First Quarter Financial Report March 31, 2021

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Frontier Farm Credit, ACA

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

The following commentary reviews the consolidated financial position and consolidated results of operations of Frontier Farm Credit, ACA, and its subsidiaries (Frontier Farm Credit). The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2020 Annual Report for a description of our organization, operations and significant accounting policies.

CoBank, ACB's financial condition and results of operations materially affect shareholders' investment in Frontier Farm Credit, ACA. To request a free copy of the CoBank, ACB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@frontierfarmcredit.com. You may also obtain copies by accessing CoBank, ACB's website at www.cobank.com.

Forward-Looking Information

Any forward-looking statements in this Quarterly Financial 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.

Commodity Review and Outlook Update

Loan repayment capacity for our loans is largely dependent upon income from corn, soybeans, wheat and cattle.

Crop prices remained strong over the past quarter supported by continued strong export demand and an initial prospective planting report that reflects projected corn and soybean acres below estimates. Strong crop prices combined with elevated levels of federal payments contributed to strong financial performance across the grain sector. Price forecasts for cash grains are favorable and well above the cost of production for most producers.

Fed cattle prices continued to strengthen during the first quarter, however elevated feed costs continued to restrict profitability across the sector.

Operating loan renewals and the receipt of customer financial information is seasonally concentrated in the first quarter of each fiscal year. Our review of customer financial information reflected strong profitability across the grain sector. Profit levels across the protein sector were largely dependent on feeding programs and the marketing strategy of individual producers. Strong levels of federal aid tied to the COVID-19 pandemic continued to provide support across all sectors of agriculture. With a higher concentration in the grain sectors we saw significant improvement in the overall credit quality of our portfolio.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2020 Annual Report for further analysis of farmland prices and industry conditions.

Refer to the last section of the Management's Discussion & Analysis in this report for further analysis of Other Matters, COVID-19.

Loan Portfolio

Total loans were $2.2 billion at March 31, 2021, a slight decrease of $20 million, or 0.9 percent from year-end. The decrease was primarily due to a decrease in production and intermediate term loans.

We recorded a $1.9 million reversal of our provision for loan losses for the first three months of 2021, as compared with a $0.5 million reversal of provision during the first three months of 2020. We recorded a $100 thousand reversal of our provision for unfunded lending commitments for the first three months of 2021, as compared with a $100 thousand provision during the first three months of 2020. The portfolio experienced improvement in the swine, grain and energy/electric industries. Net recoveries of charge-offs for the first three months of 2021 were $339 thousand compared to net recoveries of charge-offs of $59 thousand in the same period a year ago.

The following table summarizes risk assets and delinquency information (dollars in thousands):

	March 31, 2021	December 31, 2020
Risk loans:		
Nonaccrual	**$ 9,115**	$ 11,612
Restructured	**62**	63
90 days past due still accruing interest*	**265**	-
Total risk loans	**9,442**	11,675
Other property owned, net	**-**	-
Total risk assets	**$ 9,442**	$ 11,675
Risk loans as a percentage of total loans	**0.42%**	0.51%
Nonaccrual loans as a percentage of total loans	**0.40%**	0.51%
Current nonaccrual loans as a percentage of total nonaccrual loans	**56.9%**	51.6%
Total delinquencies as a percentage of total loans	**0.30%**	0.37%

*Accruing loans include accrued interest receivable.

Total risk loans have decreased since year-end. The decrease is primarily due to a decrease in nonaccrual loans in the grain, general livestock and landlords/investors' portfolios. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

The allowance for loan losses is an estimate of losses on loans 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, portfolio quality, estimated collateral values, and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	March 31, 2021	December 31, 2020
Allowance as a percentage of:		
Total loans	**0.37%**	0.43%
Nonaccrual loans	**89.96%**	84.40%
Total risk loans	**86.85%**	83.94%

Our adversely classified assets decreased during the first three months of 2021, ending the quarter at 2.91 percent of the portfolio, compared to 3.65 percent of the portfolio at December 31, 2020. Adversely classified are assets 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, and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2021.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the three months ended March 31, 2021	2020
Net income (in thousands)	**$12,418**	$11,239
Return on average assets	**2.13%**	2.10%
Return on average members' equity	**10.13%**	9.52%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the three months ended March 31, 2021 compared to the same period in 2020 are outlined in the following table (dollars in thousands):

