2021 FIRST QUARTER REPORT
AGFIRST FARM CREDIT BANK
IN SIGHT

FIRST QUARTER 2021

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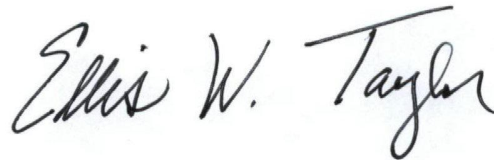
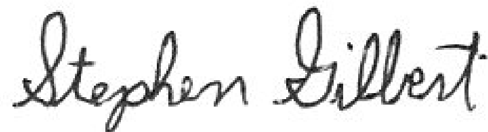
CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2021 quarterly report of AgFirst Farm Credit Bank, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Ellis W. Taylor
Chairman of the Board

Leon T. Amerson
Chief Executive Officer & President



Stephen Gilbert
Chief Financial Officer

May 7, 2021

Report on Internal Control Over Financial Reporting

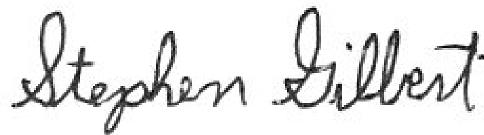
The Bank's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Bank's Financial Statements. For purposes of this report, "internal control over financial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

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

The Bank's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2021. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Bank's management concluded that as of March 31, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Bank's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2021.

Leon T. Amerson
Chief Executive Officer & President



Stephen Gilbert
Chief Financial Officer

May 7, 2021

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

The following discussion reviews the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank) as of and for the three months ended March 31, 2021. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2020 Annual Report of AgFirst Farm Credit Bank. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the District. The accompanying financial statements were prepared under the oversight of the Audit Committee of the AgFirst Board of Directors.

Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of AgFirst. However, the results of operations for the three months may not be indicative of an entire year due to the seasonal nature of a portion of AgFirst's business.

FORWARD-LOOKING INFORMATION

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

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

COVID-19 OVERVIEW

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

During the first quarter of 2021, significant progress has been made in the fight against COVID-19 with the distribution of vaccines. However, it remains unclear how quickly the vaccines will be distributed nationwide and globally or when the restrictions that were imposed to slow the spread of the pandemic will be lifted entirely. In this regard, AgFirst will adjust its business continuity plans to maintain effective and efficient business operations while safeguarding the health and safety of employees. In addition, AgFirst continues to work with borrowers and District Associations to offer appropriate solutions to meet their operating and liquidity needs.

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

COVID-19 Support Programs

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

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. As of March 31, 2021, the District had $198.7 million of loans outstanding to approximately 8,000 borrowers. In addition, through March 31, 2021, the volume of loans that have received forgiveness from the SBA since the start of the program was $40.4 million.

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

FINANCIAL CONDITION

Loan Portfolio

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

Loan Portfolio	**March 31,**	**December 31,**	**March 31,**	**March 2021 Compared to December 2020**		**March 2021 Compared to March 2020**	
(dollars in thousands)	**2021**	**2020**	**2020**	**$ Change**	**% Change**	**$ Change**	**% Change**
Direct Notes*	$ 17,731,481	$ 17,945,905	$ 16,755,147	$ (214,424)	(1.19)%	$ 976,334	5.83 %
Participations/Syndications Purchased, net*	5,216,406	5,094,229	5,047,728	122,177	2.40 %	168,678	3.34 %
Correspondent Lending	2,967,465	3,047,757	3,501,256	(80,292)	(2.63)%	(533,791)	(15.25)%
Loans to OFIs	137,785	137,098	137,706	687	0.50 %	79	0.06 %
Total	$ 26,053,137	$ 26,224,989	$ 25,441,837	$ (171,852)	(0.66)%	$ 611,300	2.40 %

	Portfolio Distribution		
	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Direct Notes*	68.06 %	68.43 %	65.86 %
Participations/Syndications Purchased, net*	20.02 %	19.43 %	19.84 %
Correspondent Lending	11.39 %	11.62 %	13.76 %
Loans to OFIs	0.53 %	0.52 %	0.54 %
Total	100.00 %	100.00 %	100.00 %

**Net of participations sold.*

Loans outstanding totaled $26.053 billion at March 31, 2021, a decrease of $171.9 million, or 0.66 percent, compared to total loans outstanding at December 31, 2020 and an increase of $611.3 million, or 2.40 percent, since March 31, 2020.

Loan volume since December 31, 2020 was negatively impacted primarily by a decrease in Direct Notes. The decrease resulted primarily due to the Bank's patronage distributions to Associations of $370.3 million. Since the Direct Notes fund District Associations' lending activities, increases and decreases in the Direct Note portfolio are closely linked to the commodities and geographic distribution of the District Associations' loan portfolios. Compared to March 31, 2020, the year-over-year increase in loan volume was primarily in the processing, forestry, grains, and cattle segments, partially offset by declines in the rural home loans and dairy segments. Growth came from a combination of factors including new client acquisition, customers restructuring their balance sheets to take advantage of the current rate environment, liquidity needs due to commodity price escalation, and merger and acquisition activity.

Credit Quality

Credit quality of AgFirst's loans is shown below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Acceptable	93.85 %	94.00 %	94.12 %
OAEM *	5.96 %	5.85 %	5.66 %
Substandard/doubtful/loss	0.19 %	0.15 %	0.22 %

**Other Assets Especially Mentioned.*

The table above reflects the classification of a single Direct Note as OAEM for all periods presented. See the *Direct Notes* section below for further discussion.

Bank credit quality has remained relatively stable, but it may deteriorate in future quarters given potential changes in government support for agricultural sectors and unemployment benefits, and unforeseen impacts from trade, weather, or agriculture-related events.

Direct Notes

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

At March 31, 2021, the total Direct Note volume outstanding was $17.731 billion, a decrease of $214.4 million, or 1.19 percent, compared to December 31, 2020. The decrease is primarily attributed to Bank patronage payments to Associations of approximately $370.3 million which were applied to the Association Direct Notes at the beginning of 2021. Compared to March 31, 2020, Direct Note volume increased $976.3 million, or 5.83 percent. See the *Loan Portfolio* section above for the primary reasons for the change in Direct Notes.

	Direct Note Credit Quality as of:					
	March 31, 2021		**December 31, 2020**		**March 31, 2020**	
Classification	**% Total**	**# Total**	**% Total**	**# Total**	**% Total**	**# Total**
Acceptable	91.99 %	18	92.09 %	18	91.98 %	18
OAEM *	8.01 %	1	7.91 %	1	8.02 %	1
Substandard/doubtful/loss	— %	—	— %	—	— %	—

**Other Assets Especially Mentioned*

At March 31, 2021, no District Associations were operating under a written agreement with the FCA. As of March 31, 2021, one Association, which had total assets of $1.931 billion, was operating under a special credit agreement pursuant to its GFA. The GFA events of default are not expected to have a significant adverse impact on the Bank's or District's financial condition or results of operations. This Direct Note was classified as OAEM for all periods presented.

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

Participations/Syndications

The Participations/Syndications portfolio consists of loan participations and syndications purchased primarily from other System institutions, commercial banks, and other lenders. As of March 31, 2021, this portfolio totaled $5.216 billion, an increase of $122.2 million, or 2.40 percent, from December 31, 2020 and an increase of $168.7 million, or 3.34 percent, from March 31, 2020. This increase is primarily due to increased capital markets activity and the Bank's purchase of PPP loans originated by Associations. As of March 31, 2021, the balance of PPP loans was $86.2 million.

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

Credit quality statistics for the participations/syndications portfolio are shown in the following chart:

	Participations/Syndications Credit Quality as of:		
Classification	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Acceptable	96.77 %	97.22 %	97.21 %
OAEM*	2.54 %	2.25 %	1.94 %
Substandard/doubtful/loss	0.69 %	0.53 %	0.85 %

**Other Assets Especially Mentioned.*

Correspondent Lending

The Correspondent Lending portfolio consists primarily of purchased first lien residential mortgages. As of March 31, 2021, the Correspondent Lending portfolio totaled $2.967 billion, a decrease of $80.3 million, or 2.63 percent, from December 31, 2020 and a decrease of $533.8 million, or 15.25 percent, from March 31, 2020. The decrease compared to year-end 2020 primarily resulted from increased early payoff activity and a reduction in new home construction loans resulting from modifications of qualification standards established by loan insurers. Loan sales of $289.4 million during the second and third quarters of 2020 to capitalize on market premiums and manage risk during a period of market volatility also contributed to the decrease compared to March 31, 2020.

As of March 31, 2021, $871.3 million, or 29.36 percent of loans in the Correspondent Lending portfolio include a long-term standby commitment to purchase (LTSP) and $2.096 billion, or 70.64 percent, are not covered under a LTSP. The LTSPs from the Federal National Mortgage Association (Fannie Mae) and/or Federal Agricultural Mortgage Corporation (Farmer Mac), give AgFirst the right to deliver delinquent loans to the guarantor at par.

At March 31, 2021, 99.55 percent of the total Correspondent Lending loans, including accrued interest, was classified as acceptable and 0.45 percent was classified as substandard compared to 99.58 percent acceptable and 0.42 percent substandard at December 31, 2020. There were no loans classified as OAEM for the periods presented.

As a result of the COVID-19 pandemic, the Bank utilized forbearance programs offered by Fannie Mae to eligible borrowers for an initial six-month forbearance, with a potential maximum forbearance of twelve months. At March 31, 2021, loans totaling $37.7 million, or 1.27% of the Correspondent Lending portfolio, remained in the forbearance program.

