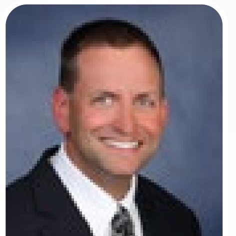
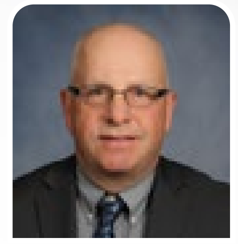
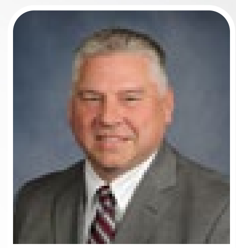
ANNUAL REPORT 2021



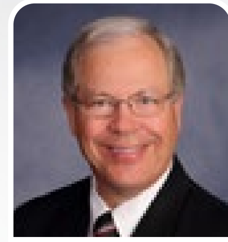
Dustin J. Sonnenberg
Chairman, Region 2



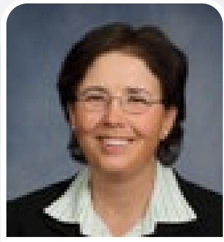
David J. Conrad
Vice Chairman, Region 8



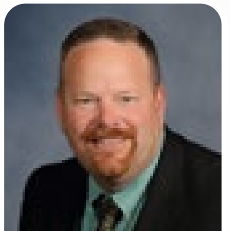
Scott A. Schroeder
Region 1



Kevin P. Flanagan
Region 3

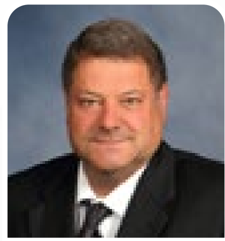


Deborah L. Johlin-Bach
Region 4



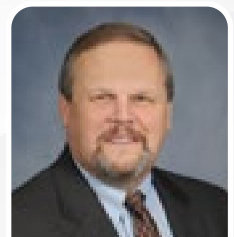
Gary L. Baldosser
Region 5

Michael A. Thiel
Region 6

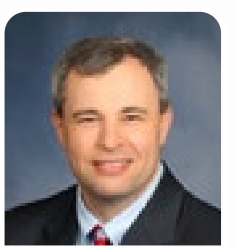


Michael W. Stump
Region 7

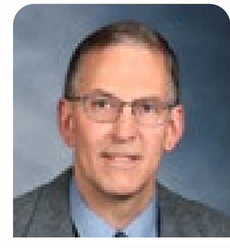
Daniel C. Rengert
Outside Director



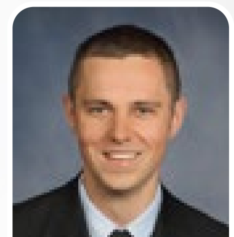
Dr. David M. Stott, Ph.D., CPA
Outside Director



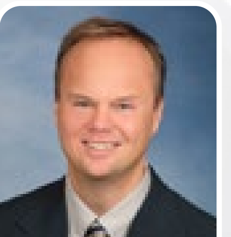
Brian J. Ricker
President & Chief Executive Officer



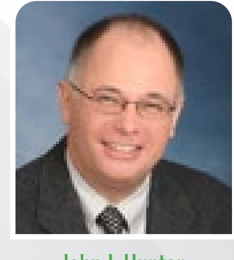
Daniel E. Ebert
Chief Operating Officer



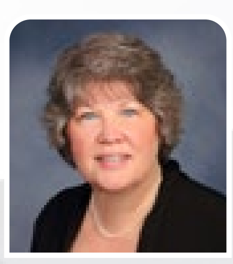
Logan W. Kreais, CPA
Chief Financial Officer



Jeffrey A. Rickenbacher
Chief Credit Officer



John J. Hunter
General Counsel



June M. O'Neill
Director of Human Resources

TO INSPIRE GROWTH IN AGRICULTURE AND SERVE OUR RURAL COMMUNITIES

» Treat our customers, prospects and team members, as we would like to be treated.

» Conduct ourselves professionally with unyielding integrity.

» Meet new challenges objectively with a positive mental attitude.

» Focus on building, nurturing and maintaining genuine relationships with our stockholders.

» Exceed our customers' expectations, and produce what we promise.

BOWLING GREEN
111 E. Gypsy Lane Road
Bowling Green, OH 43402
419-352-5178
877-635-3426

BUCYRUS
3113 SR 98
Bucyrus, OH 44820
419-562-7926

FINDLAY
7868 CR 140, Suite A
Findlay, OH 45840
419-422-7632
888-405-2221

FOSTORIA
Administrative Office
610 W. Lytle Street
Fostoria, OH 44830
419-435-7758
800-837-3678

FREMONT
2155 Oak Harbor Road
Fremont, OH 43420
419-332-2639
800-896-4541

KENTON
12923 SR 309
Kenton, OH 43326
419-675-2303
877-808-0163

MARION
1100 E. Center Street
Marion, OH 43302
740-387-2270

MT. GILEAD
5362 US Hwy 42, Suite 100
Mt. Gilead, OH 43338
419-947-1040

NAPOLEON
1485 Scott Street
Napoleon, OH 43545
419-599-8656
800-347-0277

NORWALK
735 US Hwy 20 East
Norwalk, OH 44857
419-663-4020
800-686-0756

OTTAWA
315 W. Williamstown Road
Ottawa, OH 45875
419-523-6677
888-380-3738

PAULDING
839 N. Williams Street
Paulding, OH 45879
419-238-6838
877-684-9455

TIFFIN
2500 W. Market Street
Tiffin, OH 44883
419-447-0787
877-568-1688

UPPER SANDUSKY
97 Houpt Drive, Room E
Upper Sandusky, OH 43351
419-294-4933

VAN WERT
1195 Professional Drive
Van Wert, OH 45891
419-238-6838
877-684-9455

WELLINGTON
311 Maple Street, Suite A
Wellington, OH 44090
440-647-6611
866-685-4446

AgCredit Agricultural Credit Association

2021 Annual Report

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Message from the Chief Executive Officer and Chairman of the Board

Despite ongoing challenges related to the global pandemic, the AgCredit team continues to serve the needs of our borrowers and execute on our mission of returning profits, serving our rural community, and building lifetime relationships. There were many welcomed reminders that we remained committed to our mission and to our borrower-owners in 2021.

AgCredit distributed $31 million of patronage to its member-owners equating to 40 cents of every dollar of interest accrued on eligible loans. We celebrate that 2021 was the 35th consecutive year AgCredit has distributed profits to its borrower-owners. This longevity is a measure of our long-term dedication, financial stability, and commitment to our members, who we know appreciate the financial flexibility these payments bring to their farming operations.

Our commitment to farmers
Early in 2021, the availability of a second round of funds through the Small Business Administration's Paycheck Protection Program (PPP) became known, and it was evident many of our borrower-owners would qualify and be interested in the program. Although other lenders elected not to participate due in part to the program's complexity and other challenges experienced during the first round, we understood the PPP's importance and acted with a sense of urgency to close as many loans as possible. We are extremely proud that our team helped close more than 3,400 loans totaling over $67 million when the program ended.

Our commitment to our communities
We are also proud that, despite their own pandemic-related stresses, AgCredit team members looked beyond their circumstances to do what they could to ensure the health and well-being of their neighbors in communities throughout our service area. As part of our "Share the Harvest" initiative, employees helped distribute over four tons of canned food to area food banks across 18 counties. In addition, the AgCredit Mission Fund awarded $140,000 in grants and scholarships. During the year, 14 worthy organizations received grants ranging from $1,029 to $15,000, while five students earned $3,000 scholarships. Since its inception in 2018, the AgCredit Mission Fund has awarded $344,000 to 30 deserving organizations.

Our commitment to our borrower-owners
Despite the challenges presented by the pandemic, we were fortunate to hold more in-person meetings in 2021. The virtual experiences forced upon us in 2020 helped us understand the need for more communication channels, and as a result, we hosted seven webinars on timely topics aimed at helping our borrowers succeed in an ever-changing business climate. Later in the year, we introduced the podcast "AgCredit Said It" across the Association's footprint. Whether you are new to farming or a seasoned professional, our podcast is there to provide helpful tips, resources, insights and advice about all aspects of rural living.

Through our AgStart program, the Association closed 171 loans totaling $55 million to young, beginning, and small farmers. AgStart loans are eligible for reduced fees, rates, and extended loan terms. We understand that young, beginning, and small farmers are our future, which is why we continue to aggressively market to and serve this segment.

Our commitment to serving agriculture and our rural communities through the good and demanding times has never been stronger. We are pleased to report excellent financial results in 2021. AgCredit finished the year with net income of $77 million. Loan growth was brisk with total loan volume increasing by $373 million or 17%. Our credit quality improved with 97.16% of the portfolio being classified either acceptable or special mention compared to 95.58% in 2020. Additional details on our financial performance can be found within the pages of this report.

We are fortunate to have the opportunity to work with many wonderful people and their operations. We are proud to serve this cooperative and are grateful for a committed employee team that works very hard to provide a superior customer experience. Thank you for placing your trust in us and for choosing AgCredit to be your financial provider.

Here's to a safe, healthy, and profitable 2022!

Brian J. Ricker
President & Chief Executive Officer

Dustin J. Sonnenberg
Chairman of the Board

March 10, 2022

Report of Management

The accompanying Consolidated Financial Statements and related financial information appearing throughout this Annual Report have been prepared by management of AgCredit Agricultural Credit Association (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems, and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The consolidated financial statements have been audited by independent auditors, whose report appears elsewhere in this Annual Report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2021 Annual Report of AgCredit Agricultural Credit Association, that the report has been prepared under the oversight of the audit committee of the Board of Directors in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Dustin J. Sonnenberg
Chairman of the Board

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

March 10, 2022

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

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

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

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

March 10, 2022

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	December 31, 2021	2020	2019	2018	2017
Balance Sheet Data					
Cash	**$ 29**	$ 95	$ 3,917	$ 7,950	$ 6,143
Investments in debt securities	**6,916**	9,227	9,774	10,594	11,523
Loans	**2,578,467**	2,204,856	1,967,764	1,960,392	1,879,677
Allowance for loan losses	**(7,305)**	(8,798)	(11,289)	(11,058)	(12,330)
Net loans	**2,571,162**	2,196,058	1,956,475	1,949,334	1,867,347
Equity investments in other Farm Credit institutions	**20,889**	21,366	23,243	22,351	21,458
Other assets	**81,431**	71,896	63,581	68,305	65,119
Total assets	**$ 2,680,427**	$2,298,642	$2,056,990	$2,058,534	$1,971,590
Notes payable to AgFirst Farm Credit Bank*	**$ 2,194,319**	$1,859,377	$1,654,570	$1,673,338	$1,611,375
Accrued interest payable and other liabilities with maturities of less than one year	**50,012**	47,135	54,787	38,870	40,360
Total liabilities	**2,244,331**	1,906,512	1,709,357	1,712,208	1,651,735
Capital stock and participation certificates	**17,498**	18,516	17,262	18,672	19,522
Retained earnings					
Allocated	**308,056**	273,955	239,120	241,680	219,004
Unallocated	**110,542**	99,659	91,251	85,974	81,329
Total members' equity	**436,096**	392,130	347,633	346,326	319,855
Total liabilities and members' equity	**$ 2,680,427**	$2,298,642	$2,056,990	$2,058,534	$1,971,590
Statement of Income Data					
Net interest income	**$ 58,748**	$ 55,139	$ 53,164	$ 52,094	$ 49,210
Provision for (reversal of allowance for) loan losses	**(2,470)**	(8,434)	1,607	(1,084)	(1,154)
Noninterest income, net	**16,176**	12,252	3,557	6,859	6,664
Net income	**$ 77,394**	$ 75,825	$ 55,114	$ 60,037	$ 57,028
Key Financial Ratios					
Rate of return on average:					
Total assets	**3.28%**	3.62%	2.76%	3.08%	3.09%
Total members' equity	**18.46%**	20.38%	15.15%	17.56%	18.21%
Net interest income as a percentage of average earning assets	**2.55%**	2.71%	2.75%	2.76%	2.75%
Net (chargeoffs) recoveries to average loans	**0.043%**	0.293%	(0.072)%	(0.010)%	0.000%
Total members' equity to total assets	**16.27%**	17.06%	16.90%	16.82%	16.22%
Debt to members' equity (:1)	**5.15**	4.86	4.92	4.94	5.16
Allowance for loan losses to loans	**0.28%**	0.40%	0.57%	0.56%	0.66%
Permanent capital ratio	**20.76%**	20.87%	21.33%	20.43%	19.87%
Common equity tier 1 capital ratio	**20.20%**	20.15%	20.57%	18.96%	17.90%
Tier 1 capital ratio	**20.20%**	20.15%	20.57%	18.96%	17.90%
Total regulatory capital ratio	**20.58%**	20.75%	21.31%	20.25%	19.71%
Tier 1 leverage ratio	**15.99%**	16.11%	16.86%	15.35%	14.34%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**16.38%**	16.66%	17.42%	15.87%	14.85%
Net Income Distribution					
Cash dividends declared/paid	**$ 54**	$ 79	$ 153	$ 177	$ 184
Estimated patronage refunds:					
Cash	**$ 33,078**	$ 32,722	$ 42,219	$ 27,616	$ 25,060
Nonqualified retained earnings	**33,531**	34,872	7,634	27,767	27,175

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2022.*

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of AgCredit, ACA (Association) for the year ended December 31, 2021 with comparisons to the years ended December 31, 2020 and December 31, 2019. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and other sections in this Annual Report. The accompanying Consolidated Financial Statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" included in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to support rural communities and agriculture with reliable and consistent credit and financial services. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of the north central and northwest portion of Ohio. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience, knowledge of the market, operation as a true cooperative, and development of lifetime relationships with our members.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected, and shareholder investment in the Association could be affected, by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, ***www.agfirst.com,*** or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are available on the Association's website, ***www.agcredit.net***, or may be obtained at no charge by calling 1-800-837-3678, extension 1048, or writing Logan Kreais, Chief Financial Officer at 610 W. Lytle St., Fostoria, OH 44830. The Association prepares an electronic version of the Annual Report, made available on the website, within 75 days after the end of the fiscal year, and distributes the Annual Report to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, made available on the internet, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. The intent of words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms, is to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory, and economic changes in the United States and abroad;
- Economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- Weather, disease, and other climatic or biological conditions that impact agricultural productivity and income;
- Changes in governmental support of the agricultural industry and the Farm Credit System, a government-sponsored enterprise;
- Investor and rating-agency reactions to events involving other government-sponsored enterprises and financial institutions; and
- Actions taken by the Federal Reserve System in implementing monetary policy.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned a significant amount of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. The Association has returned to pre-pandemic working conditions. All lobbies are open for members and employees to resume branch visits.

The COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress was

made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by disease variants, rising inflation, supply chain disruptions, and labor shortages in the United States and globally.

COVID-19 Support Programs

Since the onset of the COVID-19 pandemic, the U.S. government has taken a number of actions by passing six economic relief and stimulus bills to help businesses, individuals, state/local governments, and educational institutions that were adversely impacted by the economic disruptions caused by the COVID-19 pandemic. The economic relief resulted in appropriations of approximately $5.4 trillion.

The farm sector and farm households were among those impacted and were provided financial assistance through the U.S. Department of Agriculture (USDA) and other government agency programs. Among the many programs was the Paycheck Protection Program (PPP). The PPP provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States government. Over the life of the program, the Association extended loans to 3,429 borrowers. Through December 31, 2021, the Association's volume of such loans that have received forgiveness from the SBA since the start of the program was $67.6 million.

CLIMATE CHANGE

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

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

However, risks associated with climate change are mitigated, to some degree, by U.S. agricultural producers' ability to navigate changing industry dynamics from numerous perspectives, including trade, government policy, consumer preferences and weather. Producers regularly adopt new technologies, agronomic practices and financial strategies in response to evolving trends to ensure their competitiveness.

AGRICULTURAL OUTLOOK AND ECONOMIC CONDITIONS

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and periodic aid), interest rates, and various other factors that affect supply and demand.

The following USDA analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information/data for the Association.

Agricultural production is a major use of land in the United States and the value of farm real estate accounted for 82 percent of the total value of the U.S. farm sector assets for 2021 according to the USDA in its February 4, 2022 forecast. Because real estate is such a significant component of the balance sheet of U.S. farms, the value of farm real estate is a critical measure of the farm sector's financial performance. Changes in farmland values also affect the financial well-being of agricultural producers because farm real estate serves as the principal source of collateral for farm loans.

The USDA's most recent forecast projects that farm sector equity, the difference between farm sector assets and debt, will rise 3.0 percent in 2021. Farm real estate value is expected to increase 2.0 percent and non-real estate farm assets are expected to increase 8.1 percent, while farm sector debt is forecast to increase 3.0 percent in 2021. Farm real estate debt as a share of total debt has been rising since 2014 and is expected to account for 66.4 percent of total farm debt in 2021.

The USDA is forecasting farm sector solvency ratios to remain relatively unchanged in 2021 at 16.1 percent for the debt-to-equity ratio and 13.9 percent for the debt-to-asset ratio, which represents the highest levels since 2002, but well below the peak of 28.5 percent and 22.2 percent in 1985. Working capital (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to increase 13.5 percent in 2021 to $96 billion from $85 billion in 2020. Although working capital increased, it remains far below the peak of $165 billion in 2012.

The USDA's most recent forecast estimates net farm income (income after expenses from production in the current year; a broader measure of profits) for 2021 at $119.1 billion, a $23.9 billion increase from 2020 and $29.1 billion above the 10-year average. The forecasted increase in net farm income for 2021, compared with 2020, is primarily due to increases in crop receipts of $37.8 billion to $236.6 billion and animals and animal products of $30.9 billion to $195.9 billion, offset in part by a decrease of $18.6 billion to $27.1 billion in direct government payments and an increase in cash expenses of $31.8 billion to $358.3 billion.

The USDA's outlook projects net farm income for 2022 to decrease to $113.7 billion, a $5.4 billion or 4.5 percent decrease from 2021, but $23.7 billion above the 10-year average. The forecasted decrease in net farm income for 2022 is primarily due to an expected increase in cash expenses of $18.1 billion and a decrease in direct government payments of $15.5 billion, partially offset by increases in cash receipts for animals and animal products of $17.4 billion and crop receipts of $12.0 billion. Cash expenses for feed and fertilizer-lime-soil conditioner purchases are expected to see the largest dollar increases. Direct government payments are forecasted to decrease due to lower supplemental and ad hoc disaster assistance related to the COVID-19 pandemic, as compared with 2021. The increase in crop receipts reflects increases in soybeans, corn, cotton, and wheat receipts, while the increase

in animals and animal products receipts reflects growth in milk, cattle/calves, and broilers receipts.

Expected agricultural commodity prices can influence production decisions of farmers and ranchers on planted/harvested acreage of crops or inventory of livestock and thus, affect the supply of agricultural commodities. Greater area of planted/harvested acreage and increased crop yields for some crops in recent years have contributed to increased supply, which exceeded demand. Also impacting yields are the growing conditions that are sensitive to weather conditions. Although not generally affected by weather, livestock and dairy prices are linked to crop prices as feed is a significant input cost to these producers.

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

The USDA net farm income forecast for 2022 assumes a higher level of crop production to offset lower prices. However, livestock cash receipts are forecasted to increase due to higher prices for most commodities in the livestock and dairy segments.

The following table sets forth the commodity prices per bushel for certain crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2018 to December 31, 2021:

Commodity	12/31/21	12/31/20	12/31/19	12/31/18
Hogs	$56.50	$49.10	$47.30	$43.40
Milk	$21.80	$18.50	$20.70	$16.60
Broilers	$0.74	$0.44	$0.45	$0.51
Turkeys	$0.85	$0.72	$0.62	$0.50
Corn	$5.47	$3.97	$3.71	$3.54
Soybeans	$12.50	$10.50	$8.70	$8.56
Wheat	$8.58	$5.43	$4.64	$5.28
Beef Cattle	$137.00	$108.00	$118.00	$117.00

Geographic and commodity diversification across the Association coupled with existing government safety net programs, ad hoc support programs, and additional government disaster aid payment for many borrowers helped to mitigate the impact in this period of challenging agricultural conditions. Although the outlook for agriculture has improved significantly since the second quarter of 2020, COVID-19 infection rates (including potential outbreaks in animal processing plants and new more virulent strains) along with weather (expanding severe or extreme drought), trade, rising input costs, labor issues, government policy, and global agricultural product production levels may keep agricultural market volatility elevated for the next year. The Association's financial performance and credit quality are expected to remain sound overall due to strong capital levels and the favorable credit quality position of our borrowers at the end of 2021. Off-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on off-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because management must make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies,* and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types.

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and certain related entities, we strive to diversify our loan portfolio through loan participations (purchased and sold), geographic locations served, loan type, commodity, and loan size. The following tables illustrate the diversification by loan type, geography, commodity, and by loan participations. Refer to Note 3, *Loans and Allowance for Loan Losses,* for more loan portfolio information.

The diversification of the Association loan volume by type for each of the past three years is shown below.

	December 31,					
Loan Type	2021		2020		2019	
Real estate mortgage	$ 1,564,379	60.67%	$ 1,345,512	61.02 %	$ 1,204,151	61.19%
Production and intermediate-term	612,288	23.75	572,199	25.95	563,068	28.61
Cooperatives	6,433	0.25	5,977	0.27	3,596	0.18
Processing and marketing	93,326	3.62	84,821	3.85	53,088	2.70
Farm-related business	40,032	1.55	18,661	0.85	17,040	0.87
Communications	7,419	0.29	12,612	0.57	–	–
Power and water/waste disposal	–	–	–	–	2,811	0.14
Rural residential real estate	129,276	5.01	126,900	5.76	117,075	5.95
Lease receivables	616	0.02	721	0.03	340	0.02
Other	124,698	4.84	37,453	1.70	6,595	0.34
Total	$ 2,578,467	100.00%	$ 2,204,856	100.00 %	$ 1,967,764	100.00%

The geographic distribution of the loan volume by branch for the past three years is as follows:

Branch	December 31, 2021	2020	2019
Findlay	5.5%	5.8%	6.5%
Fremont	4.8	4.9	5.1
Tiffin	5.9	6.2	6.5
Bowling Green	4.7	5.3	5.7
Marion	4.4	3.7	4.1
Bucyrus	3.6	3.9	3.9
Kenton	3.9	4.1	4.2
Mt. Gilead	4.8	5.8	6.1
Upper Sandusky	3.1	3.1	3.4
Norwalk	8.4	8.9	9.1
Ottawa	5.4	5.8	6.5
Van Wert	9.1	9.7	10.1
Napoleon	3.2	3.5	4.1
Residential Lending	6.9	7.7	7.7
100% Guaranteed Purchases	8.2	5.1	2.0
Agribusiness	18.1	16.5	15.0
Total	100.0%	100.0%	100.0%

Commodity and industry categories are based upon the Standard Industrial Classification system published by the federal government. Commodity or industry categories are assigned based upon the largest agricultural commodity of the customer or specific commodity upon which repayment is dependent. The major commodities in the Association loan portfolio are shown below. The predominant commodities of general cash grains (primarily soybeans, corn, and wheat), livestock, and landlords constitute about 78 percent of the entire portfolio.

Commodity Group	December 31, 2021		2020		2019	
General cash grain	$ 1,361,882	53%	$ 1,238,294	56%	$ 1,126,585	57%
Livestock	387,237	15	321,799	14	297,121	15
Landlords	252,654	10	213,317	10	190,174	10
Rural home loans	129,276	5	126,900	6	117,075	6
Horticulture	88,060	3	57,741	3	74,337	4
Other	359,358	14	246,805	11	162,472	8
Total	$ 2,578,467	100%	$ 2,204,856	100%	$ 1,967,764	100%

Repayment ability is primarily related to the profitability of the commodities produced by our borrowers and the borrowers' off-farm income. The Association's loan portfolio contains a high concentration of cash grain producers. Although a large percentage of the loan portfolio is concentrated in these enterprises, many of these operations are supplemented with off-farm employment income helping to reduce overall risk exposure. Consumer demand for beef, poultry, and pork, demand for alternate renewable fuel sources, weather, regulations, government policies, and international trade are some of the factors affecting the price of these commodities. Refer to the Agricultural Outlook and Economic Conditions discussion in this report for more details. The risk in the portfolio associated with commodity concentration and large loans is reduced by the utilization of crop insurance and the use of FSA, USDA, Business and Industry, SBA, and Farmer Mac loan guarantees.

Loan portfolio concentration risk, whether by enterprise, individual, or related parties, is managed through loan participations, adherence to sound underwriting standards, loan guarantees, internal lending limits, and sound portfolio management practices. As a part of these risk management strategies, the Association has entered into participation agreements with AgFirst, System entities, and other entities, and continues to participate in federal loan guarantee programs. Refer to the Agricultural Outlook and Economic Conditions discussion in this report for more details.

The dollar and percentage changes between 2021 and 2020 for the different loan types are shown in the chart below.

Loan Type	December 31, 2021	2020	$ Change	% Change
Real estate mortgage	$ 1,564,379	$ 1,345,512	$ 218,867	16.27 %
Production and intermediate-term	612,288	572,199	40,089	7.01
Cooperatives	6,433	5,977	456	7.63
Processing and marketing	93,326	84,821	8,505	10.03
Farm related business	40,032	18,661	21,371	114.52
Communication	7,419	12,612	(5,193)	(41.18)
Power and water/waste disposal	–	–	–	–
Rural residential real estate	129,276	126,900	2,376	1.87
Lease receivables	616	721	(105)	(14.56)
Other	124,698	37,453	87,245	232.95
Total	$ 2,578,467	$ 2,204,856	$ 373,611	16.94 %

Real estate mortgage volume increased primarily due to the increased average size of loans, new loans generated by marketing efforts by our branch teams, favorable recommendations from our members, excellent customer service, competitive interest rates, and the value returned to members via the Association's patronage program.

Production and intermediate-term volume grew due to our members increasing spending for operational needs and purchases of farm equipment and buildings due to the increase in farm profitability related to elevated commodity prices, increased yields, and additional government program payments.

Farm related business as well as processing and marketing volume increased primarily due to increased participation purchased and larger commercial loans while other volume increased primarily due to 100 percent guaranteed purchases.

Since the formation of an Agribusiness department in 2014, the Association has actively purchased and sold loan participations within and outside the System. Since 2017, the Association's participation purchased efforts have been enhanced by purchasing 100 percent of the guaranteed portions of certain eligible loans. Participations purchased provide another source of income along with portfolio diversification. Participations sold volume is used to decrease the amounts held on large commercial accounts that exceed the Association's internal lending limits. This reduces the risk to the Association and its members, while providing stable credit availability to large commercial borrowers.

	December 31,		
Loan Participations:	**2021**	**2020**	**2019**
Participations purchased – FCS institutions	$ 131,284	$ 121,945	$ 86,297
Participations purchased – Non-FCS institutions	227,094	125,158	42,880
Participations sold	(342,743)	(236,021)	(245,242)
Total	$ 15,635	$ 11,082	$ (116,065)

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2021.

The Association also sells qualified long-term home mortgage loans into the secondary market. In 2021, the Association did not originate any home loans for resale into the secondary market, compared to $212 in 2020, and $391 in 2019.

MISSION RELATED INVESTMENTS

In 2004, the FCA initiated an investment program to stimulate economic growth and development in rural areas. The FCA outlined a program to allow System institutions to hold such investments, subject to approval by the FCA on a case-by-case basis. The FCA approved the Rural America Bonds pilot under the Mission Related Investments umbrella, as described below.

In October 2005, the FCA authorized AgFirst and the Associations to make investments in Rural America Bonds under a three-year pilot program. FCA approved a continuation of the program on October 31, 2008, for an undetermined time period. Rural America Bonds may include debt obligations issued by public and private enterprises, corporations, cooperatives, other financing institutions, or rural lenders where the proceeds would be used to support agriculture, agribusiness, rural housing, economic development, infrastructure, or community development and revitalization projects in rural areas. Examples include investments funding value-added food and fiber processors and marketers; agribusinesses; commercial enterprises that create and maintain employment opportunities in rural areas; community services, such as schools, hospitals, and government facilities; and other activities that sustain or revitalize rural communities and their economies. The objective of this pilot program was to help meet the growing and diverse financing needs of agricultural enterprises, agribusinesses, and rural communities by providing increased access to capital to rural areas through bond financing. These bonds may be classified as Loans or Investments on the Consolidated Balance Sheets depending on the nature of the investment. As of December 31, 2021, 2020 and 2019, the Association had $6,916, $9,227, and $9,774, respectively, in Rural America Bonds.

Effective December 31, 2019, the FCA concluded each pilot program approved as part of the Investment in Rural America program. Each institution participating in such programs may continue to hold its investment through the maturity dates for the investments, provided the institution continues to meet all approval conditions. Although the pilot programs have ended, the FCA can consider future requests on a case-by-case basis.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of a borrower to meet their repayment obligation. As part of the process to monitor credit risk, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction on how to evaluate a loan. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history;
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income including non-farm income;
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment;
- Capital – ability of the operation to survive unanticipated risks; and
- Conditions – intended use of the loan funds.

