AgHeritage 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 AgHeritage Farm Credit Services, ACA and its subsidiaries, AgHeritage Farm Credit Services, FLCA and AgHeritage 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 or all restrictions have been lifted across the United States. 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 this mandate may apply to our Association.

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, and a remote work environment allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely.

AGRICULTURAL AND ECONOMIC CONDITIONS

As we have observed while renewing operating loans for the 2021 crop year, the majority (over 80%) of our row crop customers had positive returns for the 2020 crop. We saw a slight improvement in credit quality through the third quarter of 2021. Commodity prices have improved significantly, and we expect our row crop customers to have another good year of positive cash flow margins. The 2021 crop conditions in our area are generally good and we are observing good yields being reported. We expect stable credit quality in the short term, assuming current conditions remain in place. Land values in our area are increasing compared to the prior year.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $2.0 billion at September 30, 2021, an increase of $223.8 million from December 31, 2020. The increase was primarily due to growth in the real estate mortgage and production and intermediate-term loan portfolios.

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 $3.9 million in PPP loans for customers. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans and $3.7 million has been forgiven as of September 30, 2021.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2020. Adversely classified loans decreased to 2.1% of the portfolio at September 30, 2021, from 2.2% of the portfolio at December 31, 2020. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At September 30, 2021, $22.1 million of our loans were, substantially, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2021**	December 31, 2020
Loans:		
Nonaccrual	**$ 8,196**	$ 10,423
Accruing restructured	**--**	--
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**8,196**	10,423
Other property owned	**--**	--
Total risk assets	**$ 8,196**	$ 10,423
Total risk loans as a percentage of total loans	**0.4%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.4%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**33.5%**	21.9%
Total delinquencies as a percentage of total loans	**0.4%**	0.6%

Note: Accruing loans include accrued interest receivable.

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

The decrease in nonaccrual loans was primarily due to principal paydowns on two loans in August 2021. Nonaccrual loans remained at an acceptable level at September 30, 2021, and December 31, 2020.

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	**0.5%**	0.6%
Nonaccrual loans	**120.9%**	104.8%
Total risk loans	**120.9%**	104.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2021.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2021**	2020
Net income	**$ 29,353**	$ 25,721
Return on average assets	**2.1%**	2.1%
Return on average members' equity	**10.7%**	10.2%

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	$	36,191	$	33,267	$	2,924
Provision for credit losses		10		3,889		3,879
Non-interest income		9,647		9,788		(141)
Non-interest expense		15,481		12,791		(2,690)
Provision for income taxes		994		654		(340)
Net income	$	29,353	$	25,721	$	3,632

Provision for Credit Losses

The change in the provision for credit losses was related to our estimate of losses in our portfolio for the applicable years.

Non-Interest Expense

The change in non-interest expense was primarily due to an increase in Farm Credit System insurance expense, as well as an increase in salaries and employee benefits expense.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by Farm Credit System Insurance Corporation (FCSIC) on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for the nine months ended September 30, 2021, 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.

Salaries and Employee Benefits: The increase in salaries and employee benefits was due to an increase in staffing levels and incentive compensation expense.

Provision for Income Taxes

The change in provision for income taxes was primarily related to our estimate of taxes based on taxable income.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on August 31, 2022. However, it was renewed early in May 2021, with an effective date of June 1, 2021, for $2.3 billion with a maturity date of May 31, 2024. 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.

Total members' equity increased $25.0 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 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 7 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%**	16.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**16.0%**	16.8%	6.0%	2.5%	8.5%
Total capital ratio	**16.5%**	17.3%	8.0%	2.5%	10.5%
Permanent capital ratio	**16.1%**	16.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**17.2%**	18.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.2%**	19.0%	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 11 in our 2020 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2021, Quarterly Report of AgHeritage 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.

Jerry Burkett
Chairperson of the Board
AgHeritage Farm Credit Services, ACA

Gregory W. Cole
President and Chief Executive Officer
AgHeritage Farm Credit Services, ACA

Kenneth L. Sumner
Senior Vice President and Chief Financial Officer
AgHeritage Farm Credit Services, ACA

November 9, 2021

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		September 30, 2021		December 31, 2020
ASSETS				
Loans	**$**	**1,962,847**	$	1,739,013
Allowance for loan losses		**9,911**		10,919
Net loans		**1,952,936**		1,728,094
Investment in AgriBank, FCB		**42,945**		38,276
Investment securities		**380**		590
Accrued interest receivable		**25,488**		24,015
Deferred tax assets, net		**50**		498
Other assets		**15,299**		13,903
Total assets	**$**	**2,037,098**	$	1,805,376
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,641,417**	$	1,433,565
Accrued interest payable		**5,704**		5,314
Patronage distribution payable		**4,650**		6,000
Other liabilities		**6,610**		6,824
Total liabilities		**1,658,381**		1,451,703
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**3,284**		3,093
Unallocated surplus		**376,540**		351,796
Accumulated other comprehensive loss		**(1,107)**		(1,216)
Total members' equity		**378,717**		353,673
Total liabilities and members' equity	**$**	**2,037,098**	$	1,805,376

