of the three years in the period ended December 31, 2020 has been derived from the audited combined financial statements of the Farm Credit System. The selected combined financial data and combined financial statements of the System combine the financial condition and operating results of each of the Banks, their affiliated Associations, the Funding Corporation, and the Farm Credit Insurance Fund, and reflect the investments in, and allocated earnings of, certain service organizations owned by the Banks or Associations. All significant intra-System transactions and balances have been eliminated in combination. Because System entities are financially and operationally interdependent, we believe providing the combined financial information is more meaningful to investors in Systemwide Debt Securities than financial information relating to the Banks on a stand-alone basis (i.e., without the Associations).

While this quarterly information statement reports on the combined financial condition and results of operations of the Banks, Associations, and other System entities specified above, only the Banks are jointly and severally liable for the repayment of Systemwide Debt Securities. See Note 15 to the accompanying condensed combined financial statements for combining Bank-only financial condition and results of operations. Also, copies of quarterly and annual reports of each Bank are available on each of their respective websites; see page 2 for a listing of their websites.

The selected combined financial data for the nine months ended September 30, 2021 and 2020 has been derived from the System's unaudited condensed combined financial statements appearing elsewhere herein, which include all adjustments necessary for a fair statement of the results for these interim periods.

	September 30,		December 31,		
	2021	2020	2020	2019	2018
	(unaudited)				
Combined Statement of Condition Data			(in millions)		
Loans	$ 325,784	$ 301,561	$ 315,490	$ 286,964	$ 273,378
Allowance for loan losses	(1,653)	(1,828)	(1,796)	(1,806)	(1,713)
Net loans	324,131	299,733	313,694	285,158	271,665
Cash, Federal funds sold and investments	73,351	71,652	74,210	68,266	66,471
Accrued interest receivable	2,971	3,080	2,585	2,864	2,732
Other property owned	38	63	37	72	84
Total assets	410,589	384,930	400,693	365,359	348,992
Systemwide bonds	310,141	285,063	299,064	274,454	258,788
Systemwide medium-term notes	77	86	81	86	89
Systemwide discount notes	18,790	23,917	23,510	18,998	22,582
Subordinated debt	398				
Other bonds	3,634	2,507	2,559	1,961	1,817
Total liabilities	341,091	318,916	335,158	303,629	290,548
Capital	69,498	66,014	65,535	61,730	58,444

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)				
Combined Statement of Income Data			(in millions)		
Net interest income	$ 7,260	$ 6,682	$ 9,046	$ 8,266	$ 7,976
Loan loss reversal (provision for loan losses)	142	(165)	(107)	(169)	(194)
Net noninterest expense	(2,061)	(1,930)	(2,765)	(2,548)	(2,324)
Income before income taxes	5,341	4,587	6,174	5,549	5,458
Provision for income taxes	(140)	(141)	(172)	(103)	(126)
Net income	$ 5,201	$ 4,446	$ 6,002	$ 5,446	$ 5,332

Combined Key Financial Ratios

Certain combined key financial ratios of the System are set forth below:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
Return on average assets	1.70%	1.56%	1.57%	1.54%	1.59%
Return on average capital	10.24	9.23	9.26	8.91	9.29
Net interest income as a percentage of average earning assets	2.46	2.45	2.46	2.42	2.46
Operating expense as a percentage of net interest income and noninterest income	33.6	34.2	35.9	36.2	35.2
Net loan charge-offs as a percentage of average loans	0.00	0.04	0.03	0.02	0.03

	September 30,		December 31,		
	2021	2020	2020	2019	2018
Nonperforming assets as a percentage of loans and other property owned	0.55%	0.77%	0.60%	0.82%	0.83%
Allowance for loan losses as a percentage of loans outstanding	0.51	0.61	0.57	0.63	0.63
Capital as a percentage of total assets	16.9	17.1	16.4	16.9	16.7
Capital as a percentage of total assets (excluding restricted assets and capital — Insurance Fund)	15.7	16.0	15.2	15.7	15.5
Capital and allowance for loan losses as a percentage of loans outstanding	21.8	22.5	21.3	22.1	22.0
Debt to capital	4.91:1	4.83:1	5.11:1	4.92:1	4.97:1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND QUARTERLY RESULTS OF OPERATIONS

The System's *2020 Annual Information Statement* contains the December 31, 2020 audited combined financial statements together with commentary that explains the principal aspects of the System's combined financial position and results of operations. The following commentary represents a quarterly supplement to that information statement and includes a discussion of significant financial developments for the nine months ended September 30, 2021. This commentary should be read in conjunction with the *2020 Annual Information Statement* and with the condensed combined financial statements of the System beginning on page F-1 of this quarterly information statement.

Basis of Presentation

The accompanying condensed combined financial statements and related financial information contained in this quarterly information statement present the combined assets, liabilities, capital, income and expenses of the Banks, the Associations, the Federal Farm Credit Banks Funding Corporation and the Farm Credit Insurance Fund, and reflect the investments in and allocated earnings of certain service organizations owned by the Banks or Associations. All significant intra-System transactions and balances have been eliminated in combination. (See Note 1 to the accompanying condensed combined financial statements for additional information on organization and significant accounting policies and the Supplemental Combining Information on pages F-48 through F-54). This quarterly information statement has been prepared under the oversight of the System Audit Committee.

Our financial statements are presented on a combined basis due to the financial and operational interdependence of System entities as discussed in the "Business" section in this quarterly information statement.

Each Bank is primarily liable for the payment of principal and interest on Systemwide Debt Securities issued to fund its operations. (See Note 9 to the accompanying condensed combined financial statements for information about the capital of the Banks, Note 15 for information related to the financial condition and results of operations of the Banks, and the Supplemental Combining Information on pages F-48 through F-50 for information related to the financial condition and results of operations of the combined Banks.) Because the Associations are not directly liable for the payment of principal or interest on Systemwide Debt Securities, their capital may not be available to support those payments. Under the Farm Credit Act, the timely payment of the principal and interest on Systemwide Debt Securities is insured by the Farm Credit System Insurance Corporation to the extent funds are available in the Insurance Fund. (See Note 5 to the accompanying condensed combined financial statements.)

Forward-Looking Information

Certain sections of this quarterly information statement contain forward-looking statements concerning financial information and statements about future economic performance and events, plans and objectives and assumptions underlying these projections and statements. These projections and statements are not based on historical facts but instead represent our current assumptions and expectations regarding our business, the economy and other future conditions. However, actual results and developments may differ materially from our expectations and forecasts due to a number of risks and uncertainties, many of which are beyond our control. Forward-looking statements can be identified by words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms that are intended to reference future periods.

These statements are not guarantees of future performance and involve certain risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial market and economic conditions and/or developments in the U.S. and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international, and farm-related business sectors;
- global and domestic adverse weather-related events, food safety, disease, pandemics and other unfavorable conditions that periodically occur that impact agricultural productivity and income;
- climate change and/or measures to address climate change;

- uncertainties and risks associated with the continued impact of the COVID-19 pandemic, including its impact on our business, results of operations and financial condition including our various regulatory ratios such as capital and liquidity;
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the System, the U.S. government, other government-sponsored enterprises and other financial institutions;
- actions taken by the Federal Reserve System in implementing monetary policy;
- credit, interest rate and liquidity risk inherent in our lending activities;
- the replacement of LIBOR and the implementation of Secured Overnight Financing Rate (SOFR) or other benchmark interest rates;
- changes in our assumptions for determining the allowance for loan losses, other than temporary impairment and fair value measurements; and
- outlooks for agricultural conditions.

Overview

Business Operations

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 strong and improving macroeconomic conditions. However, this improvement has been hampered by rising inflation, supply chain disruptions and labor shortages in the United States and globally.

Throughout the pandemic, System institutions have remained focused on maintaining effective and efficient business operations while safeguarding the health and safety of their staff while serving our mission to support rural America and agriculture.

Support Programs

Since the onset of the COVID-19 pandemic in March 2020, the U.S. government has taken actions to help businesses, individuals, state/local governments, and educational institutions that have been adversely impacted by the economic disruption caused by the pandemic.

On March 11, 2021, Congress passed the $1.9 trillion American Rescue Plan Act of 2021. The legislation provided, among other provisions, an additional $10.4 billion for programs designed to strengthen the agricultural and food supply chain, additional resources to purchase and distribute agricultural commodities to nonprofits, restaurants or other food related entities, increase access to health care in rural communities and provide debt relief and other support programs for socially disadvantaged farmers and ranchers. The legislation is designed to provide debt relief of $4 billion in the form of direct payments of up to 120% of a socially disadvantaged farmer's or rancher's direct debt from the United States Department of Agriculture's (USDA) Farm Service Agency (FSA) or loans guaranteed by the FSA and made by an approved lender. In addition, $1.01 billion was appropriated to provide outreach, technical assistance and funding to educational institutions to help improve land access to socially disadvantaged farmers and ranchers, among other uses.

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.

For a detailed discussion of programs enacted in 2020, see pages 38 and 39 of the *2020 Annual Information Statement.*

The previously enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was amended by subsequent legislation, included the Paycheck Protection Program (PPP). The PPP provides support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States government. System institutions had $410 million of loans funded through the PPP outstanding as of September 30, 2021 to approximately 22,000 borrowers. An additional $1.9 billion of System loans have been forgiven by the SBA since the start of the PPP program through September 30, 2021.

General

The System's combined net income increased $755 million or 17.0% to $5.201 billion for the first nine months of 2021, as compared with net income of $4.446 billion for the same period of 2020. The increase resulted primarily from increases in net interest income of $578 million and noninterest income of $23 million. Also a contributing factor in the increase in net income was a loan loss reversal of $142 million for the first nine months of 2021, as compared to a provision for loan losses of $165 million for the first nine months of 2020. These factors were partially offset by an increase in noninterest expense of $154 million.

The System's net interest income increased 8.7% to $7.260 billion for the first nine months of 2021, as compared to the same period of 2020, primarily from an increase in the net interest spread and a higher level of average earning assets driven largely by increased loan volume. The net interest margin increased one basis point to 2.46% for the first nine months of 2021, as compared to the same period of the prior year. Positively impacting net interest margin was an increase in net interest spread of 11 basis points to 2.33%, as compared to the first nine months of 2020. The increase in net interest spread was primarily due to lower debt costs as a result of the significant volume of debt called during 2020 and in the first nine months of 2021 that generated interest expense savings in excess of the decrease in yield on earning assets. The net interest margin was negatively impacted by a ten basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System's loan portfolio increased $10.294 billion or 3.3% to $325.784 billion since year-end 2020. The increase primarily resulted from increases in real estate mortgage and rural power loans offset, in part, by a decrease in loans to cooperatives. The primary driver of the increase in real estate mortgage loans was financing for new and existing customers due to targeted marketing efforts by certain Associations and the low interest rate environment. Rural power loans increased primarily due to advances to existing borrowers resulting from a severe weather event in Texas during the first quarter and the associated higher power costs. The decrease in loans to cooperatives resulted from lower levels of seasonal financing requirements at grain and farm supply cooperatives, which typically reach a low in late summer or early fall.

The System's nonperforming assets (which consist of nonaccrual loans, accruing restructured, accruing loans 90 days or more past due and other property owned) decreased $113 million to $1.784 billion at September 30, 2021, as compared with $1.897 billion at December 31, 2020, representing 0.55% and 0.60% of total loans and other property owned for the corresponding periods.

Climate Change

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

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

U.S. agricultural producers are accustomed to navigating changing industry dynamics from numerous perspectives, including trade, government policy, consumer preferences and weather. Producers regularly adopt new technologies, agronomic practices and financial strategies in response to evolving trends to ensure their competitiveness.

Weather-Related Conditions

During the first nine months of 2021 and throughout 2020, severe weather events occurred that impacted United States agriculture. According to the

U.S. Drought Monitor, as of September 30, 2021, approximately 48% of the United States was experiencing moderate to exceptional drought, concentrated mainly in Western and Southwestern states, as compared with approximately 49% as of December 31, 2020 and 43% as of September 30, 2020. Certain parts of grain producing regions in the Midwest are also experiencing drought conditions as of September 30, 2021.

Agricultural Outlook

Overview

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and periodic aid), interest rates and various other factors that affect supply and demand. The System utilizes the U.S. Department of Agriculture (USDA) analysis to provide a general understanding of the U.S. agricultural economic outlook; however, this outlook does not take into account all aspects of our business or events that occurred subsequent to its issuance. References to USDA information in this section refer to U.S. agricultural market data and not System data.

The USDA's most recent forecast (September 2, 2021) estimates net farm income (income after expenses from production in the current year) of $113.0 billion for 2021, an $18.4 billion or 19.5% increase from 2020, and $23.0 billion above the 10-year average. This level of income would be the highest since 2013 and 20% above its 2000 - 2020 average. The forecasted increase in net farm income for 2021 is primarily due to an expected increase in cash receipts from crops and animal products of $64.3 billion. Partially offsetting the increase in net farm income is a forecasted increase in cash expenses of $25.3 billion and an expected decrease in direct government payments of $17.7 billion from a record high of $45.7 billion in 2020. The expected decrease in direct government payments is largely due to lower supplemental and ad hoc disaster assistance for COVID-19 relief in 2021, as compared with 2020.

Commodity Prices

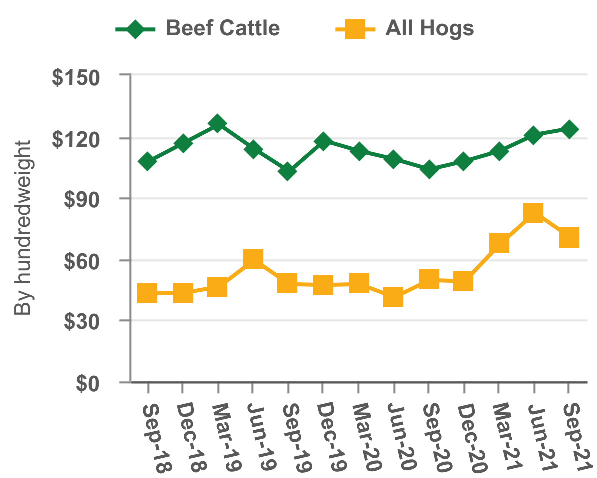
Global economic conditions influence demand for food and agricultural products, which affects U.S. agricultural trade. Therefore, U.S. exports and imports shift to reflect changes in trade policies, world population and economic growth. Also impacting U.S. agricultural trade are global supplies and prices, changes in the value of the U.S. dollar and the government support for agriculture.

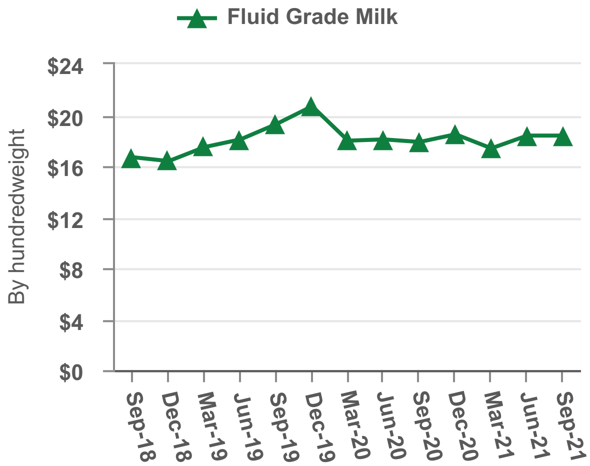
A recovering economy and supportive market fundamentals are driving prices higher for many commodities. Crop prices have been strong since August 2020 but have declined from the spring 2021 highs. Despite the severe or extreme drought conditions experienced in parts of the United States, larger than expected ending stocks, increased corn and soybean production prospects and concerns over export demand were bearish for corn and soybean prices into harvest season.

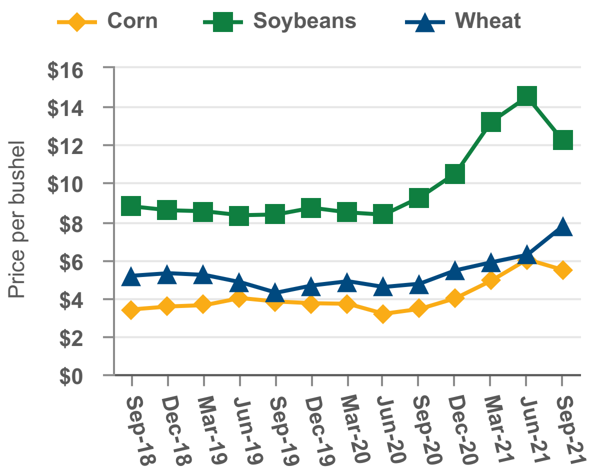
The USDA also forecasts rising prices for most commodities in the animal protein sector during 2021. However, some in the animal protein sector will remain challenged due to elevated feed costs.

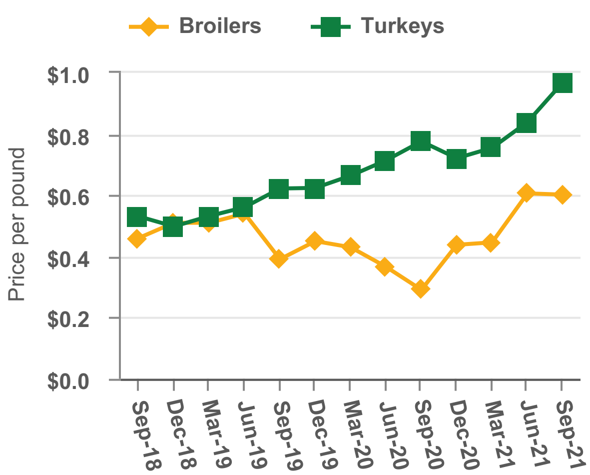
Although the outlook for agriculture has improved significantly since the second quarter of 2020, COVID-19 infection rates (including potential outbreaks in animal processing plants and new more virulent strains) along with weather (expanding severe or extreme drought), trade, rising input costs, labor issues, government policy and global agricultural product production levels may keep agricultural market volatility elevated for the next year.

The following charts set forth certain agricultural commodity prices, utilizing the average monthly price for the last month of each quarter by hundredweight for beef cattle, hogs and milk, per bushel for corn, soybeans and wheat and by pound for poultry, on certain dates during the period from September 30, 2018 to September 30, 2021:









To date, the System's financial results have remained positive as a result of the favorable agricultural economic conditions coupled with existing government safety net programs, ad hoc support programs and the additional government disaster aid payments provided during the past few years. In an environment of less favorable agricultural economic conditions or renewed COVID-19 pandemic disruptions, without additional ad hoc government support programs, the System's financial performance and credit quality measures would likely be negatively impacted. A negative impact from these less favorable conditions could be mitigated, to some extent, by geographic and commodity diversification across the System, existing government safety net programs, crop insurance carried by most crop producers and the influence of off-farm income sources supporting agricultural-related debt. However, due to the geographic territories served by Banks and Associations, most institutions have higher geographic, commodity and borrower concentrations than does the System as a whole. In addition, agricultural producers who are more reliant on off-farm income sources may be more adversely impacted by a weakened general economy.

Results of Operations

Net Interest Income

Net interest income increased $162 million or 7.1% to $2.439 billion and increased $578 million or 8.7% to $7.260 billion for the three and nine months ended September 30, 2021, as compared with $2.277 billion and $6.682 billion for the same periods of the prior year. The effects of changes in volume and interest rates on net interest income for the three and nine months ended September 30, 2021, as compared with the corresponding periods of the prior year, are presented in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and the levels of average interest rates. The change in the benefit derived from funding earning assets with noninterest-bearing sources (principally capital) is reflected solely as an increase in volume.

	For the Three Months Ended September 30, 2021 vs. 2020			For the Nine Months Ended September 30, 2021 vs. 2020		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
	(in millions)					
Interest income:						
Loans	$ 213	$ (147)	$ 66	$ 825	$ (1,197)	$ (372)
Investments	(1)	(45)	(46)	9	(277)	(268)
Total interest income	212	(192)	20	834	(1,474)	(640)
Interest expense:						
Systemwide Debt Securities and other	49	(191)	(142)	240	(1,458)	(1,218)
Changes in net interest income	$ 163	$ (1)	$ 162	$ 594	$ (16)	$ 578

The changes in rates earned on interest-earning assets and rates paid on interest-bearing funds are further illustrated in the following presentation of interest rate spreads:

	Three Months Ended				Nine Months Ended			
	September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020	
	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate
	($ in millions)							
Assets								
Real estate mortgage loans	$ 156,240	4.12%	$ 138,785	4.38%	$ 152,104	4.10%	$ 135,114	4.61%
Production and intermediate-term loans	56,407	3.52	56,367	3.67	55,052	3.49	54,755	4.03
Agribusiness loans	54,770	3.03	50,190	3.17	60,123	2.97	52,004	3.52
Rural infrastructure loans	35,702	3.20	33,463	3.34	35,502	3.19	32,146	3.64
Rural residential real estate loans	6,874	3.78	7,078	4.15	6,885	3.82	7,228	4.28
Agricultural export finance loans	6,838	1.06	7,044	1.71	6,873	1.14	6,881	2.13
Lease receivables	4,162	3.42	4,160	3.61	4,205	3.38	3,980	3.78
Loans to other financing institutions	926	1.48	860	1.65	898	1.54	856	1.98
Nonaccrual loans	1,390	4.37	1,862	4.12	1,421	5.80	1,876	5.20
Total loans	323,309	3.64	299,809	3.84	323,063	3.61	294,840	4.12
Federal funds sold, investments and other interest-earning assets	71,430	1.10	71,431	1.36	70,257	1.14	69,481	1.67
Total earning assets	394,739	3.18	371,240	3.36	393,320	3.17	364,321	3.65
Allowance for loan losses	(1,777)		(1,887)		(1,801)		(1,852)	
Other noninterest-earning assets	15,101		14,902		15,236		16,956	
Total assets	$ 408,063		$ 384,255		$ 406,755		$ 379,425	
Liabilities and Capital								
Systemwide bonds and medium-term notes	$ 309,997	0.88%	$ 282,318	1.13%	$ 307,232	0.88%	$ 278,709	1.49%
Systemwide discount notes	17,361	0.09	26,143	0.57	20,542	0.13	26,691	0.90
Other interest-bearing liabilities	5,577	1.22	3,802	0.63	4,937	0.73	3,336	0.76
Total interest-bearing liabilities	332,935	0.84	312,263	1.08	332,711	0.84	308,736	1.43
Noninterest-bearing liabilities	5,915		6,323		6,314		6,455	
Capital	69,213		65,669		67,730		64,234	
Total liabilities and capital	$ 408,063		$ 384,255		$ 406,755		$ 379,425	
Net interest spread(1)		2.34		2.28		2.33		2.22
Impact of noninterest-bearing sources		0.13		0.17		0.13		0.23
Net interest margin(2)		2.47%		2.45%		2.46%		2.45%

(1) Net interest spread is the difference between the rate earned on total earning assets and the rate paid on total interest-bearing liabilities.

(2) Net interest margin is net interest income divided by average earning assets.

As illustrated in the preceding tables, net interest income increased in the three and nine months ended September 30, 2021, as compared with the same periods of the prior year. The increase primarily resulted from an increase in the net interest spread and a higher level of average earning assets, driven largely by increased loan volume. Average earning assets increased $23.499 billion or 6.3% to $394.739 billion for the three months ended September 30, 2021 and increased $28.999 billion or 8.0% to $393.320 billion for the nine months ended September 30, 2021, as compared with the same periods of 2020.

The net interest margin was 2.47% for the three months ended September 30, 2021, as compared with 2.45% for the same period of 2020. The net interest spread increased six basis points to 2.34% for the three months ended September 30, 2021 from the comparable prior year period and was partially offset by a four basis point decrease in income earned on earning assets funded by non-interest bearing sources (principally capital). For the nine-month period ended September 30, 2021, the net interest margin was 2.46%, as compared with 2.45% for the same period of the prior year. The net interest margin was positively impacted by an increase in the net interest spread of 11 basis points to 2.33% for the nine months ended September 30, 2021, as compared with 2.22% for the same period of the prior year and was negatively impacted by a 10 basis point decrease in income earned on earning assets funded by noninterest-bearing sources. The increases in the net interest spread for the three- and nine-month periods of 2021 were primarily due to lower debt costs as a result of the significant volume of debt called during 2020 and in the first nine months of 2021 that generated interest expense savings in excess of the decrease in yield on earning assets. The Banks called debt totaling $34 billion during the first nine months of 2021, as compared with $100 billion for the same period of the prior year.

Provision for Loan Losses

The System recognized loan loss reversals of $112 million and $142 million for the three and nine months ended September 30, 2021, as compared with provisions for loan losses of $7 million and $165 million for the three and nine months ended September 30, 2020. The loan loss reversal for the nine-month period of 2021 primarily reflected credit quality improvements and the release of general reserves that were added in 2020 to address the potential losses from the COVID-19 pandemic. Partially offsetting these loan loss reversals were provisions for loan losses primarily reflecting the adverse impact of a severe weather event in Texas during the first quarter affecting a limited number of rural power customers and increases in overall lending activity. The provision for loan losses for the first nine months of 2020 primarily reflected a higher level of overall lending activity and increases in the general reserves related to the COVID-19 pandemic. The provision for loan losses for the first nine months of 2020 also included deterioration in credit quality in the agribusiness sector.

