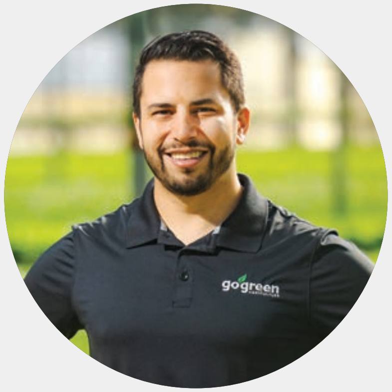
American AgCredit

ENVISIONING THE FUTURE

2021 ANNUAL REPORT



Pierre Sleiman, Jr.

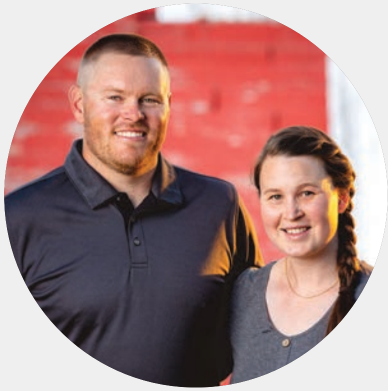
Go Green Agriculture
Encinitas, California

Dennis and Jessica Rau

Rau Farms
Derby, Kansas

Tyler Rodrigue

Noble Vineyard Management
Ukiah, California



Bradon and Rachael Wiens

Wiens Wagyu
Meade, Kansas

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TO OUR SHAREHOLDERS

Driven. Collaborative. Resilient. As we look back on 2021, we think about how our culture and mission at American AgCredit have led to another remarkable year. While many of us hoped for a return to “normal” this past year, we continue to live and work in a new environment due to the pandemic. At the same time, we have been challenged to find new ways to work together, support each other and serve our vital mission in agriculture.

Our nation’s farmers, ranchers and agribusiness operators serve an essential role in our society, delivering a safe and reliable source of food, fuel and fiber to the world. Your work is vital to our national security, and we want to thank you for trusting us with your business.

We also want to acknowledge the tremendous effort of our more than 700 American AgCredit employees. In a year with so much uncertainty, our employees rose to the challenge and delivered record-setting results in the face of adversity. Our employees have performed exceptionally, working together to keep us running seamlessly without any interruption in service to you, our customer owners.

Thanks to your hard work and our efforts to increase efficiency in the business, we have outperformed expectations and delivered very strong financial results in 2021. American AgCredit had one of the most successful years in our history in spite of economic uncertainty. Our solid financial position helps ensure that we can serve our mission in good times and bad, regardless of conditions in the marketplace.

As a result, we are pleased to return 1% back to you, our customer owners, in the form of a patronage distribution. That translates to a record-breaking $163 million in cash returned to our customer owners for 2021, and nearly $1 billion returned since 2005!

We are also deeply invested in the communities where we live and work. In 2021, our Local Community Impact program provided more than $590,000 to food banks and other nonprofit partners working to end hunger and food insecurity. American AgCredit added an additional $350,000 in donations through our Holiday Giving Program, directing funds to 23 nonprofit partners across six states.

As we think about our mission at American AgCredit, it’s important to view our business through the lens of our customer owners. How we can best serve farmers, ranchers and agribusiness owners to deliver food and agricultural products to the world. How we add value in an increasingly digital world. How we deliver credit and financial solutions in a more efficient manner. And how we do this in a world where the pace of change has never been this fast yet will never be this slow again.

"THANKS TO YOUR HARD WORK AND OUR EFFORTS TO INCREASE EFFICIENCY IN THE BUSINESS, WE HAVE OUTPERFORMED EXPECTATIONS AND DELIVERED VERY STRONG FINANCIAL RESULTS IN 2021."

In this report, you will read about a "Disneyland of Automation" at Go Green Agriculture in Patterson, San Marcos and Encinitas, California, a forward-looking farm at Rau Farms in Derby, Kansas, a new business model at Wiens Wagyu in Meade, Kansas, and the problem-solving and technology behind Noble Vineyard Management in Ukiah, California. You can go behind the scenes and hear from these clients directly by scanning the QR code with each story.

Agriculture is in an exciting era of automation, big data, sustainability and crop science — innovation at every level. It is also a period filled with new challenges and potential risks. As we look ahead, we know that the way we deliver credit and financial services will evolve to meet changing preferences and expectations. That is why we are investing in technology and expertise to serve the farmers, ranchers and agribusinesses of the future, all while improving your experience with us today.

We look forward to partnering with you and serving your business in 2022, driven by our mission to be the best lender to agriculture. There are so many exciting changes in agriculture on the horizon, and we can't wait to see all we accomplish together in 2022.

Go behind the scenes with
CEO Curt Hudnutt.
Scan to see more.

Gary Harshberger
Board Chair

Curt Hudnutt
Chief Executive Officer
President

March 4, 2022

KEY FINANCIAL DATA

YEAR ENDED DECEMBER 31 (in thousands)	2021	2020	2019	2018	2017
NET INCOME	$351,018	$247,329	$200,718	$188,221	$174,176
PATRONAGE DECLARED	$162,855	$141,970	$115,410	$105,069	$74,842
PATRONAGE AS % OF NET INCOME	46.40%	57.40%	57.50%	55.82%	42.97%
LOAN VOLUME	$15,934,730	$14,170,874	$11,844,790	$10,214,774	$9,306,922
RETURN ON AVERAGE ASSETS	2.25%	1.82%	1.75%	1.68%	1.70%
SHAREHOLDERS' EQUITY AS % OF TOTAL ASSETS	15.70%	15.70%	17.59%	19.39%	20.38%

Hear CFO Vern Zander explain our 2021 financial results.
Scan to see more.

"WE STARTED OUR PATRONAGE PROGRAM BACK IN 2005. I'M PLEASED TO SAY WE HAVE PAID BACK NEARLY $1 BILLION TO OUR CUSTOMER OWNERS IN THOSE 17 YEARS."

— VERN ZANDER

FINANCIAL HIGHLIGHTS

(in millions)	2021	2020	2019
CALIFORNIA	$8,196.7	$7,293.2	$6,029.3
KANSAS	$1,864.3	$1,668.3	$1,568.4
COLORADO	$1,495.9	$1,321.3	$1,106.1
NEVADA	$262.1	$223.8	$197.4
HAWAII	$117.7	$110.0	$83.7
OTHER	$3,998.0	$3,554.3	$2,859.9
TOTAL	**$15,934.7**	**$14,170.9**	**$11,844.8**

LOAN VOLUME BY STATE

We maintain a diverse and healthy loan portfolio by serving all segments of agriculture. Risks that may be associated with a particular geographic region, such as adverse weather, land pricing or commodity markets, may be offset by stronger performance in our other regions, thereby reducing pressure on the overall portfolio.

COMMODITIES FINANCED

A diverse loan portfolio can also reduce the risks associated with a measurable downturn in any one agricultural commodity. By serving a wide range of commodities and types of operations, we are able to mitigate risk and ensure that any material stress on the entire portfolio is minimized.

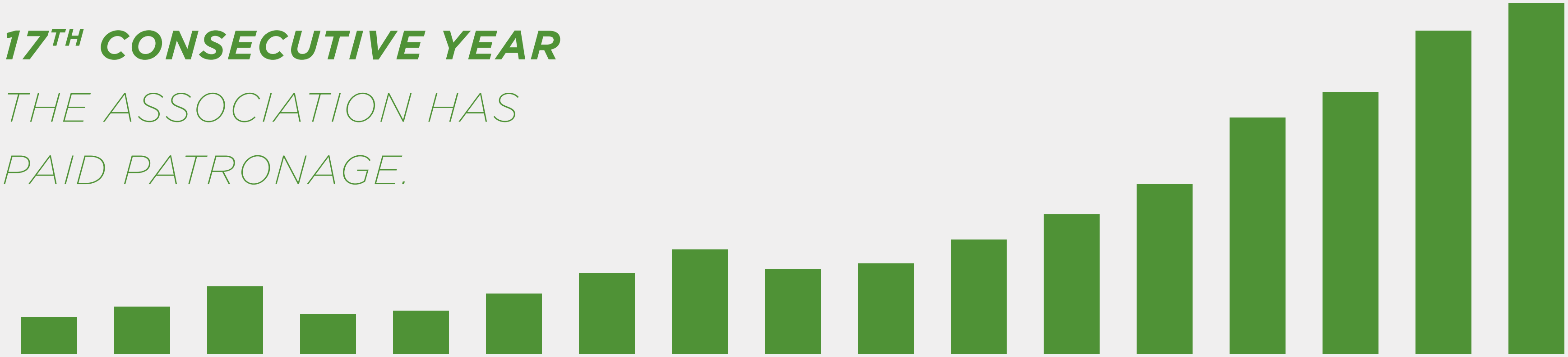
PATRONAGE REPORT

This year, our Board again voted to approve our patronage distribution at a full 1.0%, resulting in nearly $163 million back to you, our loyal customer owners.

Our efforts to maintain a diversified loan portfolio, balanced across commodities and locations, help minimize the impacts of stress on any individual sector. We also continue to improve our business processes and operating efficiency. As a result of these efforts, we are able to share more profit with our members than ever before.

Again, we did this by finding efficiency gains in the business, not by charging you more. In fact, we lowered the spread between interest rates charged to borrowers and our own cost of funds.

THIS YEAR MARKS THE **17TH CONSECUTIVE YEAR** THE ASSOCIATION HAS PAID PATRONAGE.



2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
$16.3 million	$20.7 million	$29.4 million	$17.2 million	$18.6 million	$26.2 million	$34.8 million	$45.0 million	$37.0 million	$39.1 million	$51.0 million	$61.6 million	$74.8 million	$105.1 million	$115.4 million	$142.0 million	$162.9 million

Go behind the scenes with
Go Green Agriculture.

Scan to see more.

'A DISNEYLAND OF AUTOMATION'

Pierre Sleiman, Jr. did not follow a typical path into agriculture. Studying computer science at the University of California, Riverside, he was already on a mission to become an entrepreneur when he met a professor who was working with NASA to grow lettuce on the International Space Station.

The thought of growing lettuce in space so intrigued Pierre that he soon developed his own design for a greenhouse and built a scaled-down version in his dorm room. Pierre kept iterating on the idea, adding information processing and automation to his designs. In 2009, Go Green Agriculture was born.

"What I wanted to do is solve a problem that would revolutionize the agriculture industry," said Pierre, walking us through rows of verdant lettuce greens at the company's greenhouses in Encinitas, California. "And in order to solve that problem, we had to develop certain technologies. We had to think about what are the solutions we're trying to create for customers, for the world and for our community? And from that, we reverse engineer."

Pierre's passion for solving problems has evolved into a successful business. Today, Go Green develops technology and operates high-tech greenhouse facilities in Encinitas, San Marcos and Patterson, California, producing millions of organic heads of lettuce and leafy greens per month for numerous commercial buyers, including Costco, Whole Foods, Safeway and dozens more.

On his journey to becoming a sustainable powerhouse, Pierre plans to establish planting farms near large cities to supply sustainably grown and organic produce to local communities. At Go Green, Pierre has hired engineers and inventors from a variety of fields, many with careers outside of agriculture, in order to create solutions with new and innovative approaches.

"From the moment that we plant the seed to when we harvest the product, you have grow lights, heaters, coolers, humidity systems, all controlled by a centralized computer," said Pierre. "It's all monitored closely by information systems in concert with the team during every step of the process. It is a Disneyland of automation."

"WE HAD TO THINK ABOUT WHAT ARE THE SOLUTIONS WE'RE TRYING TO CREATE FOR CUSTOMERS, FOR THE WORLD AND FOR OUR COMMUNITY?"

— PIERRE SLEIMAN, JR.

Go behind the scenes with
Go Green Agriculture.
Scan to see more.

DOING MORE WITH LESS

Much as his college professor was working to solve the complex set of problems around growing greens on a space station, Pierre has found opportunity in some of agriculture's most pressing challenges. With a growing population and finite resources, Pierre is finding ways to produce more food with fewer inputs and less human monitoring.

"The technology that we've developed enables us to use 80 percent less water, one-fifth the land, and a fraction of the labor needed compared to open field production," said Pierre.

Beyond the company's gains in land and water efficiency, Go Green has also been able to improve working conditions for its hundred-plus employees.

"One of the big challenges in labor has been the difficulty of the jobs themselves," said Pierre. "We are creating environments that are much more ergonomic and much more pleasant for our employees to work in. It's very important to us that we not only create the best environment for our plants, but for our Go Green team as well."

"THE TECHNOLOGY THAT WE'VE DEVELOPED ENABLES US TO USE 80 PERCENT LESS WATER, ONE-FIFTH THE LAND, AND A FRACTION OF THE LABOR NEEDED COMPARED TO OPEN FIELD PRODUCTION."

— PIERRE SLEIMAN, JR.

LEARNING FROM SUCCESS AND FAILURE

From a dorm room experiment to a large-scale technology innovator, Go Green Agriculture is a model of ingenuity and entrepreneurship.

Allison Paap, Lending Manager at American AgCredit, has worked with Pierre and Go Green Agriculture for the past decade as the company has evolved and expanded into new facilities, first leasing and then acquiring new space to increase production.

“Pierre’s motivation, vision and enthusiasm are infectious, and he really is an open book that gives you full access to everything that’s going on in his business and his vision,” said Allison. “It’s also been an amazing privilege to get to know him and his family personally, and to be able to develop that deep relationship over the past 10 years.”

Along the way, Pierre said part of the formula to success is to continuously embrace every setback and failure, which ultimately drives resiliency and creates a purpose-driven organization.

“When we were in our critical growth stage early on, we had one big customer that was maybe 60 or 70 percent of our business,” said Pierre. “We grew too fast and at some point we weren’t able to supply them as much as they needed, and they cut us off. From that, our entire team came together and worked on how we could turn this around. How can we learn from what we did wrong?”

By the end of that year, Pierre and his team had rallied to win new accounts and ended up bringing in even more business than they had before.

“We have a mindset of resiliency that allows us to innovate through any challenge,” said Pierre. “We embrace crisis and use it to drive a sense of urgency. We know that our mission to revolutionize agriculture is not an easy one — that’s what makes this exciting.” ■

Go behind the scenes
with Rau Farms.

Scan to see more.

"CHANGE IS NECESSARY … AND IN AGRICULTURE, WHAT WE DO WOULD BE THE EPITOME OF CHANGE AS A NECESSARY CONSTANT."

— DENNIS RAU

CHANGE IS A NECESSARY CONSTANT

Change is a constant in agriculture, from the shifting seasons and weather to crop rotations and input costs, new equipment and family transitions. Few of our customers better represent this principle than Dennis and Jessica Rau of Rau Farms.

Rau Farms is an award-winning operation that produces soybeans, cotton, wheat and corn in Derby, Kansas. Dennis is the fifth generation in his family to farm in Sedgwick County, with two sons and a daughter representing the next step in the family's legacy.

"Change is necessary," said Dennis. "Change in ideas, change in who's in charge, change in crop rotations, in how we do things. There really isn't any industry where zero change has been successful, and in agriculture, what we do would be the epitome of change as a necessary constant."

When Dennis' great-great grandfather emigrated from Germany and began farming in western Sedgwick County, the area was a vast and windswept frontier. Today, the family's farm is situated in a growing suburb of Wichita, where agriculture remains an important part of the local economy and culture, even as the number of farms has dwindled.

Go behind the scenes with Rau Farms.

Scan to see more.

BRINGING IN NEW PERSPECTIVES

Dennis attributes the family's continued success in farming to a combination of hard work, pragmatic thinking and a willingness to embrace change, even when doing so might be uncomfortable.

In 2002, Dennis and his father, Greg, formed a partnership to operate the farm. This agreement paved the way for Dennis and Jessica to carry on the family's operation while developing the necessary management skills to run the farm. Less than a third of U.S. farms have a succession plan in place, according to the USDA's Agricultural Resource Management Survey.

"I look at our kids who are involved in the operation now and start to realize how valuable that input really is," said Dennis. "Not only do they look at it with a different set of eyes, but they're eventually going to be the ones that need to make all of these decisions using that different perspective."

Even as Dennis and Jessica operate the farm, make sound financial decisions and look for new opportunities to increase profitability, they're taking care to include their children in the farm management process.

"It's only right that I look forward," said Dennis. "Our oldest is in college right now. And our middle son is graduated from high school, and he's working full time for us. Then our daughter's in high school, and you've got to start making room for them. That's important, because we want it to continue."

Dennis also keeps an eye on sustainability and soil health when making decisions about which crops to plant, which products to use on farm and how best to manage the farm assets. For him, it's about making smart economic choices while also tending to the land that provides for his family and will continue to sustain the next generation.

"We try to follow where the profit is, but only to the extent that we don't forget what we're trying to do with soil health and fertility," said Dennis. "We're taking care of the land that's ultimately taking care of us."

The family has worked closely with Gerry Mills, vice president of Lending at American AgCredit, for more than a decade to secure financing and make decisions to improve the farm's balance sheet. Gerry said one of the most important aspects of the relationship is

"WE'RE TAKING CARE OF THE LAND THAT'S ULTIMATELY TAKING CARE OF US."

— JESSICA RAU

when he's able to share information about how other farms have approached similar challenges and transitions.

"Sharing what I've seen be successful for other families and in other transitions is valuable," said Gerry. "It's also an opportunity for us to utilize our network of relationships outside of the company to put them in touch with Dennis and Jessica so they can navigate and make good decisions."

When they first met with Gerry, the family had young children and were still stepping into their own as farm operators. Over time, Jessica says they've come to think of Gerry and American AgCredit as trusted financial partners with expertise that's valuable to their operation.

"[Gerry] is invested in us and he's really gotten to know us," said Jessica. "He has become one of the team members that we trust, and we share information with him freely. Our experience with Gerry and American AgCredit has shown us what you can really have in a business relationship." ■

COLLABORATE, SCALE AND SHARE RESOURCES

Heading north along Highway 101 in Northern California, you follow the path of the Russian River in reverse as it courses through the steep hills and rich farmland of Mendocino and Sonoma counties. In Ukiah, an hour north of Santa Rosa, vineyard owners farm a wide range of grapes that produce some of California's most celebrated and distinctive wines.

Tyler Rodrigue is a multigenerational farmer who returned to his grandfather's vineyard in Ukiah to raise children with his wife, Jen, while continuing the family business. Returning to the farm, he soon ran into challenges common to growers in the region: limited access to skilled labor, rising production costs and an increasingly competitive global market.

"Noble Vineyard Management came into being because we're all farmers and we were trying to figure out how we can survive in today's evolving world," said CEO Tyler Rodrigue. "We came together and said, 'How can we collaborate, achieve some scale and share resources?'"

Five years later, Noble Vineyard Management has grown from a few clients to managing more than 1,500 acres of land for vineyard owners in Mendocino, Lake and Sonoma counties. The company offers vineyard owners a single source for equipment, custom harvesting, construction, and pump and irrigation services.

"We were looking around at our own ranch and trying to figure out how we could scale things and create more efficiencies," said Chief Financial Officer Jen Rodrigue. "We recognized there was a need from other grape growers and farmers for the same thing, and that we could help fill that need."

Go behind the scenes with Noble Vineyard Management.

Scan to see more.

BUILDING TRUST AND TRANSPARENCY

As the company has expanded over the last five years, so has the industry's focus on sustainability and accountability in how grapes are produced.

"Transparency is key to us," said President Dave Downey. "We are working to be at the forefront and the leader in Mendocino County vineyard management. We're trying to help our clients make more for their grapes, to make the right planting decisions, to be as sustainable as possible and to continue growing in Mendocino County."

Dave started his career working for a vineyard manager who farmed organic and conventional wine grapes. Since then, he has managed properties that practice a wide variety of growing practices, ranging from organic and biodynamic to regenerative biodynamic agriculture.

As more wineries embrace sustainable and regenerative growing practices, Director of Viticulture Dave Koball said that Noble Vineyard Management was able to provide guidance and evaluate the pros and cons of each option. He draws from 28 years of experience in Mendocino County grape growing and viticulture.

"To manage a vineyard right, you have to be aware of a lot of things," said Dave Koball. "Soil, water, insect fertility, when to do certain things for the vines, how to manage your labor. It's an extremely complicated business."

Beyond the work normally associated with grape growing, Dave said that the company handles many behind-the-scenes tasks that are critical for a successful growing season. During a typical season, the team may be managing water, compliance, labor sourcing, administrative and irrigation issues for their clients, in addition to planting, pruning and harvesting wine grapes.

INNOVATION IN GRAPE GROWING

One secret of success at Noble Vineyard Management has been the team's willingness to embrace new technology to help their clients become more efficient, from mechanical harvesters that shake and remove grapes from the vine, to automated irrigation systems. Meanwhile, the company's employees have gained new skills as they operate and optimize equipment in the field.

"I think the mechanization of farming is where it's going," said Dave Downey. "It started with machine harvesting, now there are trunk shakers and bow rods that help make the process easier. You see custom harvest machines and autonomous vehicles everywhere because the technology works."

The company also completes aerial photography on clients' properties, then uses Light Detection and Ranging technology to compare year-over-year changes to the vineyard and recommend spot treatments to address any issues.

"My favorite part of the job is the constantly evolving nature of farming," said Tyler. "The challenges are unique and they are much more complicated than they might seem at first blush. It's the constant challenges that make it fun."

"NOBLE VINEYARD MANAGEMENT CAME INTO BEING BECAUSE WE'RE ALL FARMERS AND WE WERE TRYING TO FIGURE OUT HOW WE CAN SURVIVE IN TODAY'S EVOLVING WORLD."

— TYLER RODRIGUE

FINDING A FINANCIAL PARTNER IN AGRICULTURE

As Noble Vineyard Management has grown, the company has partnered with American AgCredit to secure capital and financial expertise. Deanna Martin, Associate Vice President of Lending, and Jena Cramer, Senior Loan Officer, have both worked closely with Tyler and his team.

"It has really evolved into becoming a partnership, where at American AgCredit, we provide resources to Tyler and his team to improve their bottom line," said Deanna. "We put them in touch with our economic data and relevant information from our appraisal department, and that has helped them make more informed decisions."

Tyler says that working with a lender that knows and appreciates agriculture has been a benefit for his business, both in finding a reliable financial partner and a team with a great deal of expertise.

"American AgCredit has this incredible group of people who come from a financial background but oftentimes also a hands-on agricultural background," said Tyler. "They can help you think outside the box and find what's right for your business, and that adds a lot of value for your organization." ■

Go behind the scenes
with Wiens Wagyu.
Scan to see more.

"FARMING IS A LIFESTYLE THAT I WANTED TO HAVE TO RAISE A FAMILY. THAT'S A BIG REASON I DO THIS, TO INVOLVE MY BOYS IN WHAT I DO."

— BRADON WIENS

BUILDING CONNECTIONS WITH CONSUMERS

It's calving season on the windswept prairie of southwest Kansas, and Bradon Wiens is heading out to the pasture to check on some new additions to his herd of Wagyu cattle.

Bradon is a fourth-generation farmer whose family can trace a legacy in Kansas agriculture back to the late 1800s. He and his wife, Rachael, and their three boys live on the family farm in Meade, Kansas, about an hour south of Dodge City.

"I got into Wagyu because I'm also a foodie. I love a good steak," said Bradon. "In my searching, I started running across Wagyu, not as something I thought was a potential for us but just something I wanted to try."

As Bradon was researching options to transition the farm from a backgrounding to a cow-calf operation, he came across a specialty beef that's known for its rich flavor. He tried the steak and was immediately impressed with the taste.