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

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the Bank totaled $24.5 million at March 31, 2021, a decrease of 6.83 percent compared to $26.3 million at December 31, 2020. At March 31, 2021, nonaccrual

loans were primarily in the rural home loan (65.37 of the total) and swine (26.60 percent) segments. Nonaccrual loans were 0.09 percent of total loans outstanding at March 31, 2021 and 0.10 percent at December 31, 2020.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank. TDRs increased $1.5 million since December 31, 2020 and totaled $13.9 million at March 31, 2021. TDRs at March 31, 2021 were comprised of $10.9 million of accruing restructured loans and $3.0 million of nonaccrual restructured loans. Restructured loans were primarily in the rural home loan (47.80 percent of the total), other real estate (8.66 percent), nursery/greenhouse (6.16 percent), and swine (5.14 percent) segments.

In March 2020, the CARES Act, which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act grants entities temporary relief from the accounting and disclosure requirements for TDRs and if certain criteria are met, these loan modifications may not need to be classified as TDRs. In response to the CARES Act, the FCA issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. The Bank adopted this relief for qualifying loan modifications. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

At March 31, 2021, the outstanding balance of District loans modified under COVID-related deferral or forbearance programs was $787.1 million, or 2.41 percent of combined District loans.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. OPO totaled $392 thousand at March 31, 2021 and was comprised of two rural home properties. The Bank had no OPO at December 31, 2020.

Allowance for Loan Losses

The Bank maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within the loan portfolio as of each reported balance sheet date. The allowance for loan losses was $19.0 million at March 31, 2021, as compared with $18.3 million at December 31, 2020. The allowance at March 31, 2021 included specific reserves of $429 thousand (2.25 percent of the total) and general reserves of $18.6 million (97.75 percent). See *Provision for Loan Losses* section below for additional details regarding loan loss provision expense and reversals included in the net provision expense of $1.1 million recorded during the three months ended March 31, 2021.

None of the allowance relates to the Direct Note portfolio. See further discussion in the *Direct Notes* section above.

The general reserves at March 31, 2021 included $5.7 million of allowance provided by the Bank for non-LTSP loans in the Correspondent Lending portfolio. This balance included a qualitative reserve of $1.2 million for the Correspondent Lending portfolio related to additional risks associated with loans remaining in forbearance programs at March 31, 2021. The Bank's allowance also included $251 thousand of qualitative reserve for the participations/ syndications portfolio due to potential stress in certain segments from the COVID-19 pandemic.

The total allowance at March 31, 2021 was comprised primarily of reserves for the rural home loan (31.42 percent of the total), processing (13.78 percent), utilities (12.89 percent), forestry (6.28 percent), and nursery/greenhouse (5.75 percent) segments. The allowance for loan losses was 0.07 percent of total loans outstanding at both March 31, 2021 and December 31, 2020. See Note 2, *Loans and Allowance for Loan Losses*, in the Notes to the Financial Statements for further information.

Interest Rate Risk Management

At March 31, 2021, the Bank's twelve month Cumulative Repricing/Maturity Gap was a $1.523 billion asset sensitive position, meaning the volume of repricing/maturing assets exceeded the volume of liabilities that mature or reprice during that time period. An asset sensitive position generally implies an increase in net interest income in rising interest rate scenarios and lower net interest income in falling interest rate scenarios. However, a gap analysis does not capture the optionality that is inherent in some of the Bank's assets and liabilities.

For example, during a period of rising interest rates, call options on fixed-rate debt may not be exercised and prepayment options on fixed-rate assets also slow as the economic incentive for borrowers to refinance decreases. In contrast, during a period of falling interest rates, call options on debt may be exercised and prepayment activity on loans increases. To supplement the Repricing/Maturity Gap analysis, the Bank utilizes a financial simulation model for measuring interest rate sensitivity of net interest income and market value of equity.

The following tables represent AgFirst's projected change over the next twelve months in net interest income and market value of equity for various rate movements as of March 31, 2021. The upward and downward shocks are generally based on movements in interest rates which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed.

Net Interest Income
(dollars in thousands)

Scenarios	Net Interest Income	% Change
+4.0% Shock	$580,240	(5.47)%
+2.0% Shock	$612,717	(0.18)%
Base line **	$613,821	–
-50% of 3M Tbill ***	$613,653	(0.03)%

Market Value of Equity
(dollars in thousands)

Scenarios	Assets	Liabilities*	Equity*	% Change
Book Value	$36,014,329	$33,554,294	$2,460,035	–
+4.0% Shock	$32,683,403	$30,802,304	$1,881,099	(34.87)%
+2.0% Shock	$34,447,585	$32,068,082	$2,379,503	(17.61)%
Base line **	$36,360,568	$33,472,499	$2,888,069	–
-50% of 3M Tbill ***	$36,369,070	$33,479,897	$2,889,173	0.04 %

* *For interest rate risk management, the $39.5 million perpetual preferred stock is included in liabilities rather than equity.*

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

*** *When the three-month Treasury bill interest rate is less than 4 percent, both the minus 200 and minus 400 basis point shocks are replaced with a downward shock which is equal to one-half of the three-month Treasury bill rate. At March 31, 2021, this downward shock was (1) basis point.*

Future of LIBOR

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

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

to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The District has exposure to LIBOR arising from loans made to customers, investment securities purchased, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held. The LIBOR transition could result in paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, loans and investments held that reference LIBOR, and increase the costs of or affect the ability to effectively use derivative instruments to manage interest rate risk. In addition, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments.

The FCA has issued guidelines for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure over time. The FCA identified the following as important considerations in the development of each entity's transition plan:

- a governance structure to manage the transition;
- an assessment of exposures to LIBOR;
- an assessment of the fallback provisions in contracts and the impact of a LIBOR phase-out under those provisions;
- the establishment of strategies for reducing each type of LIBOR exposure;
- an assessment of the operational processes that need to be changed;
- a communication strategy for customers and shareholders;
- the establishment of a process to stay abreast of industry developments and best practices;
- the establishment of a process to ensure a coordinated approach, to the extent possible, across the District; and
- a timeframe and action steps for completing key objectives.

The Bank and Associations have established and are in the process of implementing LIBOR transition plans and continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

At this time, the Bank is unable to determine when LIBOR will cease to be available or becomes unrepresentative, or if SOFR will become the only benchmark to replace LIBOR. SOFR is a benchmark interest rate based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. Because the Bank and Associations engage in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on the financial results, borrowers, investors, 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 the Secured Overnight Financing Rate (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. While similar to the New York LIBOR Legislation, there are differences in the current draft of the federal legislation, which was discussed at the House of Representative Subcommittee on Investor Protection, Entrepreneurship and Capital Markets on April 15, 2021. These include, 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.

The following is a summary of District variable-rate financial instruments outstanding with LIBOR exposure at March 31, 2021:

(dollars in millions)	Due in 2021	Due in 2022	Due in 2023 on or before June 30	Due after June 30, 2023	Total
Investments	$ 15	$ 1	$ 50	$ 1,433	$ 1,499
Loans	609	415	154	4,178	5,356
Total	$ 624	$ 416	$ 204	$ 5,611	$ 6,855
Systemwide debt securities	$ 1,050	$ 275	$ 35	$ —	$ 1,360
Preferred stock	—	—	—	40	40
Total	$ 1,050	$ 275	$ 35	$ 40	$ 1,400

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after December 31, 2021 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. As of March 31, 2021, approximately 2 percent of total District investments, 3 percent of total District loans, and 1 percent of Systemwide debt securities maturing after December 31, 2021 do not contain fallback provisions. The Bank's preferred stock may be redeemed on any five-year anniversary of its issuance. The next redemption date for the preferred stock is June, 2022.

Liquidity and Funding Sources

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

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

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

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Farm Credit System Insurance Corporation (FCSIC) has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB could advance funds to the FCSIC. Under its existing statutory authority, the FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2021, unless otherwise renewed. The decision whether to seek funds from the FFB is at the discretion of the FCSIC. Each funding obligation of the FFB is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by AgFirst or the System.

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

At March 31, 2021, AgFirst had $33.417 billion in total debt outstanding compared to $33.356 billion at December 31, 2020, an increase of $61.2 million, or 0.18 percent.

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

Cash and cash equivalents, which decreased $510.0 million from December 31, 2020 to a total of $703.7 million at March 31, 2021, consist primarily of cash on deposit and money market securities that are short-term in nature (maturities of overnight to 90 days). Incremental movements in cash and cash equivalents balances between reporting periods are due primarily to changes in liquidity needs in relation to upcoming debt maturities and operational funding needs.

Investments in debt securities totaled $8.794 billion, or 24.42 percent of total assets at March 31, 2021, compared to $8.515 billion, or 23.43 percent as of December 31, 2020, an increase of $279.0 million, or 3.28 percent. The majority of investments, $8.766 billion as of March 31, 2021, are classified as being available for sale. Available-for-sale investments at March 31, 2021 included $569.6 million in U.S. Treasury securities, $4.188 billion in U.S. government guaranteed securities, $3.499 billion in U.S. government agency guaranteed securities, and $509.4 million in non-agency asset-backed securities. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. At March 31, 2021, the Bank had not recorded any impairments as a result of the COVID-19 market disruptions. See Note 3, *Investments*, in the Notes to the Financial Statements for further information regarding types of securities that may be held under applicable FCA guidelines.

