GreenStone Farm Credit Services, ACA

Quarterly Report
September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

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

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many restrictions have been lifted across the United States (U.S.). While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture. Most recently, the federal government has announced a vaccine mandate for certain employers, and we expect this mandate will apply to our Association, if ultimately adopted.

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. However, we have weathered the significant challenges presented to date. Our business continuity response has allowed us to continue to serve our mission. All of our office buildings have re-opened and employees have returned to our offices on a full-time or hybrid work arrangement basis. We have not had any significant changes to internal controls over financial reporting due to working remotely.

AGRICULTURAL AND ECONOMIC CONDITIONS

The U.S. economy experienced a rapid recovery during the first half of 2021 as gross domestic product (GDP) increased at an annualized growth rate of 6.6% in the second quarter of 2021, following a 6.3% GDP growth reported in the first quarter of 2021. While GDP growth was solid, increased consumer demand combined with labor scarcity and raw material sourcing challenges has resulted in supply chain bottlenecks and rising prices for both producers and consumers.

According to the Bureau of Labor Statistics (BLS), the national unemployment rate improved 0.4% in September 2021 from the previous month, to 4.8%. The Michigan unemployment rate was 4.6% and Wisconsin was 3.9% in September 2021. While the unemployment rate decreased, labor supply and demand are struggling to come into balance. Total job openings in August 2021 were 10.4 million, which is approximately 50% above their pre-COVID levels. The expiration of enhanced federal unemployment benefits in September 2021, as well as the fact that the U.S. seems to have crested the "Delta" wave of COVID-19, may help the labor market continue to stabilize throughout the remainder of the year.

The U.S. has experienced levels of inflation this year that have not been seen since at least 2008, with sharp price increases due to a combination of strong consumer spending coming out of 2020, supply chain issues, and COVID-19 related concerns and restrictions. The BLS reported the Consumer Price Index for all items rose 5.4% for the 12 month period ending in September 2021, while the energy index rose 24.8% and the food index rose 4.6% during that time. The September 2021 inflation of 5.4% is significantly above the Federal Reserve's (the Fed) stated long-term 2.0% inflation target. The

Fed views this increased inflation as “transitory”, and that price increases will continue to moderate as COVID-19 related concerns abate and the supply chain normalizes.

Transportation and logistics challenges have become more common, with delays and cost increases in maritime container shipping causing supply chain disruptions. On August 23, 2021, there are approximately 40 mega-container ships anchored off the adjacent ports of Los Angeles and Long Beach, according to a report from the Marine Exchange of Southern California. Ordinarily there are 1 or 2 such ships (if any) at anchor at any given time according to the Marine Exchange. These delays have unsurprisingly driven the cost to ship products internationally to record highs, with the average composite cost of shipping a 40-foot container on eight major East-West routes to increase 360% from a year ago. The shortage of qualified truck drivers also has contributed to supply chain disruptions. The downstream ramifications of these logistical challenges have highlighted the increasing complexity, interconnectedness of the global marketplace, and potential vulnerabilities that must be addressed with regards to raw material sourcing. These challenges are impacting production as industrial production fell 1.3% in September, with manufacturing output decreasing 0.7%. The production of motor vehicles fell 7.2%, as shortages of semiconductors continued to hobble operations.

Sales of existing homes increased 7.0%, to a 6.3 million-unit annual pace in September 2021. The median price of a single-family home was up 13.8% in September 2021, over the previous year. While sales of existing homes increased in September, housing starts declined 1.6% and building permits declined 7.7% from the previous month. The monthly decline in overall starts was almost entirely due to a drop in the multifamily category, as single-family starts were essentially unchanged.

The United States Department of Agriculture (USDA) is forecasting 2021 net farm income to increase $18.5 billion, or 19.5%, to $113.0 billion in 2021. Net farm income would be at its highest level since 2013, well above its 2000 to 2020 average of $93.9 billion, when prior years are adjusted for inflation. Total crop receipts are expected to increase by $37.9 billion, or 19.7% in 2021 compared to 2020, while total animal/animal product receipts are expected to increase by $26.5 billion, or 16.0% compared to the prior year. Lower direct government payments and higher production expenses in 2021 are expected to partially offset higher cash receipts. Nearly all categories of expenses are forecast higher in 2021, with feed, livestock, and poultry purchases expected to see the largest dollar increase. Farm sector equity is projected to increase $80.0 billion, or 2.9%. Farm assets are forecast to increase by $79.0 billion, or 2.5% in 2021, mostly due to expected increases in the value of real estate. Farm debt is forecast to be relatively unchanged in 2021, decreasing by $1.0 billion. The farm sector debt-to-asset ratio is expected to decrease from 14.0% in 2020, to 13.6% in 2021, which would be the first decline since 2012.