Increase (decrease) in net income	2021 vs. 2020
Net interest income	**$ 177**
Provision for credit losses	**1,680**
Noninterest income	**450**
Noninterest expense	**(1,128)**
Total change in net income	**$1,179**

Net interest income was $13.7 million for the first three months of 2021 compared to $13.5 million for the first three months of 2020. The annualized net interest margin was 2.47 percent for the first three months of 2021, compared to 2.67 percent for the same period in 2020.

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the three months ended March 31 (dollars in thousands):

	2021 vs. 2020
Change in volume	**$1,366**
Change in rates	**(1,209)**
Change in nonaccrual income	**20**
Net change	**$ 177**

The increase in net interest income is due to higher levels of loan volume compared to prior year.

The variance in the provision for credit losses reflects our assessment of risk in the loan portfolio.

The increase in noninterest income is primarily due to an increase in loan fees due to the loans processed under the Paycheck Protection Program in addition to Rural 1st fees. The increased fee income was slightly offset by no FCSIC insurance refund this year. The increase in noninterest expense is primarily due to salary, benefits, occupancy and equipment expenses and FCSIC insurance expense.

We recorded $5.7 million of operating expenses under the income and expense sharing provisions of the alliance agreement in the first three months of 2021 compared to $4.7 million for the first three months of 2020. Refer to Note 1 in our 2020 Annual Report for additional information on the alliance.

We may receive patronage from CoBank, ACB and other Farm Credit Institutions. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors.

	For the three months ended March 31,	
	2021	2020
Wholesale patronage		
Cash	**$1,806**	$1,494
Stock	**10**	7
AgDirect patronage distribution	**207**	208
Other patronage	**40**	72
Total patronage income	**$2,063**	$1,781

Funding, Liquidity and Members' Equity

We borrow from CoBank, ACB under a note payable, in the form of a line of credit. The note payable is collateralized by a pledge of substantially all our assets and is governed by a General Financing Agreement (GFA), which provides for an open-ended revolving line of credit. The line of credit matures on May 31, 2021, and we expect renewal at that time. Substantially all borrower loans are match-funded with CoBank, ACB which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as Frontier Farm Credit is a stockholder of CoBank, ACB, we expect this borrowing relationship to continue into the foreseeable future.

The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. CoBank, ACB has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At March 31, 2021 and at December 31, 2020 we were within the specified limitations.

Our members' equity increased to $505.6 million at March 31, 2021 compared to $493.2 million at December 31, 2020. The increase was due to the net income recorded for the first three months of 2021.

Farm Credit Administration 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 Farm Credit Administration 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. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section.

	As of March 31, 2021	As of December 31, 2020	Regulatory Minimums	Minimums with Buffers
Risk-adjusted:				
Common equity tier 1 ratio	**16.88%**	17.30%	4.5%	7.0%
Tier 1 capital ratio	**16.88%**	17.30%	6.0%	8.5%
Total capital ratio	**17.31%**	17.79%	8.0%	10.5%
Permanent capital ratio	**16.95%**	17.37%	7.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**18.59%**	19.16%	4.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**20.65%**	21.03%	1.5%	1.5%

Other Matters - COVID-19

The Association has not seen a material adverse impact from the COVID-19 pandemic. While various geographic locations continue to see elevated rates of infection and hospitalization rates, vaccination efforts have accelerated and the primary recessionary pressures are showing signs of easing and federal aid to both agriculture and the general economy has provided financial support and assistance to partially mitigate the financial impact. Commodity prices for the primary industries financed have recovered with near term forecasts reflecting breakeven to positive profit margins for most producers.

The United States government instituted various programs in support of the COVID-19 economic recovery in early 2020 and early 2021. These programs made available for small businesses approximately $813.5 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the United States Small Business Administration (SBA). Since beginning the program, we have successfully processed $14.0 million in PPP loans for customers with Production and Intermediate Term type loans. To date, $1.2 million have been forgiven.