Noninterest Income

Noninterest income consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in millions)			
Loan-related fee income	$ 102	$ 81	$ 298	$ 280
Financially-related services income	80	72	172	155
Mineral income	17	8	46	33
Income earned on Insurance Fund assets	12	14	37	52
Operating lease income	6	4	24	17
Losses on extinguishment of debt	(30)	(38)	(66)	(100)
Net gains on derivative transactions	15	28	35	62
Net gains (losses) on sales of investments and other assets	(3)	4	6	15
Other noninterest income	(20)	7	19	34
Total noninterest income	$ 179	$ 180	$ 571	$ 548

Noninterest income was relatively unchanged for the three months ended September 30, 2021 and increased $23 million or 4.2% to $571 million for the nine months ended September 30, 2021, as compared with the same periods of the prior year. The increase for the nine-month period was primarily due to a $34 million decrease in losses on extinguishment of debt, increases in loan-related fee income of $18 million, financially-related services income of $17 million and mineral income of $13 million. Partially offsetting the increase were decreases in net gains on derivative transactions of $27 million, income earned on Insurance Fund assets of $15 million and other noninterest income of $15 million. Included in other noninterest income for the three- and nine-month periods was CoBank’s estimated probable loss relating to its subordinated debt litigation. (See Note 14 to the accompanying condensed combined financial statements for additional information.)

Noninterest Expense

Noninterest expense increased $98 million or 11.9% to $924 million and increased $154 million or 6.2% to $2.632 billion for the three and nine months ended September 30, 2021, as compared with the same periods of the prior year. Noninterest expense consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in millions)			
Salaries and employee benefits	$ 578	$ 519	$ 1,644	$ 1,549
Occupancy and equipment expense	67	72	217	213
Purchased services	72	69	206	189
Other operating expense	208	165	566	525
Total operating expense	925	825	2,633	2,476
Net (gains) losses on other property owned	(1)	1	(1)	2
Total noninterest expense	$ 924	$ 826	$ 2,632	$ 2,478

The increase in noninterest expense for the three and nine months ended September 30, 2021 was primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased $59 million and $95 million for the three and nine months ended September 30, 2021, as compared to the same periods of the prior year, as a result of annual merit increases, additional accrued incentive compensation reflecting strong business and financial performance and higher staffing levels at certain System institutions. Other operating expense increased $43 million and $41 million for the three and nine months ended September 30, 2021, as compared to the same periods of the prior year, primarily due to increases in travel, training and member relations expenses as restrictions caused by the COVID-19 pandemic eased as well as higher technology expenses. Noninterest expense for the nine-month period was also impacted by a $17 million increase in purchased services due to increases in consulting services related to information technology and various other business initiatives.

Operating expense statistics are as follows:

	For the Nine Months Ended September 30,	
	2021	2020
	($ in millions)	
Excess of net interest income over operating expense	$ 4,627	$ 4,206
Operating expense as a percentage of net interest income and noninterest income	33.6%	34.2%
Annualized operating expense as a percentage of average earning assets	0.89%	0.91%

Provision for Income Taxes

Provisions for income taxes were $46 million and $140 million for the three and nine months ended September 30, 2021, as compared with $51 million and $141 million for the same periods of the prior year. The effective tax rate decreased to 2.6% for the first nine months of 2021 from 3.1% for the first nine months of 2020 due to increased earnings attributable to non-taxable business activities and higher levels of patronage.

Risk Management

Overview

The System is in the business of making agricultural and other loans that require us to take certain risks. Management of risks inherent in our business is essential for our current and long-term financial performance. Prudent and disciplined risk management includes an enterprise risk management structure to identify emerging risks and evaluate risk implications of decisions and actions taken. Each System institution's goal is to mitigate risk, where appropriate, and to properly and effectively identify, measure, price, monitor and report risks in our business activities. Stress testing represents a component of each institution's risk management process. Each System institution is required by regulation to perform stress tests; however, the depth and frequency of these stress tests may vary by institution size and complexity.

The major types of risk for which we have exposure are structural risk, credit risk, interest rate risk, liquidity risk, operational risk, reputational risk and political risk.

Structural Risk Management

Structural risk results from the fact that the System is comprised of Banks and Associations that are cooperatively owned, directly or indirectly, by their borrowers. While System institutions are financially and operationally interdependent, they are not commonly owned. Each System institution is responsible for its own risk management and there are no formal processes or procedures in place to mandate Systemwide risk mitigation actions, including, but not limited to, reducing credit risk concentration, interest rate and counterparty credit risk across the System. This structure at times requires action by consensus or contractual agreement. Further, there is structural risk in that only the Banks are jointly and severally liable for the payment of principal and interest on Systemwide Debt Securities. Although capital at the Association level reduces a Bank's credit exposure with respect to its wholesale loans to its affiliated Associations, this capital may not be available to support the payment of principal and interest on Systemwide Debt Securities. (See Notes 9 and 15 to the accompanying condensed combined financial statements for additional information.)

In order to monitor the financial strength of each Bank and mitigate the risks of non-performance by each Bank of its obligations under the Systemwide Debt Securities, we utilize two integrated intra-System financial performance agreements — the Amended and Restated Contractual Interbank Performance Agreement, or CIPA, and the Third Amended and Restated Market Access Agreement, or MAA. Under provisions of the CIPA, a score (CIPA score) is calculated quarterly to measure the financial condition and performance of each District (a Bank and its affiliated Associations) using various ratios that take into account the District's and Bank's capital, asset quality, earnings, interest-rate risk and liquidity. The CIPA score is then compared against the agreed-upon standard of financial condition and performance that each District must achieve and maintain. The measurement standard established under the CIPA is intended to provide an early-warning mechanism to assist in monitoring the financial condition of each District. The performance standard under the CIPA is based on the average CIPA score over a four-quarter period.

The MAA is designed to provide for the timely identification and resolution of individual Bank financial issues and establishes performance criteria and procedures for the Banks that provide operational oversight and control over a Bank's access to System funding. The performance criteria set forth in the MAA are as follows:

- the defined CIPA scores,
- the Tier 1 Leverage ratio of a Bank, and
- the Total Capital ratio of a Bank.

For additional information on the regulatory capital ratios, see page 37.

If a Bank fails to meet the MAA performance criteria, it will be placed into one of three categories. Each category gives the other System Banks and the Funding Corporation (collectively, the MAA Committee) progressively more control over a Bank that has declining financial performance under the MAA performance criteria. A "Category I" Bank is subject to additional monitoring and reporting requirements; a "Category II" Bank's ability to participate in issuances of Systemwide Debt Securities may, subject to the discretion of the MAA Committee, be limited to refinancing maturing debt obligations; and a "Category III" Bank may, subject to the discretion of the MAA Committee, not be permitted to participate in issuances of Systemwide Debt Securities. Decisions by the MAA Committee to permit, limit or prohibit a "Category II" or "Category III" Bank to participate in the issuance of Systemwide Debt Securities are subject to oversight and override by the Farm Credit Administration. A Bank exits these categories by returning to compliance with the agreed-upon performance criteria.

The criteria for the Tier 1 Leverage ratio and the Total Capital ratio are:

	Tier 1 Leverage Ratio	Total Capital Ratio
Category I	<5.0%	<10.5%
Category II	<4.0%	<8.0%
Category III	<3.0%	<7.0%

During the first nine months of 2021, all Banks met the agreed-upon standards of financial condition and performance required by the CIPA and none of the Banks was placed in any of the three categories designated for Banks failing to meet MAA's specified financial criteria. (See Note 15 for each Bank's Tier 1 Leverage and Total Capital ratios.) For additional information regarding the CIPA or the MAA, see pages 21, 22, 50 and 51 in the *2020 Annual Information Statement.*

Credit Risk Management

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit, unfunded loan commitments, investment portfolios and derivative counterparty credit exposures. (See pages 28 and 29 for a discussion regarding derivative counterparty exposure.)

System institutions manage credit risk associated with their retail lending activities through an analysis of the credit risk profile of an individual borrower. Each Bank and Association has its own set of underwriting standards and lending policies, approved by its board of directors, that provides direction to its loan officers. Underwriting standards include, among other things, an evaluation of:

- character — borrower integrity and credit history,
- capacity — repayment capacity of the borrower based on cash flows from operations or other sources of income,
- collateral — protects the lender in the event of default and represents a potential secondary source of loan repayment,
- capital — ability of the operation to survive unanticipated risks, and
- conditions — intended use of the loan funds.

The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position, and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income.

Although System institutions monitor credit risk individually, the System has established a quarterly process to report System large loan exposures (outstanding loan amounts plus any unfunded loan commitments). A System risk management committee reviews and monitors large loan exposures to existing individual customers that may reach $1.25 billion or, in certain limited circumstances, $1.5 billion. Because it is possible that one or more System institutions may simultaneously make credit available to a customer that may, in the aggregate, exceed these limits, the process provides for quarterly data to be compiled on existing large loan exposures with notice provided to the Banks and Associations of the largest loan exposures, including all loan exposures to a borrower greater than 75% of the $1.25 billion level or $937.5 million. While this process captures information regarding large loan exposures, any credit decision resides with the individual System institutions. At both September 30, 2021 and December 31, 2020, no exposures were above $1.25 billion. Ten exposures at September 30, 2021 and nine exposures at December 31, 2020 exceeded $937.5 million.

For a detailed discussion of our credit risk management practices, see pages 51 through 53 in the *2020 Annual Information Statement.*

Loan Portfolio

The System's loan portfolio consists only of retail loans. For additional information on the types of loans we make, see pages 8 and 9 in the *2020 Annual Information Statement*. Bank loans to affiliated Associations have been eliminated in the condensed combined financial statements. Loans outstanding consisted of the following:

	September 30, 2021	December 31, 2020
	(in millions)	
Real estate mortgage	$ 159,084	$ 147,623
Production and intermediate-term	58,321	57,973
Agribusiness:		
Processing and marketing	32,024	31,939
Loans to cooperatives	16,356	20,020
Farm-related business	5,033	4,453
Rural infrastructure:		
Power	23,346	22,066
Communication	9,772	9,708
Water/waste water	3,127	2,703
Rural residential real estate	6,891	6,928
Agricultural export finance	6,747	6,873
Lease receivables	4,159	4,345
Loans to other financing institutions	924	859
Total loans	$ 325,784	$ 315,490

Loan volume increased $10.294 billion or 3.3% to $325.784 billion at September 30, 2021, as compared with $315.490 billion at December 31, 2020, primarily as a result of increases in real estate mortgage and power loans offset, in part, by a decrease in loans to cooperatives.

Real estate mortgage loans increased $11.461 billion or 7.8% during the first nine months of 2021. The primary driver of the increase was financing for new and existing customers due to targeted marketing efforts by certain Associations and the low interest rate environment.

Loans to cooperatives decreased $3.664 billion or 18.3%, during the first nine months of 2021, primarily resulting from lower levels of seasonal financing requirements at grain and farm supply cooperatives, which typically reach a low in summer or early fall.

Power loans increased $1.280 billion or 5.8%, as compared with December 31, 2020, primarily due to advances to existing borrowers resulting from a severe weather event in Texas during the first quarter and the associated higher power costs.

System institutions reduce credit risk through certain federal government guarantee programs, such as the FSA and SBA. As of September 30, 2021 and December 31, 2020, $8.855 billion and $9.558 billion of loans had varying levels of federal government guarantees. System institutions also limit, to some extent, the credit risk of certain real estate mortgage loans by entering into agreements with others that provide long-term standby commitments to purchase System loans and other credit guarantees. The amount of loans under these other credit guarantees was $3.088 billion at September 30, 2021, of which $2.418 billion was provided by Farmer Mac, as compared with total credit guarantees of $3.002 billion at December 31, 2020, of which $2.178 billion was provided by Farmer Mac. For additional information on Farmer Mac, see page 12 in the *2020 Annual Information Statement*.

Nonperforming Assets

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

	September 30, 2021	December 31, 2020
	(in millions)	
Nonaccrual loans:		
Real estate mortgage	$ 697	$ 849
Production and intermediate-term	354	448
Agribusiness	125	120
Rural infrastructure	101	20
Rural residential real estate	39	46
Lease receivables	24	21
Total nonaccrual loans	1,340	1,504
Accruing restructured loans:		
Real estate mortgage	175	181
Production and intermediate-term	54	62
Agribusiness	10	12
Rural residential real estate	17	7
Total accruing restructured loans	256	262
Accruing loans 90 days or more past due:		
Real estate mortgage	121	83
Production and intermediate-term	17	6
Agribusiness	7	
Rural residential real estate	4	1
Lease receivables	1	4
Total accruing loans 90 days or more past due	150	94
Total nonperforming loans	1,746	1,860
Other property owned	38	37
Total nonperforming assets	$ 1,784	$ 1,897

	September 30, 2021	December 31, 2020
Nonaccrual loans as a percentage of total loans	0.41%	0.48%
Nonperforming assets as a percentage of total loans and other property owned	0.55	0.60
Nonperforming assets as a percentage of capital	2.57	2.89

The following table presents the nonaccrual loan activity:

	For the Nine Months Ended September 30,	
	2021	2020
	(in millions)	
Balance at beginning of period	$ 1,504	$ 1,910
Additions:		
Gross amounts transferred into nonaccrual	553	712
Recoveries	32	24
Advances	111	220
Other, net		4
Reductions:		
Charge-offs	(37)	(105)
Transfers to other property owned (book value)	(23)	(28)
Returned to accrual status	(155)	(80)
Repayments	(644)	(841)
Other, net	(1)	
Balance at end of period	$ 1,340	$ 1,816

Nonaccrual loans decreased $164 million or 10.9% during the first nine months of 2021, primarily due to loan repayments and loans returned to accrual status exceeding loans transferred into nonaccrual status and advances. Nonaccrual loans that were current as to principal and interest were 61.3% of total nonaccrual loans at September 30, 2021, as compared with 58.9% at December 31, 2020. Accruing loans 90 days or more past due increased $56 million to $150 million at September 30, 2021. This increase was primarily concentrated in USDA guaranteed loans and loans for crop inputs that generally contain recourse agreements with third parties. These loans are considered well secured and in the process of collection.

Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans was 0.22% at September 30, 2021, as compared with 0.28% at September 30, 2020. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and accrued interest receivable was as follows:

	September 30, 2021	December 31, 2020
Acceptable	95.2%	94.0%
Other assets especially mentioned	2.7	3.5
Substandard/doubtful	2.1	2.5
Total	100.0%	100.0%

Allowance for Loan Losses

The allowance for loan losses was $1.653 billion at September 30, 2021 and $1.796 billion at December 31, 2020. Net loan charge-offs of $3 million and net loan recoveries of $4 million were recorded during the three and nine months ended September 30, 2021, respectively, as compared with net loan charge-offs of $49 million and $81 million for the same periods of the prior year. The System's allowance for loan losses represents the aggregate of each System entity's individual evaluation of its allowance for loan losses requirements. Although aggregated in the System's condensed combined financial statements, the allowance for loan losses of each System entity is specific to that institution and is not available to absorb losses realized by other System entities. Managements' evaluations consider factors that include, among other things, loan loss experience, portfolio quality, loan portfolio composition, collateral value, current agricultural production conditions and economic conditions.

Although certain System borrowers were faced with challenges during the past several years due to reduced net farm income and low commodity prices, their financial positions generally have improved given the recent rise in commodity prices and the direct government support provided in the past few years. Further, System underwriting standards require strong collateral support for real estate mortgage loans. By regulation, real estate mortgage loans must have a loan-to-value ratio of 85% or less at origination or up to 97% if guaranteed by federal, state or other governmental agency. Most of the System's real estate mortgage loans at origination had a loan-to-value ratio below the statutory maximum of 85%. These factors help to mitigate the System's exposure to loan losses. At September 30, 2021, $495 million of the System's $1.746 billion of nonperforming loans had specific reserves (representing probable losses) of $151 million. The remaining $1.251 billion of nonperforming loans were evaluated and determined not to need a specific reserve.

The following table presents the activity in the allowance for loan losses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	($ in millions)			
Balance at beginning of period	$ 1,781	$ 1,885	$ 1,796	$ 1,806
Charge-offs:				
Real estate mortgage	(1)	(1)	(4)	(9)
Production and intermediate-term	(8)	(12)	(26)	(43)
Agribusiness		(8)	(4)	(9)
Rural infrastructure		(34)		(42)
Rural residential real estate	(1)	(1)	(2)	(1)
Lease receivables	(1)		(1)	(1)
Total charge-offs	(11)	(56)	(37)	(105)
Recoveries:				
Real estate mortgage	1	1	3	4
Production and intermediate-term	5	5	21	16
Agribusiness	2	1	8	2
Rural infrastructure			9	
Agricultural export finance				1
Lease receivables				1
Total recoveries	8	7	41	24
Net (charge-offs) recoveries	(3)	(49)	4	(81)
(Loan loss reversal) provision for loan losses	(112)	7	(142)	165
Reclassification (to) from reserve for unfunded commitments*	(13)	(15)	(5)	(62)
Balance at end of period	$ 1,653	$ 1,828	$ 1,653	$ 1,828
Annualized ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.00)%	(0.07)%	0.00%	(0.04)%

* Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments primarily as a result of advances on or repayments of seasonal lines of credit or other loans.

Allowance for loan losses by loan type is as follows:

	September 30, 2021		December 31, 2020	
	Amount	%	Amount	%
	($ in millions)			
Real estate mortgage	$ 441	26.7%	$ 538	29.9%
Production and intermediate-term	436	26.4	473	26.3
Agribusiness	481	29.1	507	28.2
Rural infrastructure	197	11.9	172	9.6
Rural residential real estate	16	1.0	19	1.1
Agricultural export finance	26	1.5	27	1.5
Lease receivables	55	3.3	59	3.3
Loans to other financing institutions	1	0.1	1	0.1
Total	$ 1,653	100.0%	$ 1,796	100.0%

The allowance for loan losses as a percentage of total loans outstanding and as a percentage of certain other credit quality indicators is shown below:

	September 30, 2021	December 31, 2020
Allowance for loan losses as a percentage of:		
Total loans	0.51%	0.57%
Nonperforming assets	92.7	94.7
Nonaccrual loans	123.4	119.4

Interest Rate Risk Management

Interest rate risk is the risk of loss of future earnings or long-term market value of equity that may result from changes in interest rates. This risk can produce variability in the System's net interest income and the long-term value of the System's capital position. The System actively manages the following risks:

- Yield curve risk — results from changes in the level, shape, and implied volatility of the yield curve. Changes in the yield curve often arise due to the market's expectation of future interest rates at different points along the yield curve.
- Repricing risk — results from the timing differences (mismatches) between interest-bearing assets and liabilities that limit the ability to alter or adjust the rates earned on assets or paid on liabilities in response to changes in market interest rates.
- Option risk — results from "embedded options" that are present in many financial instruments, including the right to prepay loans before the contractual maturity date. Loan features that provide the borrower with flexibility frequently introduce a risk exposure to the lender. For example, a fixed-rate loan may provide a potential borrower with a rate guarantee, an option to lock-in the loan rate for a period of time prior to closing, which protects the borrower from an increase in interest rates between the time loan terms are negotiated and the loan closes. If interest rates increase while the rate guarantee is in effect and no measures are taken to hedge the rate guarantee, System institutions may realize a lower spread than expected when the loan is funded.

  Borrowers may also have the option to repay a loan's principal ahead of schedule. If interest rates fall, System institutions may be forced to reinvest principal repaid from higher rate loans at a lower rate, which may reduce the interest rate spread unless the underlying debt can be similarly refinanced.

  Interest rate caps are another form of embedded options that may be present in certain investments and floating- and adjustable-rate loans. Interest rate caps typically prevent the investment or loan rate from increasing above a defined limit. In a rising interest rate environment, the spread may be reduced if caps limit upward adjustments to floating investment or loan rates while debt costs continue to increase.

  Interest rate floors are also embedded options that may be present in certain investments and floating- and adjustable-rate loans. Interest rate floors prevent the loan or investment rate from decreasing below a certain defined limit. In a declining rate environment, the spread may be widened if the floor limits the downward adjustments to a floating-rate investment or loan rate as underlying debt costs continue to decrease below the floor rate.

- Basis risk — results from unexpected changes in the relationships among interest rates and interest rate indexes. Basis risk can produce volatility in the spread earned on a loan or an investment relative to its cost of funds. This risk arises when the floating-rate index tied to a loan or investment differs from the index on the Systemwide Debt Security issued to fund the loan or investment.

The goal of the Banks in managing interest rate risk is to maintain stable earnings and preserve the long-term market value of equity. In most cases, the wholesale funding provided by a Bank to an Association matches the terms and embedded options of the Association's retail loans. This funding approach shifts the majority of the interest rate risk associated with retail loans from the Association to its funding Bank where interest rate risk is generally managed centrally. The Banks and Associations are responsible for developing asset/liability management policies and strategies to manage interest rate risk and for monitoring and reporting this risk on a regular basis. These policies include guidelines for measuring and evaluating exposures to interest rate risk. In addition, the policies establish limits for interest rate risk and define the role of the board of directors in delegating day-to-day responsibility for interest rate risk management to Bank or Association management. That authority is delegated to an asset/liability management committee, made up of senior Bank or Association managers. The policies define the composition of the committee and its responsibilities. Interest rate risk management is also subject to certain intra-System agreements, including the CIPA and MAA, and regulatory oversight by the Farm Credit Administration.

One of the primary benefits of our status as a government-sponsored enterprise debt issuer is that, through the Funding Corporation and its selling group, the System has daily access to the debt markets and, under normal market conditions, significant flexibility in structuring the maturity and types of debt securities we issue to match asset cash flows. The ability to quickly access the debt markets helps us minimize the risk that interest rates might change between the time a loan commitment is made and the time it is funded.

Flexibility in structuring debt enables us to issue Systemwide Debt Securities that offset most of the primary interest rate risk exposures embedded in our loans. For example, by issuing floating-rate Systemwide Debt Securities we are able to minimize the basis risk exposure presented by similarly-indexed, floating-rate loans. As discussed above, some of our fixed-rate loans may provide borrowers with the option to prepay their loans. In most interest rate environments, we are able to significantly offset the risk created by a prepayment option by funding prepayable fixed-rate loans with callable debt. Callable debt provides us with the option to retire debt early to offset prepayment risk in earning assets or refinance debt in a declining interest rate environment.

Approximately 77% of our fixed-rate loans provide the borrowers with the option to prepay their loan at any time without fees, and the remainder of the System's fixed-rate loans contain provisions requiring prepayment fees to partially or fully compensate the System for the cost of retiring the debt prior to the maturity date, some of which may be non-callable.

The Banks participate in the derivatives markets to manage interest rate risk. Our use of derivatives is detailed later in this section.

Interest Rate Risk Measurements

The Banks assess and manage interest rate risk using sophisticated processes and models, including interest rate gap analysis, net interest income sensitivity analysis, market value of equity sensitivity analysis and duration gap analysis. These measures are calculated on a monthly basis and the assumptions used in these analyses are monitored routinely and adjusted as necessary.

Interest Rate Risk Management Results

Interest Rate Gap Analysis

The interest rate gap analysis presents a comparison of interest-sensitive assets and liabilities in defined time segments as of September 30, 2021. The interest rate gap analysis is a static indicator, which does not reflect the dynamics of balance sheet, cash flows, interest rate and spread changes and financial instrument optionality, and may not necessarily indicate the sensitivity of net interest income in a changing interest rate environment. Within the gap analysis, gaps are created when an institution uses its capital to fund assets. Capital reduces the amount of debt that otherwise would be required to fund a certain level of assets. The quantity of earning assets will exceed the quantity of interest-bearing liabilities in any repricing interval where capital provides part of the funding. The gap table below includes anticipated cash flows on interest sensitive assets and liabilities given the current level of interest rates.

	Repricing Intervals				
	0-6 Months	6 Months to 1 Year	1-5 Years	Over 5 Years	Total
	($ in millions)				
Floating-rate loans:					
Indexed/adjustable-rate loans	$ 59,272	$ 265	$ 510	$ 774	$ 60,821
Administered-rate loans	52,822				52,822
Fixed-rate loans:					
Fixed-rate with prepayment or conversion fees	6,130	5,173	19,418	17,433	48,154
Fixed-rate without prepayment or conversion fees	34,424	16,592	65,727	45,904	162,647
Nonaccrual loans				1,340	1,340
Total gross loans	152,648	22,030	85,655	65,451	325,784
Federal funds sold, investments and other interest-earning assets	30,059	5,393	24,502	11,753	71,707
Total earning assets	182,707	27,423	110,157	77,204	397,491
Interest-bearing liabilities:					
Callable bonds and notes	1,790	3,928	50,213	38,168	94,099
Noncallable bonds and notes	141,850	22,709	51,885	18,465	234,909
Subordinated debt				398	398
Other interest-bearing liabilities	5,269		185	267	5,721
Total interest-bearing liabilities	148,909	26,637	102,283	57,298	335,127
Effect of interest rate swaps and other derivatives	7,921	(256)	(7,384)	(281)	
Total interest-bearing liabilities adjusted for swaps and other derivatives	156,830	26,381	94,899	57,017	335,127
Interest rate sensitivity gap (total earning assets less total interest-bearing liabilities adjusted for swaps and other derivatives)	$ 25,877	$ 1,042	$ 15,258	$ 20,187	$ 62,364
Cumulative gap	$ 25,877	$ 26,919	$ 42,177	$ 62,364	
Cumulative gap as a percentage of total earning assets	6.51%	6.77%	10.61%	15.69%	

As illustrated above, the System had a positive gap position between its earning assets and interest-bearing liabilities for the zero to six months repricing interval as measured on September 30, 2021 and reflects the System's asset-sensitive position during this time period.