Eager to learn more, Bradon contacted a fellow producer who had experience raising Wagyu beef, and through these conversations he learned the particulars of raising this breed. Bradon also learned about Wagyu beef's health benefits, including low saturated fat and healthy amino acids, as well as the meat's low melting point of around 80 degrees Fahrenheit. In 2015, Wiens Wagyu was born.

"Most cattle guys (myself included), before we got into Wagyu, we did not see where the product went, we didn't have that connection to the consumer," said Bradon. "We have that connection now, and so we had to learn how to build a brand, how to market and how to work with the consumer."

In about six years, Wiens Wagyu has grown from a few animals to a herd of over 100 head, with genetics linking them back to a sire bull in Japan. The company sells cuts of meat and beef jerky directly to consumers through their website, and to the popular Dempsey's Burger Pub in Wichita.

Rachael said the main challenge for their business has been educating consumers about Wagyu beef. The couple film cooking videos, post delicious photos to social media and find new buyers online. As consumers become more conscious about their health and the way their food is produced, businesses like Wiens Wagyu have flourished.

"We have been able to raise these animals from birth all the way to butcher, and it's a special thing to know that we care for these animals their whole life," said Rachael. "They don't change hands several times. [Wagyu] is definitely worth trying ... you may be surprised at the flavor and you can actually tell the difference in the end product."

Go behind the scenes with Wiens Wagyu.

Scan to see more.

FARMING AND RAISING A FAMILY

The lifestyle of farming has also allowed Bradon and Rachael to focus on their growing family. Growing up, Bradon learned important life lessons from his father, Jerome, and his grandfather while working on the farm and tending to the animals. Today, Bradon is able to pass on the same life lessons to his young sons Beau, Jake and Max.

"Farming is a lifestyle that I wanted to have to raise a family. That's a big reason I do this, to involve my boys in what I do," said Bradon. "I can eat lunch with them, I can pick up my son and go check cattle, and have him ride the tractor with me. I can still be a dad and I can farm at the same time."

Debra Stegman, Vice President of Lending at American AgCredit, has worked with the family for years, beginning with Bradon's father.

"The Wiens' are excellent people to work with, and young and beginning farmers," said Debra. "It's been great to watch the family grow, and we're really privileged to help them out with their farming operation."

As Bradon has continued to educate consumers and grow the Wagyu beef business, the family has been able to expand the farm by purchasing a neighboring property. He said that working with a lender focused on agriculture has helped their operation grow and take advantage of new opportunities.

"My dad has worked with American AgCredit, and I know it's a cooperative, and that I have some ownership as a customer. I know I'm going to get good service and to have people working for me," said Bradon. "It's just been a great partnership all around." ■

REPORT OF MANAGEMENT

The Association's consolidated financial statements are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with generally accepted accounting principles in the United States of America. Other financial information included in this Annual Report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as needed. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. Their report is located on page 44. The Association is also examined by the Farm Credit Administration (FCA), regulator of the Farm Credit System.

The Association's Audit Committee of the Board of Directors, which is composed of directors who are not employees, has overall responsibility for the Association's system of internal control over financial reporting. The Audit Committee of the Board of Directors meets periodically with management, FCA, outside consulting firms, internal auditors and the independent external auditors to review the manner in which each of these groups perform their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. These internal auditors, independent external auditors, and regulators also have access to the Audit Committee of the Board of Directors and its individual members at any time.

The undersigned certify that they have reviewed the 2021 Annual Report and that it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

MARCH 4, 2022

Gary Harshberger
Board Chair

Curt Hudnutt
Chief Executive Officer

Vern Zander
Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is composed of five members of the Board of Directors. In 2021, 12 Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities.

The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditors for 2021. The Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Charter.

The fees paid for professional services rendered for the Association by its independent auditors, PwC, during 2021 were $600,700 for audit and audit-related services and $30,300 for tax services.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and Audited Financial Statements for the year ended December 31, 2021 (Audited Financial Statements), with management. The Committee also reviewed with PwC the matters required to be discussed by the Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provided reports on significant matters to the Committee.

The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded these services to be compatible with maintaining the independent auditors' independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's 2021 Annual Report and for filing with the FCA.

MARCH 4, 2022

Thomas G. Stegman
Audit Committee Chair

2021 AUDIT COMMITTEE MEMBERS

Cyril Chappellet	Larry Solari (term expired December 2021)
Carolyn Dunn	Thomas G. Stegman
Janet Konkel	Thomas Teixeira

MANAGEMENT'S 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 the 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 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's management determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2021.

MARCH 4, 2022

Curt Hudnutt
Chief Executive Officer

Vern Zander
Chief Financial Officer

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(UNAUDITED)

December 31 (in thousands)	**2021**	**2020**	**2019**	**2018**	**2017**
CONSOLIDATED STATEMENTS OF CONDITION DATA					
Loans	$15,934,730	$14,170,874	$11,844,790	$10,214,774	$9,306,922
Less: allowance for loan losses	(37,515)	(33,211)	(25,807)	(21,359)	(19,588)
Net loans	**15,897,215**	**14,137,663**	**11,818,983**	**10,193,415**	**9,287,334**
Investment in and receivable from CoBank	554,197	533,452	440,264	384,306	354,876
Accrued interest receivable	119,531	114,735	111,419	98,197	80,155
Other property owned	4,160	4,160	4,779	–	–
Other assets	393,279	304,130	287,977	252,673	252,707
Total assets	**$16,968,382**	**$15,094,140**	**$12,663,422**	**$10,928,591**	**$9,975,072**
Obligations with maturities of one year or less	$8,052,151	$6,047,560	$5,914,753	$5,331,253	$3,944,170
Obligations with maturities greater than one year	6,252,776	6,677,425	4,521,088	3,481,418	3,999,899
Total liabilities	**14,304,927**	**12,724,985**	**10,435,841**	**8,812,671**	**7,944,069**
Preferred stock	300,000	175,623	127,955	125,766	126,910
Common capital stock and participation certificates	10,495	10,212	9,545	8,791	8,714
Unallocated retained surplus	1,694,971	1,520,252	1,420,692	1,336,892	1,254,530
Additional paid in capital	677,110	683,656	683,656	656,723	656,723
Accumulated other comprehensive loss	(19,121)	(20,588)	(14,267)	(12,252)	(15,874)
Total shareholders' equity	**2,663,455**	**2,369,155**	**2,227,581**	**2,115,920**	**2,031,003**
Total liabilities and shareholders' equity	**$16,968,382**	**$15,094,140**	**$12,663,422**	**$10,928,591**	**$9,975,072**

Year Ended December 31 (in thousands)	**2021**	**2020**	**2019**	**2018**	**2017**
CONSOLIDATED STATEMENTS OF INCOME DATA					
Net interest income	$445,534	$368,417	$307,483	$267,660	$255,083
Provision for credit losses	(6,832)	(9,435)	(5,312)	(2,477)	(2,634)
Patronage distribution from Farm Credit institutions	112,464	89,299	63,275	66,336	52,160
Non-interest expense, net	(200,146)	(200,950)	(164,710)	(143,283)	(130,429)
Provision for income taxes	(2)	(2)	(18)	(15)	(4)
Net income	**$351,018**	**$247,329**	**$200,718**	**$188,221**	**$174,176**

CONSOLIDATED KEY FINANCIAL RATIOS

(UNAUDITED)

Year Ended December 31	2021	2020	2019	2018	2017
Return on average assets	2.25%	1.82%	1.75%	1.68%	1.70%
Return on average shareholders' equity	13.65%	10.41%	8.93%	7.86%	7.78%
Net interest margin	3.02%	2.87%	2.85%	2.82%	2.90%
Net charge-offs as a percentage of average loans	0.02%	0.01%	0.01%	0.00%	0.03%
As of December 31					
Shareholders' common equity as a percentage of total assets	13.93%	14.53%	16.58%	18.23%	19.11%
Shareholders' total equity as a percentage of total assets	15.70%	15.70%	17.59%	19.39%	20.38%
Debt as a ratio to shareholders' equity	5.37:1	5.37:1	4.68:1	4.16:1	3.91:1
Allowance for credit losses as a percentage of loans	0.26%	0.27%	0.25%	0.24%	0.24%
Allowance for loan losses as a percentage of loans	0.24%	0.23%	0.22%	0.21%	0.21%
Common Equity Tier 1 (CET1) capital	10.69%	11.55%	13.40%	14.75%	15.37%
Tier 1 capital	12.37%	11.55%	13.40%	14.75%	15.37%
Total capital	13.71%	11.79%	13.60%	14.94%	15.57%
Tier 1 leverage	14.10%	13.16%	15.33%	16.86%	17.61%
Unallocated retained earnings and URE equivalents (UREE) leverage	13.36%	13.94%	15.67%	17.24%	19.08%
Permanent capital ratio	13.69%	12.83%	14.58%	15.99%	16.65%
Other Information					
Cash patronage distributions declared (in thousands)	$162,855	$141,970	$115,410	$105,069	$74,842
Preferred stock dividends declared (in thousands)	$8,189	$1,318	$3,200	$2,657	$1,370
Loans serviced for others (in millions)	$6,299	$5,755	$5,159	$4,162	$4,783

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(UNAUDITED)

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries American AgCredit, FLCA and American AgCredit, PCA (collectively the Association or American AgCredit) as of December 31, 2021, with comparisons to prior years. This discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report.

Our annual and quarterly reports to shareholders are available on our website, www.AgLoan.com, or can be obtained free of charge by calling (800) 800-4865. Annual reports are provided to all stockholders within 90 days after year-end and are available on our website within 75 days after year-end; quarterly reports are available on our website within 40 days after each calendar quarter-end.

FORWARD-LOOKING INFORMATION

Certain information included in this discussion constitutes forward-looking statements and information that is based on management's belief, as well as certain assumptions made by and with information currently available to management. These statements are not guarantees of future performance. When used in this discussion, words such as "anticipates," "projects," "expects," "believes," "estimates," "could," "should," and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations and projections will prove to be correct. Such forward-looking statements are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks materialize, or should such underlying assumptions prove to be incorrect, actual results may vary materially from those anticipated, projected, or expected. Key factors that may have a direct bearing on operating results include: fluctuations in the economy; the relative strengths and weaknesses in the agricultural credit sectors and in the real estate market; regional weather conditions and trends; the actions taken by the Federal Reserve for the purpose of managing the economy; the continued growth of the agricultural market consistent with recent historical experience; the continued influx of government payments to borrowers; the transition from LIBOR to SOFR rate indexes; the continued effect of the COVID-19 pandemic; and Farm Credit Administration (FCA) mandates and rulings.

BUSINESS OVERVIEW

FARM CREDIT SYSTEM STRUCTURE AND MISSION

American AgCredit is one of 67 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served rural communities and agricultural producers for more than 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The FCA is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

OUR STRUCTURE AND FOCUS

As a cooperative, voting stock of American AgCredit is owned by the members we serve. The Board of Directors ("Board") is comprised of 20 seats, 18 of which are currently filled by 15 stockholder elected directors and 3 directors appointed by the elected directors. All directors are independent from the perspective that no management or staff serves as Board members. However, as a financial service cooperative, elected directors are required to have a loan relationship with the Association. Among other duties, the Board selects and compensates the Chief Executive Officer, oversees lending operations, establishes the strategic plan, approves the operating budget, and oversees the financial reporting process.

Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, Colorado, and New Mexico, as well as the states of Nevada and Hawaii. The Association makes short- and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans. To meet the diverse needs of its borrowers, the Association is structured along geographical and business industry lines that allow for specialized transactions that are unique to various types of customers. The Association's success is highly dependent on the customer experience it can provide to its borrowers. Business priorities are to serve the needs of all eligible customers, increase loan volume, improve operating efficiencies, build capital, increase profitability, and invest in the people and technological resources that will ensure future success.

As part of the System, the Association obtains funding from CoBank, ACB (CoBank). CoBank is a cooperative of which the Association is a member. CoBank and its affiliated associations and AgVantis, Inc. (AgVantis) are collectively referred to as "the District."

The Association, along with our borrowers' investment in our Association, is materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge on CoBank's website, www.CoBank.com, or may also be obtained at no charge by calling (800) 542-8072 or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111. Annual reports are available within 75 days after year-end and quarterly reports are available within 40 days after the calendar quarter-end.

ECONOMIC OVERVIEW

The U.S. economy entered 2021 amid a high degree of uncertainty surrounding macroeconomic, COVID-19, environmental/climate, and political themes. Overall, the year was markedly improved as compared to 2020 across economic measures. The Federal Open Market Committee (FOMC) stayed the course though the year with respect to the federal funds rate and the volume of asset purchases. Towards the end of 2021, the FOMC accelerated the slowdown in asset purchases due to inflationary pressures and general economic health. The Federal government also continued its trend of economic stimulus, adding $1.9 trillion of spending in the American Rescue Plan and $1.2 trillion in the Infrastructure and Investment and Jobs Act. This spending was in addition to several trillion dollars of stimulus enacted during 2020. Although none were enacted by the end of the year, proposed legislation in 2022 could increase future corporate income tax rates as well as some individual income tax rates. The domestic financial markets experienced steady gains, with a measure of volatility during the latter half of 2021. For example, the S&P 500 index recorded a 27% increase during 2021.

Due to a confluence of economic and pandemic-related conditions, severe supply chain disruptions and cost increases occurred throughout 2021. As vaccines for COVID-19 became widely available, an increase in demand for all goods combined with the supply chain issues and competitive labor markets resulted in broad inflationary pressures. The core consumer price index measure increased to 7.0% on an annualized basis as of December 2021 and the producers price index increase was 9.7% in the same period. The unemployment rate continued declining throughout 2021 and was on trend to return to approximate pre-COVID-19 levels. As of the end of the year, the unemployment rate was 3.9%. A portion of the unemployment decrease can be attributed to workers exiting the workforce and early retirements, which has caused both an increase in open labor positions and wage increases.

Due to anticipated continued inflation, the latest projections indicate a cessation of quantitative easing and several interest rate hikes in 2022 by the FOMC, potentially starting in early 2022. This represents a significant policy pivot and a preventative response to ongoing inflation. For reference, the expectation a year ago held by many central bank officials and professional forecasters were interest rate increases to begin as early as 2023.

While overall cash receipts for many agricultural commodities have risen, increased variable costs have negatively impacted profit margins. The extremely tight labor market required many agribusinesses to raise wage rates. The US Department of Agriculture (USDA) indexes for fertilizer and other agricultural chemicals and inputs are markedly increased, while gas and related petroleum products increased prices sharply in the second half of 2021. Natural gas price increases have also elevated nitrogen-based fertilizer prices. Commodity prices in general are also elevated, somewhat helping to offset expected increases in input prices.

The Association's territory remains susceptible to natural disasters. Drought conditions severely worsened in much of the Association's territory. The 2021 water year, which spanned October 1, 2020, to September 30, 2021, was the driest water year in California since 1924. The continued drought resulted in significant wildfire activity and significant acreage burned. However, due to the Association's diversification across its defined territory and across the United States through its capital markets lending portfolio, losses directly affected by drought are not expected to have a material impact on the Association. Much of the western United States received consistent precipitation in December which served to markedly improve drought conditions. As of December 31, much of the Association's territory was no longer classified as in extreme drought. Significant precipitation will still be required to fully exit drought conditions for many areas and meaningfully reduce the propensity for western wildfires. The impact of climate change, including rising temperatures, more volatile weather events, and increasing wildfire activity, remains a risk factor for agriculture.

COMMODITY REVIEW AND OUTLOOK

The following highlights the general health of agricultural commodities with the greatest concentrations in the Association's loan portfolio. Loan volume may fluctuate based on the seasonal nature of agriculture, especially with respect to commodities that have a single harvest cycle per year. Major commodities financed by the Association are shown in the table in Note 3 to the consolidated financial statements.

VINEYARDS AND WINERIES

The wine industry rebounded after a period of disruption following COVID-19 related closures of tasting rooms, large events, and restaurants in 2020 and parts of 2021. Tourism and restaurant patronage picked up in 2021, resulting in strong demand for wine grapes. Increased direct-to-consumer sales and other experimental sales tactics continue to be employed. The average price of wine at the retail level continues to increase, which may indicate supply constriction in addition to increased demand. Wineries have benefited from strong demand of "jug" wine and new products, such as wine seltzers. Wine industry mergers and acquisitions activity worldwide continue to increase, and vineyard property land values remain strong. However, vineyard and related development costs have risen due to labor shortages and price inflation on construction materials. Demand for development land has lowered in comparison to established productive vineyard property due to the higher costs. Considering continued wine demand, grape prices are stable to improving. Bulk inventory levels continue a downward trend as wineries backfilled a sharply reduced 2020 harvest due to wildfire impacts and a still reduced 2021 crop because of extreme droughts. Areas in Northern California received sustained December rains; however, 2022 yields will be heavily dependent on continued winter precipitation. As with nearly all agriculture sectors, labor costs are elevated and are expected to continue an upward climb. Strong grape prices should be able to absorb most, if not all the cost increases and keep profit margins at a stable level. Looking forward, the pace of economic recovery, consumer sentiments regarding social activities, and the state of the COVID-19 pandemic will continue to impact the industry for the foreseeable future.

FIELD CROPS

The 2021 growing season was generally a strong year for field crops. Prices were generally strong enough in 2021 to overtake increases in input prices. Yields were also favorable resulting in increased profitability. Secondary measures of profitability such as sales of combines and four-wheel drive tractors have experienced double digit growth as compared to year-ago levels. Surveys of farmers and industry experts also indicate overall strong farm income levels for field crop producers. However, financial performance for 2022 is expected to decline due to rising input costs, primarily from fertilizer. Compared to a year ago, anhydrous ammonia, urea, phosphate, and potash prices have increased by double- or triple-digit percentages. As the United States is an importer of fertilizers, the ability to quickly restock by dealers is somewhat limited. As a result, margins in 2022 are likely to tighten. Drought conditions remain across the western United States, which could continue to curb yields.

The fundamentals for the corn market are currently strong. The domestic stocks-to-use ratio is at a historically low level and the USDA expected the average corn price received by farmers in 2021 to be approximately $5.45 per bushel. Yields on irrigated acres are well above average in Kansas and Colorado, while dryland yields remain average. Demand in 2022 is supported by strong exports, large cattle on feed numbers, and low ethanol stocks. The wheat sector has improved through the second half of 2021. Wheat production declined due to drought in Montana and the Dakotas, resulting in a decrease in the stocks-to-use ratio. As wheat takes less inputs than other commodities, there could be an increase in planted acres in 2022 to take advantage of favorable profit margins. Soybean use has decreased while production has increased resulting in a higher stocks-to-use ratio. Although soybean cash prices have declined, they remain above levels observed from 2017 to 2020, and futures prices through 2022 indicate a mostly stable price environment. Cotton yields were lower due to drought resulting in increased pool prices. Most forecasters expect stronger cotton prices in 2022. Hay prices in most areas also remain elevated due to drought.

TREE FRUITS AND NUTS

Economic conditions for tree fruits and nuts are average to subdued as a result of persistent drought in the western United States. Yields in California for almond, walnuts, and other tree fruits and nuts declined due to drought pressures. California received much-needed precipitation in December. The rains came too late to have a substantial impact on yields but should help improve tree health. It remains to be seen whether the current winter season will continue to pull areas out of exacerbated drought conditions. Despite lower yields, demand for tree fruits and nuts remains strong and prices continue to improve, or remain stable at generally profitable levels, alongside tighter supplies.

After a bumper 2020 crop of nearly 3 billion meat pounds, almond production for the 2021 crop is expected to be lower as an increase in bearing acres only partially offset sharp declines in yields. The shipment of almonds declined 15 percent in the first four months of the marketing year as compared to year-ago levels. The lack of available shipping containers and increased logistical costs have contributed to the decline. 2022 almond production will depend heavily on winter precipitation and water availability during key growing months. Demand for almond orchard real estate is strong in areas with good water but remains weaker in areas with poorer water. The 2021 walnut crop is expected to be 1.33 billion pounds, which would be historically large but below the 2020 bumper year. Walnut prices are near the five year average due to crop quality concerns and global supply and demand fundamentals. The pistachio harvest eclipsed 1 billion pounds, representing a new record. 2022-2023 pistachio production should also be strong due to new acres becoming productive. Colorado peach production was lower due to a harsh winter that damaged many trees, but producers without significant production loss are expected to be profitable as demand for Colorado peaches remains strong. Most cherry growers were profitable in 2021 and 2022 demand is expected to be strong.

DAIRIES

Profit margins in the dairy industry were tight and, in some cases, negative for the first half of 2021. As milk prices improved in the third quarter, profit margins turned positive through the rest of the year. Overall demand for dairy improved while supply remained at similar levels helping prices to strengthen in the second half of 2021. Demand for dairy products improved both domestically and internationally. Of note are exports to Mexico, which increased more than 20% compared to year-ago levels. Across the board, prices for milk products also increased, including butter, non-fat dried milk, cheese, and whole milk. The price of dairy cows decreased in the second half of 2021, mostly due to a lack of demand for older cows, marginal milk cows and heifers. However, good quality milk cow prices have remained somewhat stable. Input costs for dairies also increased, which caused thinner profit margins. For example, corn and premium alfalfa in California were 33% and 45%, respectively, higher than a year ago. Additionally, labor costs for dairies have significantly increased, forcing some dairies to invest in additional mechanization. Looking ahead to 2022, futures prices for Class III and IV milk indicate continued price support and improved liquidity for dairy farmers. Input prices are also expected to remain elevated in 2022.

BEEF

The beef industry closed out 2021 on much stronger fundamentals compared to the end of 2020. Demand for beef remained robust in 2021. The USDA estimated in December that total U.S. beef consumption will increase about 1.2% compared to 2020, representing the highest consumption level since 2007. Domestic and export demand increased, and consumers exhibited a willingness to absorb higher prices. Current supply chain issues may impact short-term export levels. Beef production also remained strong throughout the year. 2021 processing rates increased 3% from 2020 and set a new historical high. Production in the coming years is generally expected to decline as the size of the U.S. beef herd shrank over the past several years. Cattle prices have generally improved as strong supply was met with slightly stronger or equal demand. Strong demand has also pushed prices for good quality replacement cows above recent averages. Areas of prolonged and intense drought have seen somewhat weaker cattle prices.

Cattle ranchers and beef operators have been impacted by markedly appreciated input prices through 2021. Corn prices increased due to stronger demand and tighter than expected supplies. Distiller grain prices were nearly 50% higher than year-ago levels. Hay, supplement, and mineral prices have also followed upward inflationary trends. As with other agricultural commodities, increased labor costs are impacting profitability. Looking ahead to 2022, forecasters expect both domestic and export demand to remain strong, providing a strong tailwind for the industry. Drought conditions, and overall input and labor cost inflation could negatively impact the industry. If demand continues to grow, the recent decline in the beef herd may help support higher cattle prices, due to less available supply, and provide an offset to higher input prices.

FOREST PRODUCTS

Forest products experienced the most noteworthy price increases and subsequent declines of all significant agricultural commodities during 2021. Lumber became a nationwide proxy for measuring the economic recovery, demand for goods, and supply chain constraints. Throughout parts of 2021, lumber prices had increases of 300% or more from year-ago levels. Lumber futures in early May hit a record of $1,711 per thousand board-feet. Consumers continued with renovation projects and total construction remained at historically elevated levels. Mills struggled to keep pace amid do-it-yourself projects such as deck building, fencing, and other projects related to increased time spent at home. Prices for forest products also increased amid supply chain disruptions and historically low interest rates fueling demand for housing. While prices significantly decreased though the second half of the year, there was an increase through December and the price of most products remained above recent averages. A portion of the recent increase in prices can be attributed to wildfires in British Columbia which curtailed Canadian output starting in July. In November, floods in the same regions washed out supply routes.