The USDA October Livestock, Dairy, and Poultry Outlook raised their all-milk price forecast for 2021 to $18.45 per hundredweight (cwt), $0.30 per cwt higher than last month’s forecast. For 2022, the all-milk price forecast has been raised to $19.20 per cwt, $0.80 per cwt above last month’s projection. These forecast increases were primarily due to recent declines in milking cow numbers, relatively high feed costs, and relatively high culling of dairy cows.

The USDA National Agricultural Statistics Service (NASS) projection for the national corn yield is 176.5 bushels per acre, an increase of 5.1 bushels from 2020. The outlook for U.S. soybean production is following the same trend as corn, with the NASS survey results projecting soybean yields to average 51.5 bushels per acre, an increase of 0.5 bushel from 2020. Record high yields are forecast throughout much of California, Illinois, Indiana, Kentucky, Michigan, New York, North Carolina, Ohio, Oklahoma, and Pennsylvania. However, the impact of the ongoing drought in the northern states of North Dakota, South Dakota, and Minnesota has significantly reduced expected yields in those regions. Total U.S. corn production is projected to total 15.0 billion bushels this harvest season, which would be a 3.0% increase over the previous year. Total U.S. soybean production is projected to total 4.5 billion bushels, which would be a 5.0% increase from 2020.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $10.9 billion at September 30, 2021, a $321.7 million increase from December 31, 2020.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $11.0 billion at September 30, 2021, a $304.3 million increase from December 31, 2020. Our combined mortgage portfolio increased $427.7 million, or 5.2% from December 31, 2020, while our short-term commercial loan portfolio decreased $123.4 million, or 5.1% from December 31, 2020. When compared to September 30, 2020, owned and managed loan volume is up 5.3%. This increase was driven by growth in our country living and capital markets segments that have increased 17.2% and 9.1% since September 30, 2020, respectively.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and when certain requirements are fulfilled, loan forgiveness. As of May 31, 2021, when the PPP ended, we had successfully processed $231.1 million in PPP loans for customers with primarily production and intermediate-term type loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $214.3 million had been forgiven as of September 30, 2021.

Portfolio Credit Quality

The credit quality of our loan portfolio slightly improved during the first nine months of 2021. Acceptable loan credit quality, as measured under the Uniform Classification System, was 94.3%, which increased from 91.9% December 31, 2020. Year-over-year, acceptable credit quality increased 3.3% from 91.0% at September 30, 2020. Portfolio assets criticized as being less than acceptable was comprised of 3.3% other assets especially mentioned (OAEM) and 2.4% adversely classified. OAEM decreased 2.1% and adversely classified decreased 0.3% from December 31, 2020.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Weaker borrowers in our dairy, cash crop, and poultry portfolios continued to be challenged financially during the first nine months of 2021.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse assets to regulatory capital ratio of 13.3%, which decreased 2.9% from December 31, 2020.

In certain circumstances, Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At September 30, 2021, $426.3 million of our loans were substantially guaranteed under these programs. The guaranteed loan volume decreased from $481.3 million at December 31, 2020.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	September 30, 2021	December 31, 2020
Loans:		
Nonaccrual	**$55,086**	$41,376
Accruing restructured	**2,954**	3,078
Accruing loans 90 days or more past due	**--**	30
Total risk loans	**58,040**	44,484
Acquired property	**1,717**	811
Total risk assets	**$59,757**	$45,295
Total risk loans as a percentage of total loans	**0.5%**	0.4%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**93.7%**	54.5%
Total delinquencies as a percentage of total loans	**0.1%**	0.3%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2020, but have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Nonaccrual loans increased from $41.4 million at December 31, 2020, to $55.1 million at September 30, 2021. This increase was primarily due to a commercial dairy relationship that transferred to nonaccrual during June 2021, which was partially offset by a nonaccrual commercial dairy relationship that was sold in April 2021. As of September 30, 2021, 77.3% of the nonaccrual loan portfolio was comprised of dairy loans.