Typically, the net interest income of an institution that is asset sensitive will be favorably impacted in a rising rate environment and unfavorably impacted in a declining rate environment. The System's net interest income benefits in a declining interest rate environment due to its ability to exercise call options on callable debt.

The System's net interest spread, a component of its net interest margin, may also react in a different manner due to certain conditions at the time an earning asset or interest-bearing liability reprices. These conditions include competitive pressures on spreads or rates, the steepness of the yield curve and how capital is deployed to fund earning assets. In addition, a significant portion of the System's floating-rate loans are administered-rate loans that, unlike indexed loans, require definitive action by management to change the interest rate. The interest rates charged on administered-rate loans may reflect managements' assessments of whether rate changes are feasible or warranted in view of market conditions. Therefore, the actual interest rates charged on administered-rate loans may not reflect the movement of interest rates in the markets, thereby creating volatility in net interest income.

The System's cumulative gap position in the zero to six months repricing interval increased to 6.51% at September 30, 2021 from 5.82% at December 31, 2020.

Sensitivity Analysis

In addition to the static view of interest rate sensitivity shown by the gap analysis, each Bank conducts simulations of net interest income and market value of equity. The sensitivity analysis incorporates the effects of leverage and the optionality of interest sensitive assets and liabilities due to interest rate changes. The two primary scenarios used for the analysis reflect the impact of interest rate shocks upward and downward (i.e., immediate, parallel changes upward and downward in the yield curve) on projected net interest income and on market value of equity. The Banks also use other types of measures to manage interest rate risk including rate ramps (gradual change in rates) and yield curve slope changes.

The upward and downward shocks are generally based on movements of 100 and 200 basis points in interest rates, which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed. However, in the current, relatively low interest rate environment, the downward shock is based on one-half of the three-month Treasury bill rate, which was 2 basis points at September 30, 2021 and 4 basis points at December 31, 2020. Under these simulations, the System's sensitivity to interest rate changes (sum of Districts' sensitivity analyses) was:

	September 30, 2021		
	-2	**+100**	**+200**
Change in net interest income	-0.07%	2.27%	3.19%
Change in market value of equity	0.06%	-3.76%	-7.58%

	December 31, 2020		
	-4	**+100**	**+200**
Change in net interest income	-0.08%	1.74%	3.27%
Change in market value of equity	0.09%	-2.68%	-6.43%

Each Bank measures District interest rate sensitivity under these simulations in accordance with its asset/liability management policies. District measurements are presented in the Supplemental Financial Information on page F-56.

In addition to the interest rate scenarios required for reporting and regulatory purposes, the Banks periodically perform additional scenario analyses to study the effects of changes in critical modeling assumptions — for example, the impact of increased/decreased prepayments, changes in the relationship of the System's funding cost to other benchmark interest rates, additional non-parallel shifts in the yield curve, and changes in market volatility. (For a more detailed discussion of sensitivity analysis and prepayment modeling assumptions, see pages 69 and 70 in the *2020 Annual Information Statement*.)

Duration Gap Analysis

Another risk measurement is duration, which we calculate using a simulation model. Duration is the weighted average maturity (typically measured in months or years) of an instrument's cash flows, weighted by the present value of those cash flows. As such, duration provides an estimate of an instrument's sensitivity to small changes in market interest rates. The duration gap is the difference between the estimated durations of assets and liabilities. All else being equal, an institution with a small duration gap has less exposure to interest rate risk than an institution with a large duration gap.

The System's aggregate duration gap (the sum of the Banks' duration gaps) was a positive 3.9 months at September 30, 2021 and a positive 1.8 months at December 31, 2020. Generally, a duration gap within the range of a positive six months to a negative six months indicates a small exposure to changes in interest rates.

Duration gap provides a relatively concise and static measure of the interest rate risk inherent in the balance sheet, but it is not directly linked to expected future earnings performance. An institution's overall exposure to interest rate risk is a function not only of the duration gap, but also of the financial leverage inherent in the institution's capital structure. For the same duration gap, an institution with more capital will have a lower overall percentage exposure to interest rate risk than one with less capital and more leverage.

There are some limitations to duration analysis as balance sheets are dynamic. Durations change over time and as the composition of a portfolio changes.

Derivative Products

Derivative products are a part of our interest rate risk management process and supplement our issuance of debt securities in the capital markets. Derivative financial instruments are used as hedges to manage interest rate and liquidity risks and to lower the overall cost of funds. System institutions do not hold or enter into derivative transactions for trading purposes. Derivative products are subject to regulatory compliance obligations, including, among other things, accounting, reporting, clearing and margining. Clearing and margining are discussed in more detail below.

The primary types of derivative products used and hedging strategies employed are described on page 71 of the *2020 Annual Information Statement*. For additional information on derivative products and hedging activities, see Note 12 to the accompanying condensed combined financial statements.

The aggregate notional amount of the System's derivative products, most of which consisted of interest rate swaps, increased $1.170 billion to $58.909 billion at September 30, 2021, as compared with $57.739 billion at December 31, 2020. The aggregate notional amount of these instruments, which is not included in the Condensed Combined Statement of Condition, is indicative of the System's activities in derivative financial instruments, but is not an indicator of the level of credit risk associated with these instruments. The exposure to credit risk is a small fraction of the aggregate notional amount.

By using derivative instruments, System institutions are exposed to counterparty credit risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the credit risk exposure will equal the fair value gain in a derivative. When the fair value of a derivative is positive, the counterparty would owe us money on early termination of the derivative, thus creating credit risk. When the fair value of the derivative is negative, we would owe the counterparty money on early termination of the derivative, and, therefore, assume no credit risk.

The System clears a significant portion of derivative transactions through a futures commission merchant (FCM), with a clearinghouse (i.e. a central counterparty (CCP)). Cleared derivatives require the payment of initial and variation margin as a protection against default. To minimize the risk of credit losses for non-cleared derivatives, System institutions typically enter into master agreements that govern all derivative transactions with a counterparty, which include bilateral collateral agreements requiring the exchange of collateral to offset credit risk exposure. In some instances, the bilateral exchange of collateral is required by regulation, whereas in other instances it is based on dollar thresholds of exposure that consider a counterparty's creditworthiness. For additional information related to derivatives, see pages 72 through 74 in the *2020 Annual Information Statement*.

The Banks may enter into derivatives with their customers, including Associations, as a service to enable customers to transfer, modify or reduce their interest rate risk by transferring this risk to the Bank. The Banks substantially offset the interest rate risk by concurrently entering into offsetting agreements with non-System institutional derivative counterparties.

The exposure on derivatives by counterparty credit rating (Moody's) that would be owed to us due to a default or early termination by our counterparties at September 30, 2021 and December 31, 2020 were:

	September 30, 2021					December 31, 2020				
	Number of Counterparties	Notional Principal	Credit Exposure	Collateral Held	Exposure, Net of Collateral	Number of Counterparties	Notional Principal	Credit Exposure	Collateral Held	Exposure, Net of Collateral
	($ in millions)									
Bilateral derivatives:										
Aa2	4	$ 6,098				4	$ 8,599			
Aa3	1	1,224				5	3,485			
A1	2	1,844								
A2	1	988				1	967			
A3	1	1,540				1	1,869			
Baa2	1	5								
Cleared derivatives(1)	2	36,577	$ 1		$ 1	2	31,739	$3		$3
Total	12	$48,276	$ 1	$ 0	$ 1	13	$46,659	$ 3	$ 0	$ 3

(1) Represents derivative transactions cleared with central counterparties, which are not rated. Excluded from the table is initial margin posted by three Banks and one Association totaling $92 million and $80 million at September 30, 2021 and December 31, 2020 related to cleared derivative transactions.

Note: Due to grouping of counterparties by credit rating, exposure, net of collateral may not represent the difference between credit exposure and collateral held. The above table excludes $10.624 billion and $11.052 billion notional amount of derivative financial instruments at September 30, 2021 and December 31, 2020 related to interest rate swaps that two Banks entered into with certain of their customers. Also excluded is $9 million and $28 million in notional amount of derivative financial instruments at September 30, 2021 and December 31, 2020 related to forward commitments that one Association has entered into to hedge interest rate risk on interest rate locks.

At September 30, 2021 and December 31, 2020, the Banks' counterparties were not required to post any collateral with us. At September 30, 2021 and December 31, 2020, three Banks had posted collateral with respect to their obligations under these agreements of $162 million and $357 million.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (the "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. As a result, it had been uncertain whether LIBOR will continue to be quoted 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 non-representative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

System institutions' LIBOR exposure arises from certain LIBOR-based loans that they make to customers, investment securities that they purchase, Systemwide Debt Securities that are issued by the Funding Corporation on the Banks' behalf, preferred stock that they issue and their derivative transactions. 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, financial instruments held by System institutions. The LIBOR transition could result in System institutions paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affecting the yield on, and fair value of, the financial instruments we hold that reference LIBOR, and increase the costs of or affect System institutions' ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that System institutions cannot successfully transition their LIBOR-based financial instruments to an alternative rate based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such financial instruments. Due to the uncertainty regarding the transition of LIBOR-based financial instruments, including the manner in which an alternative reference rate will apply, and the mechanisms for transitioning System institutions' LIBOR-based instruments to instruments with an alternative rate, we cannot yet reasonably estimate the expected financial impact of the LIBOR transition on the System.

On November 30, 2020, the U.S. prudential regulators issued a statement encouraging banks to stop new US dollar LIBOR issuances by the end of 2021. On December 18, 2020, the Farm Credit Administration issued a response and guidance noting their agreement with the November 30, 2020 statement from the U.S. prudential regulators and emphasized that the IBA's timeline is not in any way intended to slow down the transition.

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 exposure 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.

On September 11, 2018, the Farm Credit Administration issued guidelines for System institutions to follow as they prepare for the expected phase-out of LIBOR. In accordance with the guidelines, each System institution developed a LIBOR transition plan designed to determine its LIBOR exposure and, to the extent there was exposure, to reduce such exposure over time.

On December 18, 2020, the Farm Credit Administration issued additional guidance to System institutions on the transition away from LIBOR. To the extent applicable, System institutions have adopted transition plans with steps and timeframes to accomplish the following:

- reduce LIBOR exposure,
- stop the inflow of new LIBOR volume,
- develop and implement loan products with alternative reference rates,
- assess and, if necessary, revise fallback language on legacy LIBOR indexed loans and contracts,
- adjust operational processes, including accounting and management information systems to handle alternative reference rates, and
- communicate pending or imminent changes to customers, as appropriate.

Each Bank, Association and the Funding Corporation is in the process of implementing their LIBOR transition plans and will continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational and compliance risks.

At this time, we are unable to completely predict when LIBOR will cease to be available or becomes unrepresentative, or if SOFR will become the only benchmark to replace LIBOR. However, in light of the announcements by the UK FCA, the IBA and U.S. prudential regulators noted above, U.S. dollar LIBOR, except in very limited circumstances, will be discontinued or declared unrepresentative (depending on the tenor) as of either immediately after December 31, 2021 or June 30, 2023. Because the System engages in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on us, our borrowers, our investors, and System institutions' customers and counterparties.

For example, on April 6, 2021, the New York Governor signed into law the New York State Legislature's Senate Bill 297B/Assembly Bill 164B (the "New York LIBOR Legislation"). The New York LIBOR Legislation amends the New York General Obligations Law by adding new Article 18-c and mirrors a legislative proposal drafted by the

Alternative Reference Rates Committee (the "ARRC") aimed at ensuring legal clarity for legacy instruments governed by New York law during the US dollar LIBOR transition. The ARRC is an industry-working group convened by the Federal Reserve Board and the New York Fed to lead the LIBOR transition, which, among other work, has developed industry-specific fallback language that may be used by market participants to address the cessation of US dollar LIBOR. The New York LIBOR Legislation applies to US dollar LIBOR-based contracts, securities, and instruments governed under New York law that (i) do not have any US dollar LIBOR fallback provisions in place, (ii) have US dollar LIBOR fallback provisions that result in replacement rates that are in some way based on US dollar LIBOR, or (iii) have US dollar LIBOR fallback provisions that allow or require one of the parties or an outsider to select a replacement rate for US dollar LIBOR. The New York LIBOR Legislation (a) provides in respect of (i) and (ii) above, upon the occurrence of a "LIBOR Discontinuance Event" and the related "LIBOR Replacement Date" (each as defined in the New York LIBOR Legislation), that the then-current US dollar LIBOR-based benchmark, by operation of law, be replaced by a "Recommended Benchmark Replacement" (as defined in the New York LIBOR Legislation) based on SOFR or, (b) in respect of (iii), encourages the replacement of LIBOR with the "Recommended Benchmark Replacement" by providing a safe harbor from legal challenges under New York law.

The New York LIBOR Legislation may apply to certain of the System institutions' LIBOR-based instruments. For example, to the extent there is an absence of controlling federal law or unless otherwise provided under the terms and conditions of a particular issue of Systemwide Debt Securities, the Systemwide Debt Securities are governed by and construed in accordance with the laws of the State of New York, including the New York General Obligations Law.

At present, there is no specific federal law akin to the New York LIBOR Legislation addressing the US dollar LIBOR transition. However, United States Congress began working on a draft version of federal legislation in October of 2020 that would provide a statutory substitute benchmark rate for contracts that use US dollar LIBOR as a benchmark and that do not have any sufficient fallback clauses in place. The current version of the legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, was formally introduced in the House of Representatives on July 22, 2021. The bill has been assigned to the House Financial Services, Ways & Means, and Education & Labor Committees. On July 29, 2021, the House Financial Services Committee voted to positively report the bill out of committee and send it to the full House. The timing for consideration by the full House cannot be predicted at this time. While similar to the New York LIBOR Legislation, including inclusion of a safe harbor for use of recommended LIBOR fallbacks that are based on SOFR, there are differences in the current draft of the federal legislation, including, perhaps most significantly, that the draft bill specifically provides for the preemption of state law, which would include the New York LIBOR Legislation. At this time, it is uncertain as to whether, when and in what form such federal legislation would be adopted.

In light of the proliferation of alternatives to LIBOR and the slower than expected transition away from LIBOR, regulators, the ARRC and market participants have more aggressively taken steps to speed up this transition. In addition to the recent public positions taken by members of the Financial Stability Oversight Council (FSOC), including from the U.S. prudential regulators and the Securities and Exchange Commission and the Commodity Futures Trading Commission (CFTC), the CFTC (through its Market Risk Advisory Committee (MRAC)), the ARRC and the IBA have also made statements and taken action to move the markets to transition away from LIBOR using SOFR.

In addition, on July 13, 2021, the MRAC adopted a market best practice known as "SOFR First". SOFR First is designed to help market participants decrease reliance on USD LIBOR in light of statements from the Financial Stability Board and the International Organization of Securities Commissions on the LIBOR transition which reinforce U.S prudential regulators' guidance that banks should cease entering new contracts that reference USD LIBOR post December 31, 2021. SOFR First recommends a phased approach to be completed by December 31, 2021. The first phase and second phases relating to the MRAC recommendation that interdealer brokers replace trading in linear swaps and currency swaps that reference LIBOR with swaps that reference SOFR were completed on July 26, 2021 and September 21, 2021, respectively, and that the third phase relating to MRAC recommendation of the replacement of certain non-linear derivatives (caps, collars and floors) that reference LIBOR, is to begin on November 8, 2021. The timing for the fourth and final phase of SOFR First relating to exchange traded derivatives has yet to be determined.

In light of the successful implementation of this first phase of SOFR First and the ARRC's assessment of whether a forward looking term rate based on SOFR published by the CME Group (Term SOFR) were being met, the ARRC formally announced that Term SOFR was an appropriate fallback to LIBOR to be used for certain types of currently outstanding loans, floating rate notes (which would include certain outstanding Systemwide Debt Securities) and derivatives based on LIBOR when LIBOR was discontinued or deemed unrepresentative, and, in more limited circumstances, for new loans, floating rate notes and other transactions, including certain derivatives. The successful implementation of SOFR First and the ARRC's support of Term SOFR are expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

The following is a summary of variable-rate Systemwide Debt Securities and other financial instruments impacted by the LIBOR transition:

	September 30, 2021
	(in millions)
Variable-rate Systemwide Debt Securities by interest-rate index	
LIBOR	$ 11,633
SOFR	69,145
Other	30,027
Total	$ 110,805
LIBOR-indexed Systemwide Debt Securities by contractual maturity	
Due in 2021	$ 9,492
Due in 2022	1,150
Due in 2023 on or before June 30	85
Due after June 30, 2023 [1]	906
Total	$ 11,633

[1] It is anticipated that Systemwide Debt Securities totaling $796 million with a contractual maturity after June 30, 2023 will be replaced by a SOFR-based rate pursuant to their terms. To the extent that any other Systemwide Debt Securities do not have terms that would replace their LIBOR-based rate by a non-LIBOR-based rate (at present $110 million), pursuant to the New York LIBOR Legislation (and assuming no federal law addressing the LIBOR transition), the LIBOR-based rate in such securities could also be replaced by operation of law with a SOFR-based rate.

	Due in 2021	Due in 2022	Due in 2023 on or before June 30, 2023	Due after June 30, 2023	Total
			(in millions)		
LIBOR-indexed variable-rate financial instruments at September 30, 2021:					
Investments		$ 94	$ 130	$ 8,131	$ 8,355
Loans	$ 3,443	8,050	1,944	42,540	55,977
Preferred stock		257			257
Derivatives (notional amount)*	2,320	6,229	4,886	26,000	39,435

* Derivative transactions with a notional amount of $17.476 billion that mature after June 30, 2023 are LIBOR-based over-the counter transactions executed pursuant to an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement with major banks or other swap dealers. Pursuant to the terms of those transactions, it is anticipated that after June 30, 2023 the LIBOR-based rate in such transactions will be replaced with a rate based upon a compounded SOFR-based rate calculated in arrears. It is also anticipated that LIBOR-based derivative transactions, cleared through a clearinghouse, with a notional amount of $8.524 billion that mature after June 30, 2023, will also have their LIBOR-based rate transactions amended to become or be replaced by SOFR-based rate transactions pursuant to clearinghouse rules.

Note: Excluded from this table are preferred stock issuances totaling $1.845 billion that currently have fixed dividend rates but convert to LIBOR-indexed variable-rates in the future. The $257 million of preferred stock is perpetual and may be redeemed in 2022 or thereafter. For additional information regarding preferred stock, see Note 11 in the *2020 Annual Information Statement*.

Liquidity Risk Management

General

Liquidity risk management is necessary to ensure our ability to meet our financial obligations. These obligations include the repayment of Systemwide Debt Securities as they mature, the ability to fund new and existing loans and other funding commitments, and the ability to fund operations all within a cost-effective manner. A primary objective of liquidity risk management is to plan for unanticipated changes in the capital markets. The Banks and Funding Corporation have established a Contingency Funding Program to provide for contingency financing mechanisms and procedures to address potential disruptions in the System's communications, operations and payments systems, as well as the ability to handle events that threaten continuous market access by the Banks or disrupt the Funding Corporation's normal operations. Under this Contingency Funding Program, the Funding Corporation has the option to finance maturing Systemwide Debt Securities through the issuance of Systemwide discount notes either directly to institutional investors or through the selling group. In addition, the Funding Corporation, in consultation with the Banks, may also issue Systemwide bonds directly to institutional investors. The Funding Corporation, on behalf of the Banks, may also incur other obligations, such as Federal funds purchased, that would be the joint and several obligations of the Banks and would be insured by the Insurance Corporation to the extent funds are available in the Insurance Fund.

In addition, each Bank maintains contingency funding plans that address actions each Bank would consider in the event that there is not ready access to traditional funding sources. These potential actions include drawing on existing uncommitted lines of credit with various financial institutions, borrowing overnight via federal funds, using investment securities as collateral to borrow cash, selling investment securities under repurchase agreements, using the proceeds from maturing investments and selling liquid investments.

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

Funding Sources

Our primary source of liquidity is the ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the Banks. The Banks continually raise funds to support the mission to provide credit and related services to the agricultural and rural sectors, repay maturing Systemwide Debt Securities, build liquidity and meet other obligations. As government-sponsored enterprises, the Banks have had access to the global capital markets. This access has traditionally provided a dependable source of competitively priced debt that is critical to support our mission of providing funding to the agricultural and rural sectors. The U.S. government does not guarantee, directly or indirectly, the payment of principal or interest on any Systemwide Debt Securities issued by the Banks.

Investments

As more fully described on page 77 in the *2020 Annual Information Statement*, by regulation a Bank is authorized to hold eligible investments in an amount not to exceed 35% of a Bank's average loans outstanding for the quarter. Investments are utilized for the purposes of maintaining a diverse source of liquidity and managing short-term surplus funds and reducing interest rate risk and, in so doing, they may enhance profitability. At September 30, 2021, no Bank exceeded the 35% limit.

In addition, the Associations are authorized to hold securities as eligible risk management investments that are issued by, or are unconditionally guaranteed or insured as to the timely payment of principal and interest by, the U.S. government or its agencies with the approval of its affiliated Bank, in an amount not to exceed 10% of its total average 90-day outstanding loan balance. Associations may also hold portions of USDA Guaranteed Loans purchased in the secondary market as eligible risk management investments. At September 30, 2021, no Association exceeded the 10% limit.

Bank eligible investments (carried at fair value) must comply with the regulatory eligibility criteria and for reporting purposes are shown by credit ratings issued by Moody's Investors Service, S&P Global Ratings, or Fitch Ratings were as follows:

September 30, 2021	Eligible Investments AAA/Aaa	A1/P1/F1	Split Rated(1)	A/A	Total
			(in millions)		
Federal funds sold and securities purchased under resale agreements		$ 1,085			$ 1,085
Commercial paper, bankers' acceptances, certificates of deposit and other securities		2,660	$ 1,599	$ 56	4,315
U.S. Treasury securities			26,676		26,676
U.S. agency securities			2,386		2,386
Mortgage-backed securities:					
Agency collateralized			27,308		27,308
Agency whole-loan pass through			2,453		2,453
Private label-FHA/VA			30		30
Asset-backed securities	$ 683	2	2,938		3,623
Total	$ 683	$ 3,747	$ 63,390	$ 56	$ 67,876

December 31, 2020	Eligible Investments AAA/Aaa	A1/P1/F1	Split Rated(1)	A/A	Total
			(in millions)		
Federal funds sold and securities purchased under resale agreements		$ 1,963	$ 240		$ 2,203
Commercial paper, bankers' acceptances, certificates of deposit and other securities		4,931	1,916	$ 26	6,873
U.S. Treasury securities			20,971		20,971
U.S. agency securities			3,122		3,122
Mortgage-backed securities:					
Agency collateralized			28,865		28,865
Agency whole-loan pass through			897		897
Private label-FHA/VA			35		35
Asset-backed securities	$ 1,534	31	2,344		3,909
Total	$ 1,534	$ 6,925	$ 58,390	$ 26	$ 66,875

(1) Investment that received the highest credit rating from at least one rating organization.

As noted in the tables above, the split rating on investments in U.S. Treasury, U.S. agency and agency mortgage-backed securities is the result of S&P Global Ratings maintaining the U.S. government's long-term sovereign credit rating of AA+. Both Moody's Investors Service and Fitch Ratings maintain ratings of Aaa and AAA for U.S. government and agency securities.

If a Bank held investment no longer meets the regulatory eligibility criteria referred to above, the investment becomes ineligible for regulatory liquidity calculation purposes. Under Farm Credit Administration regulations, if a Bank held investment is eligible when purchased but no longer satisfies the eligibility criteria referred to above, the Bank may continue to hold it subject to the following requirements:

- the Bank must notify the Farm Credit Administration within 15 calendar days after such determination,

- the Bank must not use the investment to satisfy its liquidity requirement,
- the Bank must continue to include the investment in the investment portfolio limit calculation,
- the Bank may continue to include the investment as statutory collateral at lower of cost or market, and
- the Bank must develop a plan to reduce the risk posed by the investment.

The Farm Credit Administration has the authority to require a Bank to divest any investment at any time for failure to comply with its regulation or for safety and soundness reasons. As of September 30, 2021, the Farm Credit Administration has not required disposition of any of these securities. Bank managements do not believe that events will occur that would require them to dispose of any of these securities.

Ineligible securities (carried at fair value) held by the Banks totaled $464 million at September 30, 2021 and $478 million at December 31, 2020 and represented 0.7% of Federal funds and available-for-sale investments at both September 30, 2021 and December 31, 2020.

The types of mortgage-backed and asset-backed securities that are included in the Banks' investment portfolio were:

	September 30, 2021			December 31, 2020		
	Amortized Cost	Fair Value	Unrealized Gains/(Losses)	Amortized Cost	Fair Value	Unrealized Gains/(Losses)
	(in millions)					
Mortgage-backed securities:						
Agency collateralized	$ 27,192	$ 27,308	$ 116	$ 28,471	$ 28,865	$ 394
Agency whole-loan pass through	2,446	2,453	7	868	897	29
Private label-FHA/VA	111	105	(6)	127	119	(8)
Total mortgage-backed securities	$ 29,749	$ 29,866	$ 117	$ 29,466	$ 29,881	$ 415
Asset-backed securities:						
Small business loans	$ 2,897	$ 2,938	$ 41	$ 2,257	$ 2,344	$ 87
Auto loans	206	206		850	856	6
Credit card receivables	341	345	4	548	555	7
Equipment loans	94	95	1	123	125	2
Other	39	39		29	29	
Total asset-backed securities	$ 3,577	$ 3,623	$ 46	$ 3,807	$ 3,909	$ 102

Other Investments

As mentioned above, Associations are permitted to hold investments but they are limited to securities that are issued by, or are unconditionally guaranteed or insured as to the timely payment of principal and interest, the U.S. government or its agencies. Mortgage-backed securities issued by Farmer Mac are also considered allowable investments for both Banks and Associations but are excluded from the Banks' eligible investment limitation and the Banks' liquidity calculations. These Farmer Mac securities are backed by loans originated by Associations and previously held by the Associations under Farmer Mac standby purchase commitments.