All Title I loans must be collateralized by a first lien on real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. The regulatory maximum loan to appraised value (LTV) is 85 percent for all Title I loans unless the loan is guaranteed by a state, federal, or other governmental agency, then the maximum is 97 percent. Although these are the regulatory maximums, the Association's general lending level for all agricultural Title 1 loans is 70% LTV and includes a loanable limit on a tillable acre basis. The loanable limit curbs over reliance on standard lending strategies in an environment of rapidly increasing asset values. To offer flexibility to higher quality borrowers with probability of default (PD) indicators of 4 through 6 (post-closing), the lending level can go up to 80 percent LTV but only if the repayment plan is limited to 20 years or less on a fixed principal payment plan or 15 years or less if on an equal-amortized payment plan. For a loan with a PD of 10, the LTV must be less than or equal to 65 percent and must have a loan guarantee, if eligible. Title 1 loans made to PDs of 11 and 12 require Credit Department approval. Rural residential mortgage loans (rural home loans and resident loans to farmers) utilize the 85 percent LTV (97 percent with state, federal, or other governmental agency guarantee) lending level. As a result of the Association's internal policies, the actual loan to appraised value when loans are originated is generally lower than the statutory maximum percentage. Appraisals by state certified appraisers are required for Title 1 loans if:

- The transaction value is over $1 million;

- FSA guaranteed loans over $250,000;
- The transaction value is over $250,000 if the borrower is dependent on income derived from the sale or cash rental of real estate as the primary source of repayment;
- Any size loan with a PD 10-14; and
- The loan is below the above limits where:
  - The loan is a RHL or RLF.
  - The account officer or appraiser feels an appraisal is necessary in order to properly assess risk.

Each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality;
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness;
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan;
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions, and values that make collection in full highly questionable; and
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

Credit Quality	2021	2020	2019
Acceptable & OAEM	97.16%	95.59%	95.71%
Substandard	2.84	4.32	4.19
Doubtful	–	0.09	0.10
Loss	–	–	–
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. A Special Assets Management team is responsible for supervising the servicing of loans classified as high-risk. The high-risk assets, including accrued interest, are detailed below:

	December 31,		
High-risk Assets	**2021**	**2020**	**2019**
Nonaccrual loans	$ 4,605	$ 10,090	$ 13,377
Accruing restructured loans	650	733	5,894
Accruing loans 90 days past due	–	20	–
Total high-risk loans	5,255	10,843	19,271
Other property owned	–	–	–
Total high-risk assets	$ 5,255	$ 10,843	$ 19,271
Ratios			
Nonaccrual loans to total loans	0.18%	0.46%	0.68%
High-risk assets to total assets	0.20%	0.47%	0.94%

Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or future interest accruals under the contractual terms of the loan. In substance, nonaccrual loans reflect loans where the accrual of interest has been suspended. Nonaccrual loans decreased $5,485 or 54.36 percent in 2021 primarily due to the payoff of a large commercial relationship. Nonaccruals remain at manageable levels as a percentage of total loans. Current nonaccrual volume is defined as nonaccrual volume that is current on scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred back into accrual status. Current nonaccrual volume at December 31, 2021 was $1,360 of the total nonaccrual volume of $4,605. Current nonaccrual volume to total nonaccrual volume at December 31, 2021, 2020, and 2019 was 29.53 percent, 19.16 percent, and 43.18 percent, respectively.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Loan Losses

The allowance for loan losses at each period end was considered by Association management to be adequate to absorb probable losses existing in and inherent to its loan portfolio.

The following table presents the activity in the allowance for loan losses for the most recent three years.

	Year Ended December 31,		
Allowance for Loan Losses Activity:	**2021**	**2020**	**2019**
Balance at beginning of year	$ 8,798	$ 11,289	$ 11,058
Charge-offs:			
Production and intermediate-term	(8)	–	–
Agribusiness	–	–	(2,175)
Total charge-offs	(8)	–	(2,175)
Recoveries:			
Production and intermediate-term	12	5,943	799
Processing and marketing	973	–	–
Total recoveries	985	5,943	799
Net (charge-offs) recoveries	977	5,943	(1,376)
Provision for (reversal of) loan losses	(2,470)	(8,434)	1,607
Balance at end of year	$ 7,305	$ 8,798	$ 11,289
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.04%	0.29%	(0.07)%

The table below shows the allowance for loan losses by loan type for the most recent three years.

	December 31,		
Allowance for Loan Losses by Type	**2021**	**2020**	**2019**
Real estate mortgage	$ 3,131	$ 3,082	$ 2,679
Production and intermediate-term	3,343	3,810	7,210
Agribusiness	545	632	819
Communications	13	31	–
Power and water/waste disposal	–	–	42
Rural residential real estate	272	1,241	538
Lease receivables	1	2	1
Total allowance	$ 7,305	$ 8,798	$ 11,289

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

Allowance for Loan Losses	December 31,		
as a Percentage of:	**2021**	**2020**	**2019**
Total loans	0.28%	0.40%	0.57%
Nonperforming loans	139.01%	81.14%	58.58%
Nonaccrual loans	158.63%	87.20%	84.39%

The decrease in the allowance for loan losses for 2021 compared to 2020 was primarily the result of a change in the allowance for loan loss factors and the removal of the rural home loan (RHL) qualitative allowance discussed below partially offset by loan growth and the overall risk rating mix. The decrease in the allowance for loan losses for 2020 compared to 2019 was primarily the result of a change in the allowance for loan loss factors as well as several restructured loans partially offset by loan growth and the overall risk rating mix.

The Association implemented a qualitative allowance on the RHL portfolio during the third quarter of 2020 as a result of the impacts related to the COVID-19 pandemic on the economy, continued elevated unemployment, and estimated losses. The RHL portfolio is more correlated to the general economy than the majority of our commercial portfolio that is strongly correlated with agricultural commodities. Throughout 2021, as these issues became mitigated, the Association reversed the qualitative allowance on the RHL portfolio. The Board and management continue to monitor the need and level of the qualitative allowance.

During 2021, producers margins improved due to increasing commodity prices and better weather conditions as well as several government programs related to COVID-19, which helped mitigate the risk to the Association. The Association's credit quality remains strong. Continued emphasis on sound underwriting and servicing standards will help our members and the Association through any difficult times ahead. Refer to the Agricultural Outlook and Economic Conditions section of this report for factors posing potential adverse impact to the portfolio in 2022.

Please refer to Note 3, *Loans and Allowance for Loan Losses*, of the Notes to the Consolidated Financial Statements, for further information concerning the allowance for loan losses.

RESULTS OF OPERATIONS

Net income for the year that ended December 31, 2021 totaled $77,394, an increase of $1,569 or 2.07 percent when compared to the 2020 net income of $75,825. The 2020 net income was $20,711 or 37.58 percent higher than the 2019 net income of $55,114. Major components of the change in net income for the past two years are outlined in the following table.

Change in Net Income:	**2021-2020**	**2020-2019**
Net income (prior year)	$ 75,825	$ 55,114
Increase (decrease) in net income due to:		
Investment securities	(86)	(51)
Interest income	2,069	(7,768)
Interest expense	1,626	9,794
Net interest income	3,609	1,975
(Provision for) reversal of loan losses	(5,964)	10,041
Loan fees	(775)	692
Financially related services	73	(22)
Lease income	6	11
Patronage refunds from other Farm Credit institutions	8,417	11,086
Gains (losses) on sales of premises and equipment, net	121	(131)
Net impairment losses on investment	102	(19)
Gains (losses) on other transactions	182	(250)
Insurance fund refund	(302)	(21)
Other noninterest income	22	7
Salaries and employee benefits	(1,295)	(2,300)
Occupancy and equipment	(32)	432
Insurance fund premiums	(944)	(114)
Guarantee fees	(508)	(624)
Losses (gains) on other property owned, net	(4)	–
Other operating expenses	(1,101)	(31)
(Provision for) reversal of income taxes	(38)	(21)
Total changes in income	1,569	20,711
Net income	$ 77,394	$ 75,825

Net Interest Income

Net interest income was $58,748, $55,139, and $53,164 in 2021, 2020, and 2019, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the

Association and is impacted by volume, yields on assets, and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

	Volume*	Rate	Total
12/31/21 – 12/31/20			
Interest income	$ 12,671	$ (10,688)	$ 1,983
Interest expense	5,275	(6,901)	(1,626)
Change in net interest income	$ 7,396	$ (3,787)	$ 3,609
12/31/20 – 12/31/19			
Interest income	$ 5,591	$ (13,410)	$ (7,819)
Interest expense	2,849	(12,643)	(9,794)
Change in net interest income	$ 2,742	$ (767)	$ 1,975

* *Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.*

Net interest income for 2021 increased by 3,609 or 6.55 percent when compared to the 2020 net interest income primarily due to SBA-PPP fee income in 2021. Net interest income for 2020 increased by $1,975 or 3.71 percent when compared to 2019 net interest income.

For 2021, 2020, and 2019, the Association's earnings on its own funds in loans were $8,274, $9,020, and $10,841, respectively. The $746 or 8.27 percent decrease for 2021 when compared to 2020 is primarily a result of the decrease in interest rates in 2021 partially offset by an increase in our own funds in loans. The 2020 decrease when compared to 2019 is primarily a result of the decrease in interest rates in 2020 partially offset by an increase in our own funds.

Provision for Loan Losses

The Association evaluates risks inherent in our loan portfolio on an ongoing basis and establishes appropriate reserves for loan losses. For 2021, the Association recorded a provision for (reversal of allowance for) loan losses of ($2,470), in 2020 the Association recorded a provision for (reversal of allowance for) loan losses of ($8,434), and in 2019 the Association recorded a provision for loan losses of $1,607, respectively. The reversal in 2021 was driven primarily by changes in the allowance for loan loss factors and the removal of the RHL qualitative allowance partially offset by loan growth and the overall risk rating mix. The prior year changes resulted from the changes in the allowance for loan loss as previously discussed.

Please refer to the *Allowance for Loan Losses* portion of Note 2, *Summary of Significant Accounting Policies* section of this report for further information concerning the calculation of the allowance for loan losses.

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

	For the Year Ended December 31,			Percentage Increase/(Decrease)	
				2021/	2020/
Noninterest Income	**2021**	**2020**	**2019**	**2020**	**2019**
Loan fees	$ 607	$ 1,382	$ 690	(56.08) %	100.29 %
Fees for financially related services	356	283	305	25.80	(7.21)
Patronage refund from other Farm Credit Institutions	42,898	34,481	23,395	24.41	47.39
Insurance fund refunds	–	302	323	(100.00)	(6.50)
Gains (losses) on sales of premises and equipment, net	3	(118)	13	(102.54)	(1,007.69)
Net impairment losses on investments	–	(102)	(83)	(100.00)	22.89
Other noninterest income	777	567	799	37.04	(29.04)
Total noninterest income	$ 44,641	$ 36,795	$ 25,442	21.32 %	44.62 %

Noninterest income increased for 2021 primarily due to the increase in patronage refund from other Farm Credit Institutions of $8,417 and an increase of $182 related to gains from the sale of participation loans and an increase to the nonqualified 401K. This was offset, in part, by a decrease in loan related fees of $775 and a reduction in insurance fund refunds of $302. Noninterest income for 2020 increased from 2019 primarily due to the increase in patronage refund from other Farm Credit Institutions of $11,086 and an increase of $692 related to loan fees received. This was offset, in part, by a decrease in other gain (losses) of $250 primarily related to no gain on mission funds in 2020 as compared to 2019 partially offset by increases from the sale of participation loans and an increase to the nonqualified 401K.

The 2021 patronage from the Bank is comprised of $14,370 of general patronage, $26,351 in special patronage, $2,156 in patronage on participation loans sold to the Bank, and $21 in other patronage earned. The Association received special distributions of $26,351, $19,930, and $9,466 for 2021, 2020, and 2019, respectively. The significant special patronage refunds for 2021, 2020, and 2019 are due to the benefit of the Association's cooperative membership in AgFirst. The refunds for 2021 and 2020 were driven by strong earnings by the Bank related to the current low interest rate environment and their ability to call debt and reissue at lower rates. During 2019, AgFirst had excess capital resulting from strong earnings and flat to limited volume growth within the AgFirst District. As a result of their capital strength, the Bank's Board of Directors approved the payment of the special distributions to the AgFirst District associations, which are the Bank's member owners.

Loan fees decreased in 2021 compared to 2020 primarily due to a reduction in servicing fees from note modifications as well as a reduction of SBA PPP fees on loans sold. Loan fees increased in 2020 compared to 2019 due to increased servicing fees from note modifications and origination fees as well as an increase in SBA PPP fees on loans sold. The increase in note modifications was driven by declining interest rates.

Fees for financially related services increased in 2021 as compared to 2020 as a result of increases in multi-peril crop and crop hail insurance as well as appraisal services. The increase was partially offset by a decrease in credit life insurance. Fees for financially related services declined in 2020 compared to 2019 as a result of decreases in crop multi-peril and credit life insurance as well as appraisal services. The decline was partially offset by an increase in crop hail insurance.

Gains (losses) on sales of premises and equipment saw a reduction in losses for 2021 compared to 2020 as a result the retiring of assets no longer in use during 2020. No such loss occurred in 2019.

The 2021 increase in other non-interest income compared to 2020 is a result of an increase in net gains as well as increases in building lease income and out of territory fees received. Other noninterest income decreased in 2020 compared to 2019 as a result of a reduction in net gains partially offset by an increase in building lease income.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

	For the Year Ended December 31,			Percentage Increase/(Decrease)	
Noninterest Expense	**2021**	**2020**	**2019**	**2021/ 2020**	**2020/ 2019**
Salaries and employee benefits	$ 18,164	$ 16,869	$ 14,569	7.68 %	15.79%
Occupancy and equipment expense	1,168	1,136	1,568	2.82	(27.55)
Insurance Fund premium	2,125	1,181	1,067	79.93	10.68
Guarantee fee	1,808	1,300	676	39.08	92.31
Losses (gains) on other property owned, net	4	–	–		–
Other operating expense	5,133	4,032	4,001	27.31	0.77
Total noninterest expense	$ 28,402	$ 24,518	$ 21,881	15.84 %	12.05%

Salaries and employee benefits expenses increased in 2021 compared to 2020 due to increases in staffing, merit compensation, salary related benefits, and incentives partially offset by an increase in deferred costs and a reduction in expenses for the Association's pension plan. 2020 salaries and employee benefits increased compared to 2019 due to increases in staffing, increases in merit compensation, and salary related benefits as well as increased expenses for the Association's pension plan and incentives.

Insurance Fund premium expenses increased for 2021 and 2020 due to volume growth and higher premium rates.

Occupancy and equipment expenses increased for 2021 primarily due to building/expanding branch offices as well as ongoing maintenance of existing facilities. 2020 occupancy and equipment expenses decreased compared to 2019 primarily due to certain equipment costs now being classified under data processing as well as less costs due to COVID-19.