Management maintains the available-for-sale liquidity investment portfolio size generally proportionate with that of the loan portfolio and within regulatory and policy guidelines which provide that a System bank may hold certain eligible available-for-sale investments in an amount not to exceed 35.00 percent of its quarterly average daily balance of loans outstanding. Based upon FCA guidelines, at March 31, 2021, the Bank's eligible available-for-sale investments were 33.85 percent of its quarterly average daily balance of loans outstanding.

As of March 31, 2021, AgFirst exceeded all applicable regulatory liquidity requirements. FCA regulations require that the Bank have a liquidity policy that establishes a minimum total "coverage" level of 90 days and that short-term liquidity requirements must be met by certain high quality investments or cash. "Coverage" is defined as the

number of days that maturing debt could be funded with eligible cash, cash equivalents, and available-for-sale investments maintained by the Bank.

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

At March 31, 2021, AgFirst met each of the individual level criteria above and had a total of 211 days of maturing debt coverage compared to 196 days at December 31, 2020. The increase resulted from a change in the timing of upcoming debt maturities. Cash provided by the Bank's operating activities is an additional source of liquidity for the Bank that is not reflected in the coverage calculation.

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

Capital

Total shareholders' equity increased $21.7 million, or 0.87 percent, from December 31, 2020 to $2.500 billion at March 31, 2021. This increase is primarily attributed to unallocated retained earnings from first quarter 2021 net income of $123.9 million, partially offset by a decrease in net unrealized gains of $94.5 million on investments primarily due to an increase in interest rates lowering the fair value of existing available-for-sale fixed-rate investment securities, and redemption of perpetual preferred stock of $6.7 million.

During the first quarter of 2021, the Bank repurchased, through privately negotiated transactions, and subsequently cancelled, Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock with par value totaling $9.8 million. The effect of the repurchases on shareholders' equity was to reduce preferred stock outstanding by $9.8 million and to increase additional paid-in capital by $3.0 million.

Regulatory Capital Ratios

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

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

	Regulatory Minimum, Including Buffer*	3/31/21	12/31/20	3/31/20
Permanent Capital Ratio	7.00 %	17.34 %	19.39 %	17.75 %
Common Equity Tier 1 (CET1) Capital Ratio	7.00 %	16.95 %	18.99 %	17.33 %
Tier 1 Capital Ratio	8.50 %	17.32 %	19.36 %	17.72 %
Total Regulatory Capital Ratio	10.50 %	17.46 %	19.51 %	17.87 %
Tier 1 Leverage Ratio**	5.00 %	6.37 %	7.09 %	6.54 %
Unallocated Retained Earnings (URE) and URE Equivalents	1.50 %	5.49 %	6.18 %	5.58 %

** Includes fully phased-in capital conservation buffers which were effective as of January 1, 2020.*
*** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

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

risk-adjusted weighting of assets. These ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgFirst exceeded minimum regulatory standards for all of the ratios. The Bank's capital ratios declined closer to desired operating targets at March 31, 2021 compared to December 31, 2020 and March 31, 2020 due primarily to the distribution of 2020 cash patronage of $390.4 million, which represented approximately 93.46 percent of 2020 net income. In addition, the Bank modified the stock equalization methodology effective December 31, 2020 which resulted in a $16.9 million stock redemption and reduction in capital. Because the capital ratios are calculated using a three-month average daily balance, the full impacts of these reductions in capital were included in the ratios as of March 31, 2021.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2021 was $123.9 million compared to $72.0 million for the three months ended March 31, 2020, an increase of $51.9 million, or 72.09 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the Three Months Ended March 31, 2021	For the Year Ended December 31, 2020	Annualized for the Three Months Ended March 31, 2020
Return on average assets	1.40 %	1.17 %	0.84 %
Return on average shareholders' equity	20.00 %	15.90 %	11.89 %
Net interest margin	1.86 %	1.67 %	1.35 %
Operating expense as a percentage of net interest income and noninterest income	26.15 %	27.91 %	33.41 %
Net (charge-offs) recoveries to average loans	(0.01)%	0.03 %	0.00 %

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

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

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

Net Interest Income

Net interest income for the three months ended March 31, 2021 was $160.7 million compared to $113.6 million for the same period of 2020, an increase of $47.1 million, or 41.41 percent. The net interest margin, which is net interest income as a percentage of average earning assets, was 1.86 percent, an increase of 51 basis points for the first quarter of 2021 compared to the same period in the prior year. The increase in net interest income primarily resulted from lower rates paid on interest-bearing liabilities which was achieved by calling debt in response to declining interest rates, partially offset by refinancing of interest-earning assets at lower interest rates.

The COVID-19 impact on interest rates provided the Bank opportunities to call and replace $2.691 billion of debt for the first three months of 2021, compared to $14.254 billion for the first three months of 2020. The average rate reduction for the debt called during the first quarter of 2021 (the difference between the rates on the called bonds and the rates on the replacement bonds) was 21 basis points, resulting in interest expense savings of $10.9 million, net of debt extinguishment expense of $2.2 million, over the remaining life of the bonds of 1.96 years. Replacement

bonds generally have terms similar to those of the bonds being replaced. For the year ended December 31, 2020, $43.043 billion of debt was called and replaced. The average rate reduction was 63 basis points resulting in interest expense savings of $954.8 million, net of debt extinguishment expense of $65.5 million, over the remaining life of the bonds called.

The effects of changes in volume and interest rates on net interest income for the three months ended March 31, 2021, as compared with the corresponding period in 2020, are presented in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and to the levels of average interest rates. Accordingly, the benefit derived from funding earning assets with interest-free funds (principally capital) is reflected solely as a volume increase.

	For the Three Months Ended March 31, 2021 vs March 31, 2020		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 6,382	$ (50,925)	$ (44,543)
Investments & Cash Equivalents	1,228	(19,215)	(17,987)
Other	(25)	(758)	(783)
Total Interest Income	7,585	(70,898)	(63,313)
Interest Expense:			
Interest-Bearing Liabilities	1,785	(112,162)	(110,377)
Changes in Net Interest Income	$ 5,800	$ 41,264	$ 47,064

Provision for Loan Losses

AgFirst measures risks inherent in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for loan loss expense so that appropriate reserves for loan losses are maintained. Loan loss provision was a net expense of $1.1 million for the three months ended March 31, 2021 compared to a net expense of $38 thousand for the three months ending March 31, 2020.

For the three month period ended March 31, 2021, the provision for loan losses included net provision expense for specific reserves of $326 thousand and net provision expense for general reserves of $758 thousand. Total net provision expense for the three months ended March 31, 2021 primarily related to provision expense for borrowers in the utilities ($919 thousand) and processing ($232 thousand) segments, partially offset by provision reversals in the forestry ($461 thousand) segment.

For the three month period ended March 31, 2020, the provision for loan losses included net provision reversals for specific reserves of $581 thousand and net provision expense for general reserves of $619 thousand. Total net provision expense for the three months ended March 31, 2020 primarily related to provision expense for borrowers in the processing ($258 thousand), forestry ($255 thousand), and rural home loan ($180 thousand) segments, partially offset by provision reversals related to borrowers in the field crops ($712 thousand) segment.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2021**	**2020**	**Increase/ (Decrease)**
Loan fees	$ 3,028	$ 2,269	$ 759
Lease income	786	773	13
Gains (losses) on investments, net	—	7,215	(7,215)
Gains (losses) on debt extinguishment	(2,220)	(20,744)	18,524
Gains (losses) on other transactions	1,236	(728)	1,964
Insurance premium refund	—	2,638	(2,638)
Other noninterest income	5,631	3,155	2,476
Total noninterest income	$ 8,461	$ (5,422)	$ 13,883

For the three months ended March 31, 2021 compared to the corresponding period in 2020, noninterest income increased $13.9 million. Significant line item dollar variances are discussed below.

For the three months period ended March 31, 2021, loan fees increased $759 thousand. The increase was primarily due to an increase in fee income in the Correspondent Lending portfolio of $633 thousand, primarily in modification fees.

As part of its normal portfolio management activities, the Bank periodically packages and sells amortizing securities that have relatively small remaining balances and correspondingly high administrative costs. During the first quarter of 2020, the Bank sold securities with a par value of approximately $55.9 million, resulting in net gains of $7.2 million. No sales occurred in first quarter 2021.

Debt issuance expense is amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through gains (losses) on debt extinguishment. The amount of issuance cost expensed when a bond is called is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $2.691 billion during the first quarter of 2021 as compared to $14.254 billion for the corresponding period in 2020. Accordingly, losses on debt extinguishment decreased $18.5 million for the three months ended March 31, 2021 compared to the same period in 2020. See *Net Interest Income* section above for further discussion.

For the three months ended March 31, 2021 compared to the prior year, net gains on other transactions increased $2.0 million. The increase was primarily due to an increase of $1.5 million in market value gains on certain retirement plan trust assets due to favorable market returns.

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

For the three months ended March 31, 2021, other noninterest income increased $2.5 million due to an increase in patronage income received from other Farm Credit institutions, primarily from entities outside the District related to participations sold to them.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2021**	**2020**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 19,720	$ 17,782	$ 1,938
Occupancy and equipment	1,834	1,927	(93)
Insurance Fund premiums	4,332	2,156	2,176
Other operating expenses	18,350	14,290	4,060
Losses (gains) from other property owned	(33)	45	(78)
Total noninterest income	$ 44,203	$ 36,200	$ 8,003

Noninterest expenses for the three months ended March 31, 2021 increased $8.0 million compared to the corresponding period in 2020. Significant line item dollar variances are discussed below.