Despite volatility and uncertainty in the market, we have weathered the significant challenges presented by the current operating environment and our operations are fully functioning. Our business continuity response has allowed us to continue to serve our customers and the remote work environment has 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 or due to limited staff.

We do not anticipate additional material deterioration in overall credit quality levels while delinquency and provision expense levels are projected to be stable.

Certification

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

Mark Jensen President and CEO May 3, 2021	Shane Tiffany Chairperson, ACA Board of Directors May 3, 2021	Craig P. Kinnison Executive Vice-President & CFO May 3, 2021

Frontier Farm Credit, ACA
Consolidated Balance Sheets
(dollars in thousands)

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Loans	**$2,234,442**	$2,254,539
Allowance for loan losses	**8,200**	9,800
Net loans	**2,226,242**	2,244,739
Accrued interest receivable	**20,824**	26,476
Investment in CoBank, ACB	**70,100**	70,069
Investment in AgDirect, LLP	**6,083**	5,792
Investment in RBIC	**323**	-
Premises and equipment, net	**19,918**	20,126
Prepaid benefit expense	**4,334**	4,691
Other assets	**6,112**	12,706
Total assets	**$2,353,936**	$2,384,599
LIABILITIES		
Notes payable	**$1,832,957**	$1,854,847
Accrued interest payable	**2,105**	2,318
Patronage payable	**4,534**	23,600
Reserve for unfunded lending commitments	**1,000**	1,100
Accrued benefits liability	**223**	228
Other liabilities	**7,484**	9,291
Total liabilities	**1,848,303**	1,891,384
Commitments and contingencies (Note 5)		
MEMBERS' EQUITY		
At-risk capital:		
Class B common stock	**8,923**	8,746
Class C common stock	**211**	213
Less: Capital stock receivable	**(9,134)**	(8,959)
Retained earnings	**505,633**	493,215
Total members' equity	**505,633**	493,215
Total liabilities and members' equity	**$2,353,936**	2,384,599

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

Frontier Farm Credit, ACA
Consolidated Statements of Income

(dollars in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
NET INTEREST INCOME		
Interest income	**$19,950**	$23,649
Interest expense	**6,271**	10,147
Net interest income	**13,679**	13,502
Reversal of provision for credit losses	**(2,039)**	(359)
Net interest income after provision for credit losses	**15,718**	13,861
NONINTEREST INCOME		
Patronage income from CoBank, ACB	**1,816**	1,501
Insurance fund refund	**-**	454
Loan fees	**2,040**	1,594
Insurance services	**111**	141
Distribution from AgDirect, LLP	**207**	208
Mineral income	**183**	293
Rural 1st program fees	**300**	110
Other noninterest income	**94**	-
Total noninterest income	**4,751**	4,301
NONINTEREST EXPENSE		
Salaries and employee benefits	**4,736**	4,663
Occupancy and equipment expense	**788**	647
Insurance fund premiums	**720**	320
Other operating expenses	**1,799**	1,223
Other noninterest expenses	**8**	70
Total noninterest expense	**8,051**	6,923
Income before income taxes	**12,418**	11,239
Provision for income taxes	**-**	-
Net income	**$ 12,418**	$ 11,239

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

Frontier Farm Credit, ACA
Consolidated Statement of Changes in Members' Equity

(dollars in thousands)
(unaudited)

	At-risk Capital		
	Capital Stock	**Retained Earnings**	**Total Members' Equity**
Balance at December 31, 2019	$8,532	$471,360	$479,892
Net income		11,239	11,239
Patronage accrual adjustment		(120)	(120)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	249		249
Release of customer stock receivable associated with retired stock	(236)		(236)
Less: Capital stock receivable	(8,545)		(8,545)
Balance at March 31, 2020	$-	$482,479	$482,479
Balance at December 31, 2020	$-	$493,215	$493,215
Net income		**12,418**	**12,418**
Capital stock:			
Issuance of stock in exchange for customer stock receivable	**386**		**386**
Release of customer stock receivable associated with retired stock	**(211)**		**(211)**
Less: Capital stock receivable	**(175)**		**(175)**
Balance at March 31, 2021	**$-**	**$505,633**	**$505,633**

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ended 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 2020 Annual Report for the year ended December 31, 2020.