We are working individually with customers experiencing economic hardships. From weather and economic challenges over the last several years, to more recent stress generated by market pressures and uncertainties resulting from the COVID-19 pandemic, we are proactively providing assistance by working with customers to develop individualized financial solutions.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	September 30, 2021	December 31, 2020
Allowance as a percentage of:		
Loans	**0.6%**	0.7%
Nonaccrual loans	**125.7%**	182.7%
Total risk loans	**119.3%**	169.9%

The allowance for loan losses decreased $6.4 million from December 31, 2020, to $69.2 million at September 30, 2021. During the first nine months of 2021, a reversal of provision for loan losses of $8.5 million was recorded. Included in our allowance is additional general industry reserves for our dairy and cash grain portfolios due to uncertainties surrounding the COVID-19 pandemic along with low commodity prices over the past several years. While corn and soybean prices have increased recently, it is unknown how long these higher prices will last. In addition, recent corn and soybean prices will mean higher feed costs to the dairy and other protein sectors. The additional general industry reserve for the dairy and cash grain portfolio decreased from $46.3 million at December 31, 2020 to $30.0 million at September 30, 2021. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2021.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Reversal of credit losses” in the Consolidated Statements of Income for the nine months ended September 30, 2021 included a provision for credit losses on unfunded loan commitments of $840 thousand. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $3.7 million and $2.9 million as of September 30, 2021 and December 31, 2020, respectively.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2021**	2020
Net income	**$194,137**	$194,319
Return on average assets	**2.3%**	2.5%
Return on average members' equity	**12.9%**	14.1%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30	**2021**	2020	**Increase (decrease) in net income**
Net interest income	**$189,680**	$183,566	**$6,114**
Reversal of credit losses	**7,689**	4,873	**2,816**
Patronage income	**42,778**	43,374	**(596)**
Financially related services income	**11,161**	9,377	**1,784**
Fee income	**28,555**	30,844	**(2,289)**
Allocated Insurance Reserve Accounts distribution	**--**	1,900	**(1,900)**
Other non-interest income	**722**	1,266	**(544)**
Non-interest expense	**(82,232)**	(77,328)	**(4,904)**
Provision for income taxes	**(4,216)**	(3,553)	**(663)**
Net income	**$194,137**	$194,319	**($182)**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the nine months ended September 30	**2021 vs 2020**
Changes in volume	**$14,892**
Changes in interest rates	**(8,607)**
Changes in nonaccrual income and other	**(171)**
Net change	**$6,114**

Reversal of Credit Losses

In the first nine months of 2021, the reversal of credit losses of $7.7 million was primarily due to a decrease in the additional general industry reserves for the dairy and cash grain along with a commercial nonaccrual dairy relationship that was sold in April of 2021. These decreases were partially offset by the downgrades of a commercial dairy relationship and a capital markets relationship. The reversal of credit losses of $4.9 million in the first nine months of 2020 was primarily due to the payoff of a substandard dairy processor relationship in the second quarter of 2020.

Non-Interest Income

The change in non-interest income was primarily due to fee income and Allocated Insurance Reserve Accounts distribution.

Fee Income: The decrease in fee income was primarily due to less loan conversion fees collected in the first nine months of 2021 compared to 2020.

Allocated Insurance Reserve Accounts Distribution: The change in the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC) was due to our share of the distribution from AIRA of $1.9 million during the nine months ended September 30, 2020, while there was no distribution during the nine months ended September 30, 2021. The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required secured base amount of 2% of insured debt. Refer to the 2020 Annual Report for additional information about the FCSIC.

Non-Interest Expense

The change in non-interest expense from 2020 to 2021 was primarily due to an increase in the Farm Credit System insurance expense of $4.8 million. The increase in 2021 was due to a higher premium rate charged by FCSIC on accrual loans. The premium rate for the first nine months of 2021 was 16 basis points on Association borrowings, compared to a premium rate of 8 basis points for the first half of 2020 and 11 basis points for the third quarter of 2020. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2023. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at September 30, 2021, or December 31, 2020.

Market volatility increased due to the COVID-19 pandemic and certain adjustments to the costs of our funding of longer-term loans were impacted. This volatility and higher cost of funding has neither significantly impacted our business operations nor materially impacted our Consolidated Financial Statements.