Salaries and employee benefits increased $1.9 million for the three months ended March 31, 2021 compared to the same period in 2020. The increase resulted from $1.9 million in higher salaries and incentives primarily due to normal salary administration and an increase in headcount.

Insurance Fund premiums increased $2.2 million for the three months ending March 31, 2021 compared to the same period in 2020. The increase resulted primarily from an increase in the base annual premium rate to 16 basis points in the first half of 2021 from 8 basis points in the first half of 2020. The FCSIC Board makes premium rate adjustments, as necessary, to maintain the secure base amount which is based upon insured debt outstanding at System banks.

For the three months ended March 31, 2021, other operating expenses increased $4.1 million compared to the same period in the prior year. The increase was primarily due to $3.6 million in higher contractor costs related to technology initiatives.

REGULATORY MATTERS

Capital

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

SCOPE OF APPLICATION

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

As of March 31, 2021, the AgFirst District consisted of the Bank and 19 District Associations. All 19 were structured as Agricultural Credit Association (ACA) holding companies, with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. AgFirst is owned jointly by these 19 Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities

and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution that issued the equities may count the amount as capital.

CAPITAL STRUCTURE

The table below outlines the Bank's capital structure for the capital adequacy calculations as of March 31, 2021:

(dollars in thousands)	**3-Month Average Daily Balance**
Common Equity Tier 1 Capital (CET1)	
Common cooperative equities:	
Statutory minimum purchased borrower stock	$ 23
Other required member purchased stock	112,873
Allocated equities:	
Allocated stock subject to retirement	198,963
Nonqualified allocated surplus subject to retirement	416
Unallocated retained earnings	1,941,225
Paid-in capital	59,218
Regulatory adjustments and deductions made to CET1*	(76,895)
Total CET1 Capital	$ 2,235,823
Additional Tier 1 Capital (AT1)	
Non-cumulative perpetual preferred stock	$ 48,167
Regulatory adjustments and deductions made to AT1	—
Total AT1 Capital	$ 48,167
Total Tier 1 Capital	$ 2,283,990
Tier 2 Capital	
Allowance for loan losses	$ 18,172
Reserve for unfunded commitments	431
Regulatory adjustments and deductions made to total capital	—
Total Tier 2 Capital	$ 18,603
Total Regulatory Capital	$ 2,302,593

**Primarily investments in other System institutions.*

CAPITAL ADEQUACY AND CAPITAL BUFFERS

The table below outlines the Bank's risk-weighted assets by exposure calculated on a three-month average daily balance (including accrued interest of that exposure) as of March 31, 2021:

(dollars in thousands)	Risk-Weighted Assets
Exposures to:	
Government-sponsored entities, including Direct Notes to Associations	$ 4,341,388
Depository institutions	24,257
Corporate exposures, including borrower loans and leases	5,770,963
Residential mortgage loans	1,019,765
Past due > 90 days and nonaccrual loans	25,610
Securitizations	125,584
Exposures to obligors and other assets	145,428
Off-balance sheet exposures	1,734,944
Total risk-weighted assets	$ 13,187,939

As of March 31, 2021, the Bank exceeded all capital requirements to which it was subject, including applicable capital buffers. The Bank's risk-adjusted capital ratios exceeded the regulatory minimum levels, including the conservation buffer, by at least 6.96 percent. Additionally, the Bank's leverage ratio was 1.37 percent in excess of its required minimum leverage ratio, including the buffer. If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following sets forth the regulatory capital ratios as of March 31, 2021:

Ratio	Regulatory Minimum Requirement	Capital Conservation Buffer	Minimum Requirement, Including Buffer	Capital Ratios
Risk-adjusted ratios:				
CET1 Capital	4.50 %	2.50 %	7.00 %	16.95 %
Tier 1 Capital	6.00 %	2.50 %	8.50 %	17.32 %
Total Regulatory Capital	8.00 %	2.50 %	10.50 %	17.46 %
Permanent Capital	7.00 %	0.00 %	7.00 %	17.34 %
Non-risk-adjusted ratios:				
Tier 1 Leverage*	4.00 %	1.00 %	5.00 %	6.37 %
URE and URE Equivalents Leverage	1.50 %	0.00 %	1.50 %	5.49 %

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

CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's FLCAs, PCAs, and ACAs as well as OFIs. The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of March 31, 2021. The Bank's allowance for loan losses at March 31, 2021 included $251 thousand of qualitative reserves for the participations/syndications portfolio due to anticipated stress from the COVID-19 pandemic in certain segments and a qualitative reserve of $1.2 million for additional risks for loans remaining in forbearance in the Correspondent Lending portfolio. See Note 2, *Loans and Allowance for Loan Losses*, and Note 3, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1 of the Bank's Annual Report, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Excluding accrued interest receivable, at March 31, 2021, the Bank's Direct Note portfolio totaled $17.731 billion and aggregate District Associations' loan portfolios totaled $24.123 billion.

The following table illustrates certain significant credit risk mitigants within AgFirst's loan portfolio which reduce capital requirements as of March 31, 2021:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 92,288	$ 91,518	$ —	— %
Loans with conditional guarantee	873,199	913,580	182,716	4 %
Direct Notes	17,766,910	17,521,051	3,504,210	68 %
Total	$ 18,732,397	$ 18,526,149	$ 3,686,926	72 %

The following table illustrates the geographic distribution of the aggregate loan portfolios for AgFirst District Associations which approximates the credit risk in the Direct Note portfolio as of March 31, 2021:

AgFirst Total District Associations Loan Portfolios by State

	Percent of Portfolio
North Carolina	16 %
Georgia	11
Pennsylvania	10
Virginia	10
Ohio	8
Florida	8
Maryland	6
Alabama	6
South Carolina	6
Kentucky	4
Mississippi	2
Louisiana	2
Delaware	2
All Other States	9
Total	100 %

The following table illustrates the various major commodity groups in the aggregate District Associations' loan portfolios based on borrower eligibility as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2021:

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

	Percent of Portfolio
Forestry	15 %
Poultry	14
Field Crops	12
Cattle	9
Grains	8
Corn	5
Other Real Estate	5
Dairy	5
Tree Fruits and Nuts	3
Nursery/Greenhouse	3
Swine	3
Rural Home Loan	3
Cotton	3
Processing	2
Other	10
Total	100 %

The following table illustrates the aggregate District Associations' loan portfolios based upon repayment dependency by commodity as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2021:

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

	Percent of Portfolio
Non-Farm Income	34 %
Grains	14
Poultry	13
Timber	6
Dairy	5
Fruit & Vegetables	4
Beef	4
Farm Related Business	3
Cotton	3
Swine	2
Nursery	2
Landlords	2
Tobacco	2
Other	6
Total	100 %

The following table illustrates AgFirst's loan portfolio by geographic distribution at March 31, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by State

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
North Carolina	$ 1,380,030	$ 180,482	$ 1,560,512	$ 1,438,600	$ 181,832	$ 1,620,432
Georgia	971,048	438,314	1,409,362	973,515	443,694	1,417,209
Florida	633,397	290,054	923,451	645,217	279,132	924,349
Minnesota	312,344	318,640	630,984	329,120	298,579	627,699
Virginia	467,912	74,194	542,106	492,310	79,646	571,956
Texas	430,549	154,513	585,062	413,669	124,693	538,362
South Carolina	442,697	48,526	491,223	439,211	46,677	485,888
California	289,554	100,512	390,066	282,508	85,695	368,203
New York	236,238	130,089	366,327	225,797	129,197	354,994
Ohio	196,247	163,319	359,566	210,104	134,745	344,849
Pennsylvania	204,321	127,472	331,793	195,576	128,577	324,153
Maryland	280,150	13,107	293,257	283,050	23,334	306,384
Louisiana	166,604	113,586	280,190	171,339	114,519	285,858
Missouri	209,584	89,186	298,770	197,734	93,184	290,918
Illinois	180,972	102,703	283,675	152,257	117,276	269,533
Kentucky	216,036	3,697	219,733	213,218	4,099	217,317
Washington	118,474	78,368	196,842	118,145	78,663	196,808
Mississippi	57,669	118,906	176,575	58,602	118,123	176,725
All other states	1,527,830	831,682	2,359,512	1,521,030	845,812	2,366,842
Direct Notes	17,731,481	2,928,428	20,659,909	17,501,339	3,150,819	20,652,158
Total loans	$ 26,053,137	$ 6,305,778	$ 32,358,915	$ 25,862,341	$ 6,478,296	$ 32,340,637

The following table shows the various major commodity groups in the portfolio based on borrower eligibility at March 31, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Eligibility

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
Rural Home Loan	$ 2,820,216	$ 62,764	$ 2,882,980	$ 2,891,921	$ 60,459	$ 2,952,380
Processing	1,037,842	809,995	1,847,837	1,004,383	806,150	1,810,533
Utilities	1,057,585	705,998	1,763,583	987,434	739,512	1,726,946
Forestry	866,050	424,902	1,290,952	903,108	420,467	1,323,575
Field Crops	355,139	190,030	545,169	357,677	190,087	547,764
Tree Fruits and Nuts	228,719	153,741	382,460	230,989	146,416	377,405
Swine	164,111	79,378	243,489	182,365	91,786	274,151
Grains	196,389	99,755	296,144	181,648	92,839	274,487
Nursery/Greenhouse	176,889	62,190	239,079	174,650	58,767	233,417
Dairy	167,378	67,424	234,802	169,034	62,981	232,015
Other Real Estate	199,042	17,257	216,299	201,717	17,311	219,028
Cattle	146,897	73,767	220,664	139,410	77,560	216,970
Other	905,399	630,149	1,535,548	936,666	563,142	1,499,808
Direct Notes	17,731,481	2,928,428	20,659,909	17,501,339	3,150,819	20,652,158
Total loans	$ 26,053,137	$ 6,305,778	$ 32,358,915	$ 25,862,341	$ 6,478,296	$ 32,340,637