Overall, most in the forest product sector were profitable in 2021, but particularly those on the milling and manufacturing floors which experienced strong profits. While panel and medium-density fiberboard remain historically high, kraft, pulp, and newsprint have been slightly less robust. Some companies chose to use the excellent market to reduce holdings while many others chose to use the profitable period to invest in capital expenditures which are expected to improve capacity and operational efficiency in 2022. Despite the recent runup at the end of 2021, the industry generally expects prices to slowly trend back to more normalized averages.

SERIES A PREFERRED STOCK AND SUBORDINATED DEBT ISSUANCES

In June 2021, the Association issued $300 million of Series A 5.25% fixed-rate reset perpetual non-cumulative preferred stock and $200 million of 3.375% fixed-to-floating rate subordinated debt due 2036. The Association took advantage of favorable capital markets and the historically low interest rate environment to provide more capacity to support the capital needs of its customers. The Series A preferred stock and subordinated debt may be redeemed at the option of the Association no earlier than June 15, 2026, and June 15, 2031, respectively, subject to conditions. In anticipation of the capital offerings, the Association was assigned a “BBB+” long-term issuer credit rating on May 19, 2021, by S&P Global Ratings. On June 4, 2021, the announced issuances of preferred stock and subordinated debt were rated “BB+” and “BBB” by S&P Global Ratings, respectively. The most recent report from

S&P Global was dated October 20, 2021, with no change to the aforementioned ratings. Further information regarding the subordinated debt and preferred stock may be found in Notes 8 and 9 to the consolidated financial statements, respectively.

FINANCIAL CONDITION

LOAN PORTFOLIO

The Association's loan portfolio primarily consists of accrual loans and nonaccrual loans on which the accrual of interest has been suspended. Loans were $15.9 billion as of December 31, 2021, compared to $14.2 billion and $11.8 billion for 2020 and 2019, respectively. The 2021 increase of $1.7 billion resulted in a 12.0% year-over-year growth rate and was due to strong organic loan growth. The following table illustrates the major loan volume categories from December 31, 2019, to December 31, 2021.

December 31	2021		2020		2019	
(in millions)	Loan Volume	Percent of Total	Loan Volume	Percent of Total	Loan Volume	Percent of Total
Real estate mortgage	$8,889.7	55.7%	$7,802.4	55.1%	$6,564.1	55.4%
Production and intermediate-term	3,514.6	22.1	3,132.1	22.1	2,692.1	22.7
Agribusiness	2,960.8	18.6	2,747.6	19.4	2,236.6	18.9
Rural infrastructure	526.3	3.3	445.2	3.1	308.0	2.6
Other	43.3	0.3	43.6	0.3	44.0	0.4
Total loans	**$15,934.7**	**100.0%**	**$14,170.9**	**100.0%**	**$11,844.8**	**100.0%**

Factors affecting the changes in loan volume categories are discussed below.

Real Estate Mortgage Loans: Real estate mortgage loans increased to $8.9 billion at December 31, 2021, compared to $7.8 billion and $6.6 billion at year-end 2020 and 2019, respectively. The 2021 increase of $1.1 billion resulted in a 13.9% year-over-year growth rate. Real estate mortgage loans increased by $1.2 billion in 2020.

Production and Intermediate-Term Loans: Production and intermediate-term loans increased to $3.5 billion in 2021, compared to $3.1 billion and $2.7 billion at year-end 2020 and 2019, respectively. The $382.5 million increase resulted in a 12.2% annual growth rate. The portfolio grew by $440.0 million in 2020.

Agribusiness Loans: Agribusiness loans are primarily made to finance the throughput of agricultural goods to the marketplace. Such loans consist of long-term mortgages on processing facilities and equipment as well as short- and intermediate-term loans and operating lines of credit. The agribusiness portfolio totaled $3.0 billion at year-end 2021, compared to $2.7 billion for 2020 and $2.2 billion for 2019. This loan portfolio increased by $213.2 million, or 7.8%, during 2021, compared to a $511.0 million increase in 2020.

Rural Infrastructure and Other Loans: These loan portfolios consist of rural infrastructure, agricultural export finance, and loans made for sales contracts and for homes located in rural areas. This portion of the portfolio accounted for less than 4.0% of the total loan portfolio in each of the years reported.

Small loans (less than $250,000) accounted for 61.1% of the total number of loans and 5.6% of loan volume at December 31, 2021. Credit risk on small loans, in many instances, is reduced by non-farm income sources. Loans greater than $5.0 million account for 3.0% of the total number of loans and 44.0% of the total loan volume.

GEOGRAPHIC CONCENTRATIONS

The Association's territory covers 38 California counties from the Oregon border to the Mexico border, the entire states of Nevada and Hawaii, and parts of central and southwest Kansas, northern Oklahoma, western Colorado, and northwest New Mexico. The geographical distribution of loan volume as of December 31, 2021, 2020, and 2019, is shown in the following table. The Association originates and services loans in areas outside its chartered territory with the concurrence of the Farm Credit associations where those loans are physically located.

December 31	2021		2020		2019	
(in millions)	Loan Volume	Percent of Total	Loan Volume	Percent of Total	Loan Volume	Percent of Total
California	$8,196.7	51.5%	$7,293.2	51.5%	$6,029.3	50.9%
Kansas	1,864.3	11.7	1,668.3	11.8	1,568.4	13.2
Colorado	1,495.9	9.4	1,321.3	9.3	1,106.1	9.3
Nevada	262.1	1.6	223.8	1.6	197.4	1.7
Hawaii	117.7	0.7	110.0	0.8	83.7	0.7
Other	3,998.0	25.1	3,554.3	25.0	2,859.9	24.2
Total	**$15,934.7**	**100.0%**	**$14,170.9**	**100.0%**	**$11,844.8**	**100.0%**

We are party to a Territorial Approval Agreement (Agreement) with other associations in the states of Oklahoma, Colorado, Kansas, and New Mexico. The Agreement eliminates territorial restrictions and allows associations that are a party to the Agreement to make loans in any other association's territory regardless of a borrower's place of residence, location of operations, location of loan security, or location of headquarters. This Agreement can be terminated upon the earlier to occur of the following:

1) The time when all but one association has withdrawn as a party to the Agreement; or

2) December 31, 2025; or

3) When requested by FCA.

The Association routinely sells portions of large loans to other financial institutions to manage portfolio risk. These institutions are geographically dispersed and come from within the Farm Credit System, and from the commercial banking and life insurance industries. In addition, the Association has entered into participation agreements with these institutions in which the Association services the entire loan but retains ownership of only a small portion. Participating in or selling loans allows the Association to manage its lending limits and its internal capital requirements, as well as to diversify credit, commodity, geographic, and other risks. Neither the principal nor any unused commitments related to the participated or sold portion of these loans are included on the Association's Consolidated Statements of Condition. Participation and other multi-lender activity is summarized below.

December 31 (in millions)	**2021**	**2020**	**2019**
Loans sold to others	$5,315.1	$4,743.3	$4,272.6
Retained interest in sold loans	$2,004.8	$1,847.8	$1,590.5
Loans purchased from others	$3,413.4	$3,054.6	$2,414.7
Syndications serviced for others	$984.0	$1,011.9	$886.6

To further manage portfolio credit risk, the Association participates in a Federal Agricultural Mortgage Corporation (Farmer Mac) guarantee program. Under this program, the Association pays a guarantee fee to Farmer Mac to assume the balance of pre-designated loans if they become delinquent. Management considers these fees to be intrinsic credit enhancement costs that affect the yield on the pool of guaranteed loans. The Association paid $371 thousand, $314 thousand, and $304 thousand in guarantee fees during 2021, 2020, and 2019, respectively. These fees are included in interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac guaranteed loans at December 31, 2021, 2020, and 2019, were $104.7 million, $64.6 million, and $66.4 million, respectively.

HIGH-RISK ASSETS

FCA regulations specify three high-risk loan performance categories: nonaccrual, accruing restructured, and loans 90 days past due still accruing interest. These are referred to as impaired loans. Loans outstanding, including accrued interest, for each loan performance category as of December 31 are as follows.

(in thousands)	**2021**	**2020**	**2019**
Nonaccrual	$66,436	$51,541	$42,232
Accruing restructured	9,593	10,872	13,408
Accrual > 90 days past due	658	509	–
Total impaired loans	76,687	62,922	55,640
Other property owned	4,160	4,160	4,779
Total high-risk assets	**$80,847**	**$67,082**	**$60,419**
Nonaccrual loans/total loans	0.42%	0.36%	0.36%
Nonaccrual loans current as to principal and interest	$52,728	$30,222	$20,629

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. Nonaccrual loan volume increased by $14.9 million in 2021, from $51.5 million at December 31, 2020, to $66.4 million at December 31, 2021. While the Association does not accrue interest on loans classified as nonaccrual, 79.4% of the nonaccrual loan volume at December 31, 2021, was current as to principal and interest compared to 58.6% at December 31, 2020, and 48.9% at year-end 2019.

Credit quality was 97.8% as compared to 98.5% at the end of 2020. See the "Credit Risk Management" section on page 40 for further information on the Association's credit quality. Given the cyclical nature of agriculture, management anticipates that factors such as product oversupply, declining commodity prices, water issues, regulatory demands, changing interest rates, continued effects of COVID-19, and public demand for commodities could adversely impact high-risk volume over time and high-risk asset volume could increase in the future. Supply and demand dynamics, including the threat or existence of trade tariffs, may negatively impact a number of U.S. agricultural segments. The potential for worsening drought conditions throughout our territory could have a negative impact on our borrowers and the credit quality of our loan portfolio. The Association proactively monitors and addresses portfolio risk.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded lending commitments. The allowance for credit losses is our best estimate of the amount of probable losses inherent in our loan portfolio as of the balance sheet date. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio and unfunded lending commitments, which generally considers types of loans, credit quality, specific industry conditions, general economic conditions, weather-related conditions, and changes in the character, composition, and performance of the portfolio, among other factors. The allowance for credit losses is calculated based on a historical loss model that takes into consideration various risk characteristics of our loan portfolio. We evaluate the reasonableness of this model and determine whether adjustments to the allowance are appropriate to reflect the risk inherent in the portfolio.

We maintain a reserve for unfunded lending commitments that reflects our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as the likelihood of disbursements and the likelihood of losses given disbursement are utilized in determining the reserve. This reserve totaled $4.2 million, $4.5 million, and $3.7 million at December 31, 2021, 2020, and 2019, respectively.

The ALL increased $4.3 million to $37.5 million in 2021, from $33.2 million in 2020. The increase was primarily the result of $7.1 million of provision for loan loss, partially offset by $2.8 million of net charge-offs. The additional provision was primarily due to incremental loan growth and some credit quality degradation. Overall, charge-off activity remains low relative to the size of our loan portfolio. Comparative ALL coverage as a percentage of the average daily balance of loans and certain other credit quality indicators as of December 31 is shown in the following table.

	2021	2020	2019
Allowance for loan losses as a percentage of:			
Average loans	0.25%	0.23%	0.22%
Impaired loans	48.92%	52.78%	46.38%

Further discussion of the allowance can be found in Note 3 to the consolidated financial statements.

INVESTMENT IN COBANK

The investment in CoBank was $475.2 million at December 31, 2021, an increase of $2.8 million when compared to year-end 2020. The increase was due to patronage income received in the form of CoBank Class A stock. The investment in CoBank was $472.4 million at December 31, 2020, an increase of $79.4 million compared to year-end 2019. The increase is due to the Association's required purchase of CoBank stock and patronage received in the form of CoBank Class A stock.

In June 2021, the CoBank Board of Directors approved changes to certain capital plans which impacts the minimum investment in CoBank the Association is required to maintain. The loan base period used for determining target equity levels was increased from a one-year average to a five-year trailing average of the Association's direct note balance. In December 2021, CoBank communicated an anticipated stock retirement to the Association estimated to be $21.2 million due to the calculation methodology change. Management and the Board of Directors of CoBank periodically evaluate its capital plans based on financial performance, capital requirements, asset growth, and other items. Any future stock retirements or capital plans, including the amount expected to be received in March 2022, are not guaranteed and subject to change.

OTHER ASSETS

Other assets were $326.2 million at December 31, 2021, an increase of $160.3 million when compared to year-end 2020. Other assets primarily consisted of $104.7 million of patronage receivable from Farm Credit institutions, $88.0 million of pension plan assets and $133.5 million of other receivables and assets. The change was primarily due to an increase in pension plan assets of $19.9 million and a $21.4 million increase in patronage receivables. Other assets were $165.9 million at December 31, 2020, an increase of $32.2 million compared to year-end 2019.

OTHER LIABILITIES

Other liabilities were $134.3 million at December 31, 2021, a decrease of $16.5 million when compared to year-end 2020. Other liabilities primarily consisted of $68.1 million of pension liabilities, $49.3 million of short- and long-term incentive compensation payables, $19.0 million of Farm Credit System Insurance Corporation (FCSIC) payable, and other liabilities, net. The year-over-year change was primarily due to an $8.1 million increase in pension liabilities due to increased service of employees within the nonqualified defined benefit plan, and a $9.1 million increase in FCSIC premium payable caused by increased direct note borrowings combined with higher premiums, offset by a $33.7 million decrease in other liabilities due to timing of payments. Other liabilities were $150.8 million at December 31, 2020, an increase of $34.5 million when compared to year-end 2019.

RESULTS OF OPERATIONS

EARNINGS

The Association produced net income of $351.0 million in 2021, compared to $247.3 million in 2020 and $200.7 million in 2019. The $103.7 million increase in net income from 2020 was primarily due to a $77.1 million increase in net interest income because of exceptional loan growth and increases in the net interest margin partially attributed to our preferred stock offering, and a $30.1 million increase in non-interest income attributable to higher patronage income from other Farm Credit institutions and loan origination fees recognized. Non-interest expense increased by $6.1 million, largely driven by an increase in salaries and benefits, FCSIC insurance premiums expense and technology expenses, offset by decreases in other operating expenses.

The Association's 2020 net income of $247.3 million was $46.6 million higher than 2019's net income of $200.7 million. The increase was driven by a $60.9 million increase in net interest income because of strong organic loan growth and an increase in other income of $27.6 million attributable to higher patronage income from other Farm Credit institutions. This was offset by non-interest expense increases of $37.8 million.

The major components of change in net income over the past two years are summarized as follows.

(in thousands)	2021 vs. 2020	2020 vs. 2019
Net income, prior year	$247,329	$200,718
Increase/(decrease) in interest income	29,429	(20,322)
Decrease in interest expense	47,688	81,256
Increase in net interest income	77,117	60,934
Decrease/(increase) in provision for credit losses	2,603	(4,123)
Increase in non-interest income	30,087	27,552
Increase in non-interest expense	(6,118)	(37,768)
Decrease in income tax provision	–	16
Increase in net income	**103,689**	**46,611**
Net income, current year	**$351,018**	**$247,329**

NET INTEREST INCOME

The following table provides an analysis of the individual components of the change in net interest income for 2021 and 2020.

(in thousands)	2021 vs. 2020	2020 vs. 2019
Net interest income, prior year	$368,417	$307,483
Increase in net interest income due to changes in:		
Net interest margin	22,095	2,156
Volume of average earning assets	54,820	58,191
Margin/volume combination	202	587
Increase in net interest income	**77,117**	**60,934**
Net interest income, current year	**$445,534**	**$368,417**

2021 net interest income was $445.5 million, compared to $368.4 million in 2020 and $307.5 million in 2019. The 2021 increase of $77.1 million represents a 20.9% increase over 2020 and was primarily due to strong growth in loan volume and an increase in the net interest margin, partially attributable to the introduction of the Series A preferred stock into the Association's funding mix. Average earning assets grew by $1.9 billion during 2021, representing an annual growth rate of 14.9%.

Net interest income in 2020 increased 19.8% from $307.5 million in 2019 to $368.4 million. The $60.9 million increase was driven by strong organic accrual loan volume growth. Average earning assets increased in 2020 by $2.0 billion, representing an annual growth rate of 18.9%.

	2021	2020	2019
Average rate on earning assets	3.85%	4.19%	5.17%
Average rate on interest-bearing liabilities	0.94%	1.53%	2.75%
Net interest margin	3.02%	2.87%	2.85%

The Association administers its variable-rate loans based on its cost of funds. Adjustments to borrower variable rates have generally followed changes in the Prime Rate. Management closely monitors interest rate movements and will adjust variable rates to customers to preserve capital for future growth.

The Association has a differential pricing policy for interest rates, which is based on loan size, servicing requirements, and credit risk of a loan. Management's objective is to maintain interest rates that are competitive with other lenders providing similar-type loans.

PROVISION FOR CREDIT LOSSES

Management reviews the allowance for loan losses and the reserve for unfunded lending commitments on a quarterly basis and makes adjustments that reflect the changing risks in the portfolio. Generally speaking, increased loan volume and unfunded commitments will require additional allowance for credit losses. The Association's strong 2021 loan volume growth and slight credit quality degradation resulted in a $6.8 million provision for credit losses, compared to a $9.4 million provision for credit losses in 2020. The 2020 provision was largely driven by strong loan growth. The Association recorded a provision for credit losses in 2019 of $5.3 million.

NON-INTEREST INCOME

Non-interest income consists primarily of patronage from Farm Credit institutions, loan origination and servicing fees, insurance income, and other gains and losses. Total non-interest income was $146.9 million in 2021, compared to $116.8 million in 2020 and $89.3 million in 2019. The $30.1 million increase in non-interest income during 2021 was primarily due to an $18.7 million increase in CoBank direct note patronage, a $4.5 million increase in participated loan patronage income from other Farm Credit institutions caused by higher participations sold balances, a $2.9 million increase in loan origination fees, and a $2.8 million increase in fee and servicing income.

From 2018 through 2020, CoBank implemented new target patronage levels that resulted in a targeted patronage rate of 39 basis points on Association direct note balances which was fully phased in by 2020. In June 2021, the CoBank Board of Directors approved changes to certain capital plans and patronage programs. For all of 2021 and anticipated to continue in 2022, the declared patronage rate for Association direct note balances was increased to 45 basis points from 39 basis points. Additionally, CoBank declared an additional special patronage distribution in December 2021 of 8 basis points.

Total non-interest income was $116.8 million in 2020, compared to $89.3 million in 2019, and $96.8 million in 2018. The $27.6 million increase in non-interest income during 2020 was primarily due to a $13.9 million increase in CoBank patronage caused by special patronage of approximately $10.5 million, an $11.9 million increase in patronage income from other Farm Credit institutions caused by higher participations sold balances, and a $6.7 million increase in loan origination fees, offset by a $1.1 million decrease in servicing fees. Included in loan and origination fees are $3.6 million recognized in connection with the origination of the Small Business Association's Payroll Protection Program loans. The Association also recognized a $3.3 million loss on early extinguishment of debt, recorded in other losses/gains, net.

NON-INTEREST EXPENSES

Non-interest expenses consist of salaries and benefits, occupancy and equipment costs, purchased services, technology, insurance fund premiums, supervisory expenses, and other operating costs. Non-interest expenses were $234.6 million in 2021, compared to $228.5 million in 2020 and $190.7 million in 2019. The $6.1 million increase in non-interest expenses in 2021 was primarily driven by a $1.0 million increase in salaries and benefits, a $1.9 million increase in technology expenses, a $9.1 million increase in insurance fund premiums, due to an increase in rates from 11 basis points in 2020 to 16 basis points in 2021, and a $2.2 million increase in other operating expenses. These increases were offset by a decrease in purchased services of $8.2 million. The decrease in purchased services was due to certain one-time services engaged in 2020, such as enterprise response plans related to COVID-19 and systems implementations. The $37.8 million increase in non-interest expenses in 2020 was primarily driven by a $32.4 million increase in salaries and benefits, a $1.6 million increase in purchased services, and a $5.0 million increase in technology expenses.

PROVISION FOR INCOME TAXES

The Association's effective tax rate is primarily affected by the mix of taxable and tax-exempt lending activities. Due to the level of tax-exempt lending activities and the patronage program, the provision for income taxes remains an insignificant component of the Association's net earnings.

ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss (AOCL) arises from the recognition of an unfunded nonqualified defined benefit pension plan liability and is a component of total shareholders' equity. The liability and the associated other comprehensive loss will fluctuate from year to year depending on the plan's performance and underlying actuarial assumptions and obligations. The actual loss or income to be realized as pension liabilities paid will not be determinable until the liabilities expire. See Note 12 to the consolidated financial statements for further discussion.

LIQUIDITY AND FUNDING

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. As previously noted, the Association issued noncumulative perpetual preferred stock and subordinated debt in June 2021 which also provided a significant source of funding.

The Association's primary source of funds (excluding capital) and largest liability is its direct loan from CoBank. As further described in Note 7 to the consolidated financial statements, this direct loan is governed by a General Financing Agreement (GFA), is collateralized by a pledge of substantially all the Association's assets, and is subject to regulatory borrowing limits. The GFA includes financial and credit metrics that, if not maintained, can result in increases to our funding costs. The GFA also requires compliance with FCA regulations regarding liquidity. To meet this requirement, the Association closely manages its funding activity and is allocated a share of CoBank's liquid assets for liquidity calculation purposes. The Association is currently in compliance with the GFA and does not foresee any issues with obtaining funding or maintaining liquidity. The Association applies substantially all cash received to the direct loan and draws all cash disbursements from it. The Association's ability to incur debt from other sources is subject to statutory and regulatory restrictions. The GFA matures on January 1, 2023. Management expects renewal of the GFA at that time.

CoBank's primary source of funds is the issuance of Farm Credit System debt securities through the Federal Farm Credit Banks Funding Corporation. The continued liquidity of the Association is therefore directly dependent upon the ability of the Farm Credit System to continue to sell debt securities at competitive rates. Historically, this access has provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. The Association anticipates continued access to the funding necessary to support its lending and business operations.

The Association primarily utilizes a block-funding methodology for funding. In addition to its blocks of debt, the Association also utilizes a daily revolving line of credit with CoBank for liquidity purposes. The interest rate on the revolving line may periodically be adjusted by CoBank based on the terms and conditions of the borrowing.

The Association also has the ability to obtain funding from customer Funds Held accounts, which bear an interest rate that is comparable to the short-term interest rate component that is paid on the direct loan with CoBank. Funds Held accounts are variable rate and uninsured. From a funding perspective, they provide a cost-effective additional borrowing source compared to our direct loan with CoBank and are offered to customers of the Association as investment vehicles for excess operating funds. Restrictions apply to the purpose for which the funds held may be withdrawn and the maximum dollar amount a customer may maintain in Funds Held accounts.

LIBOR's primary regulator, the United Kingdom's Financial Conduct Authority, and the LIBOR administrator, ICE Benchmark Administration, formally announced in July 2017 that all LIBOR tenors will either be discontinued or declared non-representative as of June 30, 2023, with the one-week and two-month U.S. Dollar LIBOR tenors discontinued on December 31, 2021. U.S. regulators stated that entering into new LIBOR-referenced contracts after 2021 would present safety and soundness risks. Unless a triggering event occurs requiring conversion to a replacement index, legacy LIBOR loans will continue to be indexed to LIBOR until their first interest reset date after June 30, 2023, pursuant to existing language included in applicable loan documents. This continuance of select tenors, including one-month U.S. Dollar LIBOR, would allow for many legacy contracts to mature before LIBOR is fully phased out. After that date, LIBOR indexed loans will transition to an alternative reference rate plus a spread adjustment. The Association ceased to enter into new contracts or renew existing contracts using a LIBOR index as a benchmark interest rate as of January 1, 2022.

The Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate ("SOFR") as a replacement benchmark rate for U.S. dollar-denominated derivatives and loans in April 2018. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities and is completely transaction-based. The Association began offering SOFR based products as of December 2021. The Association continues to work with borrowers to ensure they understand the implications of the index transition and alternative reference rate products and on individual transition plans with customers who have an existing LIBOR based product.

ASSET/LIABILITY MANAGEMENT

In the normal course of lending activities, the Association is subject to interest rate risk. The asset/liability management objective is monitored and managed within interest rate risk limits designed to target reasonable stability in net interest income over an intermediate planning horizon and to preserve a relatively stable market value of equity over the long term. Mismatches and exposure in interest rate repricing and indices of assets and liabilities can arise from product structures, customer activity, capital reinvestment, and liability management. While the Association actively manages interest rate risk within the policy limits approved by the Association's Board of Directors through the strategies established by the Market Risk Committee (MRC), there is no assurance that these mismatches and exposures will not adversely impact earnings and capital. The overall objective is to develop competitively priced and structured loan products for the customers' benefit and fund these products with an appropriate blend of equity and debt obligations.

The interest rate gap analysis shown in the following table presents a comparison of interest-earning assets and interest-bearing liabilities in defined time segments at December 31, 2021. The analysis shows how the Association is positioned by comparing the amount of assets and liabilities that reprice at various time periods in the future. As the dividend on preferred stock is tied to an interest rate much like a bond's interest payments, is subject to interest rate risk and is consistent with reporting to MRC, preferred stock is presented together with interest-bearing liabilities. The interest rate gap analysis is a static indicator that does not reflect future changes in repricing characteristics and may not necessarily indicate the sensitivity of net interest income in a changing interest rate environment. The value of this analysis can be limited given factors such as the differences between interest rate indices on loans and the underlying funding, the relative changes in the levels of interest rates over time, and optionality included in loans and the respective funding that can impact future earnings and market value.

December 31, 2021 (in thousands)	**1 Month or Less**	**Over 1 Month to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total**
Interest-earning assets:						
Floating rate loans	$7,217,486	$1,589,417	$10,165	$–	$–	$8,817,068
Adjustable rate loans	3,395	6,321	3,304	4,769	–	17,789
Fixed rate loans, prepayable	132,627	356,706	345,802	2,537,315	2,044,795	5,417,245
Fixed rate loans	24,404	78,326	160,725	745,285	607,452	1,616,192
Nonaccrual loans	37,245	3,589	953	24,649	–	66,436
Total interest-earning assets	**$7,415,157**	**$2,034,359**	**$520,949**	**$3,312,018**	**$2,652,247**	**$15,934,730**
Interest-bearing liabilities:						
Floating rate debt	$5,227,735	$–	$–	$–	$–	$5,227,735
Discount notes	324,712	1,808,914	749,840	–	–	2,883,466
Fixed rate debt, callable	4,945	314,051	144,452	448,626	699,432	1,611,506
Fixed rate debt	29,938	374,705	415,680	2,218,516	809,664	3,848,503
Funds Held	211,925	–	–	–	–	211,925
Subordinated debt	–	–	–	–	197,591	197,591
Preferred stock	–	–	–	300,000	–	300,000
Total interest-bearing liabilities	**$5,799,255**	**$2,497,670**	**$1,309,972**	**$2,967,142**	**$1,706,687**	**$14,280,726**
Interest-rate-sensitivity gap	**$1,615,902**	**$(463,311)**	**$(789,023)**	**$344,876**	**$945,560**	**$1,654,004**
Cumulative gap	**$1,615,902**	**$1,152,591**	**$363,568**	**$708,444**	**$1,654,004**	
Cumulative gap/total interest-earning assets	10.14%	7.23%	2.28%	4.45%	10.38%	

The Association's repricing gap as of December 31, 2021, can be characterized as asset sensitive over a one-year period. An asset-sensitive position indicates that the Association has more interest-rate-sensitive assets than interest-rate-sensitive liabilities for particular time periods into the future. Given some of the inherent weaknesses with interest rate gap analysis, simulation models are used to develop additional interest-rate-sensitivity measures and estimates. The assumptions used to produce anticipated results are periodically reviewed and models are tested to help ensure reasonable performance. Various simulations are produced for net interest income and market value of equity. These simulations help to assess interest rate risk and make adjustments as needed to the products and related funding strategies.

The Association's Asset/Liability Management Board policy establishes limits for changes in net interest income and market value of equity sensitivities. These limits are measured and reviewed by MRC monthly and reported to the Board at least quarterly. The Board policy limit for net interest income is a negative 10.0% change, and the market value of equity policy limit is a negative 15.0% change, given parallel and instantaneous shocks of interest rates up and down 200 basis points. In instances that when the rate on the three-month U.S. Treasury bill is less than 4.0%, FCA guidelines provide the Regulatory Down Policy shock measure should be used in lieu of the down 200 basis point measure, with that measure equal to one-half of the three-month U.S. Treasury bill rate. This was the case as of December 31, 2021, with the Regulatory Down Policy shock measure being at 0.0152%. The GFA also uses these simulation results to assess the interest rate risk position and whether corrective action is necessary. The following table shows the percentage impacts to net interest income and market value of equity using parallel and instantaneous interest rate increases of 100 basis points and 200 basis points. In all scenarios, the underlying assumptions and strategies are held constant so that results are comparable from scenario to scenario. However, actual results would differ to the extent changes in strategy were undertaken to mitigate the unfavorable impact of interest rate changes. As of December 31, 2021, all interest rate risk-related measures were within the Board policy limits, GFA requirements, and management guidelines.

December 31, 2021	Regulatory Down Policy Shock	+1% Shock	+2% Shock
Change in net interest income	0.05%	3.31%	5.73%
Change in market value of equity	0.04%	(3.53)%	(7.62)%

CREDIT RISK MANAGEMENT

The Association utilizes a portfolio risk management process to evaluate and monitor the risk associated with major commodity groups, credit classifications, unsecured loans, and purchased loans. This process employs the use of shock analysis to determine the impact of significant credit deterioration in any one group on the portfolio as a whole. Credit classification trends are identified and monitored as an early warning sign of potential nonperforming assets. The Association employs management personnel to perform the risk management process that the Board of Directors oversees. In addition, the Association conducts internal credit reviews to evaluate the effectiveness of the process.

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in the Association's loan portfolio (including letters of credit and unfunded loan commitments) and is actively managed on an individual and portfolio basis through the application of sound lending and underwriting standards, policies, and procedures. Underwriting standards are developed and utilized to determine an applicant's operational, financial, and management resources available for repaying debt within the terms of the note or loan agreement. Underwriting standards include, among other things, an evaluation of the following:

- **Character:** borrower integrity and credit history;
- **Capacity:** repayment capacity of the borrower based on cash flows from operations or other sources of income;
- **Collateral:** protection of the lender in the event of default and a secondary source of loan repayment;
- **Capital:** ability of the operation to survive unanticipated risks; and
- **Conditions:** intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, the Association cannot have loan commitments to one borrower totaling more than 15.0% of regulatory capital. Additionally, the Association has set lending limits to manage loan concentration. Lending limits are established for individual loan size, commodity, special lending programs, and geographic concentrations. The Association has established internal lending delegations to properly control the loan approval process. Delegations to staff are based on the Association's risk-bearing ability, loan size, complexity, type, and risk, as well as the expertise of the credit staff member. Larger and more complex loans are typically approved by a loan committee with the most experienced and knowledgeable credit staff serving as members.

One method for managing concentration is through the use of participation programs with other System and non-System institutions. Buying and selling loan volume, within and outside the System, can help reduce concentrations and manage growth and capital positions while allowing for a sharing of credit risk. Concentrations and credit risk are also managed through the utilization of government guarantee programs and Farmer Mac guarantee programs. The Association has further diversified concentrations in agricultural production by developing rural residence, part-time farmer, and agribusiness portfolios. Rural residents and part-time farmers often derive a significant portion of earnings from nonagricultural sources, thus helping diversify repayment risk to sources other than agricultural production income.

The majority of Association lending is first-mortgage real estate lending. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured either by real or personal property. Collateral evaluations are made within FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. Certain appraisals must be performed by individuals with a state certification or license.

The Association utilizes a Combined System Risk Model (Model) in its loan and portfolio management processes. The Model is a two-dimensional risk rating system that estimates each loan's probability of default and loss given default. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The Model estimates loan losses with levels of risk granularity, particularly related to acceptable loans. The Model's 14-point scale provides for nine acceptable categories, one other assets especially mentioned (OAEM) category, two substandard categories, one doubtful category, and one loss category. This Model also serves as the basis for future economic capital modeling.

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

	2021	2020	2019
Acceptable and OAEM	97.8%	98.5%	98.6%
Substandard	2.2%	1.5%	1.4%
Total	**100.0%**	**100.0%**	**100.0%**

The Association's credit quality remained strong throughout 2021. Acceptable and OAEM as a percentage of total loans was 97.8%, a slight decrease from 98.5% during 2020. Credit quality was generally impacted by global economic conditions and other challenges facing agriculture. The Association's Acceptable and OAEM credit quality decreased from 98.6% in 2019 to 98.5% at year-end 2020. The credit quality of the Association's loan portfolio remains strong due to our geographical and commodity diversification and our continued emphasis on sound underwriting standards. Agriculture remains a cyclical business that is heavily influenced by production, operating costs, commodity prices, and global economic conditions. Each of these can be significantly impacted by uncontrollable events. Credit quality is expected to face continued pressure in 2022 due to commodity price volatility, trade negotiations, input and other price inflation, potential continued ramifications of COVID-19, and other potentially adverse global conditions. In addition, drought continues to negatively impact water conditions in our lending territory.

CREDIT COMMITMENTS

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments include commitments to extend 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. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2021.

(in thousands)	Due 1 Year or Less	Due After 1 Year Through 3 Years	Due After 4 Years Through 5 Years	Due After 5 Years	Total
Commitments to extend credit	$971,460	$1,628,226	$1,032,747	$1,058,337	$4,690,770
Standby letters of credit	45,512	6,217	2,724	2,207	56,660
Total commitments	**$1,016,972**	**$1,634,443**	**$1,035,471**	**$1,060,544**	**$4,747,430**

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 contractual amounts are not reflected on the Consolidated Statements of Condition 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 the Association applies the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success and our ability to serve our mission. Over the past several years, we have been able to build capital primarily through net income retained after patronage, supplemented with institutional capital though Series A preferred stock and subordinated debt issuances. Shareholders' equity at December 31, 2021, totaled $2.7 billion, compared with $2.4 billion at December 31, 2020, and $2.2 billion at December 31, 2019. The $294.3 million increase in 2021 was primarily due to net income of $351.0 million and issuance of Series A preferred stock of $300 million, partially offset by $162.9 million of cash patronage distributions declared to our customers and the call and retirement of approximately $225 million of Class H preferred stock, which was the full amount outstanding on March 31, 2021. Our capital position is reflected in the following ratio comparisons.

	2021	2020	2019
Total capital (in millions)	$2,663.5	$2,369.2	$2,227.6
Debt to capital	5.37:1	5.37:1	4.68:1
Capital to net loans	16.8%	16.7%	18.8%
Capital to total assets	15.7%	15.7%	17.6%
Capital to total liabilities	18.6%	18.6%	21.3%

As a prudent business practice, the Association has established a capital adequacy plan that outlines objectives related to maintaining a stable, secure capital base. Permanent capital, as defined by FCA regulations, is generated from two sources: retained earnings and at-risk stock. Retained earnings (including additional paid in capital) represented 89.1%, 93.0%, and 94.5% of total capital at December 31, 2021, 2020, and 2019, respectively. For a description of classes of stock and regulatory capital requirements, as well as a description of the Association's Capital Adequacy Plan, please see Note 9 to the consolidated financial statements. The Board and management consider current capital ratios to be adequate in view of anticipated loan growth, operating performance, and identified risks.

Association bylaws require each borrower to invest in the capital stock of the Association. The Association may require additional capital contributions in accordance with federal regulations. Equities purchased by members, institutional capital issued, and surplus accumulated from earnings provide the capital resources used in the Association's operations.

The Board of Directors has adopted an Obligating Resolution to distribute 2022 patronage-sourced earnings to patrons of the Association, contingent upon the Association achieving certain capital criteria.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. The plan is updated annually and approved by our Board of Directors. FCA regulations require the plan to consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance-sheet liabilities, and other conditions warranting additional capital.

As shown in the following table, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay cash patronage distributions, retire equities, pay preferred stock dividends, and pay discretionary senior executive incentive compensation.

	Minimum Requirement With Buffer	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Common Equity Tier 1 ratio	7.00%	10.69%	11.55%	13.40%
Tier 1 capital ratio	8.50%	12.37%	11.55%	13.40%
Total capital ratio	10.50%	13.71%	11.79%	13.60%
Tier 1 leverage ratio	5.00%	14.10%	13.16%	15.33%
URE and UREE leverage ratio	1.50%	13.36%	13.94%	15.67%
Permanent capital ratio	7.00%	13.69%	12.83%	14.58%

The increases in the capital ratios that occurred in 2021 are due to the issuances of the aforementioned Series A preferred stock and subordinated debt. Both issuances are a component of capital for total capital and permanent capital ratio purposes. Additionally, the Series A preferred stock is a component of capital for Tier 1 and Tier 1 leverage ratio purposes.

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognize the increased risk posed by high-volatility commercial real estate exposures. The public comment period on the proposed rule ended on January 24, 2022. We do not expect this regulation will have a material impact on our regulatory capital and leverage ratios.

On September 9, 2021, the FCA adopted a final rule that amends, corrects and clarifies certain provisions of the Tier 1/Tier 2 capital framework approved by the FCA in March 2016. The final rule includes amendments that do not change the minimum capital requirements or capital buffers, but focus on clarifying and improving other provisions to ensure application of the capital rules as intended, reduce burden to the Farm Credit System, and assist the FCA in better determining compliance with the Tier 1/Tier 2 capital framework. The final rule became effective on January 1, 2022. We do not expect this regulation will have a material impact on our regulatory capital and leverage ratios.

REGULATORY MATTERS

As of December 31, 2021, no enforcement actions were in effect and FCA took no enforcement actions on the Association during the year.

MERGERS AND ACQUISITIONS

On July 1, 2019, the Association acquired the assets and assumed the liabilities of Farm Credit Services of Hawaii, ACA (FCS Hawaii) for consideration of shares of the Association's voting common stock for an equal number of shares of FCS Hawaii's Class C voting common stock issued and outstanding, both of which have a par value of $5 per share. Assets acquired totaled $85.2 million, of which $75.1 million was outstanding loans. Liabilities assumed totaled $58.0 million.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of American AgCredit, ACA

OPINION

We have audited the accompanying consolidated financial statements of American AgCredit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2021, 2020, and 2019, and the related consolidated statements of comprehensive income, changes in shareholders' equity and 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

CHARLOTTE, NORTH CAROLINA

MARCH 4, 2022

CONSOLIDATED
STATEMENTS OF CONDITION

December 31 (in thousands)	**2021**	**2020**	**2019**
ASSETS			
Loans	$15,934,730	$14,170,874	$11,844,790
Less: allowance for loan losses	(37,515)	(33,211)	(25,807)
Net loans	**15,897,215**	**14,137,663**	**11,818,983**
Cash	7,946	61,128	60,006
Accrued interest receivable	119,531	114,735	111,419
Investment in CoBank	475,173	472,402	392,959
Investment in AgDirect	23,090	17,306	14,105
Premises and equipment, net	115,113	120,859	127,454
Other property owned	4,160	4,160	4,779
Other assets	326,154	165,887	133,717
Total assets	**$16,968,382**	**$15,094,140**	**$12,663,422**
LIABILITIES			
Notes payable to CoBank	$13,571,210	$12,258,563	$10,074,698
Subordinated debt	197,591	–	–
Funds Held accounts	211,925	146,415	97,211
Accrued interest payable	22,844	22,778	28,462
Cash patronage and preferred stock dividends payable	162,855	141,971	115,413
Reserve for unfunded commitments	4,192	4,482	3,745
Other liabilities	134,310	150,776	116,312
Total liabilities	**14,304,927**	**12,724,985**	**10,435,841**
Commitments and contingencies (Note 15)			
SHAREHOLDERS' EQUITY			
Preferred stock	300,000	175,623	127,955
Common stock and participation certificates	10,495	10,212	9,545
Additional paid-in capital	677,110	683,656	683,656
Unallocated retained surplus	1,694,971	1,520,252	1,420,692
Accumulated other comprehensive loss	(19,121)	(20,588)	(14,267)
Total shareholders' equity	**2,663,455**	**2,369,155**	**2,227,581**
Total liabilities and shareholders' equity	**$16,968,382**	**$15,094,140**	**$12,663,422**

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

CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31 (in thousands)	2021	2020	2019
INTEREST INCOME			
Loans	$566,423	$536,994	$557,316
Total interest income	**566,423**	**536,994**	**557,316**
INTEREST EXPENSE			
Notes payable to CoBank	115,261	167,335	247,433
Subordinated debt	3,833	–	–
Funds Held and other interest	1,795	1,242	2,400
Total interest expense	**120,889**	**168,577**	**249,833**
Net interest income	**445,534**	**368,417**	**307,483**
Provision for credit losses	(6,832)	(9,435)	(5,312)
Net interest income after provision for credit losses	**438,702**	**358,982**	**302,171**
NON-INTEREST INCOME			
Patronage income from CoBank	79,023	61,050	47,192
Patronage income from other Farm Credit institutions	31,301	26,324	14,435
Patronage income from AgDirect	2,140	1,925	1,648
Loan origination fees	18,184	15,265	8,544
Servicing fees and late charges	4,002	4,074	5,170
Financially-related services	6,959	6,444	6,232
Other gains/(losses), net	601	(3,298)	155
Miscellaneous	4,710	5,049	5,905
Total non-interest income	**146,920**	**116,833**	**89,281**

For the Year Ended December 31 (in thousands)	2021	2020	2019
NON-INTEREST EXPENSES			
Salaries and employee benefits	144,442	143,491	111,130
Occupancy and equipment expense	11,515	11,332	12,283
Insurance fund premiums	19,058	9,944	7,726
Supervisory and examination expense	3,151	2,935	3,127
Purchased services	15,289	23,530	21,958
Technology	21,938	20,062	15,104
Other operating expenses	19,209	17,190	19,388
Total non-interest expenses	**234,602**	**228,484**	**190,716**
Net income before income taxes	**351,020**	**247,331**	**200,736**
Provision for income taxes	(2)	(2)	(18)
Net income	**$351,018**	**$247,329**	**$200,718**
COMPREHENSIVE INCOME			
Actuarial gain/(loss) in retirement obligation	1,467	(6,321)	(2,015)
Total comprehensive income	**$352,485**	**$241,008**	**$198,703**

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

CONSOLIDATED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2018	**$8,791**	**$125,766**	**$656,723**	**$1,336,892**	**$(12,252)**	**$2,115,920**
Comprehensive income				200,718	(2,015)	198,703
Stock/participation certificates issued	1,101	202,503				203,604
Stock/participation certificates retired	(648)	(203,517)				(204,165)
Equity issued in connection with acquisition	301		26,933			27,234
Preferred stock dividends		3,203		(3,200)		3
Patronage distribution declared				(115,410)		(115,410)
Adjustment to prior-period patronage accrual				1,692		1,692
BALANCE AT DECEMBER 31, 2019	**9,545**	**127,955**	**683,656**	**1,420,692**	**(14,267)**	**2,227,581**
Comprehensive income				247,329	(6,321)	241,008
Stock/participation certificates issued	1,374	221,700				223,074
Stock/participation certificates retired	(707)	(175,353)				(176,060)
Preferred stock dividends		1,321		(1,318)		3
Patronage distribution declared				(141,970)		(141,970)
Adjustment to prior-period patronage accrual				(4,479)		(4,479)
Other				(2)		(2)
BALANCE AT DECEMBER 31, 2020	**10,212**	**175,623**	**683,656**	**1,520,252**	**(20,588)**	**2,369,155**
Comprehensive income				351,018	1,467	352,485
Series A preferred stock issued		300,000				300,000
Stock/participation certificates issued	1,328	49,681				51,009
Stock/participation certificates retired	(1,045)	(225,575)				(226,620)
Preferred stock dividends		271		(8,189)		(7,918)
Patronage distribution declared				(162,855)		(162,855)
Adjustment to prior-period patronage accrual				(5,255)		(5,255)
Preferred stock issuance costs			(6,546)			(6,546)
BALANCE AT DECEMBER 31, 2021	**$10,495**	**$300,000**	**$677,110**	**$1,694,971**	**$(19,121)**	**$2,663,455**

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

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the Year Ended December 31 (in thousands)	**2021**	**2020**	**2019**
Cash flows from operating activities:			
Net income	$351,018	$247,329	$200,718
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	6,832	9,435	5,312
Depreciation and amortization	7,448	6,851	5,757
Loss on early extinguishment of debt	–	3,298	–
Amortization/accretion of loans and notes payable acquired in merger	–	–	(5,786)
Other property owned carrying value adjustments	–	619	–
Other gains, net	–	(432)	(375)
(Gain)/loss on sale of other assets	(601)	(187)	219
Stock patronage from CoBank	(2,771)	(2,484)	(2,477)
Change in operating assets and liabilities:			
Increase in accrued interest receivable	(4,796)	(3,316)	(12,285)
Increase in other assets	(43,933)	(27,727)	(8,806)
Increase/(decrease) in accrued interest payable	66	(5,684)	5,442
(Increase)/decrease in other liabilities	(15,061)	29,076	8,137
Net cash provided by operating activities	**$298,202**	**$256,778**	**$195,856**
Cash flows from investing activities:			
Increase in loans, net	$(1,885,843)	$(2,331,934)	$(1,568,962)
Recovery of loans charged-off	4,634	1,922	1,876
Acquisition of premises and equipment, net	(650)	(482)	(4,718)
Purchase of CoBank stock, net	–	(76,959)	(44,899)
Proceeds from sale of premises and equipment	673	791	1,285
Contributions to AgDirect, LLP	(5,784)	(3,201)	(2,201)
Contribution to mission-related investments	(2,040)	(2,089)	(1,292)
Cash acquired in mergers and acquisitions	–	–	363
Net cash used in investing activities	**$(1,889,010)**	**$(2,411,952)**	**$(1,618,548)**

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

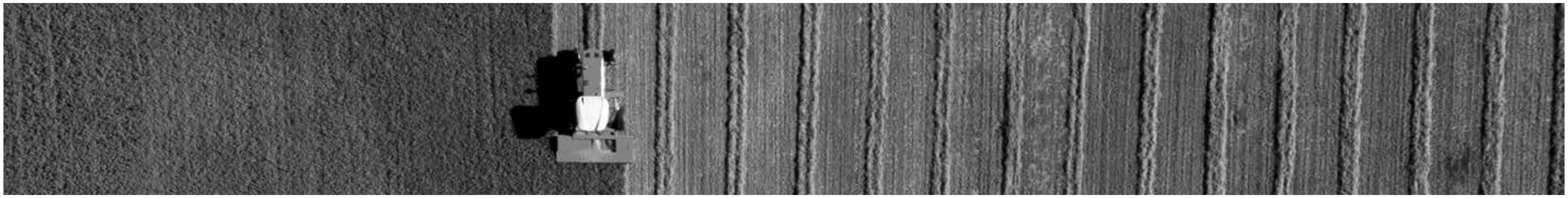
For the Year Ended December 31 (in thousands)	**2021**	**2020**	**2019**
Cash flows from financing activities:			
Net draws on note payable to CoBank	$1,312,647	$2,180,567	$1,538,006
Increase in Funds Held accounts	65,510	49,204	1,646
Payments on lease liabilities	(737)	(599)	(499)
Cash patronage distributions paid	(147,226)	(119,890)	(103,376)
Issuance of common stock and participation certificates	1,328	1,374	1,101
Retirement of common stock and participation certificates	(1,045)	(707)	(648)
Proceeds from issuance of subordinated debt	197,508	–	–
Proceeds from issuance of Series A preferred stock	293,454	–	–
Dividends paid on Series A preferred stock	(7,919)	–	–
Issuance of Class H preferred stock	49,681	221,700	202,503
Retirement of Class H preferred stock	(225,575)	(175,353)	(203,517)
Net cash provided by financing activities	**$1,537,626**	**$2,156,296**	**$1,435,216**
Net (decrease)/increase in cash	$(53,182)	$1,122	$12,524
Cash at beginning of year	61,128	60,006	47,482
Cash at end of year	**$7,946**	**$61,128**	**$60,006**
Supplemental cash flow information:			
Cash paid for interest	$120,823	$174,262	$248,186
Cash for income taxes	$2	$2	$18

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES FOR THE YEAR ENDED DECEMBER 31 (IN THOUSANDS)	**2021**	**2020**	**2019**
Cash patronage and preferred stock dividends currently payable	$162,855	$141,971	$115,413
Loan charge-offs	$7,452	$3,215	$3,257
Other property owned in settlement of loans	–	–	$4,779
Cash patronage accrual adjustment to prior year	$(5,255)	$(4,479)	$1,692
Class H stock dividends paid	$271	$1,321	$3,203
Class H stock dividends declared	$270	$1,318	$3,200
Right-of-use assets exchanged for lease liabilities	$799	$664	–
Impact of merger and acquisition transactions:			
Assets acquired	–	–	$85,187
Liabilities assumed	–	–	$57,953
Equity issued	–	–	$27,234

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: American AgCredit, ACA, including its subsidiaries, American AgCredit, PCA, and American AgCredit, FLCA (collectively, the Association), is a member-owned cooperative that provides credit and credit-related services to and for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the state of Nevada and the following California counties: Alameda, Alpine, Amador, Calaveras, Contra Costa, Del Norte, El Dorado, Humboldt, Lake, Lassen, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Sierra, Siskiyou, Sonoma, Stanislaus, Tuolumne, and portions of Fresno, Los Angeles, and Trinity. In Kansas, the Association serves the counties of Barber, Barton, Butler, Chautauqua, Clark, Cloud, Comanche, Cowley, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Harvey, Haskell, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, McPherson, Meade, Mitchell, Morton, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Reno, Republic, Rice, Rooks, Rush, Russell, Saline, Scott, Sedgwick, Seward, Smith, Stafford, Stanton, Stevens, Sumner, Trego, and Wichita. In Oklahoma, the Association serves the counties of Kay, Noble, and Osage. In Colorado, the Association serves the counties of Adams, Arapahoe, Archuleta, Boulder, Clear Creek, Delta, Denver, Dolores, Douglas, Eagle, part of Elbert, Garfield, Gilpin, Grand, Gunnison, part of Hinsdale, Jackson, Jefferson, La Plata, Larimer, Mesa, Moffat, Montezuma, Montrose, Ouray, Pitkin, Rio Blanco, Routt, San Juan, San Miguel, part of Saquache, Summit, and Weld. In Hawaii, the Association serves the counties of Hawaii, Honolulu, Kauai, and Maui. The Association also serves the counties of San Juan and half of Rio Arriba that lies west of the Continental Divide in the state of New Mexico.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act).