Total members' equity increased $116.5 million from December 31, 2020, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total regulatory capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2020 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2021**	December 31, 2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**16.0%**	15.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**16.0%**	15.9%	6.0%	2.5%	8.5%
Total regulatory capital ratio	**16.7%**	16.7%	8.0%	2.5%	10.5%
Permanent capital ratio	**16.1%**	16.0%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**17.1%**	16.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.4%**	17.9%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 12 in our 2020 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2021, Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

November 5, 2021

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**September 30, 2021**	December 31, 2020
ASSETS		
Loans	**$10,911,616**	$10,589,927
Allowance for loan losses	**69,221**	75,574
Net loans	**10,842,395**	10,514,353
Investment in AgriBank, FCB	**267,425**	257,760
Investment securities	**3,393**	5,404
Accrued interest receivable	**70,507**	62,836
Premises and equipment, net	**48,528**	47,395
Deferred tax assets, net	**1,158**	2,444
Other assets	**86,025**	77,042
Total assets	**$11,319,431**	$10,967,234
LIABILITIES		
Note payable to AgriBank, FCB	**$9,088,958**	$8,827,305
Accrued interest payable	**30,826**	30,933
Patronage distribution payable	**78,750**	105,000
Other liabilities	**59,831**	59,452
Total liabilities	**9,258,365**	9,022,690
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**25,395**	24,553
Unallocated surplus	**2,038,602**	1,923,172
Accumulated other comprehensive loss	**(2,932)**	(3,182)
Total members' equity	**2,061,066**	1,944,544
Total liabilities and members' equity	**$11,319,431**	$10,967,234

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2021**	2020	**2021**	2020
Interest income	**$94,003**	$96,770	**$282,035**	$306,115
Interest expense	**30,826**	33,090	**92,355**	122,549
Net interest income	**63,177**	63,680	**189,680**	183,566
Reversal of credit losses	**(5,874)**	(1,201)	**(7,689)**	(4,873)
Net interest income after reversal of credit losses	**69,051**	64,881	**197,369**	188,439
Non-interest income				
Patronage income	**14,047**	15,798	**42,778**	43,374
Financially related services income	**3,617**	4,835	**11,161**	9,377
Fee income	**5,987**	8,918	**28,555**	30,844
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	1,900
Other non-interest income	**192**	298	**722**	1,266
Total non-interest income	**23,843**	29,849	**83,216**	86,761
Non-interest expense				
Salaries and employee benefits	**19,594**	19,641	**57,197**	54,980
Other operating expense	**8,324**	7,854	**25,035**	22,348
Total non-interest expense	**27,918**	27,495	**82,232**	77,328
Income before income taxes	**64,976**	67,235	**198,353**	197,872
Provision for income taxes	**659**	521	**4,216**	3,553
Net income	**$64,317**	$66,714	**$194,137**	$194,319
Other comprehensive income				
Employee benefit plans activity	**$84**	$58	**$250**	$176
Total other comprehensive income	**84**	58	**250**	176
Comprehensive income	**$64,401**	$66,772	**$194,387**	$194,495

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$1	$23,019	$1,757,944	($2,252)	$1,778,712
Net income	--	--	194,319	--	194,319
Other comprehensive income	--	--	--	176	176
Unallocated surplus designated for patronage distributions	--	--	(74,990)	--	(74,990)
Capital stock and participation certificates issued	--	2,347	--	--	2,347
Capital stock and participation certificates retired	--	(1,287)	--	--	(1,287)
Balance at September 30, 2020	$1	$24,079	$1,877,273	($2,076)	$1,899,277
Balance at December 31, 2020	$1	$24,553	$1,923,172	($3,182)	$1,944,544
Net income	**--**	**--**	**194,137**	**--**	**194,137**
Other comprehensive income	**--**	**--**	**--**	**250**	**250**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(78,707)**	**--**	**(78,707)**
Capital stock and participation certificates issued	**--**	**2,559**	**--**	**--**	**2,559**
Capital stock and participation certificates retired	**--**	**(1,717)**	**--**	**--**	**(1,717)**
Balance at September 30, 2021	**$1**	**$25,395**	**$2,038,602**	**($2,932)**	**$2,061,066**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2021, are not necessarily indicative of the results to be expected for the year ending December 31, 2021. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2020 (2020 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets. This change in accounting principle did not have a material impact on the financial statements.