The following table segregates loans based upon repayment dependency by commodity at March 31, 2021. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Repayment Dependency

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
Non-Farm Income	$ 3,112,894	$ 124,544	$ 3,237,438	$ 3,183,044	$ 108,248	$ 3,291,292
Rural Utilities	1,048,996	705,998	1,754,994	987,445	739,512	1,726,957
Timber	749,869	395,445	1,145,314	787,556	389,078	1,176,634
Processing and Marketing	292,049	537,576	829,625	309,724	507,666	817,390
Fruit & Vegetables	475,700	329,629	805,329	497,144	313,118	810,262
Grains	541,520	246,707	788,227	493,618	247,992	741,610
Swine	294,158	179,427	473,585	285,588	189,638	475,226
Poultry	245,622	217,318	462,940	246,858	222,570	469,428
Farm Related Business	356,372	150,917	507,289	351,506	120,747	472,253
Dairy	259,650	111,324	370,974	260,807	107,943	368,750
Beef	165,985	87,392	253,377	158,731	94,466	253,197
Tobacco	109,722	66,732	176,454	118,826	62,748	181,574
Other	669,119	224,341	893,460	680,155	223,751	903,906
Direct Notes	17,731,481	2,928,428	20,659,909	17,501,339	3,150,819	20,652,158
Total loans	$ 26,053,137	$ 6,305,778	$ 32,358,915	$ 25,862,341	$ 6,478,296	$ 32,340,637

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

	March 31, 2021			
(dollars in thousands)	Due Less Than 1 Year	Due 1 Through 5 Years	Due After 5 Years	Total
Direct Notes	$ 4,156,080	$ 12,155,170	$ 1,420,231	$ 17,731,481
Real estate mortgage	71,338	226,587	807,589	1,105,514
Production and intermediate-term	202,816	569,683	250,880	1,023,379
Loans to cooperatives	76,775	348,671	215,081	640,527
Processing and marketing	100,281	774,454	421,426	1,296,161
Farm-related business	26	16,626	27,844	44,496
Communication	1,032	251,669	233,572	486,273
Power and water/waste disposal	91,204	219,874	333,087	644,165
Rural residential real estate	66,496	20,783	2,732,937	2,820,216
International	38,880	31,277	45,547	115,704
Lease receivables	—	1,674	416	2,090
Loans to OFIs	127,559	10,226	—	137,785
Other (including Mission Related)	—	8	5,338	5,346
Total loans	$ 4,932,487	$ 14,626,702	$ 6,493,948	$ 26,053,137
Percentage	18.93 %	56.14 %	24.93 %	100.00 %

The following table illustrates AgFirst's impaired loans by geographic distribution at March 31, 2021. This table does not include accrued interest.

Total Outstanding Impaired Loans by State

(dollars in thousands)	At Period End	Year-to-Date Average Balance
North Carolina	$ 14,459	$ 14,574
Arkansas	3,782	3,815
Georgia	2,803	3,110
Florida	2,324	2,167
Virginia	1,772	1,838
Maryland	1,549	1,660
South Carolina	1,982	1,883
Texas	1,636	1,060
Ohio	846	839
Pennsylvania	898	895
Missouri	745	771
Kentucky	776	692
New Mexico	646	552
All other states	1,290	1,242
Total impaired loans	$ 35,508	$ 35,098

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

Credit Risk Mitigation Related to Investments

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

The following table shows the investment exposures covered by a guarantee as of March 31, 2021. This table does not include accrued interest.

(dollars in thousands)	Amortized Cost	Fair Value	% of Total Investments	Risk- Weighted Exposures
Unconditional Guarantee:				
U.S. Govt. Treasury Securities	$ 568,748	$ 569,606	6 %	$ —
U.S. Govt. Guaranteed	4,122,973	4,187,525	48 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	3,475,587	3,500,155	40 %	655,273
Total	$ 8,167,308	$ 8,257,286	94 %	$ 655,273

COUNTERPARTY CREDIT RISK

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

To minimize the risk of credit losses, the Bank transacts with counterparties that have an investment grade credit rating from a major rating agency and also monitors the credit standing of, and levels of exposure to, individual

counterparties. The Bank typically enters into master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts.

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

At March 31, 2021, the Bank had no derivative contracts outstanding.

SECURITIZATION

The Bank has elected to utilize the simplified supervisory formula risk-based capital approach (SSFA) for securitization exposures. As such, the Bank's asset-backed securities (ABS) portfolio is risk weighted on an individual security level. As of March 31, 2021, the ABS risk-weights ranged from 20.00 percent to 72.02 percent, with a weighted average risk-weight of 22.20 percent. Total risk-weighted assets for these investment securities utilizing a three-month average daily balance was $121.8 million at March 31, 2021.

The following table shows the risk-weight distribution of the amortized cost for ABS securities as of March 31, 2021 which are risk weighted using the SSFA approach. This table does not include accrued interest.

	ABS Securities by SSFA Risk Weight Classification		
(dollars in thousands)	**Automobile ABSs**	**Credit Card ABSs**	**Total**
0% – 50%	$ 50,785	$ 431,284	$ 482,069
Greater than 50% – 100%	21,205	—	21,205
Total Exposure	$ 71,990	$ 431,284	$ 503,274

As of March 31, 2021, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the three months ended March 31, 2021, there were no sales of ABS securities that resulted in realized gains or losses.

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

EQUITIES

At March 31, 2021, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

For discussion of AgFirst's market value of equity and projected change over the next twelve months in net interest income for various rate movements as of March 31, 2021, see the *Interest Rate Sensitivity* section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

OTHER REGULATORY MATTERS

On September 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 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ended on November 22, 2019.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the complete remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts at the adoption date. • The guidance is expected to be adopted January 1, 2023.

NOTE: Shareholder investment in a District Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, Controller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Combined information concerning AgFirst Farm Credit Bank and District Associations can also be obtained at the Bank's website, *www.agfirst.com*. AgFirst prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no quarterly report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

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Balance Sheets

(dollars in thousands)	March 31, 2021	December 31, 2020
	(unaudited)	(audited)
Assets		
Cash	**$ 508,718**	$ 693,685
Cash equivalents	**195,000**	520,000
Investments in debt securities:		
Available-for-sale (amortized cost of $8,669,481 and $8,294,821, respectively)	**8,765,557**	8,485,350
Held-to-maturity (fair value of $32,749 and $35,235, respectively)	**28,831**	30,078
Total investments in debt securities	**8,794,388**	8,515,428
Loans	**26,053,137**	26,224,989
Allowance for loan losses	**(19,013)**	(18,257)
Net loans	**26,034,124**	26,206,732
Accrued interest receivable	**78,232**	81,564
Accounts receivable	**219,812**	145,300
Equity investments in other Farm Credit institutions	**80,949**	80,647
Premises and equipment, net	**65,313**	61,164
Other property owned	**392**	—
Other assets	**37,401**	33,686
Total assets	**$ 36,014,329**	$ 36,338,206
Liabilities		
Systemwide bonds payable	**$ 27,052,549**	$ 25,693,876
Systemwide notes payable	**6,364,824**	7,662,337
Accrued interest payable	**28,896**	27,097
Accounts payable	**25,754**	428,425
Other liabilities	**42,771**	48,607
Total liabilities	**33,514,794**	33,860,342
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Perpetual preferred stock	**39,500**	49,250
Capital stock and participation certificates	**311,859**	311,859
Additional paid-in-capital	**61,905**	58,883
Retained earnings		
Allocated	**416**	416
Unallocated	**1,994,250**	1,871,594
Accumulated other comprehensive income (loss)	**91,605**	185,862
Total shareholders' equity	**2,499,535**	2,477,864
Total liabilities and equity	**$ 36,014,329**	$ 36,338,206

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

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2021	2020
Interest Income		
Investments	**$ 31,505**	$ 49,492
Loans	**168,469**	213,012
Other	**20**	803
Total interest income	**199,994**	263,307
Interest Expense	**39,281**	149,658
Net interest income	**160,713**	113,649
Provision for (reversal of allowance for) loan losses	**1,084**	38
Net interest income after provision for loan losses	**159,629**	113,611
Noninterest Income		
Loan fees	**3,028**	2,269
Lease income	**786**	773
Gains (losses) on investments, net	**—**	7,215
Gains (losses) on debt extinguishment	**(2,220)**	(20,744)
Gains (losses) on other transactions	**1,236**	(728)
Insurance premium refund	**—**	2,638
Other noninterest income	**5,631**	3,155
Total noninterest income	**8,461**	(5,422)
Noninterest Expenses		
Salaries and employee benefits	**19,720**	17,782
Occupancy and equipment	**1,834**	1,927
Insurance Fund premiums	**4,332**	2,156
Other operating expenses	**18,350**	14,290
Losses (gains) from other property owned	**(33)**	45
Total noninterest expenses	**44,203**	36,200
Net income	**$ 123,887**	$ 71,989
Other comprehensive income:		
Unrealized gains (losses) on investments	**(94,453)**	54,442
Change in value of cash flow hedges	**(17)**	(68)
Employee benefit plans adjustments	**213**	147
Other comprehensive income (Note 5)	**(94,257)**	54,521
Comprehensive income	**$ 29,630**	$ 126,510