At December 31, 2021, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB), and 67 associations. Each FCB and the ACB serve Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans, and/or Production Credit Associations (PCAs) that may originate and service short-term and intermediate-term loans. Agricultural Credit Associations (ACAs), FLCAs, and PCAs are collectively referred to as associations.

CoBank, its related associations, and AgVantis Inc. (AgVantis) are collectively referred to as "the District." CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. As of December 31, 2021, the District consisted of CoBank, 20 ACAs, which each have two wholly owned subsidiaries (a FLCA and a PCA), and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes. The Association also has a wholly owned subsidiary, AgCredit Holding Company, LLC, whose sole purpose is to hold, manage, and liquidate foreclosed property.

American AgCredit participates in AgDirect, LLP (AgDirect), a trade credit financing program that includes originations and refinancings of agricultural equipment loans through independent equipment dealers. AgDirect is an entity created by Farm Credit Services of America (FCSA), which is responsible for the marketing, operation, and implementation of the program. FCSA serves as the master servicer for the program assets and provides periodic reporting to investor associations. At December 31, 2021, the Association's investment in AgDirect was $23.1 million, representing a 6.4% ownership in the partnership.

Congress has delegated authority to the Farm Credit Administration (FCA) to regulate the System banks and associations. The FCA examines the activities of System institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used to insure the timely payment of principal and interest on System-wide debt obligations (insured debt) and ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes. The Insurance Fund is also available for discretionary uses by the FCSIC to provide assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0% 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 FCSIC, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

B. OPERATIONS: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow from the Association, and financial services that can be offered by the Association. 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 also serves as an intermediary in offering credit life insurance and multi-peril crop insurance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to 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 amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results may differ from these estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The Consolidated Statements of Changes in Shareholders' Equity were modified to provide additional information.

The consolidated financial statements include the accounts of American AgCredit, PCA and American AgCredit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS: In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients generally allow for a continuance of a contract or hedging relationship when ordinarily accounting guidance would stipulate the creation of a new contract or designation of a hedging relationship. When elected, the optional expedients for contract modifications must be applied consistently for all similar eligible contracts or eligible transactions. The amendments in this guidance are effective for all entities as of March 12, 2020, through December 31, 2022. The Association adopted the optional expedients for debt in the fourth quarter of 2020 and for loans in the first quarter of 2021. The impact of adoption was not material to the Association's financial condition or results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In October 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association is in the process of developing the Current Expected Credit Loss models and processes. While management continues to evaluate the impact of adoption, the expectation is that the amount of the increase or decrease, if any, in the allowance for loan losses, will be impacted by the composition of our portfolios and credit quality at the adoption date as well as economic conditions and forecasts at that time.

B. LOANS AND ALLOWANCE FOR LOAN LOSSES: Long-term real estate mortgage loans generally have maturities ranging up to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less.

Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and certain direct origination costs for mortgage loans and commercial loans with terms greater than one year are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment of the yield of the related loan. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Loans acquired in a business combination are initially recognized at fair value based on current interest rates, taking into account the borrowers' credit quality; therefore, no "carryover" of the allowance for loan losses is permitted. The difference between the book value and fair value of these loans at acquisition date is accreted into interest income during the estimated remaining life of the acquired loans. Those loans with evidence of credit quality deterioration at purchase are required to follow the relevant accounting guidance. This guidance addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. Subsequent decreases to expected principal cash flows will result in a charge to the provision for loan losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. For variable rate loans, expected future cash flows are initially based on the rate in effect at acquisition; expected future cash flows are recalculated as rates change over the lives of the loans.

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. 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 contract is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection), when circumstances indicate that collection of principal and/or interest is in doubt, or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be transferred to accrual status when contractual principal and interest are current, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified as doubtful or loss. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

A restructured loan constitutes a troubled debt restructuring 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. In a restructure, the Association may grant certain monetary concessions to the borrower through modifications to the contractual term of the loan. A concession is generally granted to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program, are borrower-specific, and may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. When loans are sold, the sale terms comply with requirements under ASC Topic 860, "Transfers and Servicing."

The Association uses a two-dimensional loan rating model based on internally generated combined System risk-rating guidance and actual Association loss history 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 probability of default categories 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 more rapidly as a loan moves from a 9 to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

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 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. The allowance is increased through provision for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic and environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty, imprecision, and variability. Changes in the overall global economy, agricultural economy, and environment, and their impact on borrower repayment capacity will cause various judgments, evaluations, and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following macro-economic factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values; commodity prices; exports; government assistance programs; regional economic effects; and weather-related influences.

A specific allowance may be established for impaired loans under GAAP. Impairment of these loans is measured by the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, by the loan's observable market price, or fair value of the collateral, if the loan is collateral dependent.

The reserve for unfunded lending commitments is based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

C. CASH: Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

D. INVESTMENT IN COBANK: The Association's required investment in CoBank is in the form of Class A stock. The minimum required investment is 4.0% of the prior five-year average direct loan volume. The investment in CoBank is composed of patronage-based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the prior 10-year average of such participations sold to CoBank. The Association has elected the alternative to measure its investment in CoBank at cost, as no readily determinable fair value is available.

E. OTHER PROPERTY OWNED: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. 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. On at least an annual basis, revised estimates to the fair value 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 and expenses from operations and carrying value adjustments are included in losses on other property owned, net in the Consolidated Statements of Comprehensive Income.

F. PREMISES AND EQUIPMENT: Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization computed by the straight-line method over the estimated useful lives of the assets. Useful lives for buildings are 39 years and range from four to seven years for furniture, equipment, and automobiles. Progress payments for assets under construction or development are held in construction in progress and do not begin depreciation until the asset is designated as complete and placed in service by the Association. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

The Association purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to non-interest expense. Costs associated with designing software configuration, installation, coding programs and testing systems are capitalized and amortized using the straight-line method over three years.

G. OTHER ASSETS AND OTHER LIABILITIES: Other assets are composed primarily of patronage receivables from other Farm Credit institutions and pension plan assets. Significant components of other liabilities primarily include short- and long-term incentive compensation payables, pension plan liabilities, and Farm Credit System Insurance Corporation (FCSIC) premiums payable.

H. FUNDS HELD ACCOUNTS: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such Funds Held is restricted, the Funds Held are netted against the borrower's related loan balance. Unrestricted Funds Held are included in liabilities in the Consolidated Statements of Condition. Restricted Funds Held are primarily associated with mortgage loans, while unrestricted Funds Held are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Funds Held are not insured. Interest is generally paid by the Association on Funds Held accounts.

I. EMPLOYEE BENEFIT PLANS: Certain employees of the Association participate in either the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employee's Retirement Plan (Eleventh Plan) (together Ninth and Eleventh Retirement Plans or Pension Plans) and/or the Farm Credit Foundations' Defined Contribution/401(k) Plan (Defined Contribution Plan). The Ninth and Eleventh Retirement Plans are noncontributory defined benefit plans. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Ninth Plan was closed to employees beginning January 1, 2007. The Eleventh Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. In this portion of the plan, the Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code (401(k)). The Association matches a certain percentage of employee contributions to the 401(k). Employees hired on or after January 1, 1998, are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also participates in the Former Ninth and Eleventh District Employers Restoration Plan (Restoration Plan). This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the plans are offset by the benefits payable from the Pension Plans.

Certain eligible employees may also participate in a nonqualified deferred compensation plan, which is included in other assets and other liabilities in the Consolidated Statements of Condition, where they are able to defer a portion of their compensation. The Association matches a certain percentage of employee contributions to the plan.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical Plan and Retiree Life Plan. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. Accounting standards require the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

J. INCOME TAXES: As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly owned PCA subsidiary. The ACA, which is the holding company, and the PCA subsidiary are subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation.

The Association elected 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. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the financial statements and tax bases of assets and liabilities. In addition, a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings.

At December 31, 2021, deferred income taxes have not been provided on approximately $78.7 million of patronage refunds received from the Bank before January 1, 1993 - the adoption date of accounting guidance on income taxes. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently invest these undistributed earnings in CoBank, thereby indefinitely postponing their conversion to cash.

The Association has not provided deferred income taxes on amounts allocated to the Association that relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to the Association's borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings. CoBank currently has no plans to distribute unallocated CoBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

For state tax purposes, the Association can exclude from taxable income all patronage-sourced income. Therefore, the provision for state income taxes is made only on non-patronage-sourced taxable earnings.

K. PATRONAGE INCOME FROM FARM CREDIT INSTITUTIONS: Patronage income from Farm Credit institutions is accrued by the Association in the year earned.

L. OTHER COMPREHENSIVE INCOME/LOSS: Other comprehensive income/loss refers to revenue, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/loss refers to the balance of these transactions. The Association records other comprehensive income/loss associated with the liability under the Restoration Plan.

M. FAIR VALUE MEASUREMENT: Accounting guidance defines fair value, establishes a framework for measuring fair value, and specifies disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

> **Level 1:** Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include assets held in trust funds that relate to the Association's non-qualified deferred compensation plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.
>
> **Level 2:** Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current, or principal market information is not released publicly; (c) inputs other than quoted prices that are observable, such as interest rates and yield curves, prepayment speeds, credit risks, and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.
>
> **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include loans acquired in an acquisition or merger, impaired loans, and other property owned.

The fair value disclosures are presented in Note 16.

N. OFF-BALANCE-SHEET CREDIT EXPOSURES: 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. Commercial letters of credit are conditional 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. The credit risk associated with commitments to extend credit and commercial 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.

O. ACQUISITION ACCOUNTING: The FASB guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. For the Association, because the stock is fixed in value, the stock issued pursuant to a merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring Association would identify and estimate the acquisition date fair value of the equity interests (net assets) of the acquired Association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, are measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The excess value received by the acquiring Association from the acquired Association over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

On July 1, 2019, the Association acquired the assets and assumed the liabilities of Farm Credit Services of Hawaii, ACA (FCS Hawaii) for consideration of shares of the Association's voting common stock for an equal number of shares of FCS Hawaii's Class C voting common stock issued and outstanding, both of which had a par value of $5 per share. The transaction was accounted for as an asset acquisition, as prescribed by Accounting Standards Codification (ASC 805-50, Business Combinations). Assets acquired totaled $85.2 million, of which $75.1 million was outstanding loans. Liabilities assumed totaled $58.0 million.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

December 31	2021	2020	2019
Real estate mortgage	$8,889,724	$7,802,390	$6,564,171
Production and intermediate-term	3,514,590	3,132,095	2,692,055
Agribusiness	2,960,834	2,747,599	2,236,569
Rural infrastructure	526,303	445,199	308,040
Agricultural export finance	41,554	41,563	41,558
Rural residential real estate	1,725	2,028	2,397
Total	**$15,934,730**	**$14,170,874**	**$11,844,790**

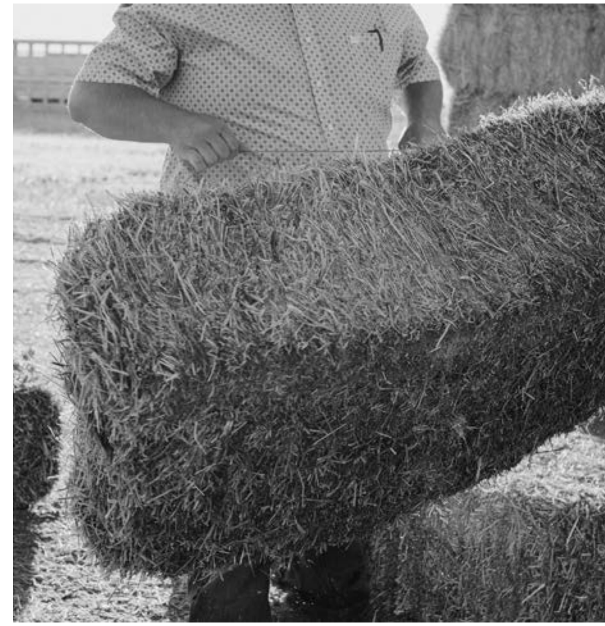
The Association, in the normal course of business, purchases and sells participation interests with other parties to diversify risk, manage loan volume, and comply with FCA regulations. All loans sold to others are sold without recourse. The Association had no participations purchased from or sold to Non-Farm Credit institutions at December 31, 2021. The following table presents information regarding participations purchased from and sold to other Farm Credit institutions as of December 31, 2021.

December 31, 2021	Participations Purchased	Participations Sold
Real estate mortgage	$530,558	$1,840,914
Production and intermediate-term	755,808	1,086,027
Agribusiness	1,590,425	2,327,371
Rural infrastructure	495,026	60,781
Agricultural export finance	41,554	–
Total	**$3,413,371**	**$5,315,093**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

December 31	2021		2020		2019	
Vineyards and wineries	$2,602,748	17%	$2,404,511	18%	$2,084,960	18%
Trees fruits and nuts	2,268,235	14	1,750,959	12	1,300,043	11
Field crops	2,213,210	14	2,037,113	14	1,736,060	15
Dairies	1,934,739	12	1,704,228	12	1,499,381	13
Beef	1,665,502	10	1,404,048	10	1,253,163	10
Forest products	1,219,151	8	1,162,992	8	1,055,969	9
Vegetables	540,249	3	566,638	4	469,236	4
Other	3,490,896	22	3,140,385	22	2,445,978	20
Total	**$15,934,730**	**100%**	**$14,170,874**	**100%**	**$11,844,790**	**100%**

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 secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% 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.



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

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 factors, conditions, and values that make collection in full highly questionable; and

Loss: Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of December 31, 2021, the allowance for loan losses is adequate based on information currently available.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of December 31.

December 31	2021	2020	2019
Real estate mortgage			
Acceptable	96.34%	95.73%	95.48%
OAEM	1.65	2.30	3.04
Substandard/Doubtful	2.01	1.97	1.48
	100.00%	**100.00%**	**100.00%**
Production and intermediate-term			
Acceptable	93.77%	94.29%	93.83%
OAEM	3.22	3.97	4.39
Substandard/Doubtful	3.01	1.74	1.78
	100.00%	**100.00%**	**100.00%**
Agribusiness			
Acceptable	97.20%	97.83%	98.48%
OAEM	0.53	1.80	0.58
Substandard/Doubtful	2.27	0.37	0.94
	100.00%	**100.00%**	**100.00%**
Rural infrastructure			
Acceptable	100.00%	100.00%	91.32%
OAEM	–	–	7.53
Substandard/Doubtful	–	–	1.15
	100.00%	**100.00%**	**100.00%**
Rural residential real estate			
Acceptable	94.30%	94.16%	90.40%
OAEM	–	–	3.52
Substandard/Doubtful	5.70	5.84	6.08
	100.00%	**100.00%**	**100.00%**
Agricultural export finance			
Acceptable	100.00%	100.00%	100.00%
	100.00%	**100.00%**	**100.00%**
Total loans			
Acceptable	96.06%	95.96%	95.58%
OAEM	1.73	2.50	2.99
Substandard/Doubtful	2.21	1.54	1.43
	100.00%	**100.00%**	**100.00%**

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms. The following table presents information relating to impaired loans (including accrued interest).

December 31	2021	2020	2019
Nonaccrual:			
Current as to principal and interest	$52,728	$30,222	$20,629
Past due	13,708	21,319	21,603
Total nonaccrual loans	**66,436**	**51,541**	**42,232**
Accrual:			
Accruing restructured loans	9,593	10,872	13,408
Accrual > 90 days past due	658	509	–
Total impaired accrual loans	**10,251**	**11,381**	**13,408**
Total impaired loans	**$76,687**	**$62,922**	**$55,640**

Commitments to lend additional funds to debtors whose loans were classified as impaired at December 31 were $2.0 million for 2021, $629 thousand for 2020, and $1.8 million for 2019.

High-risk assets consist of impaired loans and other property owned. The following table presents these in more detail than the previous table. These non-performing assets (including accrued interest) are as follows:

December 31	2021	2020	2019
Nonaccrual loans:			
Real estate mortgage	$39,126	$40,246	$28,849
Production and intermediate-term	13,913	6,538	7,579
Agribusiness	13,298	4,638	5,681
Rural residential real estate	99	119	123
Total nonaccrual loans	**66,436**	**51,541**	**42,232**
Accruing restructured loans:			
Real estate mortgage	9,577	10,854	13,390
Production and intermediate-term	16	18	18
Total accruing restructured loans	**9,593**	**10,872**	**13,408**
Accruing loans 90 days or more past due:			
Real estate mortgage	658	–	–
Production and intermediate-term	–	509	–
Total accruing loans 90 days or more past due	**658**	**509**	**–**
Total impaired loans	**76,687**	**62,922**	**55,640**
Other property owned	4,160	4,160	4,779
Total high-risk-assets	**$80,847**	**$67,082**	**$60,419**

Additional impaired loan information is as follows:

	At December 31, 2021			For the Year Ended December 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$1,796	$1,953	$823	$1,527	$–
Production and intermediate-term	1,792	1,957	455	2,558	–
Agribusiness	1,667	1,667	705	110	–
Total	**$5,255**	**$5,577**	**$1,983**	**$4,195**	**$–**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$47,565	$54,181	$–	$53,269	$2,657
Production and intermediate-term	12,137	27,626	–	6,256	814
Agribusiness	11,631	14,028	–	1,755	169
Rural residential real estate	99	126	–	85	–
Total	**$71,432**	**$95,961**	**$–**	**$61,365**	**$3,640**
Total impaired loans:					
Real estate mortgage	$49,361	$56,134	$823	$54,796	$2,657
Production and intermediate–term	13,929	29,583	455	8,814	814
Agribusiness	13,298	15,695	705	1,865	169
Rural residential real estate	99	126	–	85	–
Total	**$76,687**	**$101,538**	**$1,983**	**$65,560**	**$3,640**

Additional impaired loan information, continued.

	At December 31, 2020			For the Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$2,181	$2,289	$1,322	$977	$–
Production and intermediate-term	827	1,106	304	459	–
Agribusiness	–	–	–	2,881	–
Total	**$3,008**	**$3,395**	**$1,626**	**$4,317**	**$–**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$48,919	$55,917	$–	$51,286	$2,738
Production and intermediate-term	6,238	18,733	–	5,574	453
Agribusiness	4,638	6,990	–	1,301	1,884
Rural residential real estate	119	145	–	103	2
Total	**$59,914**	**$81,785**	**$–**	**$58,264**	**$5,077**
Total impaired loans:					
Real estate mortgage	$51,100	$58,206	$1,322	$52,263	$2,738
Production and intermediate–term	7,065	19,839	304	6,033	453
Agribusiness	4,638	6,990	–	4,182	1,884
Rural residential real estate	119	145	–	103	2
Total	**$62,922**	**$85,180**	**$1,626**	**$62,581**	**$5,077**

	At December 31, 2019			For the Year Ended December 31, 2019	
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for credit losses:					
Production and intermediate-term	$420	$443	$129	$2,762	$20
Agribusiness	5,062	5,179	1,387	3,403	1
Total	**$5,482**	**$5,622**	**$1,516**	**$6,165**	**$21**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$42,239	$49,483	$–	$40,214	$2,709
Production and intermediate-term	7,177	17,709	–	5,168	616
Agribusiness	619	4,602	–	4,521	47
Rural residential real estate	123	137	–	51	–
Total	**$50,158**	**$71,931**	**$–**	**$49,954**	**$3,372**
Total impaired loans:					
Real estate mortgage	$42,239	$49,483	$–	$40,214	$2,709
Production and intermediate-term	7,597	18,152	129	7,930	636
Agribusiness	5,681	9,781	1,387	7,924	48
Rural residential real estate	123	137	–	51	–
Total	**$55,640**	**$77,553**	**$1,516**	**$56,119**	**$3,393**

Note: The recorded investment in the loan 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 loan receivable. Unpaid principal balance represents the recorded principal balance of the loan.

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans.

For the Year Ended December 31	2021	2020	2019
Interest income recognized on:			
Nonaccrual loans	$3,128	$4,532	$2,826
Accruing restructured loans	475	516	567
Accrual loans 90 days or more past due	37	29	–
Interest income recognized on impaired loans	**$3,640**	**$5,077**	**$3,393**

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans are shown in the following table.

For the Year Ended December 31	2021	2020	2019
Interest income that would have been recognized under the original loan terms	$7,450	$9,261	$10,619
Less: interest income recognized	(3,603)	(5,048)	(3,393)
Foregone interest income	**$3,847**	**$4,213**	**$7,226**

The following tables provide an age analysis of past due loans (including accrued interest).