There have been no other changes in our accounting policies as disclosed in our 2020 Annual Report, except as described in the Recently Issued or Adopted Accounting Pronouncements.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**September 30, 2021**		December 31, 2020	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$6,551,966**	**60.0%**	$6,292,857	59.4%
Production and intermediate-term	**1,861,207**	**17.1**	1,998,160	18.9
Agribusiness	**1,819,612**	**16.7**	1,640,282	15.5
Other	**678,831**	**6.2**	658,628	6.2
Total	**$10,911,616**	**100.0%**	$10,589,927	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 2021**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$7,295**	**$1,176**	**$8,471**	**$6,593,648**	**$6,602,119**	**$ --**
Production and intermediate-term	**3,400**	**1,391**	**4,791**	**1,871,399**	**1,876,190**	**--**
Agribusiness	**110**	**--**	**110**	**1,823,870**	**1,823,980**	**--**
Other	**2,513**	**13**	**2,526**	**677,297**	**679,823**	**--**
Total	**$13,318**	**$2,580**	**$15,898**	**$10,966,214**	**$10,982,112**	**$ --**

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$8,965	$11,568	$20,533	$6,314,643	$6,335,176	$ --
Production and intermediate-term	2,584	5,422	8,006	2,006,049	2,014,055	30
Agribusiness	--	95	95	1,643,820	1,643,915	--
Other	4,341	248	4,589	655,011	659,600	--
Total	$15,890	$17,333	$33,223	$10,619,523	$10,652,746	$30

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**September 30, 2021**	December 31, 2020
Volume with specific allowance	**$42,434**	$24,145
Volume without specific allowance	**15,606**	20,339
Total risk loans	**$58,040**	$44,484
Total specific allowance	**$11,090**	$8,966
For the nine months ended September 30	**2021**	2020
Income on accrual risk loans	**$106**	$117
Income on nonaccrual loans	**1,700**	1,723
Total income on risk loans	**$1,806**	$1,840
Average risk loans	**$46,026**	$72,843

Note: Accruing loans include accrued interest receivable.

We had $5.3 million of commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2021.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands) Nine months ended September 30	2021	
	Pre-modification	**Post-modification**
Real estate mortgage	**$195**	**$193**
Production and intermediate-term	**67**	**67**
Total	**$262**	**$260**

There were no TDRs that occurred during the nine months ended September 30, 2020. Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary types of modification included compromise of interest, deferral of principal, and interest rate reduction below market.

We had TDRs in the production and intermediate-term loan category of $209 thousand that defaulted during the nine months ended September 30, 2021, in which the modifications were within twelve months of the respective reporting period. There were no TDRs that defaulted during the nine months ended September 30, 2020, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**September 30, 2021**	December 31, 2020
Accrual status:		
Real estate mortgage	**$2,301**	$2,489
Production and intermediate-term	**331**	362
Other	**322**	227
Total TDRs in accrual status	**$2,954**	$3,078
Nonaccrual status:		
Real estate mortgage	**$568**	$436
Production and intermediate-term	**308**	258
Other	**12**	163
Total TDRs in nonaccrual status	**$888**	$857
Total TDRs:		
Real estate mortgage	**$2,869**	$2,925
Production and intermediate-term	**639**	620
Other	**334**	390
Total TDRs	**$3,842**	$3,935

There were no commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2021.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30	**2021**	2020
Balance at beginning of period	**$75,574**	$95,454
Reversal of loan losses	**(8,529)**	(5,842)
Loan recoveries	**2,880**	302
Loan charge-offs	**(704)**	(4,769)
Balance at end of period	**$69,221**	$85,145

The “Reversal of credit losses” in the Consolidated Statements of Comprehensive Income includes a reversal of loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands) For the nine months ended September 30	**2021**	2020
Provision for credit losses	**$840**	$969
As of:	**September 30, 2021**	December 31, 2020
Accrued credit losses	**$3,734**	$2,894

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $3.4 million at September 30, 2021, and $5.4 million at December 31, 2020. Our investment securities consisted of securities backed by pools of loans guaranteed by the Small Business Administration.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at September 30, 2021, or December 31, 2020. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

Additional Investment Securities Information

(dollars in thousands) As of:	**September 30, 2021**	December 31, 2020
Amortized cost	**$3,393**	$5,404
Unrealized gains	**5**	20
Unrealized losses	**(34)**	(47)
Fair value	**$3,364**	$5,377
Weighted average yield	**1.3%**	2.9%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $49 thousand and $187 thousand for the nine months ended September 30, 2021, and 2020, respectively.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream Business Services (SunStream) on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream’s indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at September 30, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2020 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2021, or December 31, 2020.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of September 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$32,911**	**$32,911**
Acquired property	**--**	**--**	**4,535**	**4,535**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$15,938	$15,938
Acquired property	--	--	3,324	3,324

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Acquired Property: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 5, 2021, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.