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-In-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2019	$ 49,250	$ 325,278	$ 58,883	$ 418	$ 1,848,506	$ 48,483	$ 2,330,818
Comprehensive income					71,989	54,521	126,510
Dividends paid on perpetual preferred stock					(376)		(376)
Patronage distribution adjustment					109		109
Balance at March 31, 2020	$ 49,250	$ 325,278	$ 58,883	$ 418	$ 1,920,228	$ 103,004	$ 2,457,061
Balance at December 31, 2020	$ 49,250	$ 311,859	$ 58,883	$ 416	$ 1,871,594	$ 185,862	$ 2,477,864
Comprehensive income					**123,887**	**(94,257)**	**29,630**
Redemption of perpetual preferred stock (Note 5)	**(9,750)**		**3,022**				**(6,728)**
Dividends paid on perpetual preferred stock					**(168)**		**(168)**
Patronage distribution adjustment					**(1,063)**		**(1,063)**
Balance at March 31, 2021	**$ 39,500**	**$ 311,859**	**$ 61,905**	**$ 416**	**$ 1,994,250**	**$ 91,605**	**$ 2,499,535**

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

Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2021	2020
Cash flows from operating activities:		
Net income	**$ 123,887**	$ 71,989
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	**2,576**	1,887
Amortization of net deferred loan (fees) costs and premium amortization (discount accretion)	**2,482**	1,227
Premium amortization (discount accretion) on investment securities	**5,549**	3,674
(Premium amortization) discount accretion on bonds and notes	**5,411**	24,771
Provision for loan losses	**1,084**	38
(Gains) losses on other property owned, net	**(65)**	1
(Gains) losses on investments, net	**—**	(7,215)
(Gains) losses on debt extinguishment	**2,220**	20,744
(Gains) losses on other transactions	**(1,236)**	728
Net change in loans held for sale	**—**	1,109
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	**3,332**	4,604
(Increase) decrease in accounts receivable	**(74,512)**	(41,391)
Increase (decrease) in accrued interest payable	**1,799**	(40,922)
Increase (decrease) in accounts payable	**(16,371)**	(16,206)
Change in other, net	**(8,145)**	(11,137)
Total adjustments	**(75,876)**	(58,088)
Net cash provided by (used in) operating activities	**48,011**	13,901
Cash flows from investing activities:		
Investment securities purchased	**(1,081,243)**	(754,052)
Proceeds from maturities and prepayments of investment securities	**702,264**	515,356
Proceeds from sales of investment securities	**—**	62,865
Net (increase) decrease in loans	**168,650**	(332,720)
(Increase) decrease in equity investments in other Farm Credit System institutions	**(302)**	(1,543)
Purchase of premises and equipment, net	**(6,705)**	(1,341)
Proceeds from sale of premises and equipment	**23**	11
Proceeds from sale of other property owned	**65**	19
Net cash provided by (used in) investing activities	**(217,248)**	(511,405)
Cash flows from financing activities:		
Bonds and notes issued	**7,388,529**	21,189,934
Bonds and notes retired	**(7,335,000)**	(19,641,613)
Redemption of perpetual preferred stock	**(6,728)**	—
Distribution to shareholders	**(387,363)**	(264,142)
Dividends paid on perpetual preferred stock	**(168)**	(376)
Net cash provided by (used in) financing activities	**(340,730)**	1,283,803
Net increase (decrease) in cash and cash equivalents	**(509,967)**	786,299
Cash and cash equivalents, beginning of period	**1,213,685**	1,094,559
Cash and cash equivalents, end of period	**$ 703,718**	$ 1,880,858
Supplemental schedule of non-cash activities:		
Receipt of property in settlement of loans	**$ 392**	$ 197
Change in unrealized gains (losses) on investments, net	**(94,453)**	54,442
Employee benefit plans adjustments	**(213)**	(147)
Supplemental information:		
Interest paid	**$ 32,071**	$ 165,809

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

Notes to the Financial Statements

(unaudited)

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

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

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

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

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

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

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

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

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

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

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

Potential effects of ASUs issued in previous periods:

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

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

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

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Update moves or references several disclosure requirements from Section 45 - Other Presentation Matters to Section 50 - Disclosures. It also includes minor changes to other guidance such as Cash Balance Plans, Unusual or Infrequent Items, Transfers and Servicing, Guarantees, Income Taxes, Foreign Currency, Imputation of Interest, Not For Profits and Real Estate Projects. The amendments had no impact on the statements of financial condition and results of operations.

- In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.

- In August 2018, the FASB issued ASU 2018-14 Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this Update remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of certain disclosures, and add new disclosure requirements identified as relevant. Although narrow in scope, the amendments are considered an important part of the FASB's efforts to improve the effectiveness of disclosures in the notes to financial statements by applying concepts in the Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements. The amendments are effective for fiscal years ending after December 15, 2020, for public business entities. Adoption of this guidance did not have a material impact on the statements of financial condition and results of operations.

Note 2 — Loans and Allowance for Loan Losses

A summary of loans outstanding at period end follows:

(dollars in thousands)	March 31, 2021	December 31, 2020
Direct Notes	$ 17,731,481	$ 17,945,905
Real estate mortgage	1,105,514	1,116,668
Production and intermediate-term	1,023,379	1,163,424
Loans to cooperatives	640,527	561,335
Processing and marketing	1,296,161	1,229,744
Farm-related business	44,496	46,732
Communication	486,273	462,287
Power and water/waste disposal	644,165	569,315
Rural residential real estate	2,820,216	2,899,911
International	115,704	84,948
Lease receivables	2,090	2,274
Loans to other financing institutions (OFIs)	137,785	137,098
Other (including Mission Related)	5,346	5,348
Total loans	$ 26,053,137	$ 26,224,989

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

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During the first quarter of 2021, the Bank purchased $160.9 million of residential mortgage loans from various Farm Credit System (System) associations and sold $1.9 million from the portfolio. These amounts are not included in the table below. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,129,937	$ —	$ —	$ —	$ 1,129,937
Real estate mortgage	963,963	277,190	457,133	175,864	—	—	1,421,096	453,054
Production and intermediate-term	776,327	303,358	550,415	291,990	293,292	—	1,620,034	595,348
Loans to cooperatives	—	114,570	755,926	—	—	—	755,926	114,570
Processing and marketing	444,631	483,940	645,989	388,972	1,089,644	16,144	2,180,264	889,056
Farm-related business	32,493	3,127	15,232	—	—	—	47,725	3,127
Communication	—	146,823	633,815	—	—	—	633,815	146,823
Power and water/waste disposal	—	22,953	668,413	—	—	—	668,413	22,953
International	—	47,570	163,375	—	—	—	163,375	47,570
Lease receivables	1,640	—	451	—	—	—	2,091	—
Other (including Mission Related)	5,389	—	—	—	—	—	5,389	—
Total	$ 2,224,443	$ 1,399,531	$ 3,890,749	$ 1,986,763	$ 1,382,936	$ 16,144	$ 7,498,128	$ 3,402,438

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

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

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

	March 31, 2021	December 31, 2020
Direct Notes:		
Acceptable	91.99 %	92.09 %
OAEM	8.01	7.91
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Real estate mortgage:		
Acceptable	97.63 %	97.58 %
OAEM	1.21	1.20
Substandard/doubtful/loss	1.16	1.22
	100.00 %	100.00 %
Production and intermediate-term:		
Acceptable	93.32 %	94.17 %
OAEM	5.49	4.67
Substandard/doubtful/loss	1.19	1.16
	100.00 %	100.00 %
Loans to cooperatives:		
Acceptable	94.11 %	96.15 %
OAEM	5.89	3.85
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Processing and marketing:		
Acceptable	98.05 %	97.96 %
OAEM	1.95	2.04
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Farm-related business:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Communication:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %

	March 31, 2021	December 31, 2020
Power and water/waste disposal:		
Acceptable	98.29 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	1.71	—
	100.00 %	100.00 %
Rural residential real estate:		
Acceptable	99.53 %	99.56 %
OAEM	—	—
Substandard/doubtful/loss	0.47	0.44
	100.00 %	100.00 %
International:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Lease receivables:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Loans to OFIs:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Other (including Mission Related):		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Total loans:		
Acceptable	93.85 %	94.00 %
OAEM	5.96	5.85
Substandard/doubtful/loss	0.19	0.15
	100.00 %	100.00 %

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

	March 31, 2021				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Direct Notes	$ —	$ —	$ —	$ 17,766,910	$ 17,766,910
Real estate mortgage	831	1,840	2,671	1,108,068	1,110,739
Production and intermediate-term	22	—	22	1,027,877	1,027,899
Loans to cooperatives	—	—	—	641,179	641,179
Processing and marketing	—	—	—	1,298,919	1,298,919
Farm-related business	—	—	—	44,617	44,617
Communication	—	—	—	486,443	486,443
Power and water/waste disposal	—	—	—	646,336	646,336
Rural residential real estate	31,963	9,506	41,469	2,786,182	2,827,651
International	—	—	—	115,932	115,932
Lease receivables	—	—	—	2,097	2,097
Loans to OFIs	—	—	—	138,042	138,042
Other (including Mission Related)	—	—	—	5,462	5,462
Total	$ 32,816	$ 11,346	$ 44,162	$ 26,068,064	$ 26,112,226