December 31, 2021	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$12,999	$8,784	$21,783	$8,956,331	$8,978,114
Production and intermediate-term	5,524	2,937	8,461	3,527,806	3,536,267
Agribusiness	50	–	50	2,969,690	2,969,740
Rural infrastructure	–	–	–	526,566	526,566
Rural residential real estate	1	17	18	1,713	1,731
Agricultural export finance	–	–	–	41,843	41,843
Total	**$18,574**	**$11,738**	**$30,312**	**$16,023,949**	**$16,054,261**

December 31, 2020	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$17,416	$9,549	$26,965	$7,859,300	$7,886,265
Production and intermediate-term	6,362	1,788	8,150	3,144,669	3,152,819
Agribusiness	1,268	4,572	5,840	2,751,381	2,757,221
Rural infrastructure	–	–	–	445,417	445,417
Rural residential real estate	97	21	118	1,917	2,035
Agricultural export finance	–	–	–	41,852	41,852
Total	**$25,143**	**$15,930**	**$41,073**	**$14,244,536**	**$14,285,609**

December 31, 2019	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$19,324	$11,675	$30,999	$6,611,091	$6,642,090
Production and intermediate-term	4,198	4,837	9,035	2,706,317	2,715,352
Agribusiness	373	–	373	2,245,715	2,246,088
Rural infrastructure	–	–	–	308,406	308,406
Rural residential real estate	23	116	139	2,266	2,405
Agricultural export finance	–	–	–	41,868	41,868
Total	**$23,918**	**$16,628**	**$40,546**	**$11,915,663**	**$11,956,209**

A restructuring of debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The following tables present additional information regarding TDRs, whether accrual or non-accrual, that occurred during the period presented.

Year Ended December 31, 2021	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$4,782	$4,782
Total	**$4,782**	**$4,782**

Year Ended December 31, 2020	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$1,153	$1,153
Total	**$1,153**	**$1,153**

Year Ended December 31, 2019	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$1,952	$1,952
Total	**$1,952**	**$1,952**

*Pre-modification represents the recorded investment in the loan receivable just prior to restructuring and post-modification represents the recorded investment in the loan receivable immediately following the restructuring. The recorded investment is the face amount of the loan receivable 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 loan receivable.

In the allowance for loan loss analysis, TDR loans are individually evaluated and a specific allowance is established based on the likelihood current events will result in an anticipated loss on the individual loans.

The Association had no TDRs for which there was a payment default during the years presented.

At December 31, 2021, the Association had no additional commitments to lend to borrowers whose loans have been modified in TDRs.

The following table provides information on the outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table on page 58.

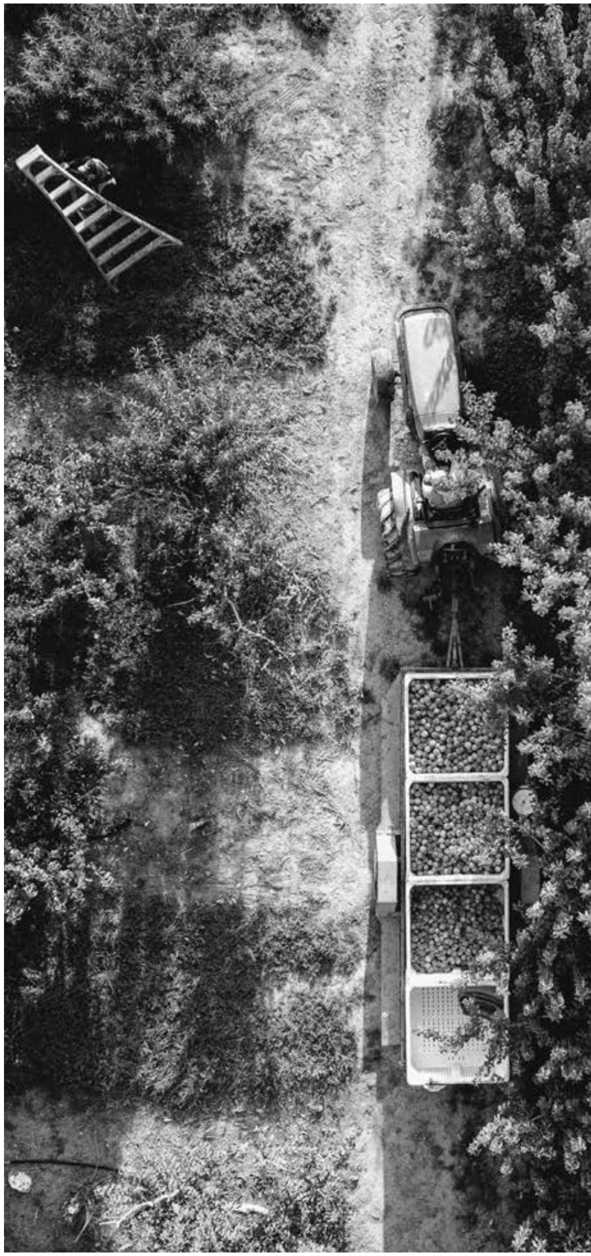
December 31		2021	2020	2019
Loans Modified as TDRs	Real estate mortgage	$9,539	$10,833	$11,423
	Production and intermediate-term	15	18	1,952
	Total	**$9,554**	**$10,851**	**$13,375**
TDRs in Nonaccrual Status	Real estate mortgage	$2,403	$2,614	$843
	Production and intermediate-term	1,094	379	–
	Agribusiness	–	–	4,608
	Total	**$3,497**	**$2,993**	**$5,451**

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

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2021	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$823	$10,567	$49,360	$8,928,754
Production and intermediate-term	455	15,500	13,929	3,522,338
Agribusiness	705	8,838	13,298	2,956,442
Rural infrastructure	–	526	–	526,566
Rural residential real estate	–	1	99	1,632
Agricultural export finance	–	100	–	41,843
Total	**$1,983**	**$35,532**	**$76,686**	**$15,977,575**

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$1,322	$10,493	$51,100	$7,835,165
Production and intermediate-term	304	13,395	7,065	3,162,022
Agribusiness	–	7,003	4,638	2,736,315
Rural infrastructure	–	503	–	445,417
Rural residential real estate	–	1	119	1,916
Agricultural export finance	–	190	–	41,852
Total	**$1,626**	**$31,585**	**$62,922**	**$14,222,687**

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$–	$6,676	$42,239	$6,599,851
Production and intermediate-term	129	11,537	7,597	2,707,755
Agribusiness	1,387	5,316	5,682	2,240,406
Rural infrastructure	–	564	–	308,406
Rural residential real estate	–	2	122	2,283
Agricultural export finance	–	196	–	41,868
Total	**$1,516**	**$24,291**	**$55,640**	**$11,900,569**



	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2021
Real estate mortgage	$11,815	$(105)	$3	$(323)	$11,390
Production and intermediate-term	13,699	(7,347)	4,612	4,991	15,955
Agribusiness	7,003	–	19	2,521	9,543
Rural infrastructure	503	–	–	23	526
Rural residential real estate	1	–	–	–	1
Agricultural export finance	190	–	–	(90)	100
Total	**$33,211**	**$(7,452)**	**$4,634**	**$7,122**	**$37,515**

	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2020
Real estate mortgage	$6,676	$(373)	$689	$4,823	$11,815
Production and intermediate-term	11,666	(2,842)	1,076	3,799	13,699
Agribusiness	6,703	–	157	143	7,003
Rural infrastructure	564	–	–	(61)	503
Rural residential real estate	2	–	–	(1)	1
Agricultural export finance	196	–	–	(6)	190
Total	**$25,807**	**$(3,215)**	**$1,922**	**$8,697**	**$33,211**

	Balance at December 31, 2018	Charge-offs	Recoveries	Allowance from Acquisition Transaction	Provision for Loan Losses /(Loan Loss Reversals)	Balance at December 31, 2019
Real estate mortgage	$5,294	$–	$745	$918	$(281)	$6,676
Production and intermediate-term	8,577	(3,257)	1,109	482	4,755	11,666
Agribusiness	6,789	–	22	–	(108)	6,703
Rural infrastructure	506	–	–	–	58	564
Rural residential real estate	3	–	–	–	(1)	2
Agricultural export finance	190	–	–	–	6	196
Total	**$21,359**	**$(3,257)**	**$1,876**	**$1,400**	**$4,429**	**$25,807**

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income, along with the provision for loan losses.

A summary of the changes in the reserve for unfunded lending commitments follows:

Year Ended December 31	2021	2020	2019
Balance at the beginning of the year	$4,482	$3,744	$2,861
(Reversal of)/Provision for unfunded lending commitments	(290)	738	883
Balance at end of the year	**$4,192**	**$4,482**	**$3,744**

To mitigate the risk of loan losses, the Association may enter into Long-Term Standby Commitment to Purchase agreements with Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event a delinquency of four months occurs, subject to certain conditions. The balance of the loans under the Long-Term Standby Commitment to Purchase agreements was $104.7 million, $64.6 million, and $66.4 million at December 31, 2021, 2020, and 2019, respectively. Fees paid to Farmer Mac for such commitments totaled $371 thousand, $314 thousand, and $304 thousand for the years ended December 31, 2021, 2020, and 2019, respectively. These amounts are classified as interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac has not purchased any loans under this agreement.

NOTE 4 – INVESTMENT IN COBANK

At December 31, 2021, the Association's investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4.0% of the Association's prior five-year average direct loan balance. The 2021 requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the Association's prior 10-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75.0% cash and 25.0% Class A stock. The capital plan is evaluated annually by CoBank's Board of Directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Act and regulations. In making such a capital call, CoBank shall consider the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 11.91% of the outstanding common stock of CoBank at December 31, 2021. CoBank recently announced its intent to retire $21.2 million of the Association's stock investment on March 15, 2022, due to changes in its capital requirements.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

December 31	2021	2020	2019
Buildings and improvements	$122,386	$122,386	$122,634
Furniture and equipment	18,628	18,630	18,175
Land	13,226	13,226	13,331
Construction in progress	101	–	935
Vehicles	2,847	2,660	2,692
Premises and equipment at cost	157,188	156,902	157,767
Less: accumulated depreciation	(46,498)	(41,117)	(36,254)
Premises and equipment, net	**$110,690**	**$115,785**	**$121,513**

Future minimum lease payments under non-cancellable leases as of December 31, 2021, were as follows:

	Operating Leases	Finance Leases	Total
2022	$747	$564	$1,311
2023	649	502	1,151
2024	599	187	786
2025	512	206	718
2026	295	-	295
Thereafter	1,393	-	1,393
Total lease payments	**4,195**	**1,459**	**5,654**
Less: interest	–	(27)	(27)
Total	**$4,195**	**$1,432**	**$5,627**

Right-of-use assets, net of accumulated amortization, amounted to $4.4 million at December 31, 2021, $5.1 million at December 31, 2020, and $5.9 million at December 31, 2019. These amounts are included with Premises and Equipment, net on the Consolidated Statements of Condition.

NOTE 6 – OTHER PROPERTY OWNED

Gains and losses on other property owned, as reflected in Other gains/losses, net on the Consolidated Statements of Income, consisted of the following:

December 31	2021	2020	2019
Carrying value adjustments	$–	$619	$–
Operating expense, net	60	28	37
Losses on other property owned, net	**$60**	**$647**	**$37**

NOTE 7 – NOTES PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets to CoBank and is governed by a General Financing Agreement (GFA). The GFA is subject to renewal periodically in accordance with normal business practices and requires the Association to comply with certain covenants. The GFA matures on January 1, 2023. Management expects renewal of the GFA at that time. The Association's debt is primarily block-funded through a direct note with CoBank. The weighted average interest rate is determined based on the terms and conditions of the Association's borrowing. The weighted average interest rate was 0.65% at December 31, 2021, compared with 0.76% at December 31, 2020, and 1.98% at December 31, 2019.

Through the note payable, the Association was liable for the following:

December 31	2021	2020	2019
Fixed rate debt	$5,460,009	$4,894,720	$3,851,234
Floating rate debt	4,413,681	4,171,616	3,223,173
Discount notes	2,883,466	2,748,986	2,436,160
Daily revolving line of credit	814,054	443,241	564,131
Total	**$13,571,210**	**$12,258,563**	**$10,074,698**

Fixed rate debt typically has original maturities ranging from one to 30 years, and at December 31, 2021, included callable debt of $1.61 billion, with a range of call dates between January 2022 and March 2026. Floating rate notes generally have maturities ranging from one year to five years. Discount notes have maturities from one day to 365 days. The daily revolving line of credit is renewed annually and is priced at the 30-day discount note rate.

The maturities of debt within the note payable to CoBank as of December 31, 2021, are as follows:

Year of Maturity	Amount	Weighted Average Interest Rate
2022	$7,318,434	0.21%
2023	2,257,636	0.38
2024	1,161,751	1.34
2025	350,586	1.80
2026	352,977	1.38
Subsequent years	2,129,826	1.74
Total	**$13,571,210**	**0.65%**

Under the Farm Credit Act, the Association is obligated to borrow from CoBank, unless CoBank gives approval to borrow elsewhere.

NOTE 8 – SUBORDINATED DEBT

In June 2021, the Association issued subordinated debt with an overall principle balance of $200 million, due in 2036, which may be redeemed all or in part at the option of the Association on any interest payment date on or after June 2031. The subordinated debt bears a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The subordinated debt is subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The subordinated debt is not considered System debt and is not an obligation of, nor guaranteed by any System entity. Further, payments on the subordinated debt are not insured by the FCSIC. The subordinated debt is presented net of unamortized issuance costs of approximately $2.4 million on the Consolidated Statements of Condition.

NOTE 9 – SHAREHOLDERS' EQUITY

A description of the Association's capitalization requirements, capital protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided in the following.

A. COMMON STOCK AND PARTICIPATION CERTIFICATES

In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in common stock (for agricultural loans) or participation certificates (for rural home and farm-related business loans) in the Association as a condition of borrowing. In accordance with the Association's capitalization bylaws, the required investment is currently the lesser of $1,000 or 2.0% of the total borrower's commitment.

The borrower acquires ownership of the common stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is 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. At the discretion of the Board of Directors, 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. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital represents the excess value received over the par value of capital stock and participation certificates issued in connection with mergers and acquisitions. Additional paid-capital also includes a reduction for capital stock issuance costs incurred.

C. REGULATORY CAPITALIZATION REQUIREMENTS AND RESTRICTIONS

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations.

The following table presents the regulatory capital ratio requirements and ratios at December 31:

Ratio	Primary Components of Numerator	Denominator	Ratios as of December 31, 2021	Ratios as of December 31, 2020	Ratios as of December 31, 2019	Minimum with Buffer	Minimum Requirement
Common Equity Tier 1 (CET1) capital	URE and common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	10.69%	11.55%	13.40%	7.00%	4.50%
Tier 1 capital	CET1 capital and non-cumulative perpetual preferred stock	Risk-weighted assets	12.37%	11.55%	13.40%	8.50%	6.00%
Total capital	Tier 1 capital, allowance for loan losses[2], other common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	13.71%	11.79%	13.60%	10.50%	8.00%
Tier 1 leverage	Tier 1 capital (at least 1.5% must be URE and URE equivalents)	Total assets	14.10%	13.16%	15.33%	5.00%	4.00%
URE and URE equivalents (UREE) leverage	URE and URE equivalents	Total assets	13.36%	13.94%	15.67%	–	1.50%
Permanent capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	13.69%	12.83%	14.58%	–	7.00%

1. Equities subject to a minimum redemption or revolvement period of 7 or more years
2. Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments
3. Equities subject to a minimum redemption or revolvement period of 5 or more years, but less than 7 years
4. Equities subject to a minimum redemption or revolvement period of 5 or more years

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

D. DESCRIPTION OF EQUITIES

Class A Common Stock: (nonvoting, at-risk, no shares outstanding, $5 par value.) Class A common stock may be issued as a patronage distribution or in exchange for a like number of shares of Class C common stock when the holder has fully retired their loan or loans with the Association and has not had a borrowing relationship with the Association for two years. Class A common stock may be converted to Class C common stock if the holder becomes a borrower eligible to own Class C common stock, and to Class F participation certificates if the holder becomes a borrower eligible to own Class F participation certificates.

Class C Common Stock: (voting, at-risk, 2,059,436 shares outstanding, $5 par value.) Each owner of Class C common stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

Class D Common Stock: (nonvoting, at-risk, no shares outstanding, $1,000 par value.) Class D common stack may be issued to CoBank or to any person through direct sale.

Class F Participation Certificates: (nonvoting, at-risk, 39,660 shares outstanding, $5 par value.) Class F participation certificates may be issued or transferred to rural residents, persons furnishing farm-related services, or to other persons eligible to borrow for the purpose of qualifying for services offered by the Association who are not eligible to hold Class C common stock.

Class H Preferred Stock: (limited voting, at-risk, no shares outstanding, $1 par value.) Class H preferred stock may be issued to, and may be acquired by, members and equity holders who, at the time of such issuance or acquisition, hold any class of common stock or participation certificates. Class H preferred stock is transferable only to another holder of Class H preferred stock, and then only after the transferor provides written notice to the Association in a form prescribed by the Association's Board. The holders of H stock are limited to voting on matters that would affect any preference accorded to the H stock and any amendments that would authorize a new class of preferred stock. Each holder of H stock is entitled to receive dividends in an amount equal to a specified percentage (dividend rate) as declared by the Board of Directors. The dividend rate is a per annum rate that may change monthly at the discretion of the Board, but is limited to 8.0% per annum. Dividends accrue daily and will accumulate until declared and paid in the form of additional shares of H stock. H stock is redeemable at par plus cumulative unpaid dividends. Retirement of the stock is at the discretion of the Board. Effective March 31, 2021, the Board approved the redemption and retirement of all outstanding shares of H Stock.

Series A Non-cumulative Perpetual Preferred Stock: (limited voting, at-risk, 300,000 shares outstanding, $1,000 par value.) The issuance carries an annual dividend rate of 5.25% payable quarterly beginning September 15, 2021, until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026 and quarterly thereafter. Issuance costs of approximately $6.5 million are included in Additional Paid-in Capital on the Consolidated Statements of Condition.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to those discussed above. Separately from Class H preferred stock, the Association is authorized to issue other preferred stock with an aggregate par value of up to $900 million outstanding at any one time.

The Series A preferred stock is junior to any subordinated debt, existing and future debt obligations, and to any series of preferred stock the Association may issue in the future with priority rights. Series A preferred stock is senior to outstanding common classes of equity, Class F participation certificates, and patronage equities. The Series A preferred stock has a preference as to dividends and on liquidation or dissolution over all other classes of equities. After the retirement of stock, any remaining assets will be distributed to holders of allocated surplus as evidenced by nonqualified written notices of allocation. Any assets remaining after such distribution will be shared pro rata on a patronage basis by all common stock and certificate holders of record immediately before the liquidation distribution.

E. PATRONAGE DISTRIBUTIONS

The Association's bylaws provide for the payment of patronage distributions. All patronage distributions to a borrower shall be on a proportionate patronage basis as may be approved by the Association's Board of Directors, consistent with the requirement of Subchapter T of the Internal Revenue Code.

The Association's Board of Directors adopted a resolution establishing the distribution of 2021 patronage-sourced net earnings. The resolution established the cash patronage in the amount of 1.0% of the Association's borrowers' average daily loan balances and 0.85% on purchased participations. Cash patronage of $162.9 million will be distributed to qualified patrons in 2022. This amount was recognized as a liability on the Association's Consolidated Statements of Condition at December 31, 2021.

In December 2021, the Association's Board of Directors adopted an Obligating Resolution to distribute 2022 patronage-sourced earnings to patrons of the Association, contingent upon the Association maintaining certain capital criteria.

Cash patronage of $142.0 million and $115.4 million was declared on the Association's patronage-sourced earnings for 2020 and 2019, respectively. These amounts were recognized as a liability on the Association's balance sheet at December 31 in the year they were declared and paid in the first quarter of the following year. Cash patronage represented 1.0% of the Association's borrowers' average daily loan balances and 0.85% on purchased participations for both 2020 and 2019.

F. UNALLOCATED RETAINED SURPLUS

Net income can be distributed annually in the form of cash or allocated retained earnings; it may also be retained as unallocated retained earnings. Thus, unallocated retained earnings include patronage-sourced net income that is retained each year. The Board of Directors must approve any use of unallocated retained earnings.

G. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The Association reports accumulated other comprehensive income/(loss) in its Consolidated Statements of Condition and Consolidated Statements of Changes in Shareholders' Equity. As more fully described in Note 12, other comprehensive income/(loss) results from the recognition of the Restoration Plan's net unamortized gains and (losses) and prior service costs or credits of $1.5 million, $(6.3) million, and $(2.0) million in 2021, 2020, and 2019, respectively. There were no other items affecting comprehensive income or loss.

NOTE 10 – PATRONAGE INCOME FROM SYSTEM INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association is presented in the following table:

Year Ended December 31	2021	2020	2019
CoBank	$79,023	$61,050	$47,192
AgDirect, LLP	2,140	1,925	1,648
Other Farm Credit Institutions	30,957	25,763	14,255
FCS Insurance Exchange	344	561	180
Total	**$112,464**	**$89,299**	**$63,275**

Patronage distributed from CoBank is received in cash and stock. All other patronage is received in cash.

NOTE 11 – INCOME TAXES

The provision for income taxes is as follows:

Year Ended December 31	2021	2020	2019
Current federal tax provision	$–	$–	$1
Current state tax provision	2	2	17
Total provision for income taxes	**$2**	**$2**	**$18**

The following table quantifies the differences between the provision for income taxes and the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income of the Association.

Year Ended December 31	2021	2020	2019
Federal tax at statutory rate	$73,714	$51,939	$42,154
State tax, net	2	2	17
Tax-exempt FLCA income	(66,193)	(45,667)	(34,033)
Cash patronage distributions paid	(7,327)	(7,550)	(8,131)
Change in deferred tax valuation allowance	(197)	1,274	–
Other	3	4	11
Provision for income taxes	**$2**	**$2**	**$18**

Deferred tax assets and liabilities result from the following:

Year Ended December 31	2021	2020	2019
Gross deferred tax assets:			
Allowance for loan losses	$4,600	$3,494	$2,798
Deferred loan fees	1,857	2,082	1,546
Nonaccrual loan interest	892	1,049	874
Gross deferred tax asset	7,349	6,625	5,218
Gross deferred tax liabilities:			
Mineral depletion	(50)	(49)	(49)
Accrued CoBank patronage	(4,548)	(3,628)	(3,495)
Net deferred tax asset before valuation allowance	2,751	2,948	1,674
Deferred tax asset valuation allowance	(2,751)	(2,948)	(1,674)
Net deferred tax asset	**$–**	**$–**	**$–**

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

The Association had a valuation allowance of $2.8 million in 2021, $2.9 million in 2020, and $1.7 million in 2019. The Association will continue to evaluate the likely realization of deferred tax assets and adjust the valuation allowance accordingly.

The Association had no uncertain tax positions to be recognized as of December 31, 2021, 2020, or 2019.

The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. There were no interest or penalties recognized in 2021, 2020, or 2019. The tax years that remain open for federal and major state income tax jurisdictions are 2018 and forward.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Certain employees participate in the Ninth and Eleventh Retirement Plans, which are multi-employer defined benefit retirement plans. The Department of Labor has determined the plans to be governmental plans; therefore, the plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plans are not subject to ERISA, the plans' benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plans' termination is contingent on the sufficiency of the plans' net assets to provide benefits at that time. The plans are noncontributory and cover eligible employees. The assets, liabilities, and costs of the plans are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of these plans.