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgHeritage 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	**$ 18,612**	$ 18,162	**$ 52,697**	$ 52,973
Interest expense	**5,704**	5,492	**16,506**	19,706
Net interest income	**12,908**	12,670	**36,191**	33,267
Provision for credit losses	**10**	2,154	**10**	3,889
Net interest income after provision for credit losses	**12,898**	10,516	**36,181**	29,378
Non-interest income				
Patronage income	**2,154**	2,561	**6,665**	6,221
Financially related services income	**127**	121	**164**	186
Fee income	**770**	814	**2,771**	3,017
Allocated Insurance Reserve Accounts distribution	**--**	--	**--**	305
Other non-interest income	**36**	7	**47**	59
Total non-interest income	**3,087**	3,503	**9,647**	9,788
Non-interest expense				
Salaries and employee benefits	**2,633**	2,461	**7,989**	7,297
Other operating expense	**2,642**	1,904	**7,408**	5,417
Other non-interest expense	**57**	56	**84**	77
Total non-interest expense	**5,332**	4,421	**15,481**	12,791
Income before income taxes	**10,653**	9,598	**30,347**	26,375
Provision for income taxes	**607**	309	**994**	654
Net income	**$ 10,046**	$ 9,289	**$ 29,353**	$ 25,721
Other comprehensive income				
Employee benefit plans activity	**$ 36**	$ 25	**$ 109**	$ 75
Total other comprehensive income	**36**	25	**109**	75
Comprehensive income	**$ 10,082**	$ 9,314	**$ 29,462**	$ 25,796

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgHeritage 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	$ 2,943	$ 321,852	$ (825)	$ 323,971
Net income	--	--	25,721	--	25,721
Other comprehensive income	--	--	--	75	75
Unallocated surplus designated for patronage distributions	--	--	(3,857)	--	(3,857)
Capital stock and participation certificates issued	--	303	--	--	303
Capital stock and participation certificates retired	(1)	(199)	--	--	(200)
Balance at September 30, 2020	$ --	$ 3,047	$ 343,716	$ (750)	$ 346,013
Balance at December 31, 2020	$ --	$ 3,093	$ 351,796	$ (1,216)	$ 353,673
Net income	**--**	**--**	**29,353**	**--**	**29,353**
Other comprehensive income	**--**	**--**	**--**	**109**	**109**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(4,609)**	**--**	**(4,609)**
Capital stock and participation certificates issued	**--**	**373**	**--**	**--**	**373**
Capital stock and participation certificates retired	**--**	**(182)**	**--**	**--**	**(182)**
Balance at September 30, 2021	**$ --**	**$ 3,284**	**$ 376,540**	**$ (1,107)**	**$ 378,717**

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 AgHeritage Farm Credit Services, ACA and its subsidiaries AgHeritage Farm Credit Services, FLCA and AgHeritage 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 determine 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	%		Amount	%
Real estate mortgage	$	**1,053,529**	**53.7%**	$	936,709	53.9%
Production and intermediate-term		**548,646**	**28.0%**		440,329	25.3%
Agribusiness		**292,773**	**14.9%**		295,371	17.0%
Other		**67,899**	**3.4%**		66,604	3.8%
Total	$	**1,962,847**	**100.0%**	$	1,739,013	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate 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
Real estate mortgage	$	**935**	$	**5,293**	$	**6,228**	$	**1,062,298**	$	**1,068,526**
Production and intermediate-term		**588**		**21**		**609**		**556,845**		**557,454**
Agribusiness		**334**		**--**		**334**		**293,999**		**294,333**
Other		**172**		**--**		**172**		**67,831**		**68,003**
Total	$	**2,029**	$	**5,314**	$	**7,343**	$	**1,980,973**	$	**1,988,316**

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
Real estate mortgage	$	884	$	6,585	$	7,469	$	943,093	$	950,562
Production and intermediate-term		1,155		796		1,951		446,925		448,876
Agribusiness		931		--		931		295,967		296,898
Other		331		29		360		66,312		66,672
Total	$	3,301	$	7,410	$	10,711	$	1,752,297	$	1,763,008

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at September 30, 2021, or December 31, 2020.

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	$	**64**	$	1,880
Volume without specific allowance		**8,132**		8,543
Total risk loans	$	**8,196**	$	10,423
Total specific allowance	$	**26**	$	641
For the nine months ended September 30		**2021**		2020
Income on accrual risk loans	$	**1**	$	--
Income on nonaccrual loans		**398**		901
Total income on risk loans	$	**399**	$	901
Average risk loans	$	**10,047**	$	11,769

Note: Accruing loans include accrued interest receivable.

We had no material 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.

There were no TDRs that occurred during the nine months ended September 30, 2021. We completed TDRs of certain other loans during the nine months ended September 30, 2020. Our recorded investment in these loans just prior to restructuring was $196 thousand and our recorded investment in these loans immediately following the restructuring was $194 thousand during the nine months ended September 30, 2020. 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 type of modifications were interest rate reductions below market.

There were no TDRs that defaulted during the nine months ended September 30, 2021, or 2020 in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the other loan category totaled $378 thousand and $411 thousand, all of which were in nonaccrual status at September 30, 2021, and December 31, 2020, respectively.

There were no material 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	**$ 10,919**	$ 7,693
Provision for loan losses	**32**	3,772
Loan recoveries	**5**	32
Loan charge-offs	**(1,045)**	(784)
Balance at end of period	**$ 9,911**	$ 10,713

The "Provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a provision for loan losses as presented in the previous chart, as well as a (reversal of) 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
(Reversal of) provision for credit losses	**$ (22)**	$ 117
As of:	**September 30, 2021**	December 31, 2020
Accrued credit losses	**$ 113**	$ 135

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $380 thousand at September 30, 2021, and $590 thousand at December 31, 2020. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at September 30, 2021, and December 31, 2020.

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.

Additional Investment Securities Information

(dollars in thousands) As of:	September 30, 2021	December 31, 2020
Amortized cost	**$ 380**	$ 590
Unrealized gains	**9**	13
Fair value	**$ 389**	$ 603
Weighted average yield	**3.8%**	4.2%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $13 thousand and $12 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	**$ --**	**$ --**	**$ 40**	**$ 40**

As of December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 1,301	$ 1,301

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.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 9, 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.