	December 31, 2020				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Direct Notes	$ —	$ —	$ —	$ 17,982,813	$ 17,982,813
Real estate mortgage	205	1,939	2,144	1,120,679	1,122,823
Production and intermediate-term	5,459	—	5,459	1,161,619	1,167,078
Loans to cooperatives	—	—	—	562,094	562,094
Processing and marketing	208	—	208	1,232,500	1,232,708
Farm-related business	112	—	112	46,705	46,817
Communication	—	—	—	462,394	462,394
Power and water/waste disposal	—	—	—	570,922	570,922
Rural residential real estate	48,459	10,606	59,065	2,848,659	2,907,724
International	—	—	—	85,328	85,328
Lease receivables	—	—	—	2,281	2,281
Loans to OFIs	—	—	—	137,379	137,379
Other (including Mission Related)	—	—	—	5,428	5,428
Total	$ 54,443	$ 12,545	$ 66,988	$ 26,218,801	$ 26,285,789

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

(dollars in thousands)		March 31, 2021		December 31, 2020
Nonaccrual loans:				
Real estate mortgage	$	2,681	$	3,169
Production and intermediate-term		5,789		6,960
Rural residential real estate		15,989		16,124
Total	$	24,459	$	26,253
Accruing restructured loans:				
Real estate mortgage	$	1,013	$	418
Production and intermediate-term		1,389		1,385
Rural residential real estate		4,626		2,990
Other (including Mission Related)		3,887		3,829
Total	$	10,915	$	8,622
Accruing loans 90 days or more past due:				
Real estate mortgage	$	—	$	596
Rural residential real estate		282		534
Total	$	282	$	1,130
Total nonperforming loans	$	35,656	$	36,005
Other property owned		392		—
Total nonperforming assets	$	36,048	$	36,005
Nonaccrual loans as a percentage of total loans		0.09 %		0.10 %
Nonperforming assets as a percentage of total loans and other property owned		0.14 %		0.14 %
Nonperforming assets as a percentage of capital		1.44 %		1.45 %

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

(dollars in thousands)		March 31, 2021		December 31, 2020
Impaired nonaccrual loans:				
Current as to principal and interest	$	9,625	$	11,971
Past due		14,834		14,282
Total nonaccrual loans	$	24,459	$	26,253
Impaired accrual loans:				
Restructured	$	10,915	$	8,622
90 days or more past due		282		1,130
Total impaired accrual loans	$	11,197	$	9,752
Total impaired loans	$	35,656	$	36,005
Additional commitments to lend	$	2,686	$	1,889

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

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

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

(dollars in thousands)	March 31, 2021			Three Months Ended March 31, 2021	
Impaired Loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 705	$ 693	$ 14	$ 703	$ —
Production and intermediate-term	—	—	—	—	—
Rural residential real estate	5,740	5,634	323	5,834	—
Other (including Mission Related)	3,887	3,822	92	3,832	60
Total	$ 10,332	$ 10,149	$ 429	$ 10,369	$ 60
With no related allowance for credit losses:					
Real estate mortgage	$ 2,989	$ 2,993	$ —	$ 3,054	$ 35
Production and intermediate-term	7,178	7,856	—	7,609	77
Rural residential real estate	15,157	14,317	—	14,066	201
Other (including Mission Related)	—	—	—	—	—
Total	$ 25,324	$ 25,166	$ —	$ 24,729	$ 313
Total impaired loans:					
Real estate mortgage	$ 3,694	$ 3,686	$ 14	$ 3,757	$ 35
Production and intermediate-term	7,178	7,856	—	7,609	77
Rural residential real estate	20,897	19,951	323	19,900	201
Other (including Mission Related)	3,887	3,822	92	3,832	60
Total	$ 35,656	$ 35,315	$ 429	$ 35,098	$ 373

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

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

(dollars in thousands)	Direct Notes	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other**	Total
Activity related to the allowance for credit losses:										
Balance at December 31, 2020	$ —	$ 1,551	$ 3,289	$ 4,553	$ 923	$ 1,024	$ 6,394	$ 130	$ 393	$ 18,257
Charge-offs	—	—	—	—	—	—	(342)	—	—	(342)
Recoveries	—	—	—	—	—	—	14	—	—	14
Provision for loan losses	—	3	63	441	6	682	(92)	10	(29)	1,084
Balance at March 31, 2021	$ —	$ 1,554	$ 3,352	$ 4,994	$ 929	$ 1,706	$ 5,974	$ 140	$ 364	$ 19,013
Balance at December 31, 2019	$ —	$ 1,667	$ 3,448	$ 5,112	$ 771	$ 1,438	$ 5,046	$ 137	$ 413	$ 18,032
Charge-offs	—	—	—	—	—	—	(9)	—	—	(9)
Recoveries	—	—	—	—	—	—	—	—	—	—
Provision for loan losses	—	(126)	(27)	(148)	156	7	180	—	(4)	38
Balance at March 31, 2020	$ —	$ 1,541	$ 3,421	$ 4,964	$ 927	$ 1,445	$ 5,217	$ 137	$ 409	$ 18,061
Allowance on loans evaluated for impairment:										
Individually	$ —	$ 14	$ —	$ —	$ —	$ —	$ 323	$ —	$ 92	$ 429
Collectively	—	1,540	3,352	4,994	929	1,706	5,651	140	272	18,584
Balance at March 31, 2021	$ —	$ 1,554	$ 3,352	$ 4,994	$ 929	$ 1,706	$ 5,974	$ 140	$ 364	$ 19,013
Individually	$ —	$ 1	$ —	$ —	$ —	$ —	$ 338	$ —	$ 92	$ 431
Collectively	—	1,550	3,289	4,553	923	1,024	6,056	130	301	17,826
Balance at December 31, 2020	$ —	$ 1,551	$ 3,289	$ 4,553	$ 923	$ 1,024	$ 6,394	$ 130	$ 393	$ 18,257
Recorded investment in loans evaluated for impairment:										
Individually	$ 17,766,910	$ 147,613	$ 7,178	$ —	$ —	$ —	$ 755,164	$ —	$ 3,887	$ 18,680,752
Collectively	—	963,126	1,020,721	1,984,715	486,443	646,336	2,072,487	115,932	141,714	7,431,474
Balance at March 31, 2021	$ 17,766,910	$ 1,110,739	$ 1,027,899	$ 1,984,715	$ 486,443	$ 646,336	$ 2,827,651	$ 115,932	$ 145,601	$ 26,112,226
Individually	$ 17,982,813	$ 148,634	$ 8,345	$ —	$ —	$ —	$ 814,606	$ —	$ 3,829	$ 18,958,227
Collectively	—	974,189	1,158,733	1,841,619	462,394	570,922	2,093,118	85,328	141,259	7,327,562
Balance at December 31, 2020	$ 17,982,813	$ 1,122,823	$ 1,167,078	$ 1,841,619	$ 462,394	$ 570,922	$ 2,907,724	$ 85,328	$ 145,088	$ 26,285,789

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

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. The tables do not include any purchased credit impaired loans.

(dollars in thousands)	**Three Months Ended March 31, 2021**				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real Estate Mortgage	$ 585	$ —	$ —	$ 585	
Rural residential real estate	579	—	—	579	
Total	$ 1,164	$ —	$ —	$ 1,164	
Post-modification:					
Real Estate Mortgage	$ 592	$ —	$ —	$ 592	
Rural residential real estate	616	—	—	616	—
Total	$ 1,208	$ —	$ —	$ 1,208	$ —

(dollars in thousands)	Three Months Ended March 31, 2020				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Rural residential real estate	$ 429	$ 85	$ —	$ 514	
Total	$ 429	$ 85	$ —	$ 514	
Post-modification:					
Rural residential real estate	$ 438	$ 87	$ —	$ 525	$ —
Total	$ 438	$ 87	$ —	$ 525	$ —

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31	
(dollars in thousands)	**2021**	**2020**
Defaulted troubled debt restructurings:		
Rural residential real estate	$ —	$ 99
Total	$ —	$ 99

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

	Total TDRs		Nonaccrual TDRs	
(dollars in thousands)	**March 31, 2021**	**December 31, 2020**	**March 31, 2021**	**December 31, 2020**
Real estate mortgage	$ 1,939	$ 1,344	$ 926	$ 926
Production and intermediate-term	1,434	1,444	45	59
Rural residential real estate	6,649	5,801	2,023	2,811
Other (including Mission Related)	3,887	3,829	—	—
Total	$ 13,909	$ 12,418	$ 2,994	$ 3,796
Additional commitments to lend	$ 2,686	$ —		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Investments in Debt Securities

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

Non-agency ABSs are included in available-for-sale investments. These securities must meet the applicable FCA regulatory guidelines which require them to be high quality, senior class, and rated in the top category (AAA/Aaa)

by Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. To achieve these ratings, the securities may have a guarantee of timely payment of principal and interest, credit enhancements achieved through over-collateralization or other means, priority of payments for senior classes over junior classes, or bond insurance. All of the non-agency securities owned have one or more credit enhancement features.

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

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At March 31, 2021, the Bank held $42.7 million in U.S. Treasury securities for that purpose. The remainder of the compensating balance was held in cash in a demand deposit account. These securities are excluded when calculating the amount of eligible liquidity investments.