The consolidated financial statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent) and Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

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 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 Farm Credit System Institutions.

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the Financial Accounting Standards Board issued 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 Financial Accounting Standards Board issued ASU 2016-13 "Measurement of Credit Losses on Financial Instruments". The guidance was originally effective for non-United States Securities Exchange Commission filers for the first quarter of 2021. In November 2019, the Financial Accounting Standards Board issued ASU 2019-10 which amends 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 2, 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. Implementation efforts are underway and include the development and testing of our system, data requirements, guidance interpretation and related accounting policy decisions, and consideration of relevant internal processes and controls. We are currently unable to estimate the impact on our financial statements.

Refer to Note 2 in our 2020 Annual Report for additional information on other accounting standards that have been issued but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	March 31, 2021		December 31, 2020	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$1,328,093**	**59.4 %**	$1,308,499	58.0 %
Production and intermediate term	**495,676**	**22.2**	543,668	24.1
Agribusiness	**276,346**	**12.4**	262,591	11.7
Rural residential real estate	**69,086**	**3.1**	75,250	3.3
Rural infrastructure	**56,285**	**2.5**	57,964	2.6
Agricultural export finance	**8,956**	**0.4**	6,567	0.3
Total loans	**$2,234,442**	**100.0 %**	$2,254,539	100.0 %

Credit Quality

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

- acceptable – loans are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) (special mention) – loans are currently collectible but exhibit some potential weakness;
- substandard – loans exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful – loans exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- loss – loans are considered uncollectible.

We had no loans categorized as loss at March 31, 2021 or December 31, 2020.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type (dollars in thousands):

As of March 31, 2021

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$1,247,987**	**92.95%**	**$ 48,769**	**3.63%**	**$45,960**	**3.42%**	**$1,342,716**
Production and intermediate term	**445,696**	**89.00%**	**38,953**	**7.78%**	**16,143**	**3.22%**	**500,792**
Agribusiness	**243,279**	**87.78%**	**31,556**	**11.39%**	**2,297**	**0.83%**	**277,132**
Rural residential real estate	**66,968**	**96.65%**	**1,004**	**1.45%**	**1,319**	**1.90%**	**69,291**
Rural infrastructure	**55,501**	**98.46%**	**869**	**1.54%**	**-**	**-**	**56,370**
Agricultural export finance	**8,965**	**100.00%**	**-**	**-**	**-**	**-**	**8,965**
Total	**$2,068,396**	**91.72%**	**$121,151**	**5.37%**	**$65,719**	**2.91%**	**$2,255,266**

As of December 31, 2020

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$1,214,053	91.45%	$ 55,962	4.21%	$57,569	4.34%	$1,327,584
Production and intermediate term	482,857	87.80%	47,999	8.73%	19,091	3.47%	549,947
Agribusiness	234,520	89.05%	25,029	9.51%	3,801	1.44%	263,350
Rural residential real estate	71,499	94.65%	1,147	1.52%	2,893	3.83%	75,539
Rural infrastructure	57,134	98.47%	888	1.53%	-	-	58,022
Agricultural export finance	6,573	100.00%	-	-	-	-	6,573
Total	$2,066,636	90.60%	$131,025	5.75%	$83,354	3.65%	$2,281,015

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (dollars in thousands):

As of March 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	**$1,483**	**$ 2,014**	**$3,497**	**$1,339,219**	**$1,342,716**	**$ -**
Production and intermediate term	**1,188**	**1,394**	**2,582**	**498,210**	**500,792**	**265**
Agribusiness	**-**	**-**	**-**	**277,132**	**277,132**	**-**
Rural residential real estate	**339**	**341**	**680**	**68,611**	**69,291**	**-**
Rural infrastructure	**-**	**-**	**-**	**56,370**	**56,370**	**-**
Agricultural export finance	**-**	**-**	**-**	**8,965**	**8,965**	**-**
Total	**$3,010**	**$3,749**	**$6,759**	**$2,248,507**	**$2,255,266**	**$265**