Guarantee fees are one-time and/or annual fees paid by the Association to obtain federal government and Farmer Mac loan guarantees. Guarantee related expenses increased in 2021 and 2020 as compared to 2020 and 2019 due to increased guarantee loan applications.

During 2021, the Association incurred a loss of $4 on the sale of other property owned. There were no losses (gains) on other property owned in 2020.

The 2021 increase in other operating expenses compared to 2020 was driven by higher expenses in purchased servicing fees, owned property insurance, active nonaccrual loans, supervisory and examination, purchased services, training, public member relations, advertising, and travel expenses partially offset by a reduction in printing and office supplies. The 2020 increase in other operating expenses compared to 2019 was driven by certain equipment costs now being classified under data processing as well as higher expenses in printing and office supplies, origination servicing fees, and owned property insurance. These expenses were partially offset by reduced expenses for active nonaccrual loan, supervisory and examination, purchased services, training, public member relations, and travel expenses.

Income Taxes

For 2021, the Association recorded provision for income taxes of $63 as compared to $25 provision for taxes in 2020. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes* and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning Association income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of	For the 12 Months Ended		
Operations Comparisons	**12/31/21**	**12/31/20**	**12/31/19**
Return on average assets	3.28%	3.62%	2.76%
Return on average members' equity	18.46%	20.38%	15.15%
Net interest income as a percentage of average earning assets	2.55%	2.71%	2.75%
Net (charge-offs) recoveries to average loans	0.04%	0.29%	(0.07)%
Total members' equity to total assets	16.27%	17.06%	16.90%
Debt to members' equity (:1)	5.15	4.86	4.92

The ratios as of December 31, 2021 and the changes in the ratios shown in the table are due to the financial information previously stated.

Key factors in maximizing net income for future years will be increasing net interest and noninterest income while controlling

operating expenses. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are matched to the Association's interest earning assets. The variable rate note is also utilized by the Association to fund variable day-to-day operations. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2021, was $2,194,319 as compared to $1,859,377 at December 31, 2020 and $1,654,570 at December 31, 2019. This is an increase of $334,942 or 18.01 percent for 2021 compared to an increase of $204,807 or 12.38 percent for 2020. The increase in 2021 is attributable to loan growth and patronage paid to members partially offset by net income. The average volume of outstanding notes payable to the Bank was $1,915,999, $1,700,022, and $1,614,079 for the years ended December 31, 2021, 2020, and 2019, respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses, and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to increase loan volume while managing cash balances to minimize the note payable. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's participation in loan guarantees, investments, and other secondary market programs provide additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2021.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to maintain and increase earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable, and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate, the London Interbank Offered Rate (LIBOR), or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify, and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding Sources" section of this Management's Discussion and Analysis and in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, included in this Annual Report.

Future of LIBOR

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

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

The Association has exposure to LIBOR arising from loans made to customers. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

On December 8, 2021, the FCA issued another informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

The following is a summary of outstanding variable-rate financial instruments tied to LIBOR at December 31, 2021:

(dollars in millions)	Due in 2022	Due in 2023 and Thereafter	Total
Loans	$ 13,813	$ 121,593	$ 135,106
Total assets	$ 13,813	$ 121,593	$ 135,106
Note payable to AgFirst Farm Credit Bank	$ 11,461	$ 103,131	$ 114,592
Total liabilities	$ 11,461	$ 103,131	$ 114,592

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after June 30, 2023 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure all stockholders are treated equitably. There were no material changes to the capital plan for 2021 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

The following table shows the components of and total members' equity as of December 31, 2021, 2020 and 2019.

	December 31,		
	2021	2020	2019
Class A preferred stock	$ 9,573	$ 10,766	$ 9,694
C stock and participation certificates	7,925	7,750	7,568
Nonqualified retained earnings	308,056	273,955	239,120
Nonqualified allocated retained earnings	–	–	–
Unallocated retained earnings	110,542	99,659	91,251
Total members' equity	$ 436,096	$ 392,130	$ 347,633

Total members' equity increased by $43,966 or 11.21 percent for 2021 when compared to 2020. In 2021, members' equity increased due to strong earnings offset by cash patronage. Total members' equity increased for 2020 due to strong earnings offset in part by cash patronage.

See Note 7, *Members' Equity*, of the Consolidated Financial Statements, for further information concerning capital resources.

Capital

Effective January 1, 2017, the regulatory capital requirements for System Banks and associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced core surplus and total surplus

ratios with common equity tier 1 (CET1) capital, tier 1 capital, and total capital, risk-based capital ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio (PCR) remains in effect.

Risk-adjusted assets have been defined by FCA Regulations as the Balance Sheet assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes, which generally have the effect of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios), were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months; and
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

Calculation of PCR risk-adjusted assets includes the allowance for loan losses as a deduction from risk-adjusted assets. This differs from the other risk-based capital calculations.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets;
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets;
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets;
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets;
- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital; and
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of				
				2021	2020	2021	2018	2017
Risk-adjusted ratios:								
CET1 Capital Ratio	4.50%	2.50%	7.00%	20.20%	20.15%	20.57%	18.96%	17.90%
Tier 1 Capital Ratio	6.00%	2.50%	8.50%	20.20%	20.15%	20.57%	18.96%	17.90%
Total Capital Ratio	8.00%	2.50%	10.50%	20.58%	20.75%	21.31%	20.25%	19.71%
Permanent Capital Ratio	7.00%	–%	7.00%	20.76%	20.87%	21.33%	20.43%	19.87%
Non-risk-adjusted:								
Tier 1 Leverage Ratio	4.00%	1.00%	5.00%	15.99%	16.11%	16.86%	15.35%	14.34%
UREE Leverage Ratio	1.50%	–%	1.50%	16.38%	16.66%	17.42%	15.87%	14.85%

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, and the *Consolidated Statements in Changes in Members' Equity,* of the Consolidated Financial Statements, for more information concerning the patronage distributions.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning**, and Small*** farmers.

Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit.

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association. Statistics for minority farmers are not available.

	As of December 31, 2021	
	Number of Loans	Amount of Loans
Young	3,530	$512,511
Beginning	3,509	$480,237
Small	8,398	$825,861

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2017 USDA (2017 is the latest USDA Ag census data available) Ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory (counties) there were 22,987 reported farmers, of which by definition 2,738 or 11.7 percent were young, 5,648 or 24.6 percent were beginning, and 19,029 or 82.3 percent were small. Comparatively, as of December 31, 2021, the demographics of the Association's agricultural portfolio contained 6,956 farmers, of which by definition 1,663 or 23.9% percent were young, 1,830 or 26.3% percent were beginning, and 4,209 or 60.5% percent were small.

The Association's YBS program is designed to help YBS farmers finance their operations. It consists of three focus areas: education, events, and financial support. Education is at the heart of the program, and includes supporting or conducting seminars and training sessions. These educational opportunities may be in-house; in the form of events held by the Association, or external; in which case the Association provides a speaker or provides educational materials. The Association's website, www.agcredit.net**,** includes information and resources for YBS visitors to the site.

The second focus area of the program includes those activities in which the Association sponsors local events (such as 4-H and FFA activities at county fairs), or events where the Association is an exhibitor (such as industry or trade shows).

The third prong of the program, financial support, addresses the specific credit programs and partnerships that we've developed to help small farmers, young farmers, and beginning farmers. It includes programs such as those offered by the Farm Service Agency (FSA). As a "preferred lender" with FSA, the Association utilizes this relationship to obtain guarantees providing financial support to YBS farmers.

The Association is also a Guaranteed Participating Lender for the Small Business Administration (SBA), which offers lending programs specifically for small borrowers. Additionally, the Association offers flexible financing options in-house for qualifying borrowers.

A member of the Credit team and the Corporate Services team coordinates the Association's YBS efforts. Additional team members in each of the Association's branch offices help conduct or coordinate YBS programs. The Association includes YBS goals in the annual strategic plan and reports on those goals and achievements to the Board of Directors on a quarterly basis.

The Association is committed to the future success of Young, Beginning, and Small farmers.

* Young farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.

** Beginning farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.

*** Small farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who normally generate less than $250,000 in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

Credit Programs:

The Association continues to promote three credit programs to better assist Young, Beginning, and Small as well as Minority, Women, and Veteran Farmers (AgStart Farmers):

AgGrow loans for farm operators. This loan program was created for AgStart Farmers who are making their first or second time farmland purchases or contract livestock building purchases. This loan program eases requirements on certain credit ratios, provides extended terms, has lower borrowing costs, and requires an FSA guarantee along with other certain loan requirements.

AgGrow loans for non-farm operators. This loan program was created for AgStart Farmers who desire to purchase farmland to continue/expand their family farm legacy and/or for a long term investment in our agriculture communities. This loan program eases requirements on certain credit ratios, provides extended terms, has lower borrowing costs, and gives strong consideration for the applicant's off-farm profession for business management experience.

Use of FSA and other loan related programs including:

- FSA guarantees;
- FSA Beginning Farmer Down Payment Farm Ownership loan;
- FSA 50/50 and 50/45/5 Participation Programs; and
- FSA Socially Disadvantaged Loan Program.

FFA and 4-H Involvement:

- Participated in FFA career days, field days, and judging events;
- Offered $300 per county for 4-H "Real Money, Real World" money management projects;
- Sponsored the FFA 110 Percent Awards and recognized winners in the AgCredit Leader magazine;
- Supported 4-H, FFA, and young farmer organizations through local, district, state, and national sponsorships;
- All branches supported their local junior fair livestock sales and other junior fair activities;

- Made loans for FFA and 4-H projects (with parent co-signer);
- Provided financing for calf clubs to help provide animals for Jr. Fair exhibitors;
- Donated money for prizes, giveaways for barn meetings, chairs for exhibitors, back tags for show ring, and t-shirts for Jr. Fair exhibitors;
- Advertised in newspapers and on social media for National 4-H and FFA week;
- Sponsored FFA Gold Medal Chapter Award;
- Celebrated FFA Week at area schools by providing snacks and gifts;
- Donated 941 t-shirts to local FFA chapters in 2021;
- Served on 4-H Endowment Boards and Scholarship Committees;
- Donated 4-H project books;
- Sponsored shirts for every Jr. Fair livestock exhibitor at the Putnam County Fair;
- Sponsored various Ohio FFA Career Development Events;
- Sponsored Ohio 4-H Foundation annual fundraiser; and
- Featured FFA and 4-H participants and their projects on social media throughout the summer.

Other Youth Involvement:

- Reimbursed course fees to youth who successfully complete any farm safety course;
- Provided five $3,000 college scholarships to students studying an agricultural curriculum;
- Provided PowerPoint presentation to use when talking with vocational agriculture classes about the importance of establishing and maintaining good credit;
- Taught eighth graders from county schools the importance of paying loans back on time or earlier;
- Association employees made presentations to high school agri-business classes explaining AgCredit, the cooperative method of doing business, and agricultural finance issues;
- Made donations to support area youth programs like, but not limited to, local ballpark sponsorships and banners, golf teams, yearbook ads, community safety programs, farm rescue bin safety training, high school music, athletic, and academic boosters, advertised at the Ohio HS All Star game, fishing derby for kids, "Pork in the Classroom", school essay winner prizes, and judging;
- Employed seven interns in summer of 2021;
- Sponsored Farm Safety Camp for third graders, sponsor breakfast and lunch, teach at a station, and providing the t-shirts (Ottawa);
- Sponsored Ohio Farm Bureau's Explore Ag Program which helps youth explore ag career opportunities; and
- Sponsored Pee Wee Swine Shows at 8 county fairs.

Other Young, Beginning, Small, Minority, Women and Veteran Farmer Activities:

- Sponsored and attended Ohio Farm Bureau Young Ag Professionals Conference;
- Sponsored Ohio Sheep Improvement Association LEAD Program;
- Sponsored Alpha Gamma Rho Fraternity's Holiday Classic Cattle Show;
- Sponsored Ohio Pork Council's OH-Pigs Show Circuit;
- Supported local Minorities in Agriculture, Natural Resources and Related Sciences group with event planning, social media graphics, and zoom account;
- During 2021, closed a total of 105 Farm Credit Express point of purchase equipment loans for a total of $6,348,706;
- During 2021, closed 171 AgStart loans for a total of $54,641,818. These loans to help YBS Farmers to purchase their first or second farm with special terms and reduced costs. Total AgStart loans closed since this program started in 2015 is 732 loans for a total of $197,780,712;
- Sponsored Wyandot County Cornhusker beef cattle show;
- Sponsored Weekend Spectacular beef cattle show;
- Sponsored DTS Cupid Classic beef cattle show;
- Sponsored AGS Scarlet & Grey Midwest Showdown beef cattle show;
- Sponsored 2021 Ohio beef expo
- Sponsored 2021 Ohio State Fair; and
- Sponsored Targeting Excellence. This program awards scholarships to college students pursuing a career path in food and animal agriculture.

In 2021, AgCredit sponsored YBS borrowers and staff (who also are YBS farmers) to attend:

- Tomorrow's Top Producer Seminar (virtual); and
- Executive Women in Ag Seminar (virtual).

Other YBS outreach:

- Served as FCS rep with the North Central Risk Management Education Center Advisory Committee;
- Hosted multiple webinars throughout 2021 such as "Production & Profitability for 2022" and "Farm Recordkeeping";
- Started our own podcast "AgCredit Said It" that provides insight on a number of topics such as understanding lines of credit and agricultural trends; and
- Hosted a regional meeting at our Upper Sandusky branch discussing tax changes, charitable trusts, LLC's, Ag Outlook, and economic policies.

REGULATORY MATTERS

On September 9, 2021, the FCA adopted a final rule that amended certain sections of the FCA's regulations to provide technical corrections, amendments, and clarification to certain provisions in the FCA's tier 1/tier 2 capital framework for the Farm Credit System. The rule incorporates guidance previously provided by the FCA related to its tier 1/tier 2 capital framework as well as ensures that the FCA's capital requirements continue to be comparable to the standardized approach that the other federal banking regulatory agencies have adopted. The final rule became effective on January 1, 2022.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with

the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period ended on November 27, 2021.

On September 23, 2019, the FCA issued a proposed rule that would ensure the System's capital requirements, including certain regulatory disclosures, reflect the current expected credit losses methodology, which revises the accounting for credit losses under U.S. generally accepted accounting principles. The proposed rule identifies which credit loss allowances under the Current Expected Credit Losses (CECL) methodology in the Financial Accounting Standards Board's "Measurement of Credit Losses on Financial Instruments" are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ended on November 22, 2019.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements for recently issued accounting pronouncements.