Available-for-sale

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

	March 31, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 568,748	$ 904	$ (46)	$ 569,606	0.33 %
U.S. Govt. Guaranteed	4,122,973	87,421	(22,869)	4,187,525	1.79
U.S. Govt. Agency Guaranteed	3,474,486	39,539	(14,949)	3,499,076	1.51
Non-Agency ABSs	503,274	6,083	(7)	509,350	1.44
Total	$ 8,669,481	$ 133,947	$ (37,871)	$ 8,765,557	1.56 %

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

Held-to-maturity

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

	March 31, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 1,101	$ —	$ (22)	$ 1,079	5.67 %
RABs and Other	27,730	3,940	—	31,670	6.00
Total	$ 28,831	$ 3,940	$ (22)	$ 32,749	5.98 %

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

A summary of the contractual maturity, estimated fair value and amortized cost of investment securities at March 31, 2021 follows:

Available-for-sale

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Treasury Securities	$ 454,313	0.38 %	$ 115,293	0.14 %	$ —	— %	$ —	— %	$ 569,606	0.33 %
U.S. Govt. Guaranteed	—	—	44,816	0.80	353,889	2.18	3,788,820	1.77	4,187,525	1.79
U.S. Govt. Agency Guaranteed	14,727	0.58	207,972	1.22	655,110	0.86	2,621,267	1.69	3,499,076	1.51
Non-Agency ABSs	—	—	509,350	1.44	—	—	—	—	509,350	1.44
Total fair value	$ 469,040	0.38 %	$ 877,431	1.18 %	$1,008,999	1.32 %	$6,410,087	1.74 %	$8,765,557	1.56 %
Total amortized cost	$ 468,164		$ 870,555		$ 995,856		$6,334,906		$8,669,481	

Held-to-maturity

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency Guaranteed	$ —	— %	$ —	— %	$ —	— %	$ 1,101	5.67 %	$ 1,101	5.67 %
RABs and Other	—	—	7,117	6.12	—	—	20,613	5.95	27,730	6.00
Total amortized cost	$ —	— %	$ 7,117	6.12 %	—	— %	$ 21,714	5.94 %	$ 28,831	5.98 %
Total fair value	$ —		$ 7,517		$ —		$ 25,232		$ 32,749	

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

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

	March 31, 2021					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 100,293	$ (46)	$ —	$ —	$ 100,293	$ (46)
U.S. Govt. Guaranteed	933,763	(22,036)	249,365	(833)	1,183,128	(22,869)
U.S. Govt. Agency Guaranteed	813,616	(14,445)	117,665	(526)	931,281	(14,971)
Non-Agency ABSs	17,565	(7)	—	—	17,565	(7)
Total	$ 1,865,237	$ (36,534)	$ 367,030	$ (1,359)	$ 2,232,267	$ (37,893)

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

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

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

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

Note 4 — Debt

Bonds and Notes

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

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

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

	March 31, 2021					
(dollars in thousands)	Bonds		Discount Notes		Total	
Maturities	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate
One year or less	$ 8,245,205	0.27 %	$ 6,364,824	0.12 %	$ 14,610,029	0.20 %
Greater than one year to two years	6,032,653	0.25	—	—	6,032,653	0.25
Greater than two years to three years	2,974,326	0.43	—	—	2,974,326	0.43
Greater than three years to four years	2,696,120	0.42	—	—	2,696,120	0.42
Greater than four years to five years	1,975,621	0.69	—	—	1,975,621	0.69
Greater than five years	5,128,624	1.22	—	—	5,128,624	1.22
Total	$ 27,052,549	0.51 %	$ 6,364,824	0.12 %	$ 33,417,373	0.43 %

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at March 31, 2021 was 143 days.

Note 5 — Shareholders' Equity

Perpetual Preferred Stock

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

During the first quarter of 2021, the Bank repurchased, through privately negotiated transactions, and subsequently cancelled, Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock with par value totaling $9.8 million. The effect of the repurchases on shareholders' equity was to reduce preferred stock outstanding by $9.8 million and to increase additional paid-in capital by $3.0 million.

Accumulated Other Comprehensive Income

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

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

	For the Three Months Ended March 31,	
(dollars in thousands)	**2021**	**2020**
Investment Securities:		
Balance at beginning of period	$ 190,529	$ 52,324
Other comprehensive income before reclassifications	(94,453)	61,657
Amounts reclassified from AOCI	—	(7,215)
Net current period other comprehensive income	(94,453)	54,442
Balance at end of period	$ 96,076	$ 106,766
Cash Flow Hedges:		
Balance at beginning of period	$ 287	$ 533
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	(17)	(68)
Net current period other comprehensive income	(17)	(68)
Balance at end of period	$ 270	$ 465
Employee Benefit Plans:		
Balance at beginning of period	$ (4,954)	$ (4,374)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	213	147
Net current period other comprehensive income	213	147
Balance at end of period	$ (4,741)	$ (4,227)
Total Accumulated Other Comprehensive Income:		
Balance at beginning of period	$ 185,862	$ 48,483
Other comprehensive income before reclassifications	(94,453)	61,657
Amounts reclassified from AOCI	196	(7,136)
Net current period other comprehensive income	(94,257)	54,521
Balance at end of period	$ 91,605	$ 103,004

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
(dollars in thousands)	**2021**	**2020**	**Income Statement Line Item**
Investment Securities:			
Sales gains & losses	$ —	$ 7,215	Gains (losses) on investments, net
Holding gains & losses	—	—	Net other-than-temporary impairment
Net amounts reclassified	—	7,215	
Cash Flow Hedges:			
Interest income	$ 17	$ 68	Interest income on investment securities
Gains (losses) on other transactions	—	—	Gains (losses) on other transactions
Net amounts reclassified	17	68	
Employee Benefit Plans:			
Periodic pension costs	$ (213)	$ (147)	See Note 7.
Net amounts reclassified	(213)	(147)	
Total reclassifications for period	$ (196)	$ 7,136	

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Level 2 assets and liabilities could include investment securities that are traded in active, non-exchange markets and derivative contracts that are traded in active, over-the-counter markets.

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

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

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

	March 31, 2021				
(dollars in thousands)	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 569,606	$ —	$ 569,606	$ —	$ 569,606
U.S. Govt. guaranteed	4,187,525	—	4,187,525	—	4,187,525
U.S. Govt. Agency guaranteed	3,499,076	—	3,499,076	—	3,499,076
Non-agency ABSs	509,350	—	509,350	—	509,350
Total investments in debt securities available-for-sale	8,765,557	—	8,765,557	—	8,765,557
Federal funds sold, securities purchased under resale agreements, and other	195,000	—	195,000	—	195,000
Mortgage servicing rights	2,528	—	—	2,528	2,528
Assets held in trust funds	19,173	19,173	—	—	19,173
Recurring Assets	$ 8,982,258	$ 19,173	$ 8,960,557	$ 2,528	$ 8,982,258
Liabilities:					
Mortgage servicing rights	$ 83	$ —	$ —	$ 83	$ 83
Recurring Liabilities	$ 83	$ —	$ —	$ 83	$ 83
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 9,903	$ —	$ —	$ 9,903	$ 9,903
Other property owned	392	—	—	464	464
Nonrecurring Assets	$ 10,295	$ —	$ —	$ 10,367	$ 10,367
Other Financial Instruments					
Assets:					
Cash	$ 508,718	$ 508,718	$ —	$ —	$ 508,718
Investments in debt securities held-to-maturity	28,831	—	1,079	31,670	32,749
Loans	26,024,221	—	—	26,086,275	26,086,275
Other Financial Assets	$ 26,561,770	$ 508,718	$ 1,079	$ 26,117,945	$ 26,627,742
Liabilities:					
Systemwide debt securities	$ 33,417,373	$ —	$ —	$ 33,329,680	$ 33,329,680
Other Financial Liabilities	$ 33,417,373	$ —	$ —	$ 33,329,680	$ 33,329,680

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

Uncertainty in Measurements of Fair Value

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

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

Investments in Debt Securities

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

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if

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

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

(dollars in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 10,367	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Mortgage servicing rights, net	$ 2,445	Discounted cash flow	Constant prepayment rate	**
			Fees and costs	**

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

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

Information about Other Financial Instrument Fair Value Measurements

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

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

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

Note 7 — Employee Benefit Plans

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

	For the Three Months Ended March 31,	
(dollars in thousands)	2021	2020
Pension	$ 1,985	$ 1,550
401k	1,015	872
Other postretirement benefits	249	249
Total	$ 3,249	$ 2,671

Expenses in the above table include allocated estimates of funding for multiemployer plans in which the Bank participates. These amounts may change when a total funding amount and allocation is determined by the respective Plans' Sponsor Committees. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2021.

Further details regarding employee benefit plans are contained in the most recent annual report to Shareholders.

Note 8 — Commitments and Contingencies

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

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

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

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

(dollars in billions)	March 31, 2021	December 31, 2020
Total System bonds and notes	$ 327.721	$ 322.655
AgFirst bonds and notes	33.417	33,356

From time to time, legal actions are pending against the Bank in which claims for money damages are asserted. On at least a quarterly basis, the Bank assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management and legal counsel are of the opinion that the

ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Bank. Because it is remote that the Bank will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Additional Financial Information

Offsetting of Financial Assets

(dollars in thousands)	March 31, 2021	December 31, 2020
Reverse repurchase and similar arrangements	$ 195,000	$ 520,000
Gross Amount of Recognized Assets	195,000	520,000
Reverse repurchase and similar arrangements	—	—
Gross Amounts Offset in the Balance Sheets	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 195,000	$ 520,000
Financial Instruments	(195,000)	(520,000)
Gross Amounts Not Offset in the Balance Sheets	(195,000)	(520,000)
Net Amount	$ —	$ —

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

The reverse repurchase agreements are accounted for as collateralized lending.

Combined Districtwide Financial Statements

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

Note 10 — Subsequent Events

The Bank evaluated subsequent events and determined that there were none requiring disclosure through May 7, 2021, which was the date the financial statements were issued.