The defined benefit pension plans reflect an unfunded liability totaling $5.4 million for the Ninth Plan and $7.8 million for the Eleventh Plan at December 31, 2021. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date, based on assumed future compensation levels.

The projected benefit obligation and fair value of the multi-employer plan assets at December 31 are as follows:

(in millions)	2021	2020	2019
Projected benefit obligation			
Ninth Plan	$347.3	$359.9	$333.7
Eleventh Plan	$298.8	$318.4	$299.3
Fair value of plan assets			
Ninth Plan	$341.9	$302.5	$252.5
Eleventh Plan	$291.1	$271.7	$228.4

The amount of the pension benefits funding status is subject to many variables, including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding.

Costs and contributions for the multi-employer plans at December 31 are as follows:

(in millions)	2021	2020	2019
Total plan expenses for all participating employers			
Ninth Plan	$13.7	$19.5	$6.8
Eleventh Plan	$(1.3)	$1.3	$3.6
The Association's allocated share of plan expenses included in salaries and benefits			
Ninth Plan	$3.8	$5.5	$1.8
Eleventh Plan	$(0.5)	$0.5	$1.3
Total plan contributions for all participating employers			
Ninth Plan	$30.0	$30.0	$20.0
Eleventh Plan	$23.0	$23.0	$16.0
The Association's allocated share of plan contributions			
Ninth Plan	$8.7	$8.7	$5.3
Eleventh Plan	$9.0	$9.0	$9.0

While the plans are governmental plans and are not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plans with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the Pension Plans during 2022 is $53.0 million. The Association's allocated share of these pension contributions is expected to be $17.7 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables, including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are provided through the Farm Credit Foundations Retiree Medical Plan to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale based on years of service. The anticipated costs of these benefits were accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits) included in salaries and employee benefits were $41 thousand for 2021, $23 thousand for 2020, and $26 thousand for 2019. These expenses are equal to the Association's cash contributions for each year.

The Association participates in a nonqualified defined benefit Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Restoration Plan are offset by the benefits payable from the Pension Plans. Restoration Plan expenses included in salaries and employee benefits were $5.6 million for 2021, $4.6 million for 2020, and $4.0 million for 2019. The Restoration Plan experienced a current year net actuarial loss due to decreases in the discount rates utilized and other factors such as employee salaries and retirement rates.

The funded status and the amounts recognized in other liabilities in the Consolidated Statements of Condition for the Association's Restoration Plan are as follows:

Nonqualified Restoration Plan	2021	2020	2019
Change in benefit obligation:			
Benefit obligation at beginning of the period	$38,059	$29,642	$25,787
Service cost	433	905	696
Interest cost	473	674	931
Net actuarial loss	3,132	9,323	4,341
Benefits paid	(1,652)	(2,485)	(2,113)
Benefit obligation at December 31	**$40,445**	**$38,059**	**$29,642**
Amounts recognized in other liabilities in the Consolidated Statements of Condition consist of:			
Projected benefit obligation	$40,445	$38,059	$29,642

The following table represents the amounts included in accumulated other comprehensive income (AOCI)/loss for the Restoration Plan:

	2021	2020	2019
Net actuarial loss	$19,121	$20,588	$14,267
Total amount recognized in AOCI/loss	**$19,121**	**$20,588**	**$14,267**

Information for pension plans with an accumulated benefit obligation in excess of plan assets for the Restoration Plan at December 31 was as follows:

	2021	2020	2019
Accumulated benefit obligation	$39,153	$35,794	$23,559
Fair value of plan assets	N/A	N/A	N/A

Information for pension plans with a projected benefit obligation in excess of plan assets for the Restoration Plan at December 31 was as follows:

	2021	2020	2019
Projected benefit obligation	$40,445	$38,059	$29,642
Fair value of plan assets	N/A	N/A	N/A

The net periodic pension expense for the Restoration Plan included in salaries and benefits in the Consolidated Statements of Income is composed of the following at December 31.

Nonqualified Restoration Plan	2021	2020	2019
Components of net periodic benefit cost:			
Service cost	$433	$905	$696
Interest cost	473	674	931
Net amortization and deferral	4,599	3,002	2,326
Net periodic cost	**$5,505**	**$4,581**	**$3,953**

Changes in benefit obligation recognized in accumulated other comprehensive income are included in the following table.

	2021	2020	2019
Current year net actuarial loss	$3,132	$9,323	$4,341
Amortization of net actuarial gain	(4,599)	(3,002)	(2,326)
Total recognized in other comprehensive (income)/loss	**$(1,467)**	**$6,321**	**$2,015**

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

Nonqualified Restoration Plan	2021	2020	2019
Discount rate – Ninth Plan	2.14%	1.65%	2.59%
Discount rate – Eleventh Plan	1.54%	1.03%	2.35%
Rate of compensation increase – Ninth Plan	5.40%	5.40%	5.00%
Rate of compensation increase – Eleventh Plan	4.60%	4.60%	5.50%
Interest crediting rate – Ninth Plan	5.00%	5.00%	5.00%
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

Nonqualified Restoration Plan	2021	2020	2019
Discount rate – Ninth Plan	2.14%	1.65%	2.59%
Discount rate – Eleventh Plan	1.54%	1.03%	2.35%
Rate of compensation increase – Ninth Plan	5.40%	5.40%	5.40%
Rate of compensation increase – Eleventh Plan	4.60%	4.60%	4.60%
Interest crediting rate – Ninth Plan	5.00%	5.00%	5.00%
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

The Association estimates it will contribute $2.2 million to the Restoration Plan in 2022.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

	2022	2023	2024	2025	2026	2027-2031
Pension Restoration Benefits	$2,189	$1,828	$2,644	$1,077	$2,688	$35,314

The Association participates in the Farm Credit Foundations Defined Contribution/401(k) Plan. The plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. The Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions to the 401(k). Employer contributions to the Defined Contribution plan included in salaries and employee benefits were $9.0 million in 2021, $7.7 million in 2020, and $6.7 million in 2019.

NOTE 13 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors or employees of the Association, their immediate families, and other organizations with which such directors or employees of the Association may be associated (related party borrowers). These loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and senior officers must be maintained at an acceptable or other assets especially mentioned (OAEM) credit classification. If the loan becomes adversely classified, the director's service is terminated at the end of the 15th calendar day thereafter, unless grounds for an exception exist and a written request for an exception is granted.

Loan information to related parties for the years ended December 31 is shown in the following table.

	2021	2020	2019
Beginning balance	$162,636	$127,027	$125,977
New loans	106,270	190,612	356,636
Repayments	(112,790)	(154,355)	(351,347)
Loans no longer related parties	(2,728)	(648)	(4,239)
Ending balance	**$153,388**	**$162,636**	**$127,027**

In the opinion of management, none of these loans outstanding at December 31, 2021, involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities. The Association paid $516 thousand in 2021, $458 thousand in 2020, and $458 thousand in 2019 to Farm Credit Foundations for human resource services. As of December 31, 2021, the Association's investment in AgDirect was $23.1 million. Income recorded related to AgDirect was $2.1 million in 2021, $1.9 million in 2020, and $1.7 million in 2019.

NOTE 14 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. Regarding contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated 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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2021, $4.7 billion of commitments to extend credit were outstanding.

Since many of these commitments and letters of credit 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 Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments 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.

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, $56.7 million of standby letters of credit were outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2022 to 2041. The maximum potential amount of future payments the Association is required to make under the guarantees is $56.7 million.

The Association maintains a reserve for unfunded commitments, which reflects management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed on. The reserve totaled $4.2 million, $4.5 million, and $3.7 million at December 31, 2021, 2020, and 2019, respectively.

NOTE 16 – FAIR VALUE MEASUREMENTS

Accounting 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. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

Quoted market prices are generally not available for certain financial instruments, as described in the following. 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.

Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized in the following table. During the years presented, there were no assets measured at fair value on a non-recurring basis categorized as Level 1 or Level 2.

	Hierarchy Level 3	Total Fair Value
2021		
Loans	$3,272	$3,272
Other property owned	$4,425	$4,425
2020		
Loans	$1,382	$1,382
Other property owned	$4,425	$4,425
2019		
Loans	$3,966	$3,966
Other property owned	$6,200	$6,200

Assets measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized in the following table.. During the years presented, there were no assets measured at fair value on a recurring basis categorized as Level 2 or Level 3.

Assets Held in Nonqualified Benefits Trusts	Hierarchy Level 1	Total Fair Value
2021	$27,645	$27,645
2020	$22,044	$22,044
2019	$20,352	$20,352

During the three years presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association has no liabilities measured at fair value on a recurring basis for the periods presented.

VALUATION TECHNIQUES

As more fully discussed in Note 2, accounting guidance 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities subject to fair value measurement:

A. Loans: Fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

For purposes of determining the fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of loans in nonaccrual status is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows. For noncurrent nonaccrual loans, it is assumed that collection will result only from the disposition of the underlying collateral. Fair value of these loans is estimated to equal the aggregate net realizable value of the underlying collateral, discounted at an interest rate which appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. Where the net realizable value of the collateral exceeds the legal obligation for a particular loan, the legal obligation is generally used in place of the net realizable value.

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based on the underlying real estate collateral as the loans are collateral dependent. The fair value measurement process uses 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. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

B. Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Assets held in nonqualified benefits trusts are included in Other Assets in the Consolidated Statements of Condition.

C. Other Property Owned: Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. As a result, these fair value measurements fall within Level 3 of the hierarchy. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 17 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 4, 2022, which is the date the financial statements were available to be issued.

OTHER REGULATORY DISCLOSURE INFORMATION

(UNAUDITED)

FINANCIAL STATEMENTS

The Association will post the annual report and quarterly reports to shareholders on the Association's website, www.AgLoan.com, approximately 40 days after the end of each calendar quarter for the quarterly reports and 75 days after year-end for the annual report. Copies of these reports may be obtained free of charge by contacting American AgCredit at P.O. Box 1120, Santa Rosa, CA 95402, or by calling (800) 800-4865.

DESCRIPTION OF PROPERTY

American AgCredit is headquartered in Santa Rosa, California. The Association owns and leases various facilities throughout the territory, which are described in this annual report.

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Other than ordinary routine litigation incidental to the business, there are no material legal proceedings pending to which the Association is a party, of which any of its property is the subject, or which involve claims that the Association may be required to satisfy. There are no enforcement actions in effect against the Association.

RELATIONSHIP WITH INDEPENDENT EXTERNAL AUDITORS

There has been no change in independent external auditors and no material disagreements on any matters of accounting principles or financial statement disclosures during the period.

BORROWER PRIVACY

As a customer-owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs. FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers, and employees. FCA regulations specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

BOARD OVERSIGHT

The Board of Directors ("Board") is comprised of 20 seats, 18 of which are currently filled by 15 stockholder elected directors and 3 directors appointed by the elected directors. The Board represents the interests of stockholders and is organized into the following committees to carry out Board responsibilities:

AUDIT COMMITTEE

The Audit Committee assists the Board with fulfilling its fiduciary responsibilities. The Committee monitors the Association's financial reporting process and systems of internal controls, and the integrity of the Association's financial statements. The Audit Committee oversees the adequacy of the Association's internal control systems, the scope of our internal audit program, the independence of external auditors, and the process for monitoring compliance with Standards of Conduct.

COMPENSATION COMMITTEE

The Compensation Committee assists the Board with fulfilling its role to oversee compensation programs and provide comprehensive review and disclosures for those programs. The Committee oversees compensation practices to ensure alignment with long-term performance and provides direction and recommendations for compensation, benefits and human resource performance management programs.

GOVERNANCE COMMITTEE

The Governance Committee assists the Board with its oversight and evaluation of matters of corporate governance and structure, including the director nomination and election process, Board composition and qualifications, skills and other expertise desired for directors, as well as the evaluation and development of Board performance and processes, director orientation and continuing education, and the independence of Directors.

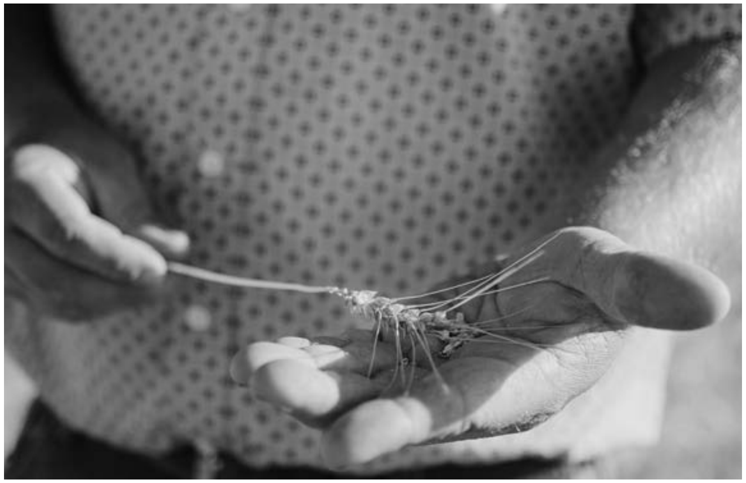
STRATEGY AND RISK COMMITTEE

The Strategy and Risk Committee assists the Board with fulfilling its oversight responsibilities for strategic planning and the enterprise-wide risk management framework of the Association. The Committee collaborates with management on the Association's overall strategy, business objectives, and strategic initiatives and makes recommendations to the Board related to the Association's mission, vision, and risk appetite, reviews ongoing risk assessments of current and emerging risks, and monitors the risk oversight activities of the chartered Board committees.

DIRECTOR INDEPENDENCE

All directors must exercise sound judgment in deciding matters in the Association's interest. All directors are independent from the perspective that no management or staff serves as Board members. However, as a financial services cooperative, the Association is required by the Farm Credit Act and FCA regulations to have elected directors that have a loan relationship with the Association.

The elected directors, as borrowers, have a vested interest in ensuring the Association remains strong and successful. However, the borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of the Board. Annually, in conjunction with the independence analysis and reporting on loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.



ASSOCIATION DIRECTORS

The following lists the Board of Directors as of December 31, 2021, including each director's business experience during the last five years, as well as current committee assignments.

Joe Alamo, Director
Term Expires: 2026
Committee(s): Executive, Strategy and Risk

Mr. Alamo has been a partner in Alamo Dairy and Alamo Farms since 1997. He currently milks 4,000 cows and grows nearly 4,000 acres of corn, winter forage, alfalfa, and almonds. He is the Turlock Irrigation District Director, the California Farm Water Coalition Director, and past president and current member of the Central Counties Dairy Herd Improvement Association. He is also active with Western United Dairies, the Stanislaus County Farm Bureau, and the Turlock Pentecost Association.

Berry Bortz, Director
Term Expires: 2022
Committee(s): Audit

Mr. Bortz farms in partnership with his family in eastern Pratt, southwest Reno, and southern Wichita counties in Kansas, producing corn, wheat, soybeans, alfalfa, cotton, sorghum, and bermuda. The family has a commercial and registered cow herd and feedlot. He is a partner in Next Gineration, Inc. and Central Kansas Cotton Producers, and Vice Chair of Next Gineration, Inc. which gins cotton for producers in south central Kansas.

Robert Boynton, Director
Term Expires: 2022
Committee(s): Executive, Compensation

Mr. Boynton has been actively involved in agriculture for his entire professional life. He grew up on a small family dairy farm in Humboldt County, California, which he owns today. He has a PhD in ag economics from Michigan State University. Mr. Boynton has an extensive agricultural business background, having served as Executive Director of the Dairy Institute of California and as Senior Vice President of Marketing & Sales for Leprino Foods.

Cyril Chappellet, Director
Term Expires: 2025
Committee(s): Governance

Mr. Chappellet is the President, CEO and Chair of Chappellet Vineyard and Winery, a family-owned and operated winemaking and vineyard operation established in 1967. Mr. Chappellet oversees every aspect of the operation from farming and winemaking to finance, personnel, and sales. He also manages a 2,500-acre ranch adjacent to the vineyard property, which is used as a cattle operation.

Randall Doll, Director
Term Expires: 2024
Committee(s): Compensation

Mr. Doll is a farmer and rancher in Butler County, Kansas, overseeing production of alfalfa, bluestem prairie hay, brome, milo, and wheat. He owns Walnut River Ranch and has extended family ranch and farming operations located in Barton, Finney, and Gray counties in Kansas. He also serves on the board of Farm Credit Council Services.

Carolyn Dunn, Director
Term Expires: 2026
Committee(s): Audit

Ms. Dunn partners with her husband in their farming operation in St. John, Kansas, consisting of wheat, corn, alfalfa hay, milo, and cow-calf. She is the Executive Director for Stafford County Economic Development, a non-profit that promotes economic and population growth throughout Stafford County in Kansas.

Marshall Ernst, Director
Term Expires: 2024
Committee(s): Compensation

Mr. Ernst grew up on a family farm in Wisconsin. He and his spouse own and operate Ernst Herefords, a registered cow/calf business focused on producing breeding stock for the commercial industry. Prior to that, Mr. Ernst spent 30 years in the food industry for several nationally branded food companies. He served as Senior Director of Livestock Operations for the National Western Stock Show in Denver.

George Fontes, Director
Term Expires: 2024
Committee(s): Compensation, Strategy and Risk

Mr. Fontes is a fourth-generation farmer in Salinas Valley, California. His family operation has included beef cattle, grain hay production, and vegetable farming. Currently, he owns and operates Fontes Farms LLC, providing farm management, equipment rental, and repair services. He was president and co-owner of Comgro Incorporated, which he contracts to grow lettuce, broccoli, and mix lettuce. He is the president and board member of the Salinas Basin Water Alliance. He also serves on the board of Farm Credit Foundations.

Gary Harshberger, Chair
Term Expires: 2023
Committee(s): Executive

Mr. Harshberger is a farmer with an operation consisting of dryland and irrigated wheat, corn, milo, and soybeans. He operates Harshberger Enterprises, is president of Double H Farms, Inc., and a member of Harshberger Land, LLC, and 3J2C Farms, LLC, which are involved in farm commodity production. He is Chair of the Trustees of Dodge City Community College. He is also involved in the ethanol industry as a director of Conestoga Energy.

Kimberly Clauss Jorritsma, Director
Term Expires: 2025
Committee(s): Governance

Ms. Jorritsma is a third-generation dairy farmer and key member of Clauss Dairy Farms and Sunwest Jersey Dairy management teams in Hilmar, California. Clauss and Sunwest Jersey Dairy Farms are registered Jersey dairies and farming operations that employ over 50 people. She is a co-owner of Hilmar Cheese Company, Inc., and serves on its board of directors. Ms. Jorritsma was the first female chairperson of the National Dairy Board, and currently serves on the board of the Dairy Council of California.

Kirvin Knox, PhD, Appointed Director
Term Expires: 2025
Committee(s): Compensation

Dr. Knox resides in Fort Collins, Colorado. He is a retired academic, formerly Dean, College of Agricultural Sciences & Vice Provost for University Outreach at Colorado State University. His business experience is in energy, production agriculture, academic administration, and agriculture research.

Janet Konkel, Director
Term Expires: 2025
Committee(s): Audit

Ms. Konkel and her husband Mike operate a farm south of Kersey, Colorado, growing alfalfa hay and small grains. She worked for the National Western Stock Show in Denver and served for eight years as the Weld County Fair Coordinator in Greeley, Colorado.

Kristin McMenomey, Appointed Director

Term Expires: 2022
Committee(s): Compensation

Ms. McMenomey resides in Potter Valley, California. She and her husband, John, farm 200 acres of vineyard property in Potter Valley consisting of Chardonnay, Sauvignon Blanc, Merlot, Pinot Noir, and Pinot Gris. She is an administrator at Adventist Health Ukiah Valley and has over two decades of government experience in purchasing, information technology, and risk management. Ms. McMenomey served 17 years as a board member of the CSAC Excess Insurance Authority board of directors, including as Vice President.

Jason Ochs, Director

Term Expires: 2022
Committee(s): Governance

Mr. Ochs is a member of Plum Creek Farms GP and LLC in Syracuse, Kansas, agricultural entities that produce dryland wheat, sorghum, and corn, and provides custom farming, including harvesting, tillage, planting, and conservation reserve program (CRP) management. Mr. Ochs is the Vice Chair of the Kansas Wheat Commission, the Chair of the Hamilton County Firemen's Relief Board, and member of the Hamilton County Historical Society.

Teresa Reimer, Director

Term Expires: 2023
Committee(s): Governance

Ms. Reimer resides on a ranch near Kalvesta, Kansas, and is a fifth-generation farmer and rancher. Her cattle operation consists of cow-calf, backgrounding, and finishing that is complemented by a dryland farm producing wheat, sorghum, and forages.

Larry Solari, Appointed Director

Term Expired: 2021
Committee(s): Audit

Mr. Solari is a certified public accountant and partner in BPM LLP located in Stockton, California. He was appointed as an outside director of the Association Board of Directors in January 1994. Mr. Solari's term on the board ended on December 31, 2021.

Thomas G. Stegman, Appointed Director

Term Expires: 2024
Committee(s): Executive, Audit

Mr. Stegman is retired. He previously served as President and CEO of AgVantis. Prior to that, he served in various information technology management positions at Farm Credit Bank of Wichita, Kansas.

Charles Talbott, Director

Term Expires: 2025
Committee(s): Governance, Strategy and Risk

Mr. Talbott resides in Palisade, Colorado. His business experience is in tree fruit and wine grape production, and he oversees the overall business and financial performance of the family operations. Mr. Talbott is President, CEO and serves on the board of Talbott Farms, Inc, and general partner of both Talbott Land & Property and Talbott's Mountain Gold LLLP, a grower, packer, processor, and marketer of tree fruits, wine grapes, fresh and hard ciders and wines.

Thomas Teixeira, Director

Term Expires: 2023
Committee(s): Audit, Strategy and Risk

Mr. Teixeira is partner-owner of Teixeira and Sons and grows over 9,000 acres of alfalfa, almonds, cantaloupes, corn, cotton, fresh-market tomatoes, processing tomatoes, parsley, garlic, and wheat. The company operates a tomato transplant greenhouse facility and is part owner in Pacific Ginning LLC, Eagle Valley Ginning LLC, and 360 Agri LLC. Pacific Ginning and Valley Ginning are cotton ginning operations and 360 is a custom cotton harvesting company.

COMPENSATION OF DIRECTORS

(UNAUDITED)

It is the Association's policy to reimburse directors for mileage as well as documented business expenses while serving in an official capacity. A copy of the Association's reimbursement policies is available to shareholders upon request.

For 2021, directors were compensated for their services based on annual retainers as follows:

Chair	$95,000
Vice Chair	$90,000
Audit Committee Chair	$85,000
Compensation Committee Chair	$82,500
Governance Committee Chair	$82,500
Committee Vice Chair	$77,500
Director	$75,000

Retainer amounts are adjusted for meeting absences or attendance at meetings in excess of scheduled Board meetings. Directors are also reimbursed for reasonable expenses incurred while serving in an official capacity and are paid a per diem of $500 per calculated travel day. The total compensation paid to directors for 2021, as described above, amounted to $1.6 million. The aggregate amount of compensation and reimbursements for travel, subsistence, and other related expenses for all directors was $2.5 million for 2021, $2.1 million for 2020, and $1.8 million for 2019.