The following Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) but have not yet been adopted:

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

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered, and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in this Annual Report.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Ohio:

Location	Description	Form of Ownership
610 W. Lytle St. Fostoria	Administrative	Owned
602 W. Lytle St. Fostoria	Administrative	Owned
121 N. Main St. Fostoria	Branch	Leased(1)
7868 County Rd. 140, Ste. A Findlay	Branch	Leased(2)
2155 Oak Harbor Rd., Ste. B Fremont	Branch	Owned(3)
2500 W. Market St. Tiffin	Branch	Owned
111 E. Gypsy Lane Rd. Bowling Green	Branch	Owned
1100 E. Center St., Ste. D Marion	Branch	Owned
3113 St. Rt. 98 Bucyrus	Branch	Owned
12923 St. Rt. 309 Kenton	Branch	Owned
5362 US Highway 42, Ste. 100 Mt. Gilead	Branch	Owned
97 Houpt Dr., Room E Upper Sandusky	Branch	Leased(4)
735 US Highway 20 E. Norwalk	Branch	Owned
311 Maple St., Ste. A Wellington	Office	Leased(5)
315 W. Williamstown Rd. Ottawa	Branch	Owned
1195 Professional Dr. Van Wert	Branch	Leased(6)
1485 Scott St. Napoleon	Branch	Owned
839 N. Williams St. Paulding	Office	Leased(7)

(1) Six month lease extension terminating on March 31, 2022. Annual lease of $13,800.

(2) One-year lease terminating on December 31, 2021. Annual lease of $32,203.

(3) The Association owns the West half of the building.

(4) Five-year lease terminating February 28, 2022. Annual lease of $20,400.

(5) Five-year lease terminating September 30, 2025. Annual lease of $31,200.

(6) Ten-year lease terminating August 1, 2029. Annual lease of $70,116.

(7) Seven-year lease terminating September 30, 2027. Annual lease of $15,600.

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities, and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9, and 11 of the Consolidated Financial Statements included in this Annual Report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association:

Senior Officer	Position
Brian Ricker	*President and Chief Executive Officer* since February 1, 2014. *Chief Operating Officer* from October 1, 2013 through January 31, 2014. *Chief Credit Officer* from September 2012 through September 2013. *Senior Credit Officer* from March 2012 through August 2012. *Relationship Manager* from November 2009 through February 2012. *Branch Manager* from March 1997 through October 2009. Employed by AgCredit for the past 5 years and since March 1997.
Daniel Ebert	*Chief Operating Officer* March 1, 2019. *Secretary / Treasurer* since April 2008. *Chief Financial Officer* from August 2007 through February 2019. Employed by AgCredit for the past 5 years. Employed by AgCredit, or predecessor associations, since July 1986.
Logan Kreais, CPA	*Chief Financial Officer* since March 1, 2019. *Controller* from March 1, 2017 through February 28, 2019. *Assistant Controller* from May 1, 2011 through February 28, 2017. Employed by AgCredit for the past 5 years and since May 2011.
Jeff Rickenbacher	*Chief Credit Officer* since May 16, 2016. *Senior Credit Officer* from January 10, 2014 through May 14, 2016. *Regional Manager* from April 1, 2012 through January 9, 2014. *Branch Manager* from July 01, 1999 through March 31, 2012. *Account Officer* from October 1997 through July 1999. Employed by AgCredit for the past 5 years and since October 1997.
John Hunter	*General Counsel* since May 2014. *Corporate Counsel* from April 2013 through April 2014. Served as outside counsel to AgCredit from approximately 1987 through March 2013. Was in private practice in Toledo, Ohio starting in 1986 and focused on commercial credit and creditor's rights, including matters affecting System lenders. Employed by AgCredit for the past five years and since March of 2013.
June O'Neill	*Director of Human Resources* since January 1, 2017. *Human Resources Manager* from January 1, 2016 through December 31, 2016. *Senior Human Resources Administrator* from January 1, 2009 through December 31, 2015. *Human Resources Administrator* from January 1, 2000 through December 31, 2008. Employed by AgCredit for the past five years. Employed by AgCredit, or predecessor associations, since January 1986.

The total amount of compensation earned by the CEO and the highest paid officers and employees as a group, during the years ended December 31, 2021, 2020, and 2019, is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred	Change in Pension Value	Perq/ Other*	Total
Brian Ricker	2021	$ 345,843	$ 75,103	$ 38,000	$ 72,949	$ 1,965	$ 533,860
Brian Ricker	2020	$ 333,984	$ 68,139	$ 42,833	$ 310,499	$ 1,863	$ 757,318
Brian Ricker	2019	$ 321,325	$ 56,461	$ 39,572	$ 422,339	$ 1,769	$ 841,466
7	2021	$ 1,208,356	$ 741,894	$ 348,558	$ 148,520	$ 14,554	$ 2,461,882
6	2020	$ 1,013,622	$ 216,894	$ 100,379	$ 603,839	$ 7,914	$ 1,942,648
5	2019	$ 1,024,346	$ 165,296	$ 5,000	$ 877,423	$ 10,364	$ 2,082,429

Disclosure of information on the total compensation paid during 2021 to any senior officer, or to any other individual included in the aggregate, is available to shareholders upon request.

The changes in pension values as reflected in the table above resulted primarily from changes in the actuarial assumptions for mortality and discount rate. See further discussion in Note 9, Employee Benefit Plans, of the Financial Statements.

**Amounts in the above table classified as Perquisites include one or more of the following items: travel incentives, group life insurance, automobile compensation, relocation, annual leave payments and tuition reimbursement.*

The Association participates in multi-association, District, and multi-district sponsored benefit plans. Change in pension value is considered a part of compensation. The Pension Benefits table below reflects number of years credited service, actuarial present value of accumulated benefits, along with any payments made during 2021 for the CEO, senior officers, and other highly compensated employees as a group.

Pension Benefits Table
As of December 31, 2021

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2021
CEO:					
Brian Ricker	2021	Independent Association Retirement Plan	26.08	$ 1,906,426	$ –
				$ 1,906,426	$ –
Senior Officers and Highly Compensated Employees:					
3 Individuals, excluding the CEO	2021	Independent Association Retirement Plan	34.72	$ 4,686,580	$ –
				$ 4,686,580	$ –

For the Retirement Plan, the present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of Retirement Plan pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present values are calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one fewer year of discounting, which increases the present value.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa.

Disclosure of information on the total compensation paid during 2021 to any senior officer, or to any other employee included in the aggregate group totals shown previously, is available and will be disclosed to Association's shareholders upon request.

Senior officers and other highly compensated employees may participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, a nonqualified deferred compensation plan that allows certain key employees to defer compensation and/or which restores the benefits limited in the qualified 401(k) plan as a result of restrictions in the Internal Revenue Code. The plan also includes a provision for discretionary contributions to be made by the Association.

In addition to base salary, employees and senior officers can earn additional compensation under an annual bonus plan designed to encourage teamwork in meeting or exceeding key financial and growth objectives established by the Board of Directors. The President and Chief Executive Officer can earn additional compensation under an annual bonus plan similar to the employee bonus plan and is designed to encourage teamwork in meeting or exceeding key financial and growth objectives established by the Board of Directors. The term of both plans is the year beginning September 1 through August 31. Both plans are generally geared toward the achievement of predetermined Association performance goals for net income, return on equity, volume, credit quality, and credit administration. The Board of Directors approves both plans annually.

From time to time the Board of Directors and/or the CEO may approve additional short-term incentive opportunities for employees generally geared toward the achievement of predetermined Association performance goals for net income, return on equity, volume, credit quality, and credit administration.

All employees are reimbursed for mileage on personally owned automobiles at the rate allowed by IRS regulations and for all actual travel expenses incurred when traveling on Association business. A copy of the travel and other business expenses policy is available to shareholders upon written request.

Directors

The following chart details the year the director began serving on the board, the current term expiration, current committee assignments, number of meetings, other activities, additional compensation paid for other activities, and total cash compensation paid for each director:

				Days Served*			
Director	**Original Year of Election or Appointment**	**Current Term Expiration**	**Committee Assignment**	**Regular Board Meetings**	**Other Official Activities****	**Comp. Paid for Other Activities****	**Total Comp. Paid During 2021**
Dustin J. Sonnenberg *Chairman*	2016	2022	Compensation, Governance	9.5	15.7	$ 20,347	$ 32,697
David J. Conrad *Vice Chairman*	2015	2024	Compensation, Operations	9.5	4.8	4,750	14,250
Gary A. Baldosser	2009	2024	Credit, Scholarship	9.5	4.2	4,200	13,700
Deborah L. Johlin-Bach	2007	2022	Compensation, Governance, Operations, Scholarship	9.5	6.4	6,375	15,875
Daniel C. Rengert *Outside Dir*	2012	2023	Credit, Operations	8.5	3.7	3,700	12,200
Scott A. Schroeder	2008	2023	Audit	9.5	4.0	4,000	13,500
David M. Stott, Ph.D., CPA *Outside Dir*	2012	2024	Audit, Compensation	9.5	5.0	5,000	14,500
Michael W. Stump	2008	2023	Compensation, Governance	9.5	5.0	5,000	14,500
Michael A. Thiel	2015	2024	Audit, Governance, Compensation, Scholarship	9.5	5.2	5,200	14,700
Kevin P. Flanagan	2019	2022	Audit, Credit	9.5	4.9	4,900	14,400
						$ 63,472	$ 160,322

**The number of board meeting days and per diem totals include travel time to and from meetings*
*** Includes board committee meetings and other board activities other than regular board meetings*

The following represents certain information regarding the directors of the Association:

Dustin J. Sonnenberg**,** Chairman, represents Western Lucas, Henry, and Wood counties. For the past five years, Mr. Sonnenberg has been a farmer at Sonnenberg Farms, a consultant, and a farm broadcaster.

David J. Conrad, Vice Chairman, represents Erie, Huron, and Lorain counties. For the past five years, his principal occupation and employment was farming.

Gary L. Baldosser represents Seneca county. For the past five years, his principal occupation and employment was farming. Mr. Baldosser also served as a regional director to the AgFirst Farm Credit Bank Board of Directors in 2021.

Deborah L. Johlin-Bach represents Ottawa, Sandusky, and eastern Lucas counties. For the past five years, her principal occupation and employment was farming.

Daniel C. Rengert is an outside director. For the past five years he has been retired. Mr. Rengert's principal occupation and employment prior to his retirement in June 2010 was president of TODCO, a division of the Overhead Door Company. During his 45 year career he served in various senior management capacities including President of TODCO and on the Senior Executive Team at the Overhead Door Company.

Scott A. Schroeder represents Paulding, Putnam, and Van Wert counties. For the past five years, his principal occupation and employment was farming.

David M. Stott, Ph.D., CPA is an outside director. Dr. Stott's primary occupation and employment since July 2016 is as the Director of the School of Accountancy and the *O'Bleness Professor of Accountancy* at Ohio University. Prior to that time, he served as Chair of the Department of Accounting and MIS and Professor at Bowling Green State University for seventeen years.

Michael W. Stump represents Crawford and Morrow counties. For the past five years, his principal occupation and employment was farming. Mr. Stump currently co-owns and operates Stump's Heritage Farm Inc.

Michael A. Thiel represents Marion and Wyandot counties. For the past five years, his principal occupation and employment was farming.

Kevin P. Flanagan represents Hardin and Hancock counties. For the past five years, his principal occupation and employment has been farming. Mr. Flanagan is an Allen Township Trustee.

Subject to approval by the Board, the Association may allow directors honoraria for attendance at regular meetings,

committee meetings, or special assignments. Honoraria for these meetings were $1,300 per day for the Chairman and $1,000 per day for all other directors. Total compensation paid to directors, as a group was $160,322. No director received non-cash compensation during the year.

Directors are reimbursed for mileage on personally owned automobiles at the rate allowed by IRS and for all actual travel expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to stockholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence, and other related expenses for all directors as a group was $55,912 for 2021, $64,912 for 2020, and $124,824 for 2019.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report.

FCA regulations require the disclosure of the purchase or retirement of Association preferred stock held by an Association officer or director. The Association only has Class A Preferred Stock (preferred stock) and is available for purchase by members and others in accordance with the Association's Bylaws. The average preferred stock dividend rate for dividends paid in 2021 was 0.50 percent. Dividends are declared quarterly and paid in cash. The following chart shows the directors and senior officers holding preferred stock and the preferred stock activity for each individual for 2021.

Director/Officer	Beginning Balance 1/1/21	Purchases	Retirements	Dividends Paid	Transfer In	Transfer Out	Ending Balance 12/31/21
	$ –	$ –	$ –	$ –	$ –	$ –	$ –

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees incurred by the Association for services rendered by its independent auditors for the year ended December 31, 2021 were as follows:

	2021
Independent Auditors	
Pricewaterhouse Coopers LLP	$ 86

Audit fees for PricewaterhouseCoopers LLP were for the annual audit of the Consolidated Financial Statements.