Other investments outstanding that are classified as held-to-maturity (carried at amortized cost) are as follows:

	September 30, 2021	December 31, 2020
	(in millions)	
Small Business Administration and other government guaranteed securities	$ 1,379	$ 955
Farmer Mac securities	673	749
Rural America bonds and Agricultural Rural Community bonds	47	60
Total	$ 2,099	$ 1,764

Other investments outstanding that are classified as available-for-sale (carried at fair value) are as follows:

	September 30, 2021	December 31, 2020
	(in millions)	
U.S. Treasury securities	$ 776	$ 652
Rural home loan securities	193	257
Small Business Administration and other government guaranteed securities	92	80
Farmer Mac securities	16	24
Other securities	17	13
Total	$ 1,094	$ 1,026

Liquidity Standard

The Farm Credit Administration regulations on liquidity set forth requirements for the Banks to:

- maintain board policies and management procedures to monitor, measure, manage and mitigate liquidity and other related risks;
- maintain a three-tiered liquidity reserve. The first tier of the liquidity reserve must consist of a sufficient amount of cash and/or cash-like instruments to cover each Bank's financial obligations for 15 days. The second and third tiers of the liquidity reserve must contain cash, cash-like instruments, and/or eligible highly liquid instruments that are sufficient to cover the Bank's obligations for the next 15 and subsequent 60 days, respectively;
- establish a supplemental liquidity buffer, in addition to the three tiers set forth immediately above, that would provide a longer term, stable source of funding beyond the 90-day minimum and is comprised of cash and eligible investments; and
- maintain a Contingency Funding Plan to ensure sources of liquidity are sufficient to fund normal operations under a variety of stress events.

The number of days of liquidity is calculated by comparing the principal portion of maturing Systemwide Debt Securities and other borrowings of each Bank with the total amount of cash, cash equivalents and eligible investments maintained by that Bank. For purposes of calculating liquidity, liquid assets are reflected at fair value discounted for potential exposure to adverse market value changes that might be recognized upon liquidation or sale and include only the eligible investments of the Banks.

At September 30, 2021, each Bank met the individual tiers' minimums of the liquidity reserve and exceeded the aggregate regulatory minimum 90 days of liquidity. Each Bank's liquidity position ranged from 150 to 227 days at September 30, 2021. The Bank's aggregate liquidity position was 174 days at September 30, 2021, as compared with 171 days at December 31, 2020. (See Note 15 to the accompanying condensed combined financial statements for each Bank's liquidity position at September 30, 2021 and December 31, 2020.)

Cash provided by the System's operating activities (primarily generated from net interest income in excess of operating expenses) of $4.823 billion and $3.481 billion for the first nine months of 2021 and 2020 provides an additional source of liquidity for the System that is not reflected in the individual Bank's calculation of days of liquidity under the standard. Further, funds in the Insurance Fund would be used to repay maturing Systemwide Debt Securities, to the extent available, if no other sources existed to repay the debt.

Capital Adequacy and the Ability to Repay Systemwide Debt Securities

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services. We believe a sound capital position is critical to providing protection to investors in Systemwide Debt Securities and our long-term financial success.

The System continues to build capital primarily through net income earned and retained. Capital accumulated through earnings has been partially offset by cash patronage distributions to stockholders. Retained earnings is the most significant component of capital. As of September 30, 2021, retained earnings totaled $55.351 billion and represented 79.6% of capital, as compared with $51.782 billion and 79.0% at December 31, 2020. Capital as a percentage of assets increased to 16.9% at September 30, 2021, as compared with 16.4% at December 31, 2020.

In May 2021, one Association issued $150 million of 3.375% fixed-to-floating rate unsecured subordinated debt due on June 1, 2036. Concurrently, the same Association issued $50 million of 2.75% fixed-to-floating rate unsecured subordinated debt due on June 1, 2031. In June 2021, another Association issued $200 million of 3.375% fixed-to-floating rate unsecured subordinated debt due on June 15, 2036. The proceeds from each of the issuances will be used by the Association for general corporate purposes. (See Note 7 of the accompanying condensed combined financial statements for additional information.)

Subordinated debt is the sole obligation of the issuing entity and is not guaranteed by any other System institution. Such obligations are not Systemwide Debt Securities and therefore are not subject to the joint and several obligations of the Banks and are not guaranteed or insured by the Insurance Fund.

Farm Credit Administration Capital Requirements

The following sets forth the regulatory capital ratio requirements and ratios at September 30, 2021:

Ratio	Primary Components of Numerator	Denominator	Minimum Requirement	Minimum with Buffer	Banks*	Associations
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE) and common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	4.5%	7.0%	9.5% - 18.5%	10.8% - 33.7%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	6.0%	8.5%	14.8% - 18.7%	10.8% - 33.7%
Total Capital	Tier 1 Capital, allowance for loan losses[2], other common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	8.0%	10.5%	15.4% - 18.9%	12.0% - 34.7%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	4.0%	5.0%	5.3% - 7.6%	10.0% - 32.4%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	7.0%	N/A	14.9% - 18.7%	11.7% - 34.1%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	1.5%	N/A	2.5% - 5.9%	7.3% - 32.9%

* See Note 15 to the accompanying condensed combined financial statements for each Bank's Total Capital ratio and Tier 1 Leverage ratio at September 30, 2021 and December 31, 2020.

1 Equities subject to a minimum redemption or revolvement period of 7 or more years

2 Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments

3 Equities subject to a minimum redemption or revolvement period of 5 or more, but less than 7 years

4 Equities subject to a minimum redemption or revolvement period of 5 or more years

Interdependency of the Banks and the Associations

Understanding the System's structure and the interdependent nature of the Banks and the Associations is critical to understanding our capital adequacy.

As previously discussed, each Bank is primarily liable for the repayment of Systemwide Debt Securities issued on its behalf, as well as being liable for Systemwide Debt Securities issued on behalf of the other Banks. The Banks, through the issuance of Systemwide Debt Securities, generally finance the wholesale loans to their affiliated Associations who lend the proceeds to their customers. CoBank, as an Agricultural Credit Bank, makes loans to agricultural and rural infrastructure cooperatives and businesses, and other eligible borrowers, as well as Associations. Each Bank's ability to repay Systemwide Debt Securities is due, in large part, to each of its Association's ability to repay its loan from the Bank. As a result, the Banks continually monitor the risk-bearing capabilities of each affiliated Association through various mechanisms, including testing the reliability of each Association's credit classifications and prior-approval of certain Association loan transactions. Capital, allowance for loan losses and earnings at the Association level also reduce the credit exposure that each Bank has with respect to the loans between the Bank and its affiliated Associations.

Since an Association's ability to obtain funds from sources other than its affiliated Bank is significantly limited, the financial well-being of the Bank and its ability to continue to provide funds is very important to the Association. In addition to the equity the Associations are required to purchase in connection with their direct loans from their affiliated Bank, under each Bank's bylaws, the Bank is authorized, under certain circumstances, to require its affiliated Associations and certain other equity holders to purchase additional Bank equity subject to certain limits or conditions. Further, the Banks generally possess indirect access to certain financial resources of their affiliated Associations through loan-pricing provisions and through Bank-influenced operating and financing policies and agreements for its District. (See Notes 9 and 15 to the accompanying condensed combined financial statements for further discussion of Bank and Association capital.)

Notwithstanding the foregoing, only the Banks, and not the Associations, are jointly and severally liable for the repayment of Systemwide Debt Securities. Other than as described above, and subject to various regulatory and contractual conditions and limitations, the Banks do not have direct access to the capital of their affiliated Associations. In addition, any indirect access that the Banks may have to the capital of the Associations may be limited during stressed conditions in a deteriorating agricultural economic environment. Moreover, capital in one Association is not typically available to address capital needs of another Association or of a non-affiliated Bank.

Insurance Fund

An additional layer of protection for Systemwide Debt Security holders is the Insurance Fund that insures the timely payment of principal and interest on these securities.

The primary sources of funds for the Insurance Fund are:

- premiums paid by the Banks, the cost of which may be passed on to the Associations, and
- earnings on assets in the Insurance Fund.

In the event a Bank is unable to timely pay Systemwide Debt Securities for which the Bank is primarily liable, the Insurance Corporation must expend amounts in the Insurance Fund to the extent available to insure the timely payment of principal and interest on the debt obligations. However, because of other authorized uses of the Insurance Fund, all of which benefit the Banks and Associations, or the magnitude of the default, there is no assurance that amounts in the Insurance Fund will be available and sufficient to fund the timely payment of principal and interest on Systemwide Debt Securities in the event of a default by a Bank.

Due to the restricted use of funds in the Insurance Fund, the assets of the Insurance Fund have been included as a restricted asset and the capital of the Insurance Fund as restricted capital in the System's condensed combined financial statements. As of September 30, 2021, the assets in the Insurance Fund totaled $5.833 billion. (See Note 5 to the accompanying condensed combined financial statements and the Supplemental Combining Information on pages F-48 and F-50 for condensed combining statements of condition and income that illustrate the impact of including the Insurance Fund in the System's condensed combined financial statements.)

The Insurance Corporation assesses premiums to ensure the assets in the Insurance Fund for which no specific use has been identified or designated are maintained at the "secure base amount." The Farm

Credit Act, as amended, requires the secure base amount to be maintained at 2% of aggregate outstanding insured debt (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of aggregate outstanding insured debt as the Insurance Corporation in its sole discretion determines to be actuarially sound. Insurance premiums are established by the Insurance Corporation with the objective of maintaining the secure base amount at the level required by the Farm Credit Act.

As required by the Farm Credit Act, as amended, if at the end of any calendar year, the aggregate amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to transfer the excess funds above the secure base, less the Insurance Corporation's projected annual operating expenses, to the Allocated Insurance Reserves Accounts for each Bank.

At September 30, 2021, as determined by the Insurance Corporation, the Insurance Fund for which no specific use has been identified or designated was 2.06% of adjusted insured obligations, as compared with 1.93% at December 31, 2020.

Joint and Several Liability

The provisions of joint and several liability of the Banks with respect to Systemwide Debt Securities would be invoked if the available amounts in the Insurance Fund were exhausted. Once joint and several liability is triggered, the Farm Credit Administration is required to make "calls" to satisfy the liability first on all non-defaulting Banks in the proportion that each non-defaulting Bank's available collateral (collateral in excess of the aggregate of the Bank's collateralized obligations) bears to the aggregate available collateral of all non-defaulting Banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each non-defaulting Bank's remaining assets. On making a call on non-defaulting Banks with respect to a Systemwide Debt Security issued on behalf of a defaulting Bank, the Farm Credit Administration is required to appoint the Insurance Corporation as the receiver for the defaulting Bank, and the receiver must expeditiously liquidate the Bank.

System Capitalization

The changes in capital for the nine months ended September 30, 2021 were:

	Capital				
	Combined Banks	Combined Associations	Insurance Fund	Combination Entries	System Combined
			(in millions)		
Balance at December 31, 2020	$ 22,674	$ 44,977	$ 5,455	$ (7,571)	$ 65,535
Net income	2,060	3,866	378	(1,103)	5,201
Change in accumulated other comprehensive loss	(531)	(3)		104	(430)
Preferred stock issued		645			645
Preferred stock retired	(17)	(308)			(325)
Preferred stock dividends	(110)	(22)			(132)
Capital stock and participation certificates issued	334	98		(339)	93
Capital stock, participation certificates and retained earnings retired	(60)	(69)		33	(96)
Equity issued or recharacterized upon Association merger		49			49
Equity retired or recharacterized upon Association merger		(53)			(53)
Additional paid-in-capital	5	(7)			(2)
Patronage	(806)	(888)		707	(987)
Balance at September 30, 2021	$ 23,549	$ 48,285	$ 5,833	$ (8,169)	$ 69,498

Note: System combined capital reflected eliminations of approximately $6.5 billion and $6.2 billion of Bank equities held by Associations as of September 30, 2021 and December 31, 2020. System combined capital also reflected net eliminations of transactions between System entities, primarily related to accruals, and retained earnings allocations by certain Banks to their Associations. (See Notes 9 and 15 to the accompanying condensed combined financial statements.)

During the nine months ended September 30, 2021, three Associations issued non-cumulative perpetual preferred stock totaling $600 million. Also during the nine months ended September 30, 2021, one of the Associations redeemed and retired its Class H preferred stock totaling $226 million. Proceeds from preferred stock issuances were used for regulatory capital and general corporate purposes. (See Note 9 of the accompanying condensed combined financial statements for additional information.)

Preferred stock is the sole obligation of the issuing entity and is not guaranteed by any other System institution. Such obligations are not Systemwide Debt Securities and therefore are not subject to the joint and several obligations of the Banks and are not guaranteed or insured by the Insurance Fund.

Combined Bank-only information is considered meaningful because only the Banks are jointly and severally liable for payment of principal and interest on Systemwide Debt Securities. Amounts in the Insurance Fund are included in the System's combined financial statements because, under the Farm Credit Act, these amounts can only be used for the benefit of the Banks and Associations. Before joint and several liability can be invoked, available amounts in the Insurance Fund would be used to make principal and interest payments on Systemwide Debt Securities. Combined Bank capital and the Insurance Fund increased $1.253 billion since December 31, 2020 to $29.382 billion at September 30, 2021. Combined Bank-only capital as a percentage of combined Bank-only assets was 6.5% at September 30, 2021 and 6.4% at December 31, 2020.

Combined Bank-only net income was $2.060 billion and $1.872 billion for the nine months ended September 30, 2021 and 2020. The combined Bank-only net income reflects the earnings from investments, Bank wholesale loans to Associations, and retail loans, the majority of which consist of CoBank's domestic loans to cooperatives and other eligible borrowers and loans to finance agricultural export transactions. The Banks' wholesale loans to Associations represented 56% of the assets on the combined Bank-only balance sheet at September 30, 2021. These loans carry less risk than retail loans because the Associations operate under General Financing Agreements with their affiliated Banks and a regulatory framework that includes maintaining certain minimum capital standards, adequate reserves, and prudent underwriting standards. Based on the lower risk of loans to the Associations, the Banks typically operate with more leverage and lower earnings than would be expected from a retail bank.

Combined Association capital increased $3.308 billion since December 31, 2020 to $48.285 billion at September 30, 2021. The growth in Association capital resulted primarily from income earned and retained. Combined Association capital as a percentage of combined Association assets was 19.0% at September 30, 2021 and 18.6% at December 31, 2020. Capital at the Association level reduces the Banks' credit exposure with respect to wholesale loans between the Banks and each of their affiliated Associations.

Accumulated other comprehensive loss, net of tax, at September 30, 2021 and December 31, 2020 was comprised of the following components:

	September 30, 2021	December 31, 2020
	(in millions)	
Unrealized gains on investments available-for-sale, net	$ 513	$ 1,157
Unrealized losses on cash flow hedges, net	(248)	(353)
Pension and other benefit plans	(1,316)	(1,425)
	$ (1,051)	$ (621)

Accumulated other comprehensive loss increased $430 million during the first nine months of 2021 as a result of an increase in interest rates, which decreased the fair value of existing fixed-rate investment securities.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events, including the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and the risk of fraud by employees or persons outside the System. Each Bank's and Association's board of directors is required, by regulation, to adopt an internal control policy that provides adequate direction to the institution in establishing effective control over and accountability for operations, programs and resources. The policy must include, at a minimum, the following items:

- direction to management that assigns responsibility for the internal control function to an officer of the institution,

- adoption of internal audit and control procedures,
- direction for the operation of a program to review and assess its assets,
- adoption of loan, loan-related assets and appraisal review standards, including standards for scope of review selection and standards for work papers and supporting documentation,
- adoption of asset quality classification standards,
- adoption of standards for assessing credit administration, including the appraisal of collateral, and
- adoption of standards for the training required to initiate a program.

In general, System institutions address operational risk through the organization's internal control framework. Exposure to operational risk is typically identified by senior management with the assistance of internal audit, and higher risk areas receive more scrutiny.

However, no control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and the breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by individual acts, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may be inadequate because of changes in conditions, or the compliance with the policies or procedures may deteriorate.

Reputational Risk Management

Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the System or any of its entities. The System could be harmed if its reputation were impacted by negative publicity about the System as a whole, an individual System entity, the agricultural industry in general, or government sponsored enterprises.

Given the unique structure of the System, managing reputational risk is the direct responsibility of each System entity. (See "Structural Risk Management" on pages 18 and 19 of this Quarterly Information Statement for a discussion on the structure of the System).

Entities that serve the System at the national level, including the Coordinating Committee, the Presidents' Planning Committee and The Farm Credit Council, will communicate guidance to the System for reputational issues that have broader consequences for the System as a whole. These entities support those business and other practices that are consistent with our mission. (See pages 12 and 15 in the *2020 Annual Information Statement* for additional information).

Political Risk Management

Political risk to the System is the risk actions taken by the U.S. government may negatively impact the System or the agriculture industry. System institutions are instrumentalities of the federal government and are intended to further governmental policy concerning the extension of credit to or for the benefit of agriculture and rural America. The System may be significantly affected by federal legislation, such as changes to the Farm Credit Act, or indirectly, such as agricultural appropriations bills. In addition, our borrowers may also be significantly affected by changes in federal farm policy, agricultural appropriations bills and U.S. trade policy.

We manage political risk by actively supporting The Farm Credit Council, which is a full-service, federated trade association located in Washington, D.C. representing the System before Congress, the Executive Branch, and others. The Farm Credit Council provides the mechanism for grassroots involvement in the development of System positions and policies with respect to federal legislation and government actions that impact the System. In addition, each District has a District Farm Credit Council that is a regional trade association dedicated to promoting the interests of cooperative farm lending institutions and their borrowers in their respective Districts.

Regulatory Matters

Since the onset of the COVID-19 pandemic in March 2020, the U.S. government has taken actions to help businesses, individuals, state/local governments, and educational institutions that have been adversely impacted by the economic disruption caused by the pandemic.

On March 11, 2021, Congress passed the $1.9 trillion American Rescue Plan Act of 2021. The legislation provided, among other provisions, an additional $10.4 billion for programs designed to strengthen the agricultural and food supply chain, additional resources to purchase and distribute agricultural commodities to nonprofits, restaurants or other food related entities, increase access to health care in rural communities and provide debt relief and other support programs for socially disadvantaged farmers and ranchers. The legislation is designed to provide debt relief of $4 billion in the form of direct payments of up to 120% of a socially disadvantaged farmer's or rancher's direct debt from the USDA's FSA or loans guaranteed by FSA and made by an approved lender. In addition, $1.01 billion was appropriated to provide outreach, technical assistance and funding to educational institutions to help improve land access to socially disadvantaged farmers and ranchers, among other uses.

For a detailed discussion of programs enacted in 2020, see pages 38 and 39 of the *2020 Annual Information Statement.*

On July 8, 2021, the Farm Credit Administration approved a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100%. The proposed rule would further align the Farm Credit Administration's risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The public comment period will end on January 24, 2022.

On September 23, 2019, the Farm Credit Administration 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% 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 Adopted or Issued Accounting Pronouncements

See pages F-8 through F-9 to the accompanying condensed combined financial statements for the recently adopted or issued accounting pronouncements.

INDEX TO CONDENSED COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL COMBINING AND FINANCIAL INFORMATION
September 30, 2021

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF CONDITION
(in millions)

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash	$ 1,818	$ 4,067
Federal funds sold and securities purchased under resale agreements	1,085	2,203
Investments (Note 2)		
Available-for-sale (amortized cost of $66,683 and $63,887, respectively)	67,255	65,150
Other investments held-to-maturity (fair value of $2,124 and $1,822, respectively)	2,099	1,764
Other investments available-for-sale (amortized cost of $1,088 and $1,016, respectively)	1,094	1,026
Loans (Note 3)	325,784	315,490
Less: allowance for loan losses (Note 3)	(1,653)	(1,796)
Net loans	324,131	313,694
Accrued interest receivable	2,971	2,585
Premises and equipment	1,602	1,569
Other assets (Note 4)	2,701	3,180
Restricted assets (Note 5)	5,833	5,455
Total assets	$ 410,589	$ 400,693
LIABILITIES AND CAPITAL		
Systemwide Debt Securities		
Due within one year:		
Systemwide discount notes	$ 18,790	$ 23,510
Systemwide bonds and medium-term notes	101,545	101,727
	120,335	125,237
Due after one year:		
Systemwide bonds and medium-term notes	208,673	197,418
Total Systemwide Debt Securities (Note 6)	329,008	322,655
Subordinated debt (Note 7)	398	
Other bonds	3,634	2,559
Notes payable and other interest-bearing liabilities	2,087	1,700
Accrued interest payable	638	686
Other liabilities (Note 4)	5,326	7,558
Total liabilities	341,091	335,158
Commitments and contingencies (Note 14)		
Capital (Note 9)		
Preferred stock	3,531	3,204
Capital stock and participation certificates	2,049	1,977
Additional paid-in-capital	3,785	3,738
Restricted capital (Note 5)	5,833	5,455
Accumulated other comprehensive loss, net of tax	(1,051)	(621)
Retained earnings	55,351	51,782
Total capital	69,498	65,535
Total liabilities and capital	$ 410,589	$ 400,693

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

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF INCOME
(in millions)

	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
	(unaudited)			
Interest income				
Investments, Federal funds sold and securities purchased under resale agreements	$ 196	$ 242	$ 602	$ 870
Loans	2,945	2,879	8,744	9,116
Total interest income	3,141	3,121	9,346	9,986
Interest expense				
Systemwide bonds and medium-term notes	681	801	2,039	3,105
Systemwide discount notes	4	37	20	180
Other interest-bearing liabilities	17	6	27	19
Total interest expense	702	844	2,086	3,304
Net interest income	2,439	2,277	7,260	6,682
(Loan loss reversal) provision for loan losses	(112)	7	(142)	165
Net interest income after (loan loss reversal) provision for loan losses	2,551	2,270	7,402	6,517
Noninterest income				
Loan-related fee income	102	81	298	280
Financially-related services income	80	72	172	155
Income earned on Insurance Fund assets	12	14	37	52
Losses on extinguishment of debt	(30)	(38)	(66)	(100)
Net gains on derivative, investment and other transactions	12	32	41	77
Other income	3	19	89	84
Total noninterest income	179	180	571	548
Noninterest expense				
Salaries and employee benefits	578	519	1,644	1,549
Occupancy and equipment expense	67	72	217	213
Purchased services	72	69	206	189
Other expense	207	166	565	527
Total noninterest expense	924	826	2,632	2,478
Income before income taxes	1,806	1,624	5,341	4,587
Provision for income taxes	46	51	140	141
Net income	$ 1,760	$ 1,573	$ 5,201	$ 4,446

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

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(unaudited)			
Net income	$ 1,760	$ 1,573	$ 5,201	$ 4,446
Other comprehensive (loss) income, net of tax:				
Change in unrealized gains/losses on investments available-for-sale, including reclassification adjustments	(206)	(72)	(644)	993
Change in unrealized gains/losses on cash flow hedges, including reclassification adjustments	16	15	105	(195)
Change in net periodic pension benefit cost, including reclassification adjustments	37	35	109	105
Total other comprehensive (loss) income	(153)	(22)	(430)	903
Comprehensive income	$ 1,607	$ 1,551	$ 4,771	$ 5,349

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

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF CHANGES IN CAPITAL
(in millions)

	For the Nine Months Ended September 30						
	Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Restricted Capital Farm Credit Insurance Fund	Accumulated Other Comprehensive Income (Loss), Net of Tax	Retained Earnings	Total Capital
				(unaudited)			
Balance at December 31, 2019	$ 3,121	$ 2,009	$ 3,738	$ 5,202	$ (1,340)	$ 49,000	$ 61,730
Comprehensive income					903	4,446	5,349
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital				229		(229)	
Insurance Corporation distributions to System institutions				(63)		63	
Preferred stock issued by Banks	350					(4)	346
Preferred stock retired by Banks	(300)						(300)
Preferred stock issued by Associations	259						259
Preferred stock retired by Associations	(208)						(208)
Preferred stock dividends						(123)	(123)
Capital stock and participation certificates issued		80					80
Capital stock and participation certificates retired		(217)					(217)
Patronage:							
Cash						(902)	(902)
Capital stock, participation certificates and retained earnings allocations		79				(79)	
Balance at September 30, 2020	$ 3,222	$ 1,951	$ 3,738	$ 5,368	$ (437)	$ 52,172	$ 66,014
Balance at December 31, 2020	$ 3,204	$ 1,977	$ 3,738	$ 5,455	$ (621)	$ 51,782	$ 65,535
Comprehensive income					(430)	5,201	4,771
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital				378		(378)	
Preferred stock retired by Banks	(17)		5				(12)
Preferred stock issued by Associations	652		(7)			(7)	638
Preferred stock retired by Associations	(308)						(308)
Preferred stock dividends						(132)	(132)
Capital stock and participation certificates issued		93					93
Capital stock and participation certificates retired		(96)					(96)
Equity issued or recharacterized upon Association merger			49				49
Equity retired or recharacterized upon Association merger						(53)	(53)
Patronage:							
Cash						(987)	(987)
Capital stock, participation certificates and retained earnings allocations		75				(75)	
Balance at September 30, 2021	$ 3,531	$ 2,049	$ 3,785	$ 5,833	$ (1,051)	$ 55,351	$ 69,498