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 Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	$1,123	$1,596	$2,719	$1,324,865	$1,327,584	$ -
Production and intermediate term	2,918	1,787	4,705	545,242	549,947	-
Agribusiness	-	2	2	263,348	263,350	-
Rural residential real estate	-	1,039	1,039	74,500	75,539	-
Rural infrastructure	-	-	-	58,022	58,022	-
Agricultural export finance	-	-	-	6,573	6,573	-
Total	$4,041	$4,424	$8,465	$2,272,550	$2,281,015	$ -

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. Accruing loans include principal and interest. The following tables present information concerning risk loans (dollars in thousands):

	As of March 31, 2021	As of March 31, 2020
Risk loans with specific allowance	**$ 646**	$ 2,209
Risk loans without specific allowance	**8,796**	12,593
Total risk loans	**$9,442**	$14,802
Total specific allowance	**$434**	$837

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest income recognized on nonaccrual loans	**$18**	($ 2)
Interest income recognized on risk accrual loans	**45**	20
Interest income recognized on risk loans	**$63**	$18
Average risk loans	**$14,712**	$19,144

At March 31, 2021, there were approximately $291 thousand in commitments to lend additional funds to customers whose loans were at risk.

Troubled Debt Restructurings

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 troubled debt restructuring, also known as a restructured loan. 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 troubled debt restructurings 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.

We recorded no troubled debt restructurings in the three months ended March 31, 2021 and March 31, 2020.

The following table presents information regarding troubled debt restructurings that occurred within the previous twelve months for which there was a subsequent payment default during the period ended March 31 (dollars in thousands):

	2021	2020
	Recorded Investment	Recorded Investment
Long-term agricultural mortgage	**$-**	$651

There were $15 thousand in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at March 31, 2021.

The following table presents troubled debt restructurings outstanding at:

TDRs Outstanding (in thousands) As of:	**March 31, 2021**	December 31, 2020
Accrual status:		
Long-term agricultural mortgage	**$62**	$63
Production and intermediate term	**-**	-
Agribusiness	**-**	-
Total TDRs in accrual status	**$62**	$63
Nonaccrual status:		
Long-term agricultural mortgage	**$ 642**	$ 645
Production and intermediate term	**55**	221
Agribusiness	**343**	388
Total TDRs in nonaccrual status	**$1,040**	$1,254
Total TDRs:		
Long-term agricultural mortgage	**$ 704**	$ 708
Production and intermediate term	**55**	221
Agribusiness	**343**	388
Total TDRs	**$1,102**	$1,317

Allowance for Loan Losses

An analysis of changes in the allowance for credit losses follows (dollars in thousands):

	March 31,	
Allowance for loan losses	**2021**	2020
Balance at beginning of year	**$9,800**	$9,600
Reversal of provision for loan losses	**(1,939)**	(459)
Charge-offs	**(67)**	(76)
Recoveries	**406**	135
Balance at end of quarter	**$8,200**	$9,200

	March 31,	
Reserve for unfunded lending commitments	**2021**	2020
Balance at beginning of year	**$1,100**	$800
(Reversal of) Addition of provision for unfunded lending commitments	**(100)**	100
Balance at end of quarter	**$1,000**	$900

The allowance for loan losses is an estimate of losses on loans 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, portfolio quality, estimated collateral values, and current economic and environmental conditions.

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in two Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our total current commitment is $9.0 million of which $8.6 million is unfunded with varying commitment end dates through December 2030. Certain commitments may have an option to extend under specific circumstances.

Note 4 – 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 levels of inputs 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 material assets or liabilities measured at fair value on a recurring basis at March 31, 2021, or December 31, 2020. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

	Fair Value Measurement Using			
As of March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Loans	-	-	**$249**	**$249**
Other property owned	-	-	-	-

	Fair Value Measurement Using			
As of December 31, 2020	Level 1	Level 2	Level 3	Total Fair Value
Loans	-	-	$923	$923
Other property owned	-	-	-	-

Impaired loans: Represents the carrying amount and related write-downs 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 fall under 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 fall under Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value 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 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 fall under Level 3.

Note 5- Commitments and Contingencies

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 accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, 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, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a Rural Business Investment Company. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through May 3, 2021 which is the date the 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.