All audit fees incurred by the Association were approved by the Audit Committee.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 10, 2022 and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-419-435-7758, ext. 1048, or writing Logan Kreais, Chief Financial Officer, AgCredit, Agricultural Credit Association, 610 West Lytle Street, Fostoria, OH 44830 or accessing the website, ***www.agcredit.net***. The Association prepares an electronic version of the Annual Report which is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers, and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy requiring FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section included in this Annual Report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's web site at ***www.agfirst.com***. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of AgCredit Agricultural Credit Association, and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2021, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*. The Committee discussed with PwC its independence from AgCredit. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2021. The foregoing report is provided by the following independent directors, who constitute the Committee:

David M. Stott, Ph.D., CPA
Chairman of the Audit Committee

Members of Audit Committee

David J. Conrad
Deborah L. Johlin-Bach

March 10, 2022

Report of Independent Auditors

To the Board of Directors and Management of AgCredit, Agricultural Credit Association

Opinion

We have audited the accompanying consolidated financial statements of AgCredit, Agricultural Credit Association and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2021, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2021, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2021 Annual Report, but does not include the consolidated financial statements and our auditors’ report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Atlanta, Georgia
March 10, 2022

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2021	2020	2019
Assets			
Cash	**$ 29**	$ 95	$ 3,917
Investments in debt securities:			
Held to maturity (fair value of $7,408, $10,430, and $10,390, respectively)	**6,916**	9,227	9,774
Loans	**2,578,467**	2,204,856	1,967,764
Allowance for loan losses	**(7,305)**	(8,798)	(11,289)
Net loans	**2,571,162**	2,196,058	1,956,475
Other investments	**2,105**	1,681	1,039
Accrued interest receivable	**26,548**	26,181	29,338
Equity investments in other Farm Credit institutions	**20,889**	21,366	23,243
Premises and equipment, net	**7,896**	8,251	8,714
Accounts receivable	**43,109**	34,451	23,398
Other assets	**1,773**	1,332	1,092
Total assets	**$ 2,680,427**	$ 2,298,642	$ 2,056,990
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 2,194,319**	$ 1,859,377	$ 1,654,570
Accrued interest payable	**3,766**	3,223	4,133
Patronage refunds payable	**33,117**	32,784	42,280
Accounts payable	**2,748**	1,337	1,446
Advanced conditional payments	**1,247**	1,153	1,033
Other liabilities	**9,134**	8,638	5,895
Total liabilities	**2,244,331**	1,906,512	1,709,357
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**17,498**	18,516	17,262
Retained earnings			
Allocated	**308,056**	273,955	239,120
Unallocated	**110,542**	99,659	91,251
Total members' equity	**436,096**	392,130	347,633
Total liabilities and members' equity	**$ 2,680,427**	$ 2,298,642	$ 2,056,990

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2021	2020	2019
Interest Income			
Loans	**$ 98,219**	$ 96,150	$ 103,918
Investments	**428**	514	565
Total interest income	**98,647**	96,664	104,483
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	**39,899**	41,525	51,319
Net interest income	**58,748**	55,139	53,164
Provision for (reversal of allowance for) loan losses	**(2,470)**	(8,434)	1,607
Net interest income after provision for (reversal of allowance for) loan losses	**61,218**	63,573	51,557
Noninterest Income			
Loan fees	**607**	1,382	690
Fees for financially related services	**356**	283	305
Lease income	**206**	200	189
Patronage refunds from other Farm Credit institutions	**42,898**	34,481	23,395
Gains (losses) on sales of premises and equipment, net	**3**	(118)	13
Gains (losses) on other transactions	**504**	322	572
Net impairment losses on investments	**—**	(102)	(83)
Insurance Fund refunds	**—**	302	323
Other noninterest income	**67**	45	38
Total noninterest income	**44,641**	36,795	25,442
Noninterest Expense			
Salaries and employee benefits	**18,164**	16,869	14,569
Occupancy and equipment	**1,168**	1,136	1,568
Insurance Fund premiums	**2,125**	1,181	1,067
Guarantee fees	**1,808**	1,300	676
(Gains) losses on other property owned, net	**4**	—	—
Other operating expenses	**5,133**	4,032	4,001
Total noninterest expense	**28,402**	24,518	21,881
Income before income taxes	**77,457**	75,850	55,118
Provision for income taxes	**63**	25	4
Net income	**$ 77,394**	$ 75,825	$ 55,114
Other comprehensive income	**—**	—	—
Comprehensive income	**$ 77,394**	$ 75,825	$ 55,114

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2018	$ 18,672	$ 241,680	$ 85,974	$ 346,326
Cumulative effect of change in accounting principle			(7)	(7)
Comprehensive income			55,114	55,114
Capital stock/participation certificates issued/(retired), net	(1,410)			(1,410)
Dividends declared/paid			(153)	(153)
Patronage distribution				
Cash			(42,219)	(42,219)
Nonqualified retained earnings		7,634	(7,634)	—
Retained earnings retired		(10,018)		(10,018)
Patronage distribution adjustment		(176)	176	—
Balance at December 31, 2019	$ 17,262	$ 239,120	$ 91,251	$ 347,633
Comprehensive income			75,825	75,825
Capital stock/participation certificates issued/(retired), net	1,254			1,254
Dividends declared/paid			(79)	(79)
Patronage distribution				
Cash			(32,722)	(32,722)
Nonqualified retained earnings		34,872	(34,872)	—
Patronage distribution adjustment		(37)	256	219
Balance at December 31, 2020	$ 18,516	$ 273,955	$ 99,659	$ 392,130
Comprehensive income			**77,394**	**77,394**
Capital stock/participation certificates issued/(retired), net	**(1,018)**			**(1,018)**
Dividends declared/paid			**(54)**	**(54)**
Patronage distribution				
Cash			**(33,078)**	**(33,078)**
Nonqualified retained earnings		**33,531**	**(33,531)**	**—**
Patronage distribution adjustment		**570**	**152**	**722**
Balance at December 31, 2021	**$ 17,498**	**$ 308,056**	**$ 110,542**	**$ 436,096**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Net income	**$ 77,394**	$ 75,825	$ 55,114
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**510**	423	524
Amortization (accretion) of net deferred loan costs (fees)	**(2,275)**	1,315	901
Premium amortization (discount accretion) on investments in debt securities	**(3)**	(17)	(27)
Provision for (reversal of allowance for) loan losses	**(2,470)**	(8,434)	1,607
(Gains) losses on other property owned	**3**	—	—
Net impairment losses on investments	**—**	102	83
(Gains) losses on sales of premises and equipment, net	**(3)**	118	(13)
(Gains) losses on other transactions	**(504)**	(322)	(572)
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(367)**	3,157	1,599
(Increase) decrease in accounts receivable	**(8,658)**	(11,053)	3,385
(Increase) decrease in other assets	**(441)**	(240)	980
Increase (decrease) in accrued interest payable	**543**	(910)	(306)
Increase (decrease) in accounts payable	**1,411**	(109)	201
Increase (decrease) in other liabilities	**1,000**	3,065	1,968
Total adjustments	**(11,254)**	(12,905)	10,330
Net cash provided by (used in) operating activities	**66,140**	62,920	65,444
Cash flows from investing activities:			
Purchases of investments in debt securities, held to maturity	**(174)**	—	—
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**2,488**	462	764
Net (increase) decrease in loans	**(370,413)**	(232,464)	(9,649)
(Increase) decrease in equity investments in other Farm Credit institutions	**477**	1,877	(892)
Purchases of other investments	**(424)**	(642)	(1,039)
Purchases of premises and equipment	**(164)**	(90)	(732)
Proceeds from sales of premises and equipment	**12**	12	13
Proceeds from sales of other property owned	**51**	—	—
Net cash provided by (used in) investing activities	**(368,147)**	(230,845)	(11,535)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**334,942**	204,807	(18,768)
Net increase (decrease) in advanced conditional payments	**94**	120	32
Capital stock and participation certificates issued/(retired), net	**(1,018)**	1,254	(1,410)
Patronage refunds and dividends paid	**(32,077)**	(42,078)	(27,778)
Retained earnings retired	**—**	—	(10,018)
Net cash provided by (used in) financing activities	**301,941**	164,103	(57,942)
Net increase (decrease) in cash	**(66)**	(3,822)	(4,033)
Cash, beginning of period	**95**	3,917	7,950
Cash, end of period	**$ 29**	$ 95	$ 3,917
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ 54**	$ —	$ —
Estimated cash dividends or patronage distributions declared or payable	**33,132**	32,801	42,372
Supplemental information:			
Interest paid	**$ 39,357**	$ 42,435	$ 51,625
Taxes (refunded) paid, net	**90**	19	5

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** AgCredit Agricultural Credit Association (the Association or ACA) is a member-owned cooperative providing credit and credit-related services to qualified borrowers in the counties of Huron, Erie, Lorain, Paulding, Putnam, Van Wert, Henry, Lucas, Wood, Hancock, Ottawa, Sandusky, Seneca, Wyandot, Marion, Hardin, Crawford, and Morrow in the state of Ohio.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term, and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of Associations within their districts. AgFirst (the Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The Association is part of the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year-end, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank is required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. The costs of these support services are included in the cost of the Direct Note, or in some cases billed directly to certain Associations that use a specific service.

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

The Association may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA, and FLCA.

Certain amounts in the prior year financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

A. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.

B. **Loans and Allowance for Loan Losses:** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are carried at their principal amount outstanding adjusted for charge-offs, premiums, discounts, deferred loan fees or costs, and derivative instruments and hedging valuation adjustments, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full. A formal restructuring may also cure a past due status.

Loans are generally classified as nonaccrual when principal or interest is delinquent for 90 days (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in the prior year).

When loans are in nonaccrual status, payments are applied against the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments received in cash may be recognized as interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified "doubtful" or "loss." Loans are charged-off at the time they are determined to be uncollectible.

In cases where the Association makes certain monetary concessions to the borrower through modifications to the contractual terms of the loan, the loan is classified as a restructured loan. A restructured loan constitutes a troubled debt restructuring (TDR), if for economic or legal reasons related to the debtor's financial difficulties, the Association grants a concession to the debtor that it would not otherwise consider. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss.

The Association considers the following factors, among others, when determining the allowance for loan losses:

- Changes in credit risk classifications;
- Changes in collateral values;
- Changes in risk concentrations;
- Changes in weather-related conditions; and
- Changes in economic conditions.

A specific allowance may be established for impaired loans under Financial Accounting Standards Board (FASB)

guidance on accounting by creditors for impairment of a loan. Impairment of these loans is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as practically expedient, at the loan's observable market price or fair value of the collateral if the loan is collateral dependent.

A general allowance may also be established under FASB guidance on accounting for contingencies, to reflect estimated probable credit losses inherent in the remainder of the loan portfolio which excludes impaired loans considered under the specific allowance discussed above. A general allowance can be evaluated on a pool basis for those loans with similar characteristics. The level of the general allowance may be based on management's best estimate of the likelihood of default adjusted for other relevant factors reflecting the current environment.

The credit risk rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined system risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the ratings carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off.

C. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

As of December 31, 2021, there were no loans held for sale.

D. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

E. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized per Association policy. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

F. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions

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

Investments in Debt Securities

The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Consolidated Balance Sheets as securities on the trade date.

Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost. Investment securities classified as available-for-sale (AFS) are carried at fair value with net unrealized gains and losses included as a component of Other Comprehensive Income (OCI). Purchase premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method. The amortization of premiums on certain purchased callable debt securities that have explicit, non-contingent call features and that are callable at fixed prices on preset dates are amortized to the earliest call date.

Other Equity Investments

Any equity securities with a readily determinable fair value are carried at fair value with unrealized gains and losses included in earnings. Equity securities without a readily

determinable fair value are carried at cost less any impairment.

The Association holds minority equity interests in a Rural Business Investment Company (RBIC). This investment is carried at cost less any impairment, plus or minus adjustments resulting from any observable price changes.

Other Investments
As discussed in Note 8, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

Impairment
The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. As mentioned above, changes in the fair value of AFS investments are reflected in OCI, unless the investment is deemed to be other-than-temporarily impaired (OTTI). Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a *credit loss*). If the Association intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but the Association does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is charged to current earnings, with the remainder of the loss amount recognized in OCI.

In subsequent periods, if the present value of cash flows expected to be collected is less than the amortized cost basis, the Association will record additional OTTI and adjust the yield of the security prospectively. The amount of total OTTI for an AFS security that previously was impaired is determined as the difference between its carrying amount prior to the determination of OTTI and its fair value.

Investment Income
Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

G. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

H. **Employee Benefit Plans:** The Association participates in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans
Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9.

Multiemployer Defined Benefit Plans
Substantially all employees hired before January 1, 2009 may participate in the Independent Associations Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-district sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to employees, their beneficiaries, and covered dependents during the years the employees render service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9 and in the Notes to the Annual Information Statement of the Farm Credit System.

I. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state, and certain other income taxes.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

J. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.

K. **Valuation Methodologies:** FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It prescribes three levels of inputs that may be used to measure fair value.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources, or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: impaired loans, other property owned and certain derivatives, investment securities, and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations.

Additional information may be found in Note 8.

L. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

M. **Revenue Recognition:** The Association generates income from multiple sources.

Financial Instruments
The largest source of revenue for the Association is interest income. Interest income is recognized on an accrual basis

driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges, and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services, and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers
The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Association does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets
Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

N. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee
Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor
The Association acts as lessor in certain contractual arrangements. The contracts relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and non-lease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Lease Income in the Consolidated Statements of Comprehensive Income.

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

In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial

Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments were effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.

In December 2019, the FASB issued ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments simplify the accounting for income taxes by removing the following exceptions:

- Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income),
- Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment,
- Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and
- Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

The amendments also simplify the accounting for income taxes by doing the following:

- Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax,
- Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction,
- Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority,
- Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, and
- Making minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method.

For public business entities, the amendments in this Update were effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Adoption of this guidance did not have a material impact on the statements of financial condition and results of operations.

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

Note 3 — Loans and Allowance for Loan Losses

For a description of the Association's accounting for loans, including impaired loans, and the allowance for loan losses, see Note 2 subsection B above.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity, and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale (see further discussion in Note 2 subsection B above) and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral).

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent

of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage;

- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years;
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power and water, and waste disposal;
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products or by a cooperative;
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production;
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home or to refinance existing debt. These loans are generally secured by a first lien on the property;
- Communication loans — loans primarily to finance rural communication providers;
- Power loans — loans primarily to finance electric generation, transmission, and distribution systems serving rural areas;
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas;
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases; and
- Other — rural USDA guaranteed loans purchased under FCA investment authority for risk mitigation, including diversification, accounted for as loans under GAAP.