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

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF CASH FLOWS
(in millions)

	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
	(unaudited)	
Cash flows from operating activities		
Net income	$ 5,201	$ 4,446
Adjustments to reconcile net income to net cash provided by operating activities:		
(Loan loss reversal) provision for loan losses	(142)	165
Depreciation and amortization on premises and equipment	127	122
Net gains on derivatives, investments and other transactions	(41)	(77)
Income on Insurance Fund assets, net of operating expenses	(35)	(49)
Increase in accrued interest receivable	(386)	(216)
Decrease in accrued interest payable	(48)	(308)
Other, net	147	(602)
Net cash provided by operating activities	4,823	3,481
Cash flows from investing activities		
Increase in loans, net	(10,321)	(14,712)
Decrease in Federal funds sold and securities purchased under resale agreements, net	1,118	1,527
Investments available-for-sale:		
Purchases	(25,709)	(44,783)
Proceeds from maturities and payments	20,920	38,503
Proceeds from sales	1,723	1,500
Other investments held-to-maturity:		
Purchases	(658)	(280)
Proceeds from maturities and payments	308	342
Other investments available-for-sale:		
Purchases	(755)	(691)
Proceeds from maturities and payments	684	161
Proceeds from sales		100
Premiums paid to the Insurance Fund	(255)	(223)
Distributions by Insurance Fund to System institutions		63
Other, net	(140)	(163)
Net cash used in investing activities	(13,085)	(18,656)
Cash flows from financing activities		
Systemwide bonds issued	120,153	177,003
Systemwide bonds and medium-term notes retired	(108,975)	(166,614)
Systemwide discount notes issued	170,148	155,224
Systemwide discount notes retired	(174,849)	(150,266)
Subordinated debt issued, net	398	
Other bonds issued, net	1,075	546
Increase in notes payable and other interest-bearing liabilities, net	387	530
Preferred stock issued by Banks		346
Preferred stock retired by Banks	(12)	(300)
Preferred stock issued by Associations	638	259
Preferred stock retired by Associations	(308)	(208)
Capital stock and participation certificates issued	93	80
Capital stock, participation certificates and retained earnings retired	(136)	(284)
Preferred stock dividends paid	(122)	(122)
Cash patronage paid	(2,477)	(2,334)
Net cash provided by financing activities	6,013	13,860
Net decrease in cash	(2,249)	(1,315)
Cash at beginning of period	4,067	2,504
Cash at end of period	$ 1,818	$ 1,189

FARM CREDIT SYSTEM

CONDENSED COMBINED STATEMENT OF CASH FLOWS - (continued)
(in millions)

	For the Nine Months Ended September 30, 2021	2020
	(unaudited)	
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to other property owned	$ 24	$ 28
Patronage and dividends distributions payable	1,152	1,005
Investments available-for-sale (purchased) sold but not yet settled, net	(257)	5
Supplemental non-cash fair value changes related to hedging activities:		
(Decrease) increase in Systemwide bonds and medium-term notes	(165)	229
Other, net	96	(277)
Supplemental disclosure of cash flow information:		
Cash paid during the nine months for:		
Interest	2,096	3,600
Taxes	41	85

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

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(unaudited)
(dollars in millions, except as noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Farm Credit System (System) condensed combined financial statements include financial information of: (1) three Farm Credit Banks (AgFirst Farm Credit Bank; AgriBank, FCB; and Farm Credit Bank of Texas) and their affiliated Associations, (2) one Agricultural Credit Bank (CoBank, ACB) and its affiliated Associations, (3) the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and (4) various service and other organizations. Substantially all Associations are structured as Agricultural Credit Associations (ACA) parent companies, with Federal Land Credit Associations (FLCA) and Production Credit Associations (PCA) subsidiaries. ACA parent companies provide financing and related services to customers through their FLCA and PCA subsidiaries. Generally, FLCAs make long-term loans secured by agricultural real estate or rural home loans. PCAs make short- and intermediate-term loans for agricultural production or operating purposes.

The accompanying unaudited condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these statements should be read in conjunction with the audited combined financial statements for the year ended December 31, 2020, contained in the System's *2020 Annual Information Statement*, as these statements do not include all of the disclosures required by GAAP for annual financial statements.

The accompanying condensed combined financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operation of the System. All significant intra-System transactions and balances have been eliminated in combination. Certain amounts in prior years' combined financial statements have been reclassified to conform to the current year presentation.

A more complete description of System institutions, the significant accounting policies followed by System entities, and the System's combined financial condition and combined results of operations as of and for the year ended December 31, 2020 are contained in the *2020 Annual Information Statement*.

Recently Adopted or Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020 through December 31, 2022. System institutions applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to the LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the System's financial condition or results of operations. In addition, System institutions adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the System's financial condition or results of operations.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after

(dollars in millions, except as noted)

December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The System adopted the guidance in the first quarter of 2021 and the impact was not material to the System's financial condition or its results of operations.

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

NOTE 2 — INVESTMENTS

Available-for-Sale

The following is a summary of available-for-sale investments held by the Banks for maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk:

	September 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities	$ 4,673	$ 31		$ 4,704	0.55%
U.S. Treasury securities	26,395	322	$ (41)	26,676	0.97
U.S. agency securities	2,289	100	(3)	2,386	1.97
Mortgage-backed securities	29,749	266	(149)	29,866	1.12
Asset-backed securities	3,577	72	(26)	3,623	1.88
Total	$ 66,683	$ 791	$ (219)	$ 67,255	1.09

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities	$ 7,231	$ 36		$ 7,267	0.53%
U.S. Treasury securities	20,428	543		20,971	1.38
U.S. agency securities	2,955	168	$ (1)	3,122	1.83
Mortgage-backed securities	29,466	448	(33)	29,881	1.37
Asset-backed securities	3,807	105	(3)	3,909	1.84
Total	$ 63,887	$ 1,300	$ (37)	$ 65,150	1.33

(dollars in millions, except as noted)

A summary of the fair value and amortized cost of investments available-for-sale at September 30, 2021 by contractual maturity is as follows:

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities	$ 4,176		$ 338		$ 190				$ 4,704	0.55%
U.S. Treasury securities	7,713		16,460		2,503				26,676	0.97
U.S. agency securities	304		1,289		606		$ 187		2,386	1.97
Mortgage-backed securities	54		3,385		9,782		16,645		29,866	1.12
Asset-backed securities	3		680		771		2,169		3,623	1.88
Total fair value	$12,250	0.69%	$22,152	1.09%	$13,852	1.09%	$19,001	1.36%	$67,255	1.09
Total amortized cost	$12,222		$21,790		$13,763		$18,908		$66,683	

A large portion of mortgage-backed securities have contractual maturities in excess of ten years. However, expected and actual maturities for mortgage-backed securities will typically be shorter than contractual maturities because borrowers generally have the right to prepay the underlying mortgage obligations with or without prepayment penalties.

Other Investments Held-to-Maturity

The Banks and Associations may hold other investments for managing risk. The following is a summary of other investments held-to-maturity:

	September 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 1,357	$ 27	$ (14)	$ 1,370	2.57%
Asset-backed securities	695	11	(5)	701	0.78
Other securities	47	6		53	6.24
Total	$ 2,099	$ 44	$ (19)	$ 2,124	2.06

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$ 1,048	$ 47	$ (2)	$ 1,093	3.17%
Asset-backed securities	656	8	(5)	659	1.15
Other securities	60	10		70	6.16
Total	$ 1,764	$ 65	$ (7)	$ 1,822	2.52

(dollars in millions, except as noted)

A summary of the fair value and amortized cost of other investments held-to-maturity at September 30, 2021 by contractual maturity is as follows:

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Mortgage-backed securities	$ 16		$ 19		$ 65		$ 1,257		$ 1,357	2.57%
Asset-backed securities			2		348		345		695	0.78
Other securities			9				38		47	6.24
Total amortized cost	$ 16	1.83%	$ 30	4.50%	$ 413	1.04%	$ 1,640	2.28%	$ 2,099	2.06
Total fair value	$ 16		$ 31		$ 415		$ 1,662		$ 2,124	

Other Investments Available-for-Sale

The following is a summary of other investments available-for-sale:

	September 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities	$ 777	$ 1	$ (2)	$ 776	0.53%
Mortgage-backed securities	202	7		209	2.10
Asset-backed securities	91	1		92	3.18
Other securities	18		(1)	17	4.15
Total	$ 1,088	$ 9	$ (3)	$ 1,094	1.11

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities	$ 651	$ 1		$ 652	0.28%
Mortgage-backed securities	273	8		281	2.07
Asset-backed securities	79	1		80	3.21
Other securities	13			13	4.20
Total	$ 1,016	$ 10	$ 0	$ 1,026	1.05

(dollars in millions, except as noted)

A summary of the fair value and amortized cost of other investments available-for-sale at September 30, 2021 by contractual maturity is as follows:

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Treasury securities	$ 105		$ 498		$ 173				$ 776	0.53%
Mortgage-backed securities			12		4		$ 193		209	2.10
Asset-backed securities					37		55		92	3.18
Other securities			1		7		9		17	4.15
Total fair value	$ 105	0.14%	$ 511	0.44%	$ 221	1.80%	$ 257	2.25%	$ 1,094	1.11
Total amortized cost	$ 105		$ 512		$ 220		$ 251		$ 1,088	

Other-Than-Temporarily Impaired Investments Evaluation

The following tables show the gross unrealized losses and fair value of the System's investment securities that have been in a continuous unrealized loss position. An investment is considered impaired if its fair value is less than its cost. The continuous loss position is based on the date the impairment was first identified.

	Less Than 12 Months		12 Months or More	
September 30, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Commercial paper, bankers' acceptances, certificates of deposit and other securities			$ 8	$ (1)
U.S. Treasury securities	$ 11,008	$ (43)		
U.S. agency securities	114	(3)		
Mortgage-backed securities	10,657	(110)	2,220	(53)
Asset-backed securities	1,295	(27)	163	(4)
Total	$ 23,074	$ (183)	$ 2,391	$ (58)

	Less Than 12 Months		12 Months or More	
December 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. agency securities			$ 278	$ (1)
Mortgage-backed securities	$ 4,348	$ (22)	2,237	(13)
Asset-backed securities	627	(5)	258	(3)
Total	$ 4,975	$ (27)	$ 2,773	$ (17)

As more fully discussed in Note 2 of the *2020 Annual Information Statement*, the guidance for other-than-temporary impairment contemplates numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

System institutions perform an evaluation quarterly on a security-by-security basis considering all available information. If a Bank or Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When a Bank or Association does not intend to sell securities in an unrealized loss position, other-than-temporary impairment is considered using various factors, including the length of time and the extent to which the fair value is less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. A Bank or Association uses estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considers factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The System did not recognize any credit impairment losses in earnings during the first nine months of 2021 and 2020.

(dollars in millions, except as noted)

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans outstanding consisted of the following:

	September 30, 2021	December 31, 2020
Real estate mortgage	$ 159,084	$ 147,623
Production and intermediate-term*	62,480	62,318
Agribusiness	53,413	56,412
Rural infrastructure	36,245	34,477
Rural residential real estate	6,891	6,928
Other**	7,671	7,732
Total loans	$ 325,784	$ 315,490

* Includes lease receivables.
** Includes agricultural export finance loans and loans to other financing institutions.

The Farm Credit Administration Uniform Loan Classification System includes five categories: acceptable, other assets especially mentioned (OAEM), substandard, doubtful and loss. The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	95.4%	93.8%
OAEM	2.4	3.2
Substandard/doubtful	2.2	3.0
	100.0	100.0
Production and intermediate-term		
Acceptable	92.5	91.1
OAEM	4.1	5.1
Substandard/doubtful	3.4	3.8
	100.0	100.0
Agribusiness		
Acceptable	94.2	93.5
OAEM	3.7	5.2
Substandard/doubtful	2.1	1.3
	100.0	100.0
Rural infrastructure		
Acceptable	98.8	99.1
OAEM	0.6	0.6
Substandard/doubtful	0.6	0.3
	100.0	100.0
Rural residential real estate		
Acceptable	97.9	97.2
OAEM	0.7	1.0
Substandard/doubtful	1.4	1.8
	100.0	100.0
Other		
Acceptable	99.8	99.9
OAEM	0.2	0.1
Substandard/doubtful	0.0	0.0
	100.0	100.0
Total Loans		
Acceptable	95.2	94.0
OAEM	2.7	3.5
Substandard/doubtful	2.1	2.5
	100.0	100.0

(dollars in millions, except as noted)

Impaired loans (which consist of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due) are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan. The following tables present information concerning impaired loans and include both the principal outstanding and the related accrued interest receivable on these loans.

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Current as to principal and interest	$ 821	$ 886
Past due	519	618
Total nonaccrual loans	1,340	1,504
Impaired accrual loans:		
Restructured accrual loans	256	262
Accrual loans 90 days or more past due	150	94
Total impaired accrual loans	406	356
Total impaired loans	$ 1,746	$ 1,860

(dollars in millions, except as noted)

The following table reflects nonperforming assets (which consist of impaired loans and other property owned) in a more detailed manner than the previous table.

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 697	$ 849
Production and intermediate-term	378	469
Agribusiness	125	120
Rural infrastructure	101	20
Rural residential real estate	39	46
Total nonaccrual loans	1,340	1,504
Accruing restructured loans:		
Real estate mortgage	175	181
Production and intermediate-term	54	62
Agribusiness	10	12
Rural residential real estate	17	7
Total accruing restructured loans	256	262
Accruing loans 90 days or more past due:		
Real estate mortgage	121	83
Production and intermediate-term	18	10
Agribusiness	7	
Rural residential real estate	4	1
Total accruing loans 90 days or more past due	150	94
Total nonperforming loans	1,746	1,860
Other property owned	38	37
Total nonperforming assets	$ 1,784	$ 1,897

The following table reflects certain related credit quality statistics:

	September 30, 2021	December 31, 2020
Nonaccrual loans as a percentage of total loans	0.41%	0.48%
Nonperforming assets as a percentage of total loans and other property owned	0.55	0.60
Nonperforming assets as a percentage of capital	2.57	2.89

Commitments to lend additional funds to borrowers whose loans were classified as impaired were $57 million at September 30, 2021 and $53 million at December 31, 2020.

(dollars in millions, except as noted)

Additional impaired loan information by class is as follows:

	September 30, 2021			December 31, 2020		
	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Recorded Investment*	Unpaid Principal Balance**	Related Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	$ 116	$ 123	$ 39	$ 145	$ 158	$ 42
Production and intermediate-term	177	202	52	189	217	58
Agribusiness	87	94	34	83	99	25
Rural infrastructure	100	101	25	15	15	4
Rural residential real estate	15	15	1	12	12	1
Total	495	535	151	444	501	130
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	877	1,016		968	1,114	
Production and intermediate-term	273	424		352	513	
Agribusiness	55	104		49	98	
Rural infrastructure	1	3		5	23	
Rural residential real estate	45	51		42	50	
Total	1,251	1,598		1,416	1,798	
Total impaired loans:						
Real estate mortgage	993	1,139	39	1,113	1,272	42
Production and intermediate-term	450	626	52	541	730	58
Agribusiness	142	198	34	132	197	25
Rural infrastructure	101	104	25	20	38	4
Rural residential real estate	60	66	1	54	62	1
Total	$ 1,746	$ 2,133	$ 151	$ 1,860	$ 2,299	$ 130

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

** Unpaid principal balance represents the contractual principal balance of the loan.

(dollars in millions, except as noted)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:								
Real estate mortgage	$ 126		$ 137		$ 137	$ 2	$ 126	$ 1
Production and intermediate-term	190	$ 1	253	$ 1	190	2	250	2
Agribusiness	100		206	1	82		221	1
Rural infrastructure	98		63		62		65	
Rural residential real estate	16		7		11		7	
Total	530	1	666	2	482	4	669	4
Impaired loans with no related allowance for loan losses:								
Real estate mortgage	883	11	1,058	15	920	39	1,079	40
Production and intermediate-term	276	5	440	6	309	20	444	25
Agribusiness	52	1	60		55	8	68	17
Rural infrastructure	3		15		7		11	
Rural residential real estate	43	1	52	1	45	3	51	2
Total	1,257	18	1,625	22	1,336	70	1,653	84
Total impaired loans:								
Real estate mortgage	1,009	11	1,195	15	1,057	41	1,205	41
Production and intermediate-term	466	6	693	7	499	22	694	27
Agribusiness	152	1	266	1	137	8	289	18
Rural infrastructure	101		78		69		76	
Rural residential real estate	59	1	59	1	56	3	58	2
Total	$ 1,787	$ 19	$ 2,291	$ 24	$ 1,818	$ 74	$ 2,322	$ 88

(dollars in millions, except as noted)

The following tables provide an aging analysis of past due loans (including accrued interest) by portfolio segment:

	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 and Accrued Interest	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 418	$ 307	$ 725	$ 160,243	$ 160,968	$ 121
Production and intermediate-term	147	154	301	62,766	63,067	18
Agribusiness	50	61	111	53,468	53,579	7
Rural infrastructure		55	55	36,293	36,348	
Rural residential real estate	23	17	40	6,875	6,915	4
Other				7,683	7,683	
Total	$ 638	$ 594	$ 1,232	$ 327,328	$ 328,560	$ 150

	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 and Accrued Interest	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 503	$ 355	$ 858	$ 148,266	$ 149,124	$ 83
Production and intermediate-term	263	204	467	62,410	62,877	10
Agribusiness	18	41	59	56,524	56,583	
Rural infrastructure	14	5	19	34,553	34,572	
Rural residential real estate	68	19	87	6,866	6,953	1
Other				7,752	7,752	
Total	$ 866	$ 624	$ 1,490	$ 316,371	$ 317,861	$ 94

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

A summary of changes in the allowance for loan losses and the recorded investment for loans outstanding by portfolio segment follows:

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Allowance for Loan Losses:							
Balance at June 30, 2021	$ 499	$ 485	$ 557	$ 197	$ 17	$ 26	$ 1,781
Charge-offs	(1)	(9)			(1)		(11)
Recoveries	1	5	2				8
(Loan loss reversal) provision for loan losses	(55)	10	(69)	1		1	(112)
Reclassification (to) from reserve for unfunded commitments*	(3)		(9)	(1)			(13)
Balance at September 30, 2021	$ 441	$ 491	$ 481	$ 197	$ 16	$ 27	$ 1,653
Balance at June 30, 2020	$ 525	$ 568	$ 524	$ 222	$ 18	$ 28	$ 1,885
Charge-offs	(1)	(12)	(8)	(34)	(1)		(56)
Recoveries	1	5	1				7
Provision for loan losses (loan loss reversal)		4	3	(5)	5		7
Reclassification (to) from reserve for unfunded commitments*	12	(5)	(18)	(3)	(1)		(15)
Balance at September 30, 2020	$ 537	$ 560	$ 502	$ 180	$ 21	$ 28	$ 1,828
Balance at December 31, 2020	$ 538	$ 532	$ 507	$ 172	$ 19	$ 28	$ 1,796
Charge-offs	(4)	(27)	(4)		(2)		(37)
Recoveries	3	21	8	9			41
(Loan loss reversal) provision for loan losses	(93)	(39)	(25)	17	(1)	(1)	(142)
Reclassification (to) from reserve for unfunded commitments*	(3)	4	(5)	(1)			(5)
Balance at September 30, 2021	$ 441	$ 491	$ 481	$ 197	$ 16	$ 27	$ 1,653
Balance at December 31, 2019	$ 492	$ 546	$ 508	$ 219	$ 18	$ 23	$ 1,806
Charge-offs	(9)	(44)	(9)	(42)	(1)		(105)
Recoveries	4	17	2			1	24
Provision for loan losses	59	55	36	6	5	4	165
Reclassification (to) from reserve for unfunded commitments*	(9)	(14)	(35)	(3)	(1)		(62)
Balance at September 30, 2020	$ 537	$ 560	$ 502	$ 180	$ 21	$ 28	$ 1,828
Ending Balance at September 30, 2021:							
Individually evaluated for impairment	$ 39	$ 52	$ 34	$ 25	$ 1		$ 151
Collectively evaluated for impairment	402	439	447	172	15	$ 27	1,502
Balance at September 30, 2021	$ 441	$ 491	$ 481	$ 197	$ 16	$ 27	$ 1,653
Ending Balance at December 31, 2020:							
Individually evaluated for impairment	$ 42	$ 58	$ 25	$ 4	$ 1		$ 130
Collectively evaluated for impairment	496	474	482	168	18	$ 28	1,666
Balance at December 31, 2020	$ 538	$ 532	$ 507	$ 172	$ 19	$ 28	$ 1,796

* Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

(dollars in millions, except as noted)

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at September 30, 2021:							
Loans individually evaluated for impairment	$ 1,127	$ 457	$ 142	$ 101	$ 688	$ 50	$ 2,565
Loans collectively evaluated for impairment	159,841	62,610	53,437	36,247	6,227	7,633	325,995
Balance at September 30, 2021	$ 160,968	$ 63,067	$ 53,579	$ 36,348	$ 6,915	$7,683	$328,560
Ending balance at December 31, 2020:							
Loans individually evaluated for impairment	$ 1,258	$ 544	$ 142	$ 21	$ 841	$ 81	$ 2,887
Loans collectively evaluated for impairment	147,866	62,333	56,441	34,551	6,112	7,671	314,974
Balance at December 31, 2020	$ 149,124	$ 62,877	$ 56,583	$ 34,572	$ 6,953	$7,752	$317,861

A restructuring of a loan constitutes a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. When a restructured loan constitutes a troubled debt restructuring, these loans are included within our impaired loans under nonaccrual or accruing restructured loans. All impaired loans are analyzed within our allowance for loan losses.

The following table presents additional information regarding troubled debt restructurings that occurred during the following periods:

	For the Three Months Ended September 30, 2021		For the Three Months Ended September 30, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	$ 11	$ 12	$ 15	$ 16
Production and intermediate-term	23	22	8	7
Agribusiness	11	11		
Rural residential real estate	9	9		
Total	$ 54	$ 54	$ 23	$ 23

(dollars in millions, except as noted)

	For the Nine Months Ended September 30, 2021		For the Nine Months Ended September 30, 2020	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	$ 41	$ 42	$ 54	$ 55
Production and intermediate-term	40	41	39	40
Agribusiness	26	26	12	12
Rural residential real estate	13	13	1	1
Total	$ 120	$ 122	$ 106	$ 108

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

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a payment default during the period:

	Recorded Investment	
	September 30, 2021	September 30, 2020
Troubled debt restructurings that subsequently defaulted:		
Real estate mortgage	$ 1	$ 20
Production and intermediate-term	1	1
Agribusiness		2
Total	$ 2	$ 23

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

	Loans Modified as Troubled Debt Restructurings		Troubled Debt Restructurings in Nonaccrual Status*	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	$ 273	$ 288	$ 98	$ 107
Production and intermediate-term	124	129	70	67
Agribusiness	11	16	1	4
Rural infrastructure	2	2	2	2
Rural residential real estate	21	12	4	5
Total	$ 431	$ 447	$ 175	$ 185

* Represents the portion of loans modified as troubled debt restructurings that are in nonaccrual status.

(dollars in millions, except as noted)

Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings were $12 million at September 30, 2021 and $21 million at December 31, 2020.

Loans held for sale were $41 million and $71 million at September 30, 2021 and December 31, 2020. Such loans are included in other assets and are carried at the lower of cost or fair value.

NOTE 4 — OTHER ASSETS AND OTHER LIABILITIES

Other assets consisted of the following:

	September 30, 2021	December 31, 2020
Equipment held for lease	$ 730	$ 633
Interest rate swaps and other derivatives	530	890
Assets held in non-qualified benefits trusts	245	217
Investments in rural business investment companies	225	162
Accounts receivable	212	293
Collateral pledged to derivative counterparties	162	357
Operating lease right-of-use assets	161	177
Equity investments in other System institutions	122	119
Prepaid expenses	114	100
Loans held for sale	41	71
Other property owned	38	37
Net deferred tax assets	10	12
Other	111	112
Total	$ 2,701	$ 3,180

Other liabilities consisted of the following:

	September 30, 2021	December 31, 2020
Pension and other postretirement benefit plan liabilities	$ 1,040	$ 1,181
Patronage and dividends payable	1,006	2,453
Accounts payable	841	1,063
Net deferred tax liabilities	630	652
Interest rate swaps and other derivatives	470	741
Accrued salaries and employee benefits	366	424
Reserve for unfunded commitments	201	196
Operating lease liabilities	176	192
Liabilities held in non-qualified benefit trusts	157	137
Bank drafts payable	108	162
Other	331	357
Total	$ 5,326	$ 7,558

NOTE 5 — FARM CREDIT INSURANCE FUND

The assets in the Insurance Fund are designated as restricted assets and the related capital is designated as restricted capital. The classification of the Insurance Fund as restricted assets (and as restricted capital) in the System's condensed combined financial statements is based on the statutory requirement that the amounts in the Insurance Fund are to be used solely for purposes specified in the Farm Credit Act of 1971, as amended (Farm Credit Act), all of which benefit the Banks and Associations. The Insurance Fund is under the direct control of the Farm Credit System Insurance Corporation (Insurance Corporation), an independent U.S. government-controlled corporation, and not under the control of any System institution. A board of directors consisting of the Farm Credit Administration Board directs the Insurance Corporation.

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

(dollars in millions, except as noted)

At September 30, 2021, assets in the Insurance Fund totaled $5.833 billion and consisted of cash, investments and related accrued interest receivable of $5.489 billion and of premiums receivable from System institutions of $344 million accrued on the basis of adjusted outstanding insured debt during the first nine months of 2021. Investments held by the Insurance Fund must be obligations of the United States or obligations guaranteed as to principal and interest by the United States. During the first nine months of 2021, income earned on assets in the Insurance Fund and premiums accrued by the Insurance Corporation totaled $378 million, net of administrative expenses.

NOTE 6 — SYSTEMWIDE DEBT SECURITIES

Aggregate maturities and the weighted average interest rate of Systemwide Debt Securities were as follows at September 30, 2021:

	Bonds		Medium-term notes		Discount notes		Total	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Due in 1 year or less	$ 101,545	0.48%			$ 18,790	0.07%	$ 120,335	0.42%
Due after 1 year through 2 years	78,921	0.46					78,921	0.46
Due after 2 years through 3 years	28,320	0.89					28,320	0.89
Due after 3 years through 4 years	18,975	0.97					18,975	0.97
Due after 4 years through 5 years	14,203	1.30					14,203	1.30
Due after 5 years	68,177	1.96	$ 77	5.75%			68,254	1.96
Total	$ 310,141	0.91	$ 77	5.75	$ 18,790	0.07	$ 329,008	0.86

NOTE 7 — SUBORDINATED DEBT

In May 2021, one Association issued $150 million of unsecured subordinated debt due on June 1, 2036, with an option to redeem all or some of the debt, at any time after a date 10 years from the closing date. The debt bears a fixed-to-floating interest rate of 3.375% per annum through May 31, 2031. Beginning June 1, 2031, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term Secured Overnight Financing Rate (SOFR) plus 196.5 basis points. Concurrently, the Association issued $50 million of unsecured subordinated debt due on June 1, 2031, with an option to redeem all or some of the debt, at any time after a date five years from the closing date. The debt bears a fixed-to-floating interest rate of 2.75% per annum through May 31, 2026. Beginning June 1, 2026, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term SOFR plus 203 basis points.

In June 2021, another Association issued $200 million of unsecured subordinated debt maturing on June 15, 2036. The subordinated debt will bear interest at a rate of 3.375% per annum, payable semi-annually in arrears, beginning December 15, 2021. From and including June 15, 2031, to but excluding June 15, 2036 or the date of earlier redemption, the subordinated debt will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be three-month term SOFR) plus a spread of 212 basis points, payable quarterly in arrears, commencing on September 15, 2031. The Association may, at their option, redeem the subordinated debt, in whole or in part beginning with the interest payment date of June 15, 2031, and on any interest payment date thereafter.

(dollars in millions, except as noted)

Subordinated debt is unsecured and subordinate to all other categories of creditors, including any claims of holders of Systemwide Debt Securities and general creditors, and senior to all classes of shareholders. The proceeds will be used by the Associations for general corporate purposes.

Subordinated debt is the sole obligation of the issuing entity and is not guaranteed by any other System institution. Such obligations are not Systemwide Debt Securities and therefore are not subject to the joint and several obligations of the Banks and are not guaranteed or insured by the Insurance Fund.

NOTE 8 — MERGERS OF SYSTEM INSTITUTIONS

As discussed in the *2020 Annual Information Statement*, the primary reason for System entity mergers is based on a determination that the combined organization would be financially and operationally stronger with an enhanced ability to fulfill its mission.

Effective January 1, 2021, two Associations in the CoBank District merged. The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed for the merger as of January 1, 2021:

	Fair Value
Total assets acquired	$ 262
Total liabilities assumed	213
Net assets acquired	$ 49

The assets acquired included gross loans at fair value of $245 million with a contractual amount of $248 million. As of January 1, 2021, the gross contractual amount of loans is expected to be collected.

NOTE 9 — CAPITAL STRUCTURE

Capital consisted of the following at September 30, 2021:

	Combined Banks	Combined Associations	Combination Entries	System Combined
Preferred stock	$ 2,532	$ 999		$ 3,531
Capital stock and participation certificates	8,019	518	$ (6,488)	2,049
Additional paid-in-capital	64	3,721		3,785
Restricted capital — Insurance Fund			5,833	5,833
Accumulated other comprehensive (loss) income	184	(173)	(1,062)	(1,051)
Retained earnings	12,750	43,220	(619)	55,351
Total capital	$ 23,549	$ 48,285	$ (2,336)	$ 69,498

Preferred stock issued and outstanding reflects the issuance by four Banks and seven Associations. Combined System retained earnings reflected net eliminations of $619 million representing transactions between the Banks, the Associations and/or the Insurance Fund. Capital stock and participation certificates of the Banks amounting to $6.5 billion were owned by the Associations. These amounts have been eliminated in the accompanying condensed combined financial statements. Restricted capital is only available for statutorily authorized purposes and is not available for payment of dividends or patronage distributions.

During the first quarter of 2021, one Association issued $200 million of non-cumulative perpetual preferred stock. Dividends, if declared by the Association's Board of Directors in its sole discretion, are non-cumulative and are payable quarterly at a fixed annual rate of 5.00%, up to but excluding March 15, 2026, and then resets to the annual five year

(dollars in millions, except as noted)

Treasury rate plus 4.523%. The preferred stock is redeemable at par value, in whole or in part, at the Association's option quarterly beginning on March 15, 2026. Also during the first quarter of 2021, another Association redeemed approximately $226 million of Class H preferred stock.

During the second quarter of 2021, one Association issued $100 million of non-cumulative perpetual preferred stock. Dividends, if declared by the Association's Board of Directors in its sole discretion, are non-cumulative and are payable quarterly at a fixed annual rate of 4.875%, up to but excluding August 15, 2026. Thereafter the accrued dividend amount will be equal to the five year Treasury rate, reset quarterly, plus 4.10%. The preferred stock is redeemable at par value, in whole or in part, at the Association's option quarterly beginning on August 15, 2026. Also during the second quarter of 2021, another Association issued $300 million of non-cumulative perpetual preferred stock. Dividends, if declared by the Association's Board of Directors in its sole discretion, are non-cumulative and are payable quarterly at a fixed annual rate of 5.25%, up to but excluding June 15, 2026. Thereafter, the accrued dividend amount will be equal to the sum of the five year Treasury rate as of the most recent reset determination date plus 4.50%. The preferred stock is redeemable at par value, in whole or in part, at the Association's option quarterly beginning on June 15, 2026.

Proceeds from each preferred stock issuance was for the Association's general corporate purposes.

Preferred stock is the sole obligation of the issuing entity and is not guaranteed by any other System institution and is not considered a Systemwide Debt Security subject to the provisions of joint and several liability. Preferred stock is not guaranteed or insured by the Insurance Fund.

Accumulated other comprehensive loss was comprised of the following components:

	September 30, 2021			December 31, 2020		
	Before Tax	Deferred Tax	Net of Tax	Before Tax	Deferred Tax	Net of Tax
Unrealized gains on investments available-for-sale, net	$ 581	$ (68)	$ 513	$ 1,275	$ (118)	$ 1,157
Unrealized losses on cash flow hedges, net	(256)	8	(248)	(361)	8	(353)
Pension and other benefit plans	(1,336)	20	(1,316)	(1,447)	22	(1,425)
Total	$ (1,011)	$ (40)	$ (1,051)	$ (533)	$ (88)	$ (621)

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component for the three and nine months ended September 30, 2021 and 2020:

	Unrealized gains on investments available-for-sale, net	Unrealized losses on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at June 30, 2021	$ 719	$ (264)	$ (1,353)	$ (898)
Other comprehensive income before reclassifications	(206)	4		(202)
Amounts reclassified from accumulated other comprehensive loss to income		12	37	49
Net current period other comprehensive (loss) income	(206)	16	37	(153)
Balance at September 30, 2021	$ 513	$ (248)	$ (1,316)	$ (1,051)

(dollars in millions, except as noted)

	Unrealized gains on investments available-for-sale, net	Unrealized losses on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at June 30, 2020	$ 1,350	$ (405)	$ (1,360)	$ (415)
Other comprehensive income before reclassifications	(72)	(1)		(73)
Amounts reclassified from accumulated other comprehensive loss to income		16	35	51
Net current period other comprehensive (loss) income	(72)	15	35	(22)
Balance at September 30, 2020	$ 1,278	$ (390)	$ (1,325)	$ (437)

	Unrealized gains on investments available-for-sale, net	Unrealized losses on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at December 31, 2020	$ 1,157	$ (353)	$ (1,425)	$ (621)
Other comprehensive income before reclassifications	(642)	67		(575)
Amounts reclassified from accumulated other comprehensive loss to income	(2)	38	109	145
Net current period other comprehensive (loss) income	(644)	105	109	(430)
Balance at September 30, 2021	$ 513	$ (248)	$ (1,316)	$ (1,051)

	Unrealized gains on investments available-for-sale, net	Unrealized losses on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at December 31, 2019	$ 285	$ (195)	$ (1,430)	$ (1,340)
Other comprehensive income before reclassifications	1,000	(227)		773
Amounts reclassified from accumulated other comprehensive loss to income	(7)	32	105	130
Net current period other comprehensive income (loss)	993	(195)	105	903
Balance at September 30, 2020	$ 1,278	$ (390)	$ (1,325)	$ (437)

Only the Banks are statutorily liable for the payment of principal and interest on Federal Farm Credit Banks Consolidated Systemwide Bonds, Federal Farm Credit Banks Consolidated Systemwide Discount Notes, Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes and other debt securities issued under Section 4.2(d) of the Farm Credit Act (collectively, Systemwide Debt Securities). Under each Bank's bylaws, the Bank is authorized under certain circumstances to require its affiliated Associations and certain other equity holders to purchase additional Bank equities. In most cases, the Banks are limited as to the amounts of these purchases that may be required, generally with reference to a percentage of the Association's or other equity holder's direct loan from the Bank, and calls for additional equity investments may be subject to other limits or conditions. However, the Banks also generally possess indirect access to certain financial resources of their affiliated Associations through loan-pricing provisions and through Bank-influenced District operating and financing policies and agreements.

(dollars in millions, except as noted)

Capital regulations issued by the System's regulator, the Farm Credit Administration, require that the Banks and Associations maintain regulatory minimums for the following capital ratios:

Ratio	Minimum Requirement	Minimum Requirement with Buffer
Common Equity Tier 1 Capital	4.5%	7.0%
Tier 1 Capital	6.0%	8.5%
Total Capital	8.0%	10.5%
Tier 1 Leverage*	4.0%	5.0%
Unallocated Retained Earnings (URE) and URE Equivalents (UREE) Leverage	1.5%	N/A
Permanent Capital	7.0%	N/A

* Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

At September 30, 2021, all System institutions complied with these standards.

NOTE 10 — EMPLOYEE BENEFIT PLANS

The Banks and substantially all Associations participate in defined benefit retirement plans. The Banks and Associations, except for CoBank and certain affiliated Associations, generally have governmental plans that cover many System institutions and as such cannot be attributed to any individual entity. Thus, these plans are generally recorded at the combined District level. Although these plans are aggregated in the System's combined financial statements, the plan assets are particular to each plan's obligations. These retirement plans are noncontributory and benefits are based on salary and years of service. The Banks and Associations have closed their defined benefit pension plans to new participants and offer defined contribution retirement plans to all employees hired subsequent to the close of their respective defined benefit pension plans. In addition, certain System institutions provide healthcare and other postretirement benefits to eligible retired employees. Employees of System institutions may become eligible for healthcare and other postretirement benefits if they reach normal retirement age while working for the System.

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

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Service cost	$ 16	$ 16		
Interest cost	27	34	$ 3	$ 3
Expected return on plan assets	(47)	(49)		
Net amortization and deferral	38	37		
Curtailments and Settlements	1			
Net periodic benefit cost	$ 35	$ 38	$ 3	$ 3

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

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Service cost	$ 48	$ 47	$ 2	$ 2
Interest cost	80	102	7	8
Expected return on plan assets	(143)	(147)		
Net amortization and deferral	113	111	2	1
Curtailments and Settlements	4			
Net periodic benefit cost	$ 102	$ 113	$ 11	$ 11

The components of net periodic benefit cost other than the service cost component are included in the line item other expense in the Condensed Combined Statement of Income.

As of September 30, 2021, $129 million and $10 million of contributions have been made to pension and other postretirement benefit plans. System institutions presently anticipate contributing an additional $98 million to fund their pension plans and $3 million to fund their other postretirement benefit plans during the fourth quarter of 2021.

(dollars in millions, except as noted)

NOTE 11 — FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2 — Summary of Significant Accounting Policies in the *2020 Annual Information Statement* for additional information.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2021 and December 31, 2020 for each of the fair value hierarchy levels are summarized below:

September 30, 2021	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Federal funds sold and securities purchased under resale agreements		$ 1,085		$ 1,085
Commercial paper, bankers' acceptances, certificates of deposit and other securities		4,704	$ 17	4,721
U.S. Treasury securities		27,452		27,452
U.S. agency securities		2,386		2,386
Mortgage-backed securities		29,840	235	30,075
Asset-backed securities		3,715		3,715
Derivative assets		530		530
Assets held in non-qualified benefits trusts	$ 245			245
Total assets	$ 245	$ 69,712	$ 252	$ 70,209
Liabilities:				
Derivative liabilities		$ 470		$ 470
Standby letters of credit			$ 20	20
Total liabilities	$ 0	$ 470	$ 20	$ 490

(dollars in millions, except as noted)

December 31, 2020	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Federal funds sold and securities purchased under resale agreements		$ 2,203		$ 2,203
Commercial paper, bankers' acceptances, certificates of deposit and other securities		7,267	$ 13	7,280
U.S. Treasury securities		21,623		21,623
U.S. agency securities		3,122		3,122
Mortgage-backed securities		29,979	183	30,162
Asset-backed securities		3,989		3,989
Derivative assets		890		890
Assets held in non-qualified benefits trusts	$ 217			217
Total assets	$ 217	$ 69,073	$ 196	$ 69,486
Liabilities:				
Derivative liabilities		$ 741		$ 741
Standby letters of credit			$ 17	17
Total liabilities	$ 0	$ 741	$ 17	$ 758

The tables below summarize the activity of all Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended September 30, 2021 and 2020:

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at June 30, 2021	$ 16	$ 348	$ 21
Total gains or (losses) realized/unrealized:			
Included in other comprehensive loss	1	(1)	
Purchases		145	
Issuances			3
Settlements		(6)	(4)
Transfers from Level 3 into Level 2		(251)	
Balance at September 30, 2021	$ 17	$ 235	$ 20
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2021	$ 1	$ (1)	$ 0

(dollars in millions, except as noted)

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at June 30, 2020	$ 22	$ 240	$ 16
Purchases	3	95	
Sales		(37)	
Issuances			3
Settlements		(3)	(3)
Transfers from Level 3 into Level 2		(126)	
Balance at September 30, 2020	$ 25	$ 169	$ 16
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2020	$ 0	$ 0	$ 0

There were no losses included in earnings during either the third quarter of 2021 or 2020 that were attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2021 and 2020.

The tables below summarize the activity of all Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2021 and 2020:

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Asset-backed securities	Standby letters of credit
Balance at December 31, 2020	$ 13	$ 183	$ 0	$ 17
Total gains or (losses) realized/unrealized:				
Included in other comprehensive loss		(1)		
Purchases	4	438	12	
Issuances				12
Settlements		(17)		(9)
Transfers from Level 3 into Level 2		(368)	(12)	
Balance at September 30, 2021	$ 17	$ 235	$ 0	$ 20
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2021	$ 0	$ (1)	$ 0	$ 0

(dollars in millions, except as noted)

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at December 31, 2019	$ 14	$ 128	$ 13
Total gains or (losses) realized/unrealized:			
Included in other comprehensive loss		(2)	
Purchases	11	291	
Sales		(37)	
Issuances			11
Settlements		(14)	(8)
Transfers from Level 3 into Level 2		(197)	
Balance at September 30, 2020	$ 25	$ 169	$ 16
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2020	$ 0	$ (2)	$ 0

There were no losses included in earnings during the first nine months of 2021 and 2020 that were attributable to the change in unrealized gains or losses relating to assets or liabilities still held at September 30, 2021 and 2020.

The transfers between Level 3 and Level 2 during the three and nine months ended September 30, 2021 and 2020 were due to changes in the sources of pricing information.

Level 3 assets measured at fair value on a non-recurring basis included loans of $372 million and other property owned of $42 million at September 30, 2021, as compared to $365 million and $40 million at December 31, 2020.

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Condensed Combined Statement of Condition for each of the fair value hierarchy levels are summarized as follows:

	September 30, 2021				
	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$ 1,818	$ 1,818			$ 1,818
Other investments held-to-maturity	2,099		$ 457	$ 1,667	2,124
Net loans	324,131			334,114	334,114
Total assets	$ 328,048	$ 1,818	$ 457	$ 335,781	$ 338,056
Liabilities:					
Systemwide Debt Securities	$ 329,008			$ 331,183	$ 331,183
Subordinated debt	398			405	405
Other bonds	3,634			3,634	3,634
Other interest bearing liabilities	2,087		$ 14	2,066	2,080
Total liabilities	$ 335,127	$ 0	$ 14	$ 337,288	$ 337,302
Other financial instruments:					
Commitments to extend credit				$ 237	$ 237

(dollars in millions, except as noted)

	December 31, 2020				
	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$ 4,067	$ 4,067			$ 4,067
Other investments held-to-maturity	1,764		$ 473	$ 1,349	1,822
Net loans	313,694			326,876	326,876
Total assets	$ 319,525	$ 4,067	$ 473	$ 328,225	$ 332,765
Liabilities:					
Systemwide Debt Securities	$ 322,655			$ 327,909	$ 327,909
Other bonds	2,559			2,559	2,559
Other interest bearing liabilities	1,700		$ 11	1,713	1,724
Total liabilities	$ 326,914	$ 0	$ 11	$ 332,181	$ 332,192
Other financial instruments:					
Commitments to extend credit				$ 211	$ 211

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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 of Inputs	
	September 30, 2021	December 31, 2020			September 30, 2021	December 31, 2020
Commercial paper, bankers' acceptances, certificates of deposit and other securities	$ 17	$ 13	Discounted cash flow	Prepayment rate	0.0%	0.0%
Mortgage-backed securities	$ 16	$ 23	Discounted cash flow	Prepayment rate	1.4%-44.5%	1.4%-44.5%
	219	160	Vendor priced			
	$ 235	$ 183				
Standby letters of credit	$ 20	$ 17	Discounted cash flow	Rate of funding	50.0%	50.0%
				Risk-adjusted spread	0.1%-1.4%	0.1%-1.3%

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	Input
Federal funds sold and securities purchased under resale agreements	Carrying value	Par/principal and appropriate interest yield
Investment securities available-for-sale	Discounted cash flow	Constant prepayment rate Probability of default Loss severity
	Quoted prices	Price for similar security
Interest rate swaps, caps and floors	Discounted cash flow	Annualized volatility Counterparty credit risk Company's own credit risk

Valuation Techniques

As more fully discussed in Note 2 — Summary of Significant Accounting Policies, in the *2020 Annual Information Statement*, FASB 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 represents a brief summary of the valuation techniques used by the System for assets and liabilities measured at fair value:

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include, but not limited to, U.S. Treasury, U.S. agency and the substantial majority of mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 primarily consist of certain mortgage-backed securities including those issued by Farmer Mac and private label-FHA/VA securities.

To estimate the fair value of the majority of the investments held, the Banks and Associations obtain prices from third party pricing services. For the valuation of securities not actively traded, including certain mortgage-backed securities, the Banks and Associations utilize either a third party cash flow model or an internal model. The significant inputs for the valuation models include yields, probability of default, loss severity and prepayment rates.

Derivatives

Exchange-traded derivatives valued using quoted prices would be classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps and options.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the LIBOR, SOFR and Overnight Index Swap curves and volatility assumptions about future interest rate movements.

Assets Held in Non-Qualified 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 market-place.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

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.

Collateral Liabilities

Derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of credit exposure are reached or are cleared through a futures commission merchant, with a clearinghouse (i.e., a central counterparty). The market value of collateral liabilities is its face value plus accrued interest that approximates fair value.

NOTE 12 — DERIVATIVE PRODUCTS AND HEDGING ACTIVITIES

The Banks and Associations maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by the gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate assets and liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. The strategic use of derivatives is considered to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk resulting from changes in interest rates.

In addition, derivative transactions, particularly interest rate swaps, are entered into to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Interest rate swaps allow us to issue medium-term debt at fixed rates, which are then swapped to floating rates that are lower than those available if floating rate debt was issued directly. Under interest rate swap arrangements, the parties agree to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.

(dollars in millions, except as noted)

The Banks may enter into derivatives with their customers, including Associations, as a service to enable customers to transfer, modify or reduce their interest rate risk by transferring this risk to the Bank. The Banks substantially offset the market risk by concurrently entering into offsetting agreements with non-System institutional counterparties.

A substantial amount of the System's assets are interest-earning assets (principally loans and investments) that tend to be medium-term floating-rate instruments while the related interest-bearing liabilities tend to be short- or medium-term fixed-rate obligations. Given this asset-liability mismatch, interest rate swaps that pay floating rate and receive fixed rate (receive-fixed swaps) are used to reduce the impact of market fluctuations on net interest income. Because the size of swap positions needed to reduce the impact of market fluctuations varies over time, swaps that receive floating rate and pay fixed rate (pay-fixed swaps) are used to reduce net positions.

Interest rate options may be purchased in order to reduce the impact of rising interest rates on floating-rate debt (interest rate caps) or to reduce the impact of falling interest rates on floating-rate assets (interest rate floors). The primary types of derivative instruments used and the amount of activity (notional amount of derivatives) during the nine months ended September 30, 2021 and 2020 are summarized in the following tables:

	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating-for-Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2020	$ 14,780	$ 23,466	$ 2,000	$ 6,196	$ 11,297	$ 57,739
Additions	1,595	63,226		91	3,839	68,751
Maturities/amortization	(3,640)	(55,846)	(600)	(328)	(3,939)	(64,353)
Terminations		(1,098)		(1,750)	(380)	(3,228)
Balance at September 30, 2021	$ 12,735	$ 29,748	$ 1,400	$ 4,209	$ 10,817	$ 58,909

	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating-for-Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2019	$ 15,660	$ 11,793	$ 2,300	$ 6,480	$ 9,537	$ 45,770
Additions	4,582	21,133		110	8,332	34,157
Maturities/amortization	(3,488)	(11,228)	(300)	(263)	(6,632)	(21,911)
Terminations		(883)			(290)	(1,173)
Balance at September 30, 2020	$ 16,754	$ 20,815	$ 2,000	$ 6,327	$ 10,947	$ 56,843

Use of derivatives creates exposure to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes us, thus creating a repayment (credit) risk. When the fair value of the derivative contract is negative, we owe the counterparty and, therefore, assume no repayment risk.

To minimize the risk of credit losses, credit standing and levels of exposure to individual counterparties are monitored and derivative transactions are almost exclusively entered into with non-customer counterparties that have an investment grade or better credit rating from a major rating agency. Nonperformance by any of these counterparties is not anticipated. We typically enter into master agreements that contain netting provisions. These provisions require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. A majority of the derivative contracts are supported by collateral arrangements with counterparties. The System's net exposure to counterparties was $1 million at September 30, 2021 and $3 million at December 31, 2020.

(dollars in millions, except as noted)

Derivative transactions may also be cleared through a futures commission merchant (FCM) with a clearinghouse (i.e., a central counterparty (CCP)). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions, and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP.