A summary of loans outstanding at period end follows:

	December 31,		
	2021	2020	2019
Real estate mortgage	$ 1,564,379	$ 1,345,512	$ 1,204,151
Production and intermediate-term	612,288	572,199	563,068
Loans to cooperatives	6,433	5,977	3,596
Processing and marketing	93,326	84,821	53,088
Farm-related business	40,032	18,661	17,040
Communication	7,419	12,612	–
Power and water/waste disposal	–	–	2,811
Rural residential real estate	129,276	126,900	117,075
Lease receivables	616	721	340
Other (including Mission Related)	124,698	37,453	6,595
Total loans	$ 2,578,467	$ 2,204,856	$ 1,967,764

A substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

	December 31, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 28,427	$ 163,674	$ –	$ 12,920	$ 102,019	$ –	$ 130,446	$ 176,594
Production and intermediate-term	27,630	112,050	547	4,501	10,815	–	38,992	116,551
Loans to cooperatives	6,453	–	–	–	–	–	6,453	–
Processing and marketing	60,769	19,020	–	–	627	–	61,396	19,020
Farm-related business	–	30,578	–	–	187	–	187	30,578
Communication	7,458	–	–	–	–	–	7,458	–
Lease receivables	–	–	–	–	151	–	151	–
Other (including Mission Related)	–	–	–	–	113,295	–	113,295	–
Total	$ 130,737	$ 325,322	$ 547	$ 17,421	$ 227,094	$ –	$ 358,378	$ 342,743

	December 31, 2020							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 24,094	$ 50,629	$ –	$ 5,611	$ 75,696	$ –	$ 99,790	$ 56,240
Production and intermediate-term	20,371	152,461	338	173	13,412	–	34,121	152,634
Loans to cooperatives	5,989	–	–	–	–	–	5,989	–
Processing and marketing	58,454	16,743	–	10,339	643	–	59,097	27,082
Farm-related business	–	65	–	–	885	–	885	65
Communication	12,699	–	–	–	–	–	12,699	–
Lease receivables	–	–	–	–	190	–	190	–
Other (including Mission Related)	–	–	–	–	34,332	–	34,332	–
Total	$ 121,607	$ 219,898	$ 338	$ 16,123	$ 125,158	$ –	$ 247,103	$ 236,021

	December 31, 2019							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 21,178	$ 50,409	$ –	$ 6,249	$ 31,635	$ –	$ 52,813	$ 56,658
Production and intermediate-term	22,353	172,946	217	446	4,748	–	27,318	173,392
Loans to cooperatives	3,611	–	–	–	–	–	3,611	–
Processing and marketing	36,111	4,847	–	10,345	657	–	36,768	15,192
Power and water/waste disposal	2,827	–	–	–	–	–	2,827	–
Other (including Mission Related)	–	–	–	–	5,840	–	5,840	–
Total	$ 86,080	$ 228,202	$ 217	$ 17,040	$ 42,880	$ –	$ 129,177	$ 245,242

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

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	December 31,		
	2021	2020	2019
Real estate mortgage:			
Acceptable	94.55%	92.75%	93.70%
OAEM	1.96	2.34	2.82
Substandard/doubtful/loss	3.49	4.91	3.48
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	93.39%	88.00%	87.61%
OAEM	3.98	7.41	5.78
Substandard/doubtful/loss	2.63	4.59	6.61
	100.00%	100.00%	100.00%
Loans to cooperatives:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Processing and marketing:			
Acceptable	100.00%	97.73%	96.36%
OAEM	–	–	–
Substandard/doubtful/loss	–	2.27	3.64
	100.00%	100.00%	100.00%
Farm-related business:			
Acceptable	96.38%	83.09%	85.36%
OAEM	1.19	9.64	2.50
Substandard/doubtful/loss	2.43	7.27	12.14
	100.00%	100.00%	100.00%

	December 31,		
	2021	2020	2019
Communication:			
Acceptable	100.00%	100.00%	–%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	–%
Power and water/waste disposal:			
Acceptable	–%	–%	–%
OAEM	–	–	100.00
Substandard/doubtful/loss	–	–	–
	–%	–%	100.00%
Rural residential real estate:			
Acceptable	97.10%	96.81%	95.28%
OAEM	1.80	2.01	3.60
Substandard/doubtful/loss	1.10	1.18	1.12
	100.00%	100.00%	100.00%
Lease receivables:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Other (including Mission Related):			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	94.92%	92.04%	91.95%
OAEM	2.24	3.55	3.76
Substandard/doubtful/loss	2.84	4.41	4.29
	100.00%	100.00%	100.00%

The following tables provide an aging analysis of past due loans and related accrued interest as of:

	December 31, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 8,628	$ 2,847	$ 11,475	$ 1,571,114	$ 1,582,589
Production and intermediate-term	1,538	251	1,789	617,414	619,203
Loans to cooperatives	–	–	–	6,439	6,439
Processing and marketing	–	–	–	93,485	93,485
Farm-related business	276	–	276	39,983	40,259
Communication	–	–	–	7,419	7,419
Rural residential real estate	557	87	644	128,926	129,570
Lease receivables	–	–	–	621	621
Other (including Mission Related)	2,843	–	2,843	122,293	125,136
Total	$ 13,842	$ 3,185	$ 17,027	$ 2,587,694	$ 2,604,721

	December 31, 2020				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 2,278	$ 4,410	$ 6,688	$ 1,356,377	$ 1,363,065
Production and intermediate-term	1,099	605	1,704	578,142	579,846
Loans to cooperatives	–	–	–	5,981	5,981
Processing and marketing	–	2,981	2,981	81,980	84,961
Farm-related business	163	–	163	18,611	18,774
Communication	–	–	–	12,613	12,613
Rural residential real estate	340	154	494	126,713	127,207
Lease receivables	–	–	–	727	727
Other (including Mission Related)	2,307	–	2,307	35,342	37,649
Total	$ 6,187	$ 8,150	$ 14,337	$ 2,216,486	$ 2,230,823

	December 31, 2019				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 12,578	$ 2,522	$ 15,100	$ 1,207,863	$ 1,222,963
Production and intermediate-term	2,176	1,309	3,485	569,405	572,890
Loans to cooperatives	–	–	–	3,598	3,598
Processing and marketing	–	2,984	2,984	50,202	53,186
Farm-related business	150	–	150	17,020	17,170
Power and water/waste disposal	–	–	–	2,814	2,814
Rural residential real estate	530	189	719	116,704	117,423
Lease receivables	–	–	–	339	339
Other (including Mission Related)	–	–	–	6,618	6,618
Total	$ 15,434	$ 7,004	$ 22,438	$ 1,974,563	$ 1,997,001

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

	December 31,		
	2021	2020	2019
Nonaccrual loans:			
Real estate mortgage	$ 4,027	$ 6,050	$ 7,959
Production and intermediate-term	360	712	2,140
Processing and marketing	–	2,981	2,984
Rural residential real estate	218	347	294
Total	$ 4,605	$ 10,090	$ 13,377
Accruing restructured loans:			
Real estate mortgage	$ –	$ –	$ (10)
Production and intermediate-term	650	733	5,904
Total	$ 650	$ 733	$ 5,894
Accruing loans 90 days or more past due:			
Production and intermediate-term	$ –	$ 20	$ –
Total	$ –	$ 20	$ –
Total nonperforming loans	$ 5,255	$ 10,843	$ 19,271
Other property owned	–	–	–
Total nonperforming assets	$ 5,255	$ 10,843	$ 19,271
Nonaccrual loans as a percentage of total loans	0.18%	0.46%	0.68%
Nonperforming assets as a percentage of total loans and other property owned	0.20%	0.49%	0.98%
Nonperforming assets as a percentage of capital	1.21%	2.77%	5.54%

The following table presents information relating to impaired loans (including accrued interest) as defined in Note 2:

	December 31,		
	2021	2020	2019
Impaired nonaccrual loans:			
Current as to principal and interest	$ 1,360	$ 1,933	$ 5,776
Past due	3,245	8,157	7,601
Total	$ 4,605	$ 10,090	$ 13,377
Impaired accrual loans:			
Restructured	$ 650	$ 733	$ 5,894
90 days or more past due	–	20	–
Total	$ 650	$ 753	$ 5,894
Total impaired loans	$ 5,255	$ 10,843	$ 19,271
Additional commitments to lend	$ –	$ –	$ –

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

	December 31, 2021			Year Ended December 31, 2021	
Impaired Loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses					
Production and intermediate-term	$ 28	$ 28	$ 14	$ 41	$ 4
Total	$ 28	$ 28	$ 14	$ 41	$ 4
With no related allowance for credit losses					
Real estate mortgage	$ 4,027	$ 5,022	$ –	$ 5,921	$ 504
Production and intermediate-term	982	1,471	–	1,444	123
Rural residential real estate	218	255	–	321	27
Total	$ 5,227	$ 6,748	$ –	$ 7,686	$ 654
Total					
Real estate mortgage	$ 4,027	$ 5,022	$ –	$ 5,921	$ 504
Production and intermediate-term	1,010	1,499	14	1,485	127
Rural residential real estate	218	255	–	321	27
Total	$ 5,255	$ 6,776	$ 14	$ 7,727	$ 658

	December 31, 2020			Year Ended December 31, 2020	
Impaired Loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses					
Real estate mortgage	$ 405	$ 453	$ 1	$ 698	$ 122
Production and intermediate-term	298	318	258	514	90
Total	$ 703	$ 771	$ 259	$ 1,212	$ 212
With no related allowance for credit losses					
Real estate mortgage	$ 5,645	$ 6,452	$ –	$ 9,728	$ 1,707
Production and intermediate-term	1,167	1,991	–	2,012	353
Processing and marketing	2,981	5,201	–	5,137	902
Rural residential real estate	347	379	–	598	105
Total	$ 10,140	$ 14,023	$ –	$ 17,475	$ 3,067
Total					
Real estate mortgage	$ 6,050	$ 6,905	$ 1	$ 10,426	$ 1,829
Production and intermediate-term	1,465	2,309	258	2,526	443
Processing and marketing	2,981	5,201	–	5,137	902
Rural residential real estate	347	379	–	598	105
Total	$ 10,843	$ 14,794	$ 259	$ 18,687	$ 3,279

	December 31, 2019			Year Ended December 31, 2019	
Impaired Loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses					
Real estate mortgage	$ 2,082	$ 2,253	$ 231	$ 2,198	$ 133
Production and intermediate-term	375	382	317	396	24
Total	$ 2,457	$ 2,635	$ 548	$ 2,594	$ 157
With no related allowance for credit losses					
Real estate mortgage	$ 5,868	$ 6,070	$ –	$ 6,196	$ 375
Production and intermediate-term	7,669	17,488	–	8,097	490
Processing and marketing	2,983	5,205	–	3,151	191
Rural residential real estate	294	305	–	310	19
Total	$ 16,814	$ 29,068	$ –	$ 17,754	$ 1,075
Total					
Real estate mortgage	$ 7,950	$ 8,323	$ 231	$ 8,394	$ 508
Production and intermediate-term	8,044	17,870	317	8,493	514
Processing and marketing	2,983	5,205	–	3,151	191
Rural residential real estate	294	305	–	310	19
Total	$ 19,271	$ 31,703	$ 548	$ 20,348	$ 1,232

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	Lease Receivables	Other	Total
Activity related to the allowance for credit losses:									
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ –	$ 1,241	$ 2	$ –	$ 8,798
Charge-offs	–	(8)	–	–	–	–	–	–	(8)
Recoveries	–	12	973	–	–	–	–	–	985
Provision for loan losses	49	(471)	(1,060)	(18)	–	(969)	(1)	–	(2,470)
Balance at December 31, 2021	$ 3,131	$ 3,343	$ 545	$ 13	$ –	$ 272	$ 1	$ –	$ 7,305
Balance at December 31, 2019	$ 2,679	$ 7,210	$ 819	$ –	$ 42	$ 538	$ 1	$ –	$ 11,289
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	–	5,943	–	–	–	–	–	–	5,943
Provision for loan losses	403	(9,343)	(187)	31	(42)	703	1	–	(8,434)
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ –	$ 1,241	$ 2	$ –	$ 8,798
Balance at December 31, 2018	$ 2,743	$ 6,851	$ 887	$ –	$ 21	$ 555	$ 1	$ –	$ 11,058
Charge-offs	–		(2,175)	–	–	–	–	–	(2,175)
Recoveries	–	799	–	–	–	–	–	–	799
Provision for loan losses	(64)	(440)	2,107	–	21	(17)	–	–	1,607
Balance at December 31, 2019	$ 2,679	$ 7,210	$ 819	$ –	$ 42	$ 538	$ 1	$ –	$ 11,289
Allowance on loans evaluated for impairment:									
Individually	$ –	$ 14	$ –	$ –	$ –	$ –	$ –	$ –	$ 14
Collectively	3,131	3,329	545	13	–	272	1	–	7,291
Balance at December 31, 2021	$ 3,131	$ 3,343	$ 545	$ 13	$ –	$ 272	$ 1	$ –	$ 7,305
Individually	$ 1	$ 258	$ –	$ –	$ –	$ –	$ –	$ –	$ 259
Collectively	3,081	3,552	632	31	–	1,241	2	–	8,539
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ –	$ 1,241	$ 2	$ –	$ 8,798
Individually	$ 231	$ 317	$ –	$ –	$ –	$ –	$ –	$ –	$ 548
Collectively	2,448	6,893	819	–	42	538	1	–	10,741
Balance at December 31, 2019	$ 2,679	$ 7,210	$ 819	$ –	$ 42	$ 538	$ 1	$ –	$ 11,289
Recorded investment in loans evaluated for impairment:									
Individually	$ 4,027	$ 1,010	$ –	$ –	$ –	$ 218	$ –	$ –	$ 5,255
Collectively	1,578,562	618,193	140,183	7,419	–	129,352	621	125,136	2,599,466
Balance at December 31, 2021	$ 1,582,589	$ 619,203	$ 140,183	$ 7,419	$ –	$ 129,570	$ 621	$ 125,136	$ 2,604,721
Individually	$ 6,050	$ 1,465	$ 2,981	$ –	$ –	$ 347	$ –	$ –	$ 10,843
Collectively	1,357,015	578,381	106,735	12,613	–	126,860	727	37,649	2,219,980
Balance at December 31, 2020	$ 1,363,065	$ 579,846	$ 109,716	$ 12,613	$ –	$ 127,207	$ 727	$ 37,649	$ 2,230,823
Individually	$ 7,949	$ 8,044	$ 2,984	$ –	$ –	$ 294	$ –	$ –	$ 19,271
Collectively	1,215,014	564,846	70,970	–	2,814	117,129	339	6,618	1,977,730
Balance at December 31, 2019	$ 1,222,963	$ 572,890	$ 73,954	$ –	$ 2,814	$ 117,423	$ 339	$ 6,618	$ 1,997,001

**May include the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no new TDRs that occurred during 2021, 2020 or 2019.

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

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs			Nonaccrual TDRs		
	December 31,			December 31,		
	2021	2020	2019	2021	2020	2019
Real estate mortgage	$ –	$ –	$ 101	$ –	$ –	$ 111
Production and intermediate-term	650	734	5,947	–	1	43
Total loans	$ 650	$ 734	$ 6,048	$ –	$ 1	$ 154
Additional commitments to lend	$ –	$ –	$ –			

Note 4 — Investments

Investments in Debt Securities

The Association's investments consist of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point probability of default scale used to also grade loans, falls below 9. The FCA requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At December 31, 2021, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 6,746	$ 554	$ (57)	$ 7,243	7.67%
ABSs	170	–	(5)	165	3.58
Total	$ 6,916	$ 554	$ (62)	$ 7,408	7.57%

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 9,227	$ 1,298	$ (95)	$ 10,430	6.89%

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 9,774	$ 691	$ (75)	$ 10,390	5.44%

A summary of the contractual maturity, amortized cost, and estimated fair value of investment securities held-to-maturity follows:

December 31, 2021	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	2,675	2,662	10.28
After five years through ten years	170	165	3.58
After ten years	4,071	4,581	5.96
Total	$ 6,916	$ 7,408	7.57%

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

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

December 31, 2021	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 428	$ (57)	$ –	$ –
ABSs	165	(5)	–	–
Total	$ 593	$ (62)	$ –	$ –

December 31, 2020	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 298	$ (95)

December 31, 2019	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 1,374	$ (75)

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

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating

agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

Based on the results of all analyses, the Association has recognized credit-related other-than-temporary impairment of $0, $102, and $83 for 2021, 2020, and 2019, respectively, which is included in Impairment Losses on Investments in the Statements of Income. Since the Association does not intend to sell these other-than-temporarily impaired debt securities and is not more likely than not to be required to sell before recovery, the total other-than temporary impairment is reflected in the Statements of Income with: (1) a net other-than-temporary impairment amount related to estimated credit loss, and (2) an amount relating to all other factors, recognized as a reclassification to or from Other Comprehensive Income.