Derivative activities are monitored by an Asset-Liability Management Committee (ALCO) at the various System institutions as part of its oversight of asset/liability and treasury functions. Each ALCO is responsible for approving hedging strategies that are developed within parameters established by the board of directors through analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the overall interest rate risk-management strategies.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item (principally, debt securities) attributable to the hedged risk are recognized in current earnings. The System includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps. As of September 30, 2021 and December 31, 2020, the following amounts were recorded on the Condensed Combined Statement of Condition related to cumulative basis adjustments for fair value hedges:

	Carrying Amount of the Hedged Item	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item
	September 30, 2021	September 30, 2021
Systemwide debt securities	$ 13,845	$ 171

	Carrying Amount of the Hedged Item	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item
	December 31, 2020	December 31, 2020
Systemwide debt securities	$ 16,216	$ 335

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Derivatives not Designated as Hedges

For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "net gains on derivative, investment and other transactions" in the Condensed Combined Statement of Income.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Fair Values of Derivative Instruments

The following table represents the fair value of derivative instruments:

	Balance Sheet Classification Assets	Fair Value September 30, 2021	Fair Value December 31, 2020	Balance Sheet Classification Liabilities	Fair Value September 30, 2021	Fair Value December 31, 2020
Derivatives designated as hedging instruments:						
Receive-fixed swaps	Other assets	$ 179	$ 338	Other liabilities	$ 7	$ 1
Pay-fixed and amortizing pay-fixed swaps				Other liabilities	82	222
Interest rate caps and floors	Other assets	26	42			
Floating-for-floating and amortizing floating-for-floating swaps				Other liabilities	2	2
Foreign exchange contracts	Other assets	1		Other liabilities		2
Total derivatives designated as hedging instruments		206	380		91	227
Derivatives not designated as hedging instruments:						
Pay-fixed and amortizing pay-fixed swaps				Other liabilities	4	9
Derivatives entered into on behalf of customers	Other assets	449	675	Other liabilities	379	578
Other derivative products				Other liabilities		1
Total derivatives not designated as hedging instruments		449	675		383	588
Variation margin settlement		(124)	(162)		(3)	(71)
Total derivatives		$ 531	$ 893		$ 471	$ 744

The following table sets forth the effect of derivative instruments in cash flow hedging relationships:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives		Location of Gain or (Loss) Reclassification from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
	September 30,			September 30,	
Derivatives — Cash Flow Hedging Relationships	**2021**	**2020**		**2021**	**2020**
Pay-fixed and amortizing pay-fixed swaps	$ 69	$ (237)	Interest expense	$ (28)	$ (21)
Floating-for-floating and amortizing floating-for-floating swaps			Interest expense	(1)	(1)
Interest rate caps and floors	(4)	10	Interest expense/ interest income	(11)	(10)
Foreign exchange contracts	2		Interest income	2	
Total	$ 67	$ (227)		$ (38)	$ (32)

(dollars in millions, except as noted)

The following table sets forth the effect of fair value and cash flow hedge accounting on the Condensed Combined Statement of Income:

	Location and Amount of Gain or Loss Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	For the Nine Months Ended September 30, 2021		For the Nine Months Ended September 30, 2020	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amount of income and expense line items in which the effects of fair value or cash flow hedges are recorded	$ 9,346	$ 2,086	$ 9,986	$ 3,304
Effects of fair value and cash flow hedging:				
Fair value hedges:				
Receive-fixed swaps		165		(230)
Systemwide Debt Securities		(165)		229
Cash flow hedges:				
Pay-fixed and amortizing pay-fixed swaps		28		21
Floating-for-floating and amortizing floating-for-floating swaps		1		1
Interest rate caps and floors	5	11	2	10
Foreign exchange contracts	2			
Amount excluded from effectiveness testing recognized in earnings based on change in fair value			(1)	

The following table sets forth the amount of gains or losses recognized in the Condensed Combined Statement of Income related to derivatives not designated as hedging instruments:

		For the Nine Months Ended	
Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss)	September 30, 2021	September 30, 2020
Pay-fixed and amortizing pay-fixed swaps	Noninterest income	$ 5	$ (12)
Derivatives entered into on behalf of customers	Noninterest income	(22)	36
Other derivative products	Noninterest income		(4)
Total		$ (17)	$ 20

(dollars in millions, except as noted)

NOTE 13 — ASSET/LIABILITY OFFSETTING

The following tables represent the offsetting of financial assets and liabilities:

				Gross Amounts Not Offset in the Condensed Combined Statement of Condition			
September 30, 2021	**Gross Amounts Recognized**	**Gross Amounts Offset in the Condensed Combined Statement of Condition**	**Net Amounts Presented in the Condensed Combined Statement of Condition**	**Securities Received/ Pledged**	**Cash Collateral Received/Pledged**	**Cleared Derivative Initial Margin Pledged**	**Net Amount**
Assets:							
Interest rate swaps and other derivatives	$ 531	$ (1)	$ 530			$ 15	$ 545
Federal Funds sold and securities purchased under resale agreements	1,085		1,085	$ (200)			885
Liabilities:							
Interest rate swaps and other derivatives	471	(1)	470		$ (162)	(77)	231

				Gross Amounts Not Offset in the Condensed Combined Statement of Condition			
December 31, 2020	**Gross Amounts Recognized**	**Gross Amounts Offset in the Condensed Combined Statement of Condition**	**Net Amounts Presented in the Condensed Combined Statement of Condition**	**Securities Received/ Pledged**	**Cash Collateral Received/Pledged**	**Cleared Derivative Initial Margin Pledged**	**Net Amount**
Assets:							
Interest rate swaps and other derivatives	$ 893	$ (3)	$ 890			$ 22	$ 912
Federal Funds sold and securities purchased under resale agreements	2,203		2,203	$ (520)			1,683
Liabilities:							
Interest rate swaps and other derivatives	744	(3)	741		$ (357)	(58)	326

(dollars in millions, except as noted)

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Banks and Associations have various commitments and contingent liabilities, such as certain letters of credit and commitments to extend credit, which are not reflected in the accompanying condensed combined financial statements. No material losses are anticipated as a result of these transactions.

A summary of the contractual amount of credit-related instruments is as follows:

	September 30, 2021
Commitments to extend credit	$ 108,511
Standby letters of credit	2,699
Commercial and other letters of credit	137

On at least a quarterly basis, System institutions assess their liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For matters where it is probable the institution will incur a loss and the amount can be reasonably estimated, the institution would establish an accrual for the loss. Once established, the accrual would be adjusted as appropriate to reflect any relevant developments. For matters where a loss is not probable or the amount of loss cannot be estimated, no accrual would be established.

In June 2016, a lawsuit was commenced by the filing of a complaint in the United States District Court Southern District of New York against CoBank by a number of investors (the "Plaintiffs") who had held CoBank's 7.875% Subordinated Notes due in 2018 (the "Notes"). The Notes were redeemed at par plus accrued interest by CoBank in April 2016 due to the occurrence of a "Regulatory Event" (as defined under the terms of the Notes). The Plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that CoBank impermissibly redeemed the Notes. The Plaintiffs have requested damages in an amount to be determined at trial, reasonable attorneys' fees and any other such relief as the court may deem just and proper. CoBank filed its answer in September 2016 and discovery concluded in January 2018. CoBank and Plaintiffs filed their respective motions for summary judgment in March 2018. In September 2021, the Court ruled on the two summary judgment motions. On the breach of contract claim, the court ruled in favor of the Plaintiffs. On the breach of implied covenant of good faith and fair dealing claim, the Court ruled in favor of CoBank. The question regarding the amount of damages remains pending before the Court. CoBank continues to review and analyze the Court's ruling and disagrees with many of its conclusions. CoBank is considering all of its options, including challenging the order through whatever procedural means are available. As a result of the ruling, during the third quarter of 2021 CoBank recorded an expense representing its estimated probable loss relating to the litigation. CoBank believes that the range of possible loss in excess of the accrued liability related to this litigation would not be material to CoBank's consolidated financial position, consolidated results of operations or consolidated cash flows.

At September 30, 2021, various other lawsuits were pending or threatened against System institutions. Each System institution to which a pending or threatened lawsuit relates intends to vigorously defend against such action. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on the System's combined results of operations or financial condition.

(dollars in millions, except as noted)

NOTE 15 — COMBINING BANK-ONLY INFORMATION

The following condensed combining statements include the statement of condition, statement of comprehensive income and statement of changes in capital for the combined Banks without the affiliated Associations or other System institutions.

Combining Bank-Only Statement of Condition

September 30, 2021

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Assets						
Cash	$ 486	$ 639	$ 28	$ 548		$ 1,701
Federal funds sold and securities purchased under resale agreements	200		185	700		1,085
Investments (Note 2)	9,257	18,671	6,390	33,182		67,500
Loans						
To Associations(1)	19,195	102,089	17,307	62,493		201,084
To others(2)	8,409	14,367	6,960	56,563	$ (368)	85,931
Less: allowance for loan losses	(20)	(39)	(13)	(631)		(703)
Net loans	27,584	116,417	24,254	118,425	(368)	286,312
Accrued interest receivable	82	519	68	382		1,051
Other assets	294	241	429	1,537	21	2,522
Total assets	$ 37,903	$ 136,487	$ 31,354	$ 154,774	$ (347)	$ 360,171
Liabilities and Capital						
Systemwide Debt Securities (Note 6):						
Due within one year	$ 13,359	$ 37,695	$ 10,862	$ 58,419		$ 120,335
Due after one year	21,698	89,014	18,136	79,825		208,673
Total Systemwide Debt Securities	35,057	126,709	28,998	138,244		329,008
Accrued interest payable	36	236	63	303		638
Other liabilities	97	2,528	176	4,237	$ (62)	6,976
Total liabilities	35,190	129,473	29,237	142,784	(62)	336,622
Capital						
Preferred stock	32	250	750	1,500		2,532
Capital stock and participation certificates	312	3,606	417	3,982	(298)	8,019
Additional paid-in-capital	64					64
Accumulated other comprehensive income (loss)	77	(128)	(47)	299	(17)	184
Retained earnings	2,228	3,286	997	6,209	30	12,750
Total capital	2,713	7,014	2,117	11,990	(285)	23,549
Total liabilities and capital	$ 37,903	$ 136,487	$ 31,354	$ 154,774	$ (347)	$ 360,171

(dollars in millions, except as noted)

Combining Bank-Only
Statement of Condition

December 31, 2020

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Assets						
Cash	$ 694	$ 622	$ 128	$ 2,336		$ 3,780
Federal funds sold and securities purchased under resale agreements	520	640	208	835		2,203
Investments (Note 2)	8,515	18,585	5,549	32,825		65,474
Loans						
To Associations(1)	17,946	97,778	15,002	60,436		191,162
To others(2)	8,279	12,008	6,823	60,419	$ (365)	87,164
Less: allowance for loan losses	(18)	(40)	(10)	(635)		(703)
Net loans	26,207	109,746	21,815	120,220	(365)	277,623
Accrued interest receivable	82	496	65	404		1,047
Other assets	320	219	463	1,966		2,968
Total assets	$ 36,338	$ 130,308	$ 28,228	$ 158,586	$ (365)	$ 353,095
Liabilities and Capital						
Systemwide Debt Securities (Note 6):						
Due within one year	$ 15,439	$ 36,546	$ 10,667	$ 62,585		$ 125,237
Due after one year	17,917	84,954	15,206	79,341		197,418
Total Systemwide Debt Securities	33,356	121,500	25,873	141,926		322,655
Accrued interest payable	26	273	59	328		686
Other liabilities	478	1,955	304	4,422	$ (79)	7,080
Total liabilities	33,860	123,728	26,236	146,676	(79)	330,421
Capital						
Preferred stock	49	250	750	1,500		2,549
Capital stock and participation certificates	312	3,301	420	3,918	(293)	7,658
Additional paid-in-capital	59					59
Accumulated other comprehensive income (loss)	186	(113)	(29)	688	(17)	715
Retained earnings	1,872	3,142	851	5,804	24	11,693
Total capital	2,478	6,580	1,992	11,910	(286)	22,674
Total liabilities and capital	$ 36,338	$ 130,308	$ 28,228	$ 158,586	$ (365)	$ 353,095

(1) These loans represent direct loans to Associations, not retail loans to borrowers. Since the Associations operate under regulations that require maintenance of certain minimum capital levels, adequate reserves, and prudent underwriting standards, these loans are considered to carry less risk. Accordingly, these loans typically have little or no associated allowance for loan losses. The majority of the credit risk resides with the Banks' and Associations' retail loans to borrowers. Association retail loans are not reflected in the combining Bank-only financial statements.

Further, the loans to the Associations are risk-weighted at 20% of the loan amount in the computation of each Bank's regulatory risk-adjusted capital ratios. Based upon the lower risk-weighting of these loans to the Associations, the Banks, especially AgFirst, AgriBank and Texas, typically operate with more leverage and lower earnings than would be expected from a traditional retail bank. In the case of CoBank, approximately 50% of its loans are retail loans to cooperatives and other eligible borrowers.

(2) Loans to others represent retail loans held by the Banks. The Banks may purchase participations in loans to eligible borrowers made by Associations, other Banks and non-System lenders.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Combining Bank-Only
Statement of Comprehensive Income

For the Nine Months Ended September 30,

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
2021						
Interest income	$ 614	$ 1,464	$ 481	$ 2,164	$ 55	$ 4,778
Interest expense	(130)	(891)	(213)	(867)	32	(2,069)
Net interest income	484	573	268	1,297	87	2,709
Provision for loan losses	(3)		(3)	(5)		(11)
Noninterest income	15	104	27	194	(139)	201
Noninterest expense	(139)	(118)	(105)	(354)	(27)	(743)
Provision for income taxes				(96)		(96)
Net income	357	559	187	1,036	(79)	2,060
Other comprehensive loss	(109)	(15)	(18)	(389)		(531)
Comprehensive income	$ 248	$ 544	$ 169	$ 647	$ (79)	$ 1,529
2020						
Interest income	$ 715	$ 1,836	$ 541	$ 2,569	$ 57	$ 5,718
Interest expense	(300)	(1,288)	(300)	(1,425)	18	(3,295)
Net interest income	415	548	241	1,144	75	2,423
Provision for loan losses	(1)	(9)	(1)	(45)		(56)
Noninterest income	(22)	146	24	223	(114)	257
Noninterest expense	(117)	(105)	(88)	(305)	(24)	(639)
Provision for income taxes				(113)		(113)
Net income	275	580	176	904	(63)	1,872
Other comprehensive income (loss)	153	(39)	22	668	(1)	803
Comprehensive income	$ 428	$ 541	$ 198	$ 1,572	$ (64)	$ 2,675

(dollars in millions, except as noted)

Combining Bank-Only
Statement of Changes in Capital

For the Nine Months Ended September 30

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Balance at December 31, 2019	$ 2,331	$ 6,182	$ 1,844	$ 10,567	$ (259)	$ 20,665
Comprehensive income	428	541	198	1,572	(64)	2,675
Preferred stock issued, net			46			46
Preferred stock dividends	(1)	(13)	(33)	(63)		(110)
Capital stock and participation certificates issued		530	1		(10)	521
Capital stock, participation certificates, and retained earnings retired		(140)	(3)	(35)	8	(170)
Patronage		(500)	(6)	(362)	60	(808)
Balance at September 30, 2020	$ 2,758	$ 6,600	$ 2,047	$ 11,679	$ (265)	$ 22,819
Balance at December 31, 2020	$ 2,478	$ 6,580	$ 1,992	$ 11,910	$ (286)	$ 22,674
Comprehensive income	248	544	169	647	(79)	1,529
Preferred stock retired	(17)					(17)
Preferred stock dividends		(13)	(35)	(62)		(110)
Capital stock and participation certificates issued		335			(1)	334
Capital stock, participation certificates, and retained earnings retired		(30)	(3)	(33)	6	(60)
Additional paid-in-capital	5					5
Patronage	(1)	(402)	(6)	(472)	75	(806)
Balance at September 30, 2021	$ 2,713	$ 7,014	$ 2,117	$ 11,990	$ (285)	$ 23,549

(dollars in millions, except as noted)

Certain Bank-only ratios and other information is as follows:

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB
For the nine months ended:				
September 30, 2021				
Return on average assets	1.30%	0.56%	0.84%	0.87%
Return on average capital	18.21%	10.91%	11.98%	11.57%
September 30, 2020				
Return on average assets	1.03%	0.64%	0.87%	0.80%
Return on average capital	14.30%	12.07%	11.95%	10.62%
For the period ended:				
September 30, 2021				
Nonperforming assets as a percentage of loans and other property owned	0.21%	0.06%	0.04%	0.12%
Allowance for loan losses as a percentage of loans	0.07%	0.03%	0.05%	0.53%
Capital as a percentage of total assets	7.16%	5.14%	6.75%	7.75%
Tier 1 Leverage ratio	6.72%	5.27%	6.49%	7.62%
Total Capital ratio	18.9%	17.7%	15.4%	15.8%
Permanent capital ratio	18.7%	17.6%	15.3%	14.9%
Liquidity in days	227	150	175	178
Average liquidity in days during 2021	218	160	178	180
December 31, 2020				
Nonperforming assets as a percentage of loans and other property owned	0.14%	0.07%	0.02%	0.10%
Allowance for loan losses as a percentage of loans	0.07%	0.04%	0.05%	0.53%
Capital as a percentage of total assets	6.82%	5.05%	7.06%	7.51%
Tier 1 Leverage ratio	7.09%	5.23%	7.11%	7.30%
Total Capital ratio	19.5%	17.4%	16.2%	15.2%
Permanent capital ratio	19.4%	17.3%	16.1%	14.4%
Liquidity in days	196	167	182	174
Average liquidity in days during 2020	217	168	198	183

Bank-only information is considered meaningful because only the Banks are jointly and severally liable for the payment of principal and interest on Systemwide Debt Securities. That means that each Bank is primarily liable for the payment of principal and interest on Systemwide Debt Securities issued to fund its lending activities and is also jointly and severally liable with respect to Systemwide Debt Securities issued to fund the other Banks.

The Associations are the primary owners of the Farm Credit Banks. The Agricultural Credit Bank (CoBank) is principally owned by cooperatives, other eligible borrowers and its affiliated Associations. Due to the financial and operational interdependence of the Banks and Associations, capital at the Association level reduces the Banks' credit exposure with respect to the direct loans between the Banks and each of their affiliated Associations. However, capital of the

Associations may not be available if the provisions of joint and several liability were to be invoked. There are various limitations and conditions with respect to each Bank's access to the capital of its affiliated Associations, as more fully discussed in Note 9.

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

Once joint and several liability is triggered, the Farm Credit Administration is required to make "calls" to satisfy the liability first on all non-defaulting Banks in the proportion that each non-defaulting Bank's available collateral (collateral in excess of the aggregate of the Bank's collateralized obligations) bears to the aggregate available collateral of all non-defaulting Banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each non-defaulting Bank's remaining assets. On making a call on non-defaulting Banks with respect to a Systemwide Debt Security issued on behalf of a defaulting Bank, the Farm Credit Administration is required to appoint the Insurance Corporation as the receiver for the defaulting Bank. The receiver would be required to expeditiously liquidate the Bank.

NOTE 16 — SUBSEQUENT EVENTS

The Banks and Associations have evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION
(unaudited)

The following condensed Combining Statements of Condition and Comprehensive Income present Combined Bank-only and Insurance Fund information, as well as information related to the other entities included in the System's combined financial statements. As part of the combining process, all significant transactions between the Banks and the Associations, including loans made by the Banks to the Associations and the interest income/interest expense related thereto, and investments of the Associations in the Banks and the earnings related thereto, have been eliminated.

COMBINING STATEMENT OF CONDITION — (Condensed)
September 30, 2021
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments	$ 70,286	$ 3,095	$ (30)	$ 73,351		$ 73,351
Loans	287,015	239,554	(200,785)	325,784		325,784
Less: allowance for loan losses	(703)	(950)		(1,653)		(1,653)
Net loans	286,312	238,604	(200,785)	324,131		324,131
Other assets	3,573	12,406	(8,705)	7,274		7,274
Restricted assets					$ 5,833	5,833
Total assets	$360,171	$ 254,105	$ (209,520)	$404,756	$ 5,833	$410,589
Systemwide Debt Securities and subordinated debt	$329,008	$ 398		$329,406		$329,406
Other liabilities	7,614	205,422	$ (201,351)	11,685		11,685
Total liabilities	336,622	205,820	(201,351)	341,091		341,091
Capital						
Preferred stock	2,532	999		3,531		3,531
Capital stock and participation certificates	8,019	518	(6,488)	2,049		2,049
Additional paid-in-capital	64	3,721		3,785		3,785
Restricted capital					$ 5,833	5,833
Accumulated other comprehensive (loss) income	184	(173)	(1,062)	(1,051)		(1,051)
Retained earnings	12,750	43,220	(619)	55,351		55,351
Total capital	23,549	48,285	(8,169)	63,665	5,833	69,498
Total liabilities and capital	$360,171	$ 254,105	$ (209,520)	$404,756	$ 5,833	$410,589

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

COMBINING STATEMENT OF CONDITION — (Condensed)
December 31, 2020
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments	$ 71,457	$ 2,813	$ (60)	$ 74,210		$ 74,210
Loans	278,326	228,363	(191,199)	315,490		315,490
Less: allowance for loan losses	(703)	(1,093)		(1,796)		(1,796)
Net loans	277,623	227,270	(191,199)	313,694		313,694
Other assets	4,015	11,643	(8,324)	7,334		7,334
Restricted assets					$ 5,455	5,455
Total assets	$353,095	$ 241,726	$ (199,583)	$395,238	$ 5,455	$400,693
Systemwide Debt Securities	$322,655			$322,655		$322,655
Other liabilities	7,766	$ 196,749	$ (192,012)	12,503		12,503
Total liabilities	330,421	196,749	(192,012)	335,158		335,158
Capital						
Preferred stock	2,549	655		3,204		3,204
Capital stock and participation certificates	7,658	489	(6,170)	1,977		1,977
Additional paid-in-capital	59	3,679		3,738		3,738
Restricted capital					$ 5,455	5,455
Accumulated other comprehensive (loss) income	715	(170)	(1,166)	(621)		(621)
Retained earnings	11,693	40,324	(235)	51,782		51,782
Total capital	22,674	44,977	(7,571)	60,080	5,455	65,535
Total liabilities and capital	$353,095	$ 241,726	$ (199,583)	$395,238	$ 5,455	$400,693

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

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

COMBINING STATEMENT OF COMPREHENSIVE INCOME — (Condensed)
For the Nine Months Ended September 30, 2021
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	Combination Entries	System Combined
Net interest income	$ 2,709	$ 4,570	$ (19)	$ 7,260			$ 7,260
Loan loss reversal (provision for loan losses)	(11)	153		142			142
Noninterest income	201	1,665	(1,332)	534	$ 381	$(344) (a)	571
Noninterest expense	(743)	(2,478)	248	(2,973)	(3)	344 (a)	(2,632)
Provision for income taxes	(96)	(44)		(140)			(140)
Net income	2,060	3,866	(1,103)	4,823	378	0	5,201
Other comprehensive (loss) income	(531)	(3)	104	(430)			(430)
Comprehensive income	$ 1,529	$ 3,863	$ (999)	$ 4,393	$ 378	$ 0	$ 4,771

For the Nine Months Ended September 30, 2020
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	Combination Entries	System Combined
Net interest income	$ 2,423	$ 4,295	$ (36)	$ 6,682			$ 6,682
Provision for loan losses	(56)	(109)		(165)			(165)
Noninterest income	257	1,472	(1,171)	558	$ 232	$(242) (a)(b)	548
Noninterest expense	(639)	(2,217)	202	(2,654)	(3)	179 (a)	(2,478)
Provision for income taxes	(113)	(28)		(141)			(141)
Net income	1,872	3,413	(1,005)	4,280	229	(63)	4,446
Other comprehensive income	803	25	75	903			903
Comprehensive income	$ 2,675	$ 3,438	$ (930)	$ 5,183	$ 229	$ (63)	$ 5,349

Combination entry (a) eliminates the Insurance Fund premiums expensed by the Banks in the first nine months of 2021 and 2020 of $344 million and $179 million and the related income recognized by the Insurance Corporation.

Combination entry (b) eliminates $63 million of income recognized by System institutions for excess funds that were returned from the Insurance Corporation during the first quarter of 2020.

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

The Banks and their affiliated Associations are referred to as Districts. Each District operates in such an interdependent manner that we believe the financial results of the Banks combined with their affiliated Associations are more meaningful to investors in Systemwide Debt Securities than providing financial information of the Banks and Associations on a stand-alone basis. For the purpose of additional analysis, the following presentation reflects each District, the Insurance Fund and combination entries.