For all other impaired investments, the Association has not recognized any credit losses as the impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

The following schedule details the activity related to cumulative credit losses on investments recognized in earnings:

	For the Year Ended December 31,		
	2021	2020	2019
Amount related to credit loss-beginning balance	$ 185	$ 83	$ –
Additions for initial credit impairments	–	–	83
Additions for subsequent credit impairments	–	102	–
Reductions for increases in expected cash flows	–	–	–
Reductions for securities sold, settled, or matured	–	–	–
Amount related to credit loss-ending balance	185	185	83
Life to date incurred credit losses	–	–	–
Remaining unrealized credit losses	$ 185	$ 185	$ 83

Equity Investments in Other Farm Credit Institutions

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled $20,343 for 2021, $20,831 for 2020, and $22,808 for 2019. The Association owned 7.92 percent of the issued stock of the Bank as of December 31, 2021 net of any reciprocal investment. As of that date, the Bank's assets totaled $39.3 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $486 million for 2021. In addition, the Association had investments of $546 related to other Farm Credit institutions at December 31, 2021.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2021	2020	2019
Land	$ 1,229	$ 1,199	$ 1,209
Buildings and improvements	10,060	10,081	10,217
Furniture and equipment	1,759	1,644	1,905
Total cost	13,048	12,924	13,331
Less: accumulated depreciation	5,152	4,673	4,617
Total	$ 7,896	$ 8,251	$ 8,714

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank

Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon

expiration. The Bank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2021, the Association's notes payable were within the specified limitations.

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan based on the Bank's marginal cost of funds, capital position, operating costs, and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA and which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon agreement between the Bank and the Association.

The weighted average interest rates on the variable rate advances were 1.46 percent for LIBOR-based loans, 1.39 percent for Secured Overnight Financing Rate (SOFR)-based loans, and 1.55 percent for prime-based loans, and the weighted average remaining maturities were 3.6 years, 3.0 years, and 5.9 years, respectively, at December 31, 2021. The weighted-average interest rate on the fixed rate and adjustable rate mortgage (ARM) loans which are match funded by the Bank was 2.24 percent, and the weighted average remaining maturity was 14.6 years at December 31, 2021. The weighted-average interest rate on all interest-bearing notes payable was 2.09 percent and the weighted-average remaining maturity was 12.7 years at December 31, 2021. Variable rate and fixed rate notes payable represent approximately 6.72 percent and 93.28 percent, respectively, of total notes payable at December 31, 2021. The weighted average maturities described above are related to matched-funded loans. The Direct Note itself has an annual maturity as prescribed in the GFA.

Note 7 — Members' Equity

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

A. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 2 percent of the member's outstanding principal balance or $1 thousand, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after January 30, 1997 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

   The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

B. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

   There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions. The Association has no reason to believe any such restrictions may apply in the future.

   The capital regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

   The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

   - The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets;
   - The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets;
   - The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets;
   - The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets;

- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital; and
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2021	2020	2019
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	20.20%	20.15%	20.57%
Tier 1 Capital	6.0%	2.5%	8.5%	20.20%	20.15%	20.57%
Total Capital	8.0%	2.5%	10.5%	20.58%	20.75%	21.31%
Permanent Capital	7.0%	0.0%	7.0%	20.76%	20.87%	21.33%
Non-risk-adjusted ratios						
Tier 1 Leverage**	4.0%	1.0%	5.0%	15.99%	16.11%	16.86%
URE and UREE Leverage	1.5%	0.0%	1.5%	16.38%	16.66%	17.42%

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

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

C. **Description of Equities:** The Association is authorized to issue or have outstanding Class A Preferred Stock, Class B Common Stock, Class C Common Stock, Class C Participation Certificates, and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

The Association had the following shares outstanding at December 31, 2021:

Class	Protected	Shares Outstanding Number	Aggregate Par Value
A preferred/nonvoting	No	1,914,610	$ 9,573
C common/voting	No	1,337,923	6,690
C participation certificates/nonvoting	No	246,994	1,235
Total capital stock and participation certificates		3,499,527	$ 17,498

At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The Board determines the minimum aggregate amount of these two accounts. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings accounts in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2021, allocated members' equity consisted of $308,056 of nonqualified retained surplus.

Dividends

The Association may declare dividends on its capital stock and participation certificates. Dividend declaration, dividend

rates, and method of payment are at the discretion of the Board in accordance with the Association's bylaws.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. The Association declared dividends for each of the periods included in these Consolidated Financial Statements.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless the Board approves another proportionate patronage basis.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Transfer

Class A Preferred Stock, Class B Common Stock, Class C Common Stock, and Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Class B Common Stock, Class C Common Stock, and Participation Certificates.
2. Class A Preferred Stock.

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed consistent with the Association's bylaws and pro rata to the holders of the outstanding stock and participation certificates in the following order:

1. Class A Preferred Stock.
2. Class B Common Stock, Class C Common Stock, and Participation Certificates.
3. Allocated surplus evidenced by qualified written notices of allocation on the basis of oldest allocations first.
4. Allocated surplus evidenced by nonqualified notices of allocation on the basis of oldest allocations first.
5. Unallocated surplus accrued after March 31, 1997 on a patronage basis.
6. Any remaining assets of the Association after such distribution ratably to the holders of all classes of stock and participation certificates.

Note 8 — Fair Value Measurement

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

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

Estimating the fair value of the Association's equity investments in the Bank and other Farm Credit institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost.

The classifications within the fair value hierarchy (See Note 2) are as follows:

Level 1
Assets held in trust funds related to deferred compensation plans are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace. These funds may be redeemed on any business day on which the New York Stock Exchange is open for regular trading.

For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

Level 2
ABSs, such as those issued through the Small Business Administration, are classified Level 2.

Level 3
Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. The loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral, and other matters.

Notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

Other property owned is classified as a Level 3 asset. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For commitments to extend credit, the estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics; therefore, the related credit risk is not significant.

The fair value of investments in debt securities is estimated by discounting expected future cash flows using prevailing rates for similar instruments at the measurement date.

There are no observable market values for the Association's RBIC investments. These investments are measured at cost, adjusted for any observable sales and impairment.

There were no Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

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

	December 31, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 875	$ 875	$ –	$ –	$ 875
Recurring Assets	$ 875	$ 875	$ –	$ –	$ 875
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 14	$ –	$ –	$ 14	$ 14
Other property owned	–	–	–	–	–
Other investments	2,105	–	–	2,105	2,105
Nonrecurring Assets	$ 2,119	$ –	$ –	$ 2,119	$ 2,119
Other Financial Instruments					
Assets:					
Cash	$ 29	$ 29	$ –	$ –	$ 29
RABs	6,746	–	–	7,243	7,243
ABSs	170	–	165	–	165
Loans	2,571,148	–	–	2,483,652	2,483,652
Other Financial Assets	$ 2,578,093	$ 29	$ 165	$ 2,490,895	$ 2,491,089
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 2,194,319	$ –	$ –	$ 2,153,444	$ 2,153,444
Other Financial Liabilities	$ 2,194,319	$ –	$ –	$ 2,153,444	$ 2,153,444

	December 31, 2020				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 367	$ 367	$ –	$ –	$ 367
Recurring Assets	$ 367	$ 367	$ –	$ –	$ 367
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 444	$ –	$ –	$ 444	$ 444
Other property owned	–	–	–	–	–
Other investments	1,681	–	–	1,681	1,681
Nonrecurring Assets	$ 2,125	$ –	$ –	$ 2,125	$ 2,125
Other Financial Instruments					
Assets:					
Cash	$ 95	$ 95	$ –	$ –	$ 95
Investments in debt securities, held-to-maturity	9,227	–	–	10,430	10,430
Loans	2,195,614	–	–	2,191,354	2,191,354
Other Financial Assets	$ 2,204,936	$ 95	$ –	$ 2,201,784	$ 2,201,879
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,859,377	$ –	$ –	$ 1,873,785	$ 1,873,785
Other Financial Liabilities	$ 1,859,377	$ –	$ –	$ 1,873,785	$ 1,873,785

	December 31, 2019				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 145	$ 145	$ –	$ –	$ 145
Recurring Assets	$ 145	$ 145	$ –	$ –	$ 145
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 1,909	$ –	$ –	$ 1,909	$ 1,909
Other property owned	–	–	–	–	–
Other investments	1,039	–	–	1,039	1,039
Nonrecurring Assets	$ 2,948	$ –	$ –	$ 2,948	$ 2,948
Other Financial Instruments					
Assets:					
Cash	$ 3,917	$ 3,917	$ –	$ –	$ 3,917
Investments in debt securities, held-to-maturity	9,774	–	–	10,390	10,390
Loans	1,954,566	–	–	1,939,713	1,939,713
Other Financial Assets	$ 1,968,257	$ 3,917	$ –	$ 1,950,103	$ 1,954,020
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,654,570	$ –	$ –	$ 1,649,186	$ 1,649,186
Other Financial Liabilities	$ 1,654,570	$ –	$ –	$ 1,649,186	$ 1,649,186

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

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

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

premiums, prepayment estimates, default estimates, and loss severities.

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

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

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 14	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			Comparability adjustments	*
Other investments – RBIC	2,105	Third party evaluation	Income, expense, capital	Not applicable

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
RABs	Discounted cash flow	Prepayment rates
		Risk adjusted spread
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

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

Note 9 — Employee Benefit Plans

The Association participates in three Association sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, the Independent Associations Retirement Plan, which is a final average pay plan (IAR Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and a defined contribution 401(k) plan (401(k) Plan), the FCBA 401(k) Plan. The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

1. The Employer Identification Number (EIN) and three-digit Pension Plan Number.
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

4. The expiration date(s) of collective-bargaining agreement(s).

The IAR Plan covers employees hired prior to January 1, 2009 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. IAR Plan expenses included in employee benefit costs on the Association's Statements of Comprehensive Income were $1,344 for 2021, $1,452 for 2020, and $1,296 for 2019. At December 31, 2021, 2020, and 2019, the total liability balance for the IAR Plan presented in the District Combined Balance Sheets was $8,686, $12,578, and $14,603, respectively. The IAR Plan was 90.25 percent, 87.06 percent, and 83.65 percent funded to the projected benefit obligation as of December 31, 2021, 2020, and 2019, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Statements of Comprehensive Income, were $205 for 2021, $190 for 2020, and $189 for 2019. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $209,599, $219,990, and $209,531 at December 31, 2021, 2020, and 2019, respectively.

The Association also participates in the 401(k) plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. This 401(k) plan requires the Association to match 100 percent of employee optional contributions up to a maximum employee contribution of 6 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $1,090, $961, and $822 for the years ended December 31, 2021, 2020, and 2019, respectively. Contributions include an additional 3 percent of eligible compensation for participants hired after December 31, 2008.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

In addition to the multiemployer plans described above, the Association sponsors a nonqualified supplemental 401(k) plan. The expenses of this nonqualified plan included in noninterest expenses were $8, $6, and $5 for 2021, 2020, and 2019, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2021 amounted to $16,695. During 2021, $11,203 of new loans were made and repayments totaled $9,370. In the opinion of management, none of these loans outstanding at December 31, 2021 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the

collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2021, $389,949 of commitments to extend credit and no commercial letters of credit were outstanding. There was no reserve for unfunded commitments included on the Consolidated Balance Sheets at December 31, 2021.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2021, standby letters of credit outstanding totaled $1,001 with expiration dates ranging from January 1, 2022 to September 1, 2029. The maximum potential amount of future payments that may be required under these guarantees was $1,001.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ 63	$ 25	$ 4
State	–	–	–
	63	25	4
Deferred:	–	–	–
Total provision for income taxes	$ 63	$ 25	$ 4

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31,		
	2021	2020	2019
Federal tax at statutory rate	$ 16,266	$ 15,928	$ 11,575
State tax, net	–	–	–
Patronage distributions	(6,946)	(6,872)	(8,866)
Tax-exempt FLCA earnings	(9,021)	(7,852)	(3,025)
Change in deferred tax asset valuation allowance	(148)	(1,169)	35
Impact of tax reform	–	–	–
Other	(88)	(10)	285
Provision for income taxes	$ 63	$ 25	$ 4

Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2021	2020	2019
Deferred income tax assets:			
Allowance for loan losses	$ 654	$ 800	$ 1,533
Annual leave	202	216	184
Nonaccrual loan interest	76	223	797
Pensions and other postretirement benefits	184	77	30
Other	–	–	–
Gross deferred tax assets	1,116	1,316	2,544
Less: valuation allowance	(1,019)	(1,167)	(2,336)
Gross deferred tax assets, net of valuation allowance	97	149	208
Deferred income tax liabilities:			
Pensions and other postretirement benefits	–	–	–
Other	(97)	(149)	(208)
Gross deferred tax liability	(97)	(149)	(208)
Net deferred tax asset	$ –	$ –	$ –

At December 31, 2021, deferred income taxes have not been provided by the Association on approximately $3.3 million of its investment in the Bank. Management expects that these earnings will not be converted to cash.

The Association recorded a valuation allowance of $1,019, $1,167, and $2,336 as of December 31, 2021, 2020, and 2019, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2021 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The tax years that remain open for federal and major state income tax jurisdictions are 2018 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 13,367	$ 15,688	$ 17,432	$ 12,261	$ 58,748
Provision for (reversal of allowance for) loan losses	(324)	(2,288)	302	(160)	(2,470)
Noninterest income (expense), net	(2,539)	(2,264)	(2,347)	23,326	16,176
Net income	$ 11,152	$ 15,712	$ 14,783	$ 35,747	$ 77,394

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 13,285	$ 13,010	$ 13,340	$ 15,504	$ 55,139
Provision for (reversal of allowance for) loan losses	(566)	2,512	(3,640)	(6,740)	(8,434)
Noninterest income (expense), net	(2,017)	(1,559)	(1,738)	17,566	12,252
Net income	$ 11,834	$ 8,939	$ 15,242	$ 39,810	$ 75,825

	2019				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 13,374	$ 13,384	$ 13,312	$ 13,094	$ 53,164
Provision for (reversal of allowance for) loan losses	(339)	(251)	1,356	841	1,607
Noninterest income (expense), net	(1,198)	(1,822)	(1,585)	8,162	3,557
Net income	$ 12,515	$ 11,813	$ 10,371	$ 20,415	$ 55,114

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined that there were none requiring disclosure through March 10, 2022, which was the date the financial statements were issued.

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