STATEMENT OF CONDITION — (Condensed)
September 30, 2021
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Cash and investments	$ 9,978	$ 21,400	$ 6,697	$ 35,276		$ 73,351
Loans	33,815	134,313	31,577	131,455	$ (5,376)	325,784
Less: allowance for loan losses	(223)	(397)	(88)	(945)		(1,653)
Net loans	33,592	133,916	31,489	130,510	(5,376)	324,131
Other assets	721	2,726	842	3,147	(162)	7,274
Restricted assets					5,833	5,833
Total assets	$ 44,291	$ 158,042	$ 39,028	$ 168,933	$ 295	$ 410,589
Systemwide Debt Securities and subordinated debt	$ 35,057	$ 126,909	$ 28,998	$ 138,442		$ 329,406
Other liabilities	1,692	3,839	4,489	6,558	$ (4,893)	11,685
Total liabilities	36,749	130,748	33,487	145,000	(4,893)	341,091
Capital						
Preferred stock	32	450	970	2,079		3,531
Capital stock and participation certificates	192	346	132	1,818	(439)	2,049
Additional paid-in-capital	88	2,085	225	1,387		3,785
Restricted capital					5,833	5,833
Accumulated other comprehensive loss	(249)	(579)	(147)	(8)	(68)	(1,051)
Retained earnings	7,479	24,992	4,361	18,657	(138)	55,351
Total capital	7,542	27,294	5,541	23,933	5,188	69,498
Total liabilities and capital	$ 44,291	$ 158,042	$ 39,028	$ 168,933	$ 295	$ 410,589

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF CONDITION — (Condensed)
December 31, 2020
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Cash and investments	$ 9,770	$ 21,601	$ 5,975	$ 36,864		$ 74,210
Loans	32,170	127,526	28,893	132,243	$ (5,342)	315,490
Less: allowance for loan losses	(221)	(511)	(94)	(970)		(1,796)
Net loans	31,949	127,015	28,799	131,273	(5,342)	313,694
Other assets	728	2,526	833	3,413	(166)	7,334
Restricted assets					5,455	5,455
Total assets	$ 42,447	$ 151,142	$ 35,607	$ 171,550	$ (53)	$ 400,693
Systemwide Debt Securities	$ 33,356	$ 121,500	$ 25,873	$ 141,926		$ 322,655
Other liabilities	1,983	3,840	4,747	6,814	$ (4,881)	12,503
Total liabilities	35,339	125,340	30,620	148,740	(4,881)	335,158
Capital						
Preferred stock	49	350	770	2,035		3,204
Capital stock and participation certificates	178	320	129	1,763	(413)	1,977
Additional paid-in-capital	83	2,085	225	1,345		3,738
Restricted capital					5,455	5,455
Accumulated other comprehensive (loss) income	(165)	(602)	(141)	358	(71)	(621)
Retained earnings	6,963	23,649	4,004	17,309	(143)	51,782
Total capital	7,108	25,802	4,987	22,810	4,828	65,535
Total liabilities and capital	$ 42,447	$ 151,142	$ 35,607	$ 171,550	$ (53)	$ 400,693

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF COMPREHENSIVE INCOME — (Condensed)
For the Nine Months Ended September 30,
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
2021						
Net interest income	$ 1,004	$ 2,667	$ 752	$ 2,757	$ 80	$ 7,260
Loan loss reversal (provision for loan losses)	(4)	113	8	25		142
Noninterest income	65	277	63	302	(136)	571
Noninterest expense	(449)	(1,141)	(344)	(1,011)	313	(2,632)
Provision for income taxes	(1)	(40)		(99)		(140)
Net income	615	1,876	479	1,974	257	5,201
Other comprehensive (loss) income	(84)	23	(6)	(366)	3	(430)
Comprehensive income	$ 531	$ 1,899	$ 473	$ 1,608	$ 260	$ 4,771
2020						
Net interest income	$ 908	$ 2,559	$ 668	$ 2,478	$ 69	$ 6,682
Provision for loan losses	(17)	(56)	(12)	(80)		(165)
Noninterest income	23	255	60	363	(153)	548
Noninterest expense	(408)	(998)	(297)	(924)	149	(2,478)
Provision for income taxes	(1)	(26)		(114)		(141)
Net income	505	1,734	419	1,723	65	4,446
Other comprehensive income (loss)	179	(4)	32	694	2	903
Comprehensive income	$ 684	$ 1,730	$ 451	$ 2,417	$ 67	$ 5,349

FARM CREDIT SYSTEM

SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF CHANGES IN CAPITAL — (Condensed)
For the Nine Months Ended September 30
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Balance at December 31, 2019	$ 6,673	$ 24,727	$ 4,701	$ 20,999	$ 4,630	$ 61,730
Comprehensive income	684	1,730	451	2,417	67	5,349
Preferred stock issued, net			46	51		97
Capital stock and participation certificates issued	35	53	10	7	(25)	80
Capital stock, participation certificates, and retained earnings retired	(23)	(132)	(8)	(62)	8	(217)
Patronage and dividends	(82)	(467)	(103)	(467)	94	(1,025)
Balance at September 30, 2020	$ 7,287	$ 25,911	$ 5,097	$ 22,945	$ 4,774	$ 66,014
Balance at December 31, 2020	$ 7,108	$ 25,802	$ 4,987	$ 22,810	$ 4,828	$ 65,535
Comprehensive income	531	1,899	473	1,608	260	4,771
Preferred stock issued, net	(17)	98	195	44		320
Capital stock and participation certificates issued	42	52	12	7	(20)	93
Capital stock, participation certificates, and retained earnings retired	(28)	(26)	(9)	(39)	6	(96)
Additional paid-in-capital	5			(7)		(2)
Equity issued or recharacterized upon Association merger				49		49
Equity retired or recharacterized upon Association merger				(53)		(53)
Patronage and dividends	(99)	(531)	(117)	(486)	114	(1,119)
Balance at September 30, 2021	$ 7,542	$ 27,294	$ 5,541	$ 23,933	$ 5,188	$ 69,498

FARM CREDIT SYSTEM

SUPPLEMENTAL FINANCIAL INFORMATION
(unaudited)

COMBINED BANK AND ASSOCIATION (DISTRICT)

SELECTED KEY FINANCIAL RATIOS

The following combined key financial ratios related to each District are intended for the purpose of additional analysis.

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined
For the nine months ended:				
September 30, 2021				
Return on average assets	1.90%	1.63%	1.72%	1.53%
Return on average capital	11.08%	9.41%	11.77%	11.30%
Net interest margin	3.17%	2.35%	2.77%	2.17%
Net loan charge-offs (recoveries) as a % of average loans	0.01%	0.00%	0.00%	(0.01%)
Operating expense as a % of net interest income and noninterest income	41.97%	38.72%	42.14%	33.05%
September 30, 2020				
Return on average assets	1.62%	1.64%	1.63%	1.41%
Return on average capital	9.55%	9.14%	11.23%	10.33%
Net interest margin	2.98%	2.46%	2.69%	2.10%
Net loan charge-offs as a % of average loans	0.01%	0.04%	0.02%	0.04%
Operating expense as a % of net interest income and noninterest income	43.76%	35.50%	40.76%	32.48%
At the period ended:				
September 30, 2021				
Nonperforming assets as a % of loans and other property owned	1.07%	0.58%	0.46%	0.38%
Allowance for loan losses as a % of loans	0.66%	0.30%	0.28%	0.72%
Capital as a % of total assets	17.03%	17.27%	14.20%	14.17%
Capital and allowance for loan losses as a % of loans	22.96%	20.62%	17.83%	18.93%
Debt to capital	4.87:1	4.79:1	6.04:1	6.06:1
December 31, 2020				
Nonperforming assets as a % of loans and other property owned	1.17%	0.65%	0.46%	0.42%
Allowance for loan losses as a % of loans	0.69%	0.40%	0.33%	0.73%
Capital as a % of total assets	16.75%	17.07%	14.01%	13.30%
Capital and allowance for loan losses as a % of loans	22.78%	20.63%	17.59%	17.98%
Debt to capital	4.97:1	4.86:1	6.14:1	6.52:1

The table below reflects the combined results of each District's measurement under market value of equity and net interest income sensitivity analysis in accordance with their respective asset/liability management policies and District limits. The upward and downward shocks are generally based on movements of 100 and 200 basis points in interest rates, which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed. However, in the current, relatively low interest rate environment, the downward shock is based on one-half of the three-month Treasury bill rate, which was 2 basis points at September 30, 2021 and 4 basis points at December 31, 2020.

	Change in Market Value of Equity			Change in Net Interest Income		
	September 30, 2021			September 30, 2021		
District	**-2**	**+100**	**+200**	**-2**	**+100**	**+200**
AgFirst	0.05%	-4.50%	-9.12%	-0.08%	2.41%	3.44%
AgriBank	0.07	-3.34	-6.66	-0.08	3.95	5.31
Texas	0.11	-6.22	-13.05	-0.04	1.41	2.23
CoBank	0.06	-3.57	-7.19	-0.06	0.61	1.02

	Change in Market Value of Equity			Change in Net Interest Income		
	December 31, 2020			December 31, 2020		
District	**-4**	**+100**	**+200**	**-4**	**+100**	**+200**
AgFirst	-0.01%	-1.14%	-5.66%	-0.21%	5.25%	6.90%
AgriBank	0.08	-2.36	-6.02	-0.08	0.37	1.28
Texas	0.15	-5.28	-12.64	0.45	1.52	2.61
CoBank	0.12	-3.07	-6.03	-0.18	2.08	4.34

FARM CREDIT SYSTEM

SUPPLEMENTAL FINANCIAL INFORMATION - (continued)
(unaudited)

SELECTED ASSOCIATION KEY FINANCIAL INFORMATION

The Banks serve as financial intermediaries between the capital markets and the retail lending activities of their affiliated Associations. Accordingly, in addition to the supplemental District information provided on pages F-51 to F-54, selected financial information regarding Associations with asset size greater than $1.5 billion is provided below for the purpose of additional analysis.

	At September 30, 2021					For the Nine Months Ended September 30, 2021		
	Total Assets	Gross Loans	Allowance for Loan Losses as a % of Gross Loans	Nonperforming Assets as a % of Gross Loans and Other Property Owned	Total Capital Ratio	Return on Average Assets	Return on Average Capital	Net Interest Margin
	($ in millions)							
AgFirst District								
MidAtlantic Farm Credit, ACA	$ 3,043	$ 2,996	1.21%	2.44%	21.55%	1.77%	7.71%	2.63%
First South Farm Credit, ACA	2,830	2,730	0.72	0.22	17.21	1.58	8.41	2.55
AgChoice Farm Credit, ACA	2,506	2,459	0.57	0.31	17.32	1.97	10.42	2.49
Ag Credit, ACA	2,434	2,354	0.32	0.26	21.10	2.41	13.49	2.75
AgSouth Farm Credit, ACA	2,095	2,032	0.88	1.04	21.95	2.43	11.17	3.44
Farm Credit of the Virginias, ACA	2,028	1,991	0.90	2.14	22.68	1.46	6.18	2.56
Carolina Farm Credit, ACA	1,826	1,763	0.50	0.89	19.67	2.17	10.83	3.23
AgriBank District								
Farm Credit Services of America, ACA	35,177	33,523	0.24	0.53	16.27	2.23	11.89	2.39
Farm Credit Mid-America, ACA	28,182	25,927	0.28	0.97	18.53	1.58	8.16	2.11
Compeer Financial , ACA	25,383	22,928	0.29	0.65	16.15	2.02	12.06	2.27
GreenStone Farm Credit Services, ACA	11,319	10,912	0.63	0.55	16.68	2.34	12.92	2.37
AgCountry, ACA	9,120	8,687	0.26	0.19	18.05	1.86	8.61	2.43
FCS Financial, ACA	5,402	5,165	0.33	0.19	16.96	1.97	10.23	2.42
Farm Credit Illinois, ACA	4,771	4,464	0.14	0.10	19.90	1.91	8.10	2.34
AgHeritage Farm Credit Services, ACA	2,037	1,963	0.50	0.42	16.52	2.06	10.68	2.63
Farm Credit Services of Western Arkansas, ACA	1,704	1,633	0.15	0.60	18.71	1.83	9.37	2.84
Texas District								
Capital Farm Credit, ACA	10,129	9,823	0.24	0.67	15.34	2.74	15.88	3.01
AgTexas Farm Credit Services	2,724	2,530	0.29	0.50	12.00	1.92	15.03	2.36
Lone Star, ACA	2,203	2,155	0.34	0.20	16.52	2.24	12.43	2.97
Texas Farm Credit Services	1,954	1,881	0.16	0.51	12.65	2.62	19.97	2.72
CoBank District								
American AgCredit, ACA	16,128	15,068	0.24	0.47	13.91	2.29	14.07	3.04
Northwest Farm Credit Services, ACA	14,246	13,134	0.46	0.45	18.18	2.67	12.75	3.06
Farm Credit West, ACA	12,897	11,897	0.59	0.80	14.43	2.62	13.21	2.80
Farm Credit East, ACA	8,861	8,530	0.92	0.40	17.84	2.30	11.80	2.78
Yosemite, ACA	3,800	3,612	0.30	0.16	13.80	1.82	10.79	2.73
Frontier Farm Credit, ACA	2,403	2,264	0.19	0.28	17.80	2.13	9.87	2.60
New Mexico, ACA	2,052	1,930	0.69	0.54	20.59	1.53	6.73	2.92
Golden State, ACA	2,025	1,918	0.25	0.14	14.74	2.22	11.78	2.88
Oklahoma AgCredit, ACA	1,779	1,678	0.21	0.68	15.33	1.61	8.84	2.62

FARM CREDIT SYSTEM

SUPPLEMENTAL FINANCIAL INFORMATION - (continued)
(unaudited)

SELECTED ASSOCIATION KEY FINANCIAL INFORMATION

	At December 31, 2020					For the Nine Months Ended September 30, 2020		
	Total Assets	Gross Loans	Allowance for Loan Losses as a % of Gross Loans	Nonperforming Assets as a % of Gross Loans and Other Property Owned	Total Capital Ratio	Return on Average Assets	Return on Average Capital	Net Interest Margin
	($ in millions)							
AgFirst District								
MidAtlantic Farm Credit, ACA	$ 2,982	$ 2,906	1.24%	2.82%	21.66%	1.68%	7.26%	2.47%
First South Farm Credit, ACA	2,539	2,413	0.73	0.28	17.86	1.59	8.43	2.61
AgChoice Farm Credit, ACA	2,426	2,357	0.64	0.41	17.71	2.09	10.87	2.65
AgCredit, ACA	2,299	2,205	0.40	0.49	20.75	2.33	13.16	2.64
AgSouth Farm Credit, ACA	2,008	1,922	0.90	1.12	21.81	2.43	11.40	3.47
Farm Credit of the Virginias, ACA	1,925	1,870	0.88	2.26	24.04	1.76	7.15	2.79
Carolina Farm Credit, ACA	1,757	1,675	0.54	0.84	20.29	2.08	10.09	3.32
AgriBank District								
Farm Credit Services of America, ACA	33,678	32,207	0.47	0.66	16.55	2.12	11.19	2.58
Farm Credit Mid-America, ACA	26,279	24,619	0.34	1.06	19.95	1.66	8.18	2.19
Compeer Financial, ACA	24,942	22,585	0.39	0.68	15.19	1.90	11.15	2.33
GreenStone FCS, ACA	10,967	10,590	0.71	0.43	16.75	2.52	14.10	2.46
AgCountry, ACA	8,870	8,472	0.26	0.22	18.38	2.07	9.61	2.52
FCS Financial, ACA	5,080	4,867	0.35	0.34	17.74	1.91	9.59	2.44
Farm Credit of Illinois, ACA	4,749	4,449	0.14	0.12	20.14	1.95	8.56	2.31
AgHeritage Farm Credit Services, ACA	1,805	1,739	0.63	0.60	17.35	2.10	10.23	2.81
Farm Credit Services of Western Arkansas, ACA	1,674	1,606	0.14	0.66	18.59	1.93	9.70	2.92
Texas District								
Capital Farm Credit, ACA	8,937	8,677	0.36	0.66	14.43	2.51	15.28	3.04
AgTexas Farm Credit Services	2,363	2,184	0.30	0.99	12.96	1.78	13.58	2.26
Lone Star, ACA	2,004	1,966	0.41	0.27	17.24	1.84	9.04	2.74
Texas Farm Credit Services	1,615	1,563	0.38	0.48	13.92	2.16	14.55	2.84
CoBank District								
American AgCredit ACA	15,094	14,171	0.23	0.47	11.79	1.77	10.06	2.84
Northwest Farm Credit Services, ACA	13,724	12,754	0.59	0.52	18.24	2.30	11.05	3.01
Farm Credit West, ACA	12,603	11,603	0.67	0.91	14.46	2.64	12.42	2.94
Farm Credit East, ACA	8,569	8,209	0.90	0.48	18.17	2.52	12.62	3.01
Yosemite Farm Credit, ACA	3,615	3,419	0.28	0.60	14.01	1.57	9.02	2.76
Frontier Farm Credit, ACA	2,383	2,253	0.43	0.52	17.79	2.00	9.00	2.59
Farm Credit of New Mexico, ACA	2,044	1,943	0.67	1.52	21.72	1.68	7.33	2.82
Golden State, ACA	1,883	1,782	0.26	1.51	14.82	1.80	9.44	2.73
Oklahoma AgCredit, ACA	1,703	1,606	0.22	0.56	16.12	1.54	8.01	2.64

INDEX TO SUPPLEMENTAL INFORMATION

CONTROLS AND PROCEDURES

As of September 30, 2021, managements of System institutions carried out an evaluation with the participation of the Funding Corporation's management, including the President and CEO and the Managing Director — Financial Management Division, of the effectiveness of the design and operation of their respective disclosure controls and procedures[1] with respect to the System's quarterly information statement. This evaluation is based on testing of the design and effectiveness of key internal controls, certifications and other information furnished by the principal executive officer and principal financial officer of each System institution, as well as incremental procedures performed by the Funding Corporation over the combining process. Based upon and as of the date of the Funding Corporation's evaluation, the President and CEO and the Managing Director — Financial Management Division concluded that the disclosure controls and procedures are effective in alerting them on a timely basis of any material information relating to the System that is required to be disclosed by the System in the annual and quarterly information statements it files or submits to the Farm Credit Administration.

There have been no significant changes in the System's internal control over financial reporting[2] that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the System's internal control over financial reporting.

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(1) For purposes of this discussion, "disclosure controls and procedures" are defined as controls and procedures of the System that are designed to ensure that the financial information required to be disclosed by the System in this quarterly information statement is recorded, processed, summarized and reported, within the time periods specified under the rules and regulations of the Farm Credit Administration.

(2) For purposes of this discussion, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the System's principal executive officers and principal financial officers, or persons performing similar functions, and effected by the System's boards of directors, managements and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the System's condensed combined financial statements for external purposes in accordance with generally accepted accounting principles and 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 System; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the System's condensed combined financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the System are being made only in accordance with authorizations of managements and directors of the System; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the System's assets that could have a material effect on the System's condensed combined financial statements.

CERTIFICATION

I, Theresa E. McCabe, certify that:

1. I have reviewed the *Third Quarter 2021 Quarterly Information Statement of the Farm Credit System*.

2. Based on my knowledge, this quarterly information statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly information statement.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly information statement, fairly present in all material respects the financial condition, results of operations and cash flows of the System as of, and for, the periods presented in this quarterly information statement.

4. The System's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(1) and internal control over financial reporting(2) for the System and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the System, including its combined entities, is made known to us by others within those entities, particularly during the period in which this quarterly information statement is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the System's disclosure controls and procedures and presented in this quarterly information statement our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly information statement based on such evaluation; and

   (d) disclosed in this quarterly information statement any change in the System's internal control over financial reporting that occurred during the System's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the System's internal control over financial reporting.

5. The System's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the System's registered public accounting firm and the System Audit Committee:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the System's internal control over financial reporting.

Theresa E. McCabe

Theresa E. McCabe
President and CEO

Date: November 9, 2021

(1) See footnote 1 on page S-2.

(2) See footnote 2 on page S-2.

CERTIFICATION

I, Karen R. Brenner, certify that:

1. I have reviewed the *Third Quarter 2021 Quarterly Information Statement of the Farm Credit System*.

2. Based on my knowledge, this quarterly information statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly information statement.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly information statement, fairly present in all material respects the financial condition, results of operations and cash flows of the System as of, and for, the periods presented in this quarterly information statement.

4. The System's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(1) and internal control over financial reporting(2) for the System and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the System, including its combined entities, is made known to us by others within those entities, particularly during the period in which this quarterly information statement is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the System's disclosure controls and procedures and presented in this quarterly information statement our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly information statement based on such evaluation; and

(d) disclosed in this quarterly information statement any change in the System's internal control over financial reporting that occurred during the System's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the System's internal control over financial reporting.

5. The System's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the System's registered public accounting firm and the System Audit Committee:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the System's internal control over financial reporting.

Karen R. Brenner

Karen R. Brenner
Managing Director — Financial
Management Division

Date: November 9, 2021

(1) See footnote 1 on page S-2.

(2) See footnote 2 on page S-2.

FARM CREDIT SYSTEM ENTITIES (As of September 30, 2021)

BANKS

AgFirst Farm Credit Bank
P.O. Box 1499
Columbia, SC 29202-1499
(803) 799-5000

AgriBank, FCB
30 East 7th Street
Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800

CoBank, ACB
P.O. Box 5110
Denver, CO 80217-5110
(303) 740-4000

Farm Credit Bank of Texas
P.O. Box 202590
Austin, TX 78720-2590
(512) 465-0400

CERTAIN OTHER ENTITIES

Farm Credit Leasing Services Corporation
1665 Utica Avenue South, Suite 400
Minneapolis, MN 55416
(952) 417-7800

Federal Farm Credit Banks
Funding Corporation
101 Hudson Street, Suite 3505
Jersey City, NJ 07302-3913
(201) 200-8000

FCS Building Association
1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

The Farm Credit Council
50 F Street, N.W., Suite 900
Washington, DC 20001-1530
(202) 626-8710

ASSOCIATIONS

AgFirst District

Ag Credit, ACA
610 W. Lytle Street
Fostoria, OH 44830-3422

AgCarolina Farm Credit, ACA
4000 Poole Road
Raleigh, NC 27610

AgChoice Farm Credit, ACA
300 Winding Creek Blvd
Mechanicsburg, PA 17050

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069

AgSouth Farm Credit, ACA
26 South Main Street
Statesboro, GA 30458

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501

Cape Fear Farm Credit, ACA
333 East Russell Street
Fayetteville, NC 28301

Carolina Farm Credit, ACA
146 Victory Lane
Statesville, NC 28625

Central Kentucky, ACA
640 S. Broadway, Room 108
Lexington, KY 40588

Colonial Farm Credit, ACA
7104 Mechanicsville Turnpike
Mechanicsville, VA 23111

Farm Credit of Central Florida, ACA
204 E. Orange Street, Suite 200
Lakeland, FL 33801

Farm Credit of Florida, ACA
11903 Southern Blvd.
Suite 200
Royal Palm Beach, FL 33411

Farm Credit of Northwest Florida, ACA
5052 Highway 90
East Marianna, FL 32446

Farm Credit of the Virginias, ACA
106 Sangers Lane
Staunton, VA 24401

First South Farm Credit, ACA
574 Highland Colony Parkway
Suite 100
Ridgeland, MS 39157

MidAtlantic Farm Credit, ACA
45 Aileron Court
Westminster, MD 21157

Puerto Rico Farm Credit, ACA
213 Manuel V. Domenech Avenue
Hato Rey, PR 00918

River Valley AgCredit, ACA
408 East Broadway
Mayfield, KY 42066

Southwest Georgia Farm Credit, ACA
305 Colquitt Highway
Bainbridge, GA 39817

AgriBank District

AgCountry Farm Credit Services, ACA
1900 44th Street South
Fargo, ND 58108

AgHeritage Farm Credit Services, ACA
119 East Third Street, Suite 200
Little Rock, AR 72201

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590

Delta Agricultural Credit Association
118 E. Speedway
Dermott, AR 71638

FCS Financial, ACA
1934 East Miller Street
Jefferson City, MO 65101

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853

Farm Credit Mid-America, ACA
12501 Lakefront Place
Louisville, KY 40299

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404

Farm Credit Services of America, ACA
5015 South 118th Street
Omaha, NE 68137

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554

Farm Credit Services of North Dakota, ACA
1400 31st Ave SW
Minot, ND 58701

Farm Credit Services of Western Arkansas, ACA
3115 West 2nd Court
Russellville, AR 72801

Farm Credit Southeast Missouri, ACA
1116 N. Main Street
Sikeston, MO 63801

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823

CoBank District

American AgCredit, ACA
400 Aviation Boulevard
Suite 100
Santa Rosa, CA 95403

Farm Credit East, ACA
240 South Road
Enfield, CT 06082

Farm Credit of Enid, ACA
1605 W. Owen K. Garriott Road
Enid, OK 73703

Farm Credit of New Mexico, ACA
5651 Balloon Fiesta Parkway NE
Albuquerque, NM 87113

Farm Credit of Southern Colorado, ACA
5110 Edison Avenue
Colorado Springs, CO 80915

Farm Credit of Western Kansas, ACA
1190 South Range Avenue
Colby, KS 67701

Farm Credit of Western Oklahoma, ACA
3302 Williams Avenue
Woodward, OK 73801

Farm Credit Services of Colusa-Glenn, ACA
2970 Davison Court
Colusa, CA 95932

Farm Credit West, ACA
3755 Atherton Road
Rocklin, CA 95765

Fresno-Madera Farm Credit, ACA
4635 West Spruce Ave.
Fresno, CA 93722

Frontier Farm Credit, ACA
5015 South 118th Street
Omaha, NE 68137

Golden State Farm Credit, ACA
1359 East Lassen Avenue
Chico, CA 95973

High Plains Farm Credit, ACA
605 Main
Larned, KS 67550

Idaho AgCredit, ACA
188 West Judicial Street
Blackfoot, ID 83221

Northwest Farm Credit Services, ACA
2001 South Flint Road
Spokane, WA 99224

Oklahoma AgCredit, ACA
3033 Progressive Drive
Edmond, OK 73034

Premier Farm Credit, ACA
202 Poplar Street
Sterling, CO 80751

Western AgCredit, ACA
10980 South Jordan Gateway
South Jordan, UT 84095

Yankee Farm Credit, ACA
289 Hurricane Lane, Suite 202
Williston, VT 05495

Yosemite Farm Credit, ACA
806 West Monte Vista Avenue
Turlock, CA 95382

Texas District

Ag New Mexico, Farm Credit Services, ACA
4501 N. Prince Street
Clovis, NM 88101

AgTexas Farm Credit Services
5004 N. Loop 289
Lubbock, TX 79416

Alabama Ag Credit, ACA
2660 Eastchase Lane, Suite 401
Montgomery, AL 36117

Alabama Farm Credit, ACA
300 2nd Avenue SW
Cullman, AL 35055

Capital Farm Credit, ACA
3000 Briarcrest Drive, Suite 601
Bryan, TX 77802

Central Texas Farm Credit, ACA
1026 Early Boulevard
Early, TX 76802

Heritage Land Bank, ACA
4608 Kinsey Drive, Suite 100
Tyler, TX 75703

Legacy Ag Credit, ACA
303 Connally Street
Sulphur Springs, TX 75482

Lone Star, ACA
1612 Summit Avenue, Suite 300
Fort Worth, TX 76102

Louisiana Land Bank, ACA
2413 Tower Drive
Monroe, LA 71201

Mississippi Land Bank, ACA
5509 Highway 51 North
Senatobia, MS 38668

Plains Land Bank, FLCA
1616 S. Kentucky Street, Suite C-250
Amarillo, TX 79102

Southern AgCredit, ACA
402 West Parkway Place
Ridgeland, MS 39157

Texas Farm Credit Services
545 South Highway 77
Robstown, TX 78380