Compensation information for each director who served in 2021 follows:

Director	Number of Days Served: Board Meeting Days	Number of Days Served: Other Official Activity Days	Compensation Paid for Service on a Board Committee[4]	Name of Committee(s)	Total Compensation Paid in 2021[5]
Joe Alamo, Vice Chair	10	10			$92,537
Berry Bortz	10	5			$78,500
Robert Boynton	10	7.5			$86,500
Cyril Chappellet	9	7			$78,500
Randall Doll	10	7			$79,000
Carolyn Dunn[1]	4.5	4			$35,571
Marshall Ernst	9.5	7			$79,375
George Fontes	10	13.5	$3,505	Strategy and Risk Committee	$97,408
Gary Harshberger, Chair	10	15	$-	Strategy and Risk Committee	$97,524
Kimberly Clauss Jorritsma	10	5			$84,274
Kirvin Knox	10	6.5			$80,000
Janet Konkel	10	8			$80,019
Brian Maloney[2]	5.5	0.5			$46,910
Kristin McMenomey	9.5	7			$79,000
Jason Ochs	10	5			$79,500
Teresa Reimer	10	5			$80,274
David Santos[3]	7	8	$6,495	Strategy and Risk Committee	$56,078
Larry Solari	10	6.5			$78,500
Thomas Stegman	10	8			$89,000
Charles Talbott	10	11.5	$10,000	Strategy and Risk Committee	$91,500
Thomas Teixeira	10	13	$10,000	Strategy and Risk Committee	$89,500
Total					**$1,659,470**

1. Term began August 2021
2. Term ended August 2021
3. Resigned August 2021
4. Service on one Board Committee is included in annual retainer. Additional compensation is paid for service on a second chartered committee.
5. Total compensation includes retainers and all per diems paid in 2021.

SENIOR OFFICERS

The following lists the senior officers as of December 31, 2021, including each officer's business experience during the last five years.

Curt Hudnutt, Chief Executive Officer

Mr. Hudnutt was hired as Chief Executive Officer on October 19, 2020. He was previously Executive Vice President – Head of Rural Banking for Rabobank, North America. Mr. Hudnutt has over 19 years of agricultural banking experience and has served in a variety of leadership roles, including operations, business development, underwriting, and risk management.

Greg Somerhalder, Chief Operating Officer

Mr. Somerhalder has served as Chief Operating Officer since March 1, 2014. He previously served as Chief Corporate Strategist. He has over 39 years of experience with Farm Credit in many areas of banking, including lending, credit, risk, and strategy. Mr. Somerhalder serves as the Chair of the board of Farm Credit System Associations Captive Insurance Company. He also serves on the board of the Laham Family Foundation.

Rachel Angress, General Counsel

Ms. Angress was promoted to General Counsel in September 2013. She previously served as Deputy General Counsel from 2012. She has over 28 years of legal experience, including years of civil and bankruptcy litigation and general legal representation for many Bay area financial institutions.

Mike Banks, Chief Credit Officer

Mr. Banks has served as Chief Credit Officer since January 1, 2017. He previously served as Senior Vice President for American AgCredit, leading the Association's Credit Management Department. He has over 27 years of service with the Farm Credit System, primarily focused in various lending and credit functions.

Rich Hollis, Chief People Experience Officer

Mr. Hollis joined American AgCredit as Chief People Experience Officer on March 1, 2021. He brings over 25 years of executive leadership in the agricultural industry. Most recently, Mr. Hollis served as a member of the executive team for The Maschhoffs, the fifth largest pork production company in the U.S., leading the people strategies, environmental and sustainability initiatives, and generational transfer programs. Prior to that, Mr. Hollis led Rabobank's people strategies.

Avery Hudson, Chief Audit Executive

Ms. Hudson joined American AgCredit as the Chief Audit Executive on July 12, 2021. She has worked in accounting, internal and external audit, and risk roles for more than 27 years. Most recently, Ms. Hudson was the North America Head of Audit with Rabobank, and before that, Senior Vice President, Head of Audit & Credit Review, also at Rabobank.

Sarah Kolell, Chief Brand Officer

Ms. Kolell joined American AgCredit on March 22, 2021 as Chief Brand Officer, leading the communications, legislative affairs, marketing, and storytelling functions that connect American AgCredit and our employees with our customers and communities. Prior to joining AAC, she led marketing, communications, and sustainability in Senior Vice President positions at Rabo AgriFinance.

Sean O'Day, Chief Lending Officer

Mr. O'Day assumed the role of Chief Lending Officer in September 2021. He previously served as Chief Banking Officer for corporate banking. Agribusiness lending and Capital Markets operate under the Corporate Banking umbrella. Prior to assuming the position of Chief Banking Officer, Mr. O'Day served as Senior Vice President-Capital Markets. For the past 30 years, his focus has been in the areas of corporate finance and loan syndications, and he has a total of 42 years of Farm Credit System service.

Paula Olufs, Chief Customer Officer

Ms. Olufs has served as the Chief Customer Officer since February 2020. She leads the centers of excellence for customer experience, business transformation, and product development, uniting the Association around a common vision and strategy for customer experience from the customer's perspective. Prior to her current position she served as the Chief Innovation Officer. She has over 35 years of Farm Credit experience.

Erik Person, Chief Risk Officer

Mr. Person was named Chief Risk Officer on April 1, 2021. He previously served as the Chief Audit Executive and Director of Operational Audit & Risk. Prior to joining the Association, Mr. Person served as the Association's Engagement Manager for its Risk Consulting Services and worked with several other Farm Credit System Institutions through Crowe, a national public accounting firm. Mr. Person is a certified internal auditor and certified information systems auditor with over 20 years of experience within the diversified financial services industry.

Jerry Rose, Chief Strategy Officer

Mr. Rose was named the Chief Strategy Officer on March 16, 2021. He previously served as the Association's Chief Risk Officer. He has held risk and financial management roles for more than 30 years in the Farm Credit System. He also serves as a member of the Farm Credit Foundations Trust Committee.

Lynn Scherler, Chief Alliance Officer

Mr. Scherler was named Chief Alliance Officer on September 1, 2021. He joined American AgCredit as Chief Lending Officer in October 2017. He previously served as President – Strategic Relationship Division for CoBank; as Interim President & CEO of Farm Credit of Southwest Kansas from October 2015 to March 2016; and a number of other relationship and leadership roles at CoBank. Mr. Scherler has more than 25 years of banking experience, of which more than 20 have been served in the Farm Credit System, with experience in the areas of relationship management, credit, and strategy.

Gary Van Schuyver, Chief Banking Officer

Mr. Van Schuyver was named Chief Banking Officer on September 1, 2021. He previously served as Senior Vice President – Corporate Banking. He has over 35 years of service with the Farm Credit System, primarily focused on corporate finance, loan syndications, and agribusiness lending.

Vern Zander, Chief Financial Officer

Mr. Zander has served as Chief Financial Officer since 2012. He previously served as Vice President-Relationship Manager in the Association's Capital Markets Group. He is a certified public accountant and has been with American AgCredit for the last 19 years, with a total of 34 years of Farm Credit service.

SENIOR OFFICERS' COMPENSATION

(UNAUDITED)

The Compensation Committee of the Board of Directors (Compensation Committee) follows a comprehensive compensation philosophy where the objectives of the Compensation Plans (Plans) are to:

- Provide market-based compensation through base salary and annual and long-term incentive components that will allow the Association to attract, motivate, and retain superior executive talent;
- Place a portion of total compensation for the executive at risk and contingent upon the Association remaining financially sound and meeting established performance goals; and
- Ensure that long-term financial stability of the Association is emphasized over short-term results and decisions.

The Plans are designed to:

- Reward successful business year results through annual Incentive Compensation Plans (ICP);
- Foster long-term financial stability through the Executive Long-Term Incentive Plan (ELTIP); and
- Significantly contribute to the retention of the President/Chief Executive Officer (CEO) and other Senior Officers.

The Association maintains the ICP for Senior Officers and employees that rewards performance based on objective criteria. The Compensation Committee annually reviews market information related to the level and mix of salaries, benefits, and incentive plans for the CEO and other Senior Officers. The ICP was revised in 2020 to enhance the alignment of rewards with progress towards the organization's overall strategic initiatives. Certain Senior Officers participated in the ICP and ELTIP. Due to the cooperative business structure of the Association, the Plans do not contain stock-based compensation components. The ICP is administered by the Compensation Committee.

Select Senior Officers may also participate in a supplemental incentive compensation plan. Supplemental incentive compensation plans are administered by the Compensation Committee and include specialized earnings goals.

Certain Senior Officers participate in the Ninth Farm Credit District Pension Plan or the Eleventh Farm Credit District Employee's Retirement Plan (Pension Plans). These plans have been closed to new participants for many years.

SUMMARY COMPENSATION

Compensation earned by the CEO and aggregate compensation of other Senior Officers and highly compensated employees for the years ended December 31, 2021, 2020, and 2019 is disclosed in the following table. Our current Board policy regarding reimbursements for travel, subsistence and other related expenses states that all employees, including Senior Officers, shall be reimbursed for actual reasonable travel and related expenses that are necessary and that support our business interests. A copy of our policy is available to shareholders upon request.

SUMMARY COMPENSATION TABLE[1] (in thousands)

Name of Individual or Number in Group[2]	Year	Salary	Annual Incentive Compensation[3]	Executive Long-Term Incentive Compensation[3]	Change in Pension Value[4]	Deferred/ Perquisites[5]	Other[6]	Total
President & CEO:								
Curt Hudnutt	2021	$600	$960	$365	N/A	$71	$400	$2,396
	2020	$150	$113	$–	N/A	$12	$100	$375
Byron Enix	2021	$63	$97	$358	$15,580	$116	$262	$16,476
	2020	$756	$520	$756	$1,779	$104	$894	$4,809
	2019	$725	$535	$618	$1,863	$63	$–	$3,804
Aggregate number of Senior Officers and highly compensated employees (excluding CEO):								
Fifteen[7]	2021	$4,327	$7,495	$2,519	$4,520	$1,320	$690	$20,871
Twelve[8]	2020	$4,035	$4,901	$782	$2,797	$1,072	$53	$13,640
Eight	2019	$2,624	$2,211	$1,525	$2,325	$701	$52	$9,438

1. Disclosure of the total compensation paid to any designated senior officer or highly compensated employee is available to our shareholders upon request. Compensation amounts do not include earnings on nonqualified deferred compensation, as such earnings are not considered above-market or preferential.
2. The Senior Officers and highly compensated employees included in the table are those officers defined by FCA regulations Section 619.9310 and Section 620.6.
3. Annual Incentive Compensation represents amounts earned in the reported fiscal year, which are paid in February of the subsequent year. The annual incentive compensation amounts are calculated based on relevant performance factors for the reported fiscal year. The ELTIP amounts are estimated based on the relevant performance factors included in this plan for the current fiscal year. For 2021, the amounts reflect estimated earned ELTIP as part of both the 2020 Plan Term (second-year) and the 2021 Plan Term (first-year), to be finalized and paid out following the end of each Plan Term. Each Plan Term consists of three full years.

4 The Change in Pension Value from 2020 to 2021 is primarily due to participant retirements at the beginning of 2021.

5. Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment for certain other expenses, such as relocation, certain travel-related costs, wellness benefits, and life insurance benefits.
6. Represents amounts paid pursuant to plans in connection with retirement, severance payments, retirement gratuity, sign on, retention or discretionary cash bonus payments.
7. Byron Enix, President & CEO, retired on January 31, 2021. Two senior officers also retired on January 31, 2021 and are included in the 2021 numbers. Additional senior officers joined the company during 2021.
8. The number of senior officers increased in 2020 as the definition was refined to include all voting members of the Management Executive Committee and the General Counsel in accordance with FCA Regulations Section 619.9310

The Salary, Annual Incentive Compensation, and Executive Long-Term Incentive Compensation columns of the Summary Compensation Table include all amounts earned during 2021, 2020, and 2019 regardless of whether a portion of such compensation has been deferred by the CEO or other Senior Officers' elections pursuant to the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan) and/or the Farm Credit Foundations Nonqualified Deferred Compensation Plan (NQDC Plan). Individual compensation for any Senior Officer included here in the aggregate is available to shareholders upon written request.

In addition to base salary, substantially all eligible employees and executives could earn additional compensation under the Annual Incentive Plans, which are plans tied to the overall business performance and to the employee's performance. The Annual Incentive Plans were based on the fiscal year and were designed to motivate employees and executives to exceed annual performance targets established by the Board of Directors. In 2021, performance targets were established using one or more of the following factors: the Association's Performance Score, the Contractual Interbank Performance Agreement Score (CIPA), credit quality, efficiency ratio, new money (loan growth), portfolio retention, profit margin, return on assets, speed (processing time), net income and goals related to data, digital and talent business initiatives.

The Executive Long-Term Incentive Plan provides targeted long-term awards for Senior Officers if the long-term performance objectives of the Association are met. For each Senior Officer, a long-term incentive award percentage was established and communicated at the beginning of the plan term. The payout of the ELTIP award is three years after the plan commences and is conditioned upon satisfactory performance of the Senior Officer and the Association exceeding certain minimum thresholds related to the CIPA score and income as determined in the plan. Executives that voluntarily terminate employment or do not maintain satisfactory performance forfeit these long-term awards.

The Deferred/Perquisites Compensation column of the Summary Compensation Table is primarily comprised of company contributions to benefit plans, taxable group term life insurance premiums, and long-term disability premiums. In 2021, the Association's employer matching contribution to Byron Enix's and Curt Hudnutt's accounts in the Defined Contribution Plan were $3,489 and $24,270, respectively and its contribution to Byron Enix's and Curt Hudnutt's accounts in the NQDC Plan to restore the employer match that was limited due to restrictions in the Internal Revenue Code and compensation deferred were $55,777 and $39,855. For 2021, the Association's employer matching and non-elective contributions for the other Senior Officers' accounts in the Defined Contribution Plan were $355,701 and contributions to their accounts in the NQDC Plan were equal to $647,571.

All employees are reimbursed for travel and subsistence expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

PENSION BENEFITS

The following table shows certain pension benefit information by plan for the President/CEO and the Senior Officer group, including highly compensated employees, as of December 31, 2021. Curt Hudnutt, current President/CEO, is not eligible to participate in the Pension Plans.

Retirement Plan Table (dollars in thousands)

Name of Individual or Number in Group[1]	Plan Name	Number of Years of Credited Service[2]	Actuarial Present Value of Accumulated Benefits	Payments During Last Fiscal Year[3]
Byron Enix, President & CEO	Ninth Farm Credit District Pension Plan	39	$3,916	$–
	Former 9th and 11th District Employers Restoration Plan	39	$23,101	$–
Total			**$27,017**	**$–**
Aggregate Number of Senior Officers and Highly Compensated Employees[4] (excluding the CEO):				
Three	Ninth Farm Credit District Pension Plan or Eleventh Farm Credit District Employees' Retirement Plan	35	$12,966	$–
Three	Former 9th and 11th District Employers Restoration Plan	35	$7,348	$–
Total			**$20,314**	**$–**

1. The Senior Officers and the highly compensated employees included in the pension benefits disclosure are those defined by FCA regulations Section 619.9310 and Section 620.6. Byron Enix, President & CEO, retired on January 31, 2021.
2. For the Pension Plans and the Restoration Plan, this represents an average for the aggregate senior officer and highly compensated employee group.
3. Represents post-retirement benefit payments made during the last fiscal year.
4. Three of the fifteen Senior Officers and Highly Compensated Employees defined by FCA regulations Section 619.9310 and Section 620.6, are participants in the Pension Plans. One senior officer retired in January 2021 and is included in the amounts reported for 2021.

RETIREMENT PLAN OVERVIEW: Certain Senior Officers participate in two defined benefit retirement plans: (1) the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Plan), which are qualified defined benefit plans (Pension Plans); and (2) the Former Ninth and Eleventh District Employers Restoration Plan (Restoration Plan), which is a nonqualified retirement plan. Additionally, substantially all employees are eligible to participate in the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan), which has an employer matching contribution. Certain eligible employees participate in the Farm Credit Foundations Non-Qualified Deferred Compensation Plan (NQDC Plan), which allows individuals to defer compensation, and which restores the benefits limited in the Defined Contribution Plan by restrictions in the Internal Revenue Code.

QUALIFIED PENSION PLANS: In general, the Ninth Plan provides participants with a 50% joint-and-survivor annuity benefit at normal retirement that is equal to 1.50% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by their years of benefit service, plus 0.25% of the amount by which the High 60 exceeds covered compensation multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a 50% joint-and-survivor annuity, such as a lump sum distribution. The pension valuation was determined using a blended approach assuming half of the benefits would be paid as a lump sum and half as an annuity at the participants earliest unreduced retirement age.

In general, the Eleventh Plan provides participants with a single life annuity benefit at normal retirement that is equal to 1.95% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a single life annuity. The pension valuation was determined using a blended approach assuming 30% of the benefits would be paid as a lump sum and 70% as an annuity at the participants earliest unreduced retirement age.

The Pension Plans pay benefits up to the applicable limits under the Internal Revenue Code.

NONQUALIFIED PENSION RESTORATION PLAN: The Restoration Plan is unfunded and not qualified for tax purposes. Benefits payable under this plan are equal to the excess of the amount that would be payable under the terms of the Pension Plans disregarding the limitations imposed under Internal Revenue Code Sections 401(a)(17) and 415, over the pension actually payable under the Pension Plans. The Restoration Plan also restores any benefits attributable to nonqualified deferred compensation excluded from the benefit determined under the Pension Plans. The Restoration Plan valuation was determined using an assumption that benefits would be paid as a lump sum at the participant's earliest unreduced retirement age.

The Association does not have a supplemental executive retirement program.

YOUNG, BEGINNING, AND SMALL FARMER & RANCHER PROGRAM

(UNAUDITED)

American AgCredit offers Young, Beginning, and Small (YBS) farmers and ranchers opportunities to invest in, build, and support their agribusiness. Through specific, tailored programs designed to meet the credit and related needs of YBS customers and potential customers in our chartered territory, we provide various layers of support throughout this market.

Per FCA regulations, qualified YBS programs serve farmers and ranchers by one or more of the following categories:

Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger

Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience

Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products

OUR YBS MISSION

Our mission is to provide credit and related services tailored to the specific needs of the YBS market via the following:

- Support of AgYouth Programs: Interest-free financing to young people for 4-H and Future Farmers of America (FFA) projects
- Host training focused on legacy and business continuity planning for generations of farmers and ranchers. Training provided free of charge for customers
- Support of youth programs in the community: Outreach and sponsorship of ag-related educational activities, such as ag training, exhibits, and other outreach
- Promote YBS program information, including web pages, brochures, and ad slicks: Awareness of programs to support new businesses and encourage young people to get involved in agriculture
- Provide scholarships to college students interested in working in or studying courses related to agriculture
- Offer paid internships: Professional training and paid work experience provided to young professionals interested in learning about opportunities in the agricultural industry, including financing, marketing, and communication

To facilitate credit offerings to this specialized customer base, we support financing programs and use government-guaranteed loan programs. We are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training, and insurance services for YBS farmers and ranchers.

DEMOGRAPHICS

To ensure that these groups are adequately serviced, demographic research known as AgCensus is completed by the U.S. Department of Agriculture every five years, and those demographics are compared to our borrower base. Part of adequately serving these segments is understanding how farming is changing within the Association's lending territory.

The latest data available is from the 2017 AgCensus (released in April 2019). It shows the number of farms within our chartered territory has declined more than 3.2% from 117,380 to 113,656. At the same time, overall farm size (acreage) has increased, marking a trend toward fewer but larger farms. Nationally, the number of young farmers, both primary and co-operators, increased from 2012. In our territory, young farmers comprise about 8.0% of total farm operators. Beginning farm operators comprise 28.0% of the market in our territory, while small farm operators comprise 85.0% of the farms in the market. A few significant changes over the last five years include the following:

- The number of young farm operators did increase, but at the same time the average operator age increased. Farmers older than 65 now outnumber farmers younger than 35 by a 6:1 ratio.
- The number of beginning farmers increased, but the average age of a beginning farmer in 2017 was just over 46.
- The number of small farms increased from 2012. Many of the small farms reported being involved in commodities such as fruits, vegetables, and small livestock.

EXCEPTION PROGRAM

The Association's YBS Exception Program is tailored for those ag businesses that do not meet all underwriting criteria and exhibit higher-than-normal risk factors. The Exception Program offers unique financing criteria and additional benefits. This includes additional business support, education, training, and other incentives – allowing them to strengthen and prosper and, in the process, to develop avenues for the Association to fulfill its mission and serve all fields and levels of agriculture.

YBS ANNUAL QUANTITATIVE TARGETS

As part of our 2021 Marketing Plan, we projected a conservative goal of increasing our new (or refinanced) loans to YBS farmers and ranchers. We attribute our successful results to the attention in implementing a new loan origination platform and continued outreach efforts.

	Young Farmer	Beginning Farmer	Small Farmer
AAC YBS Results	722	1,798	1,933
AAC YBS Goals	351	566	1,031

Note: Due to regulatory definitions, a farmer may be included in multiple categories as the customer would be included in each category in which the definition was met.

The following table outlines the percentage of loans in the loan portfolio (by number) to young and beginning farmers as of December 31, 2021, compared to the total number of loans in the portfolio.

Category (dollars in thousands)	Number of Loans	Percent of Total Loans	Volume Outstanding	Percent of Total Volume
Total loans and commitments outstanding at year-end	18,945	100.0%	$20,682,161	100.0%
Young farmers and ranchers	2,124	11.2%	$932,850	4.5%
Beginning farmers and ranchers	4,768	25.2%	$3,051,877	14.8%

The following table provides a breakdown of small-farmer and rancher loans by size as of December 31, 2021.

Number/Volume Outstanding (dollars in thousands)	$0 – $50.0	$50.1 – $100.0	$100.1 – $250.0	$250.1 & Greater
Total number of loans and commitments outstanding at year-end	3,558	2,390	4,208	8,789
Total number of loans to small farmers and ranchers	1,728	1,256	1,744	1,523
Percent of loans to small farmers and ranchers	48.57%	52.55%	41.44%	17.33%
Total loan volume outstanding at year-end	$87,947	$182,093	$722,388	$19,689,733
Total loan volume to small farmers and ranchers	$46,482	$95,626	$292,985	$1,059,007
Percent of loan volume to small farmers and ranchers	52.85%	52.51%	40.56%	5.38%

YBS QUALITATIVE GOALS

- Support our customers and other producers through robust mission programs and engagement at the regional and the local level.
- Partner with government agencies, Farm Credit institutions, non-profit and private companies that share our mission.
- Showcase the expertise that we have relating to agricultural markets, the broader economy and specific services available to producers, with the ultimate goal of strengthening their operations.

YBS PROGRAM FUNDING OUTREACH

We believe that all of agriculture benefits by supporting the full spectrum of agricultural efforts. American AgCredit, on its own and through alliance partnership with other Farm Credit associations, sponsors many events and activities to promote Farm Credit and the services offered by the System and to inform and educate young, beginning, and small farmers. They include a sampling of the following:

California FFA Foundation: American AgCredit partners with CoBank and other Farm Credit Associations in California to support agricultural education by providing rural, urban and suburban students real-world experiences both inside and outside of the classroom. Events supported in 2021 from a joint contribution of $50,000 included State Leadership Conference; Sacramento Leadership Experience and integrated leadership development conferences to meet the ever-diversifying student population (over 75% of the 83,000 members are Latino). Furthermore, American AgCredit provided an additional $25,000. All events were held virtually and provided speaking and judging opportunities for American AgCredit staff. In addition, American AgCredit provides leadership expertise by serving on the Executive Committee of the FFA Foundation board of directors.

Young Farmer Leadership Conference: In support of the California Farm Bureau's Young Farm & Ranch Program, American AgCredit joined with CoBank, Farm Credit West, Fresno Madera Farm Credit, and Colusa-Glenn Farm Credit to sponsor its Annual Leadership Conference. In 2021, the conference was held virtually and attended by over 50 YF&Rs from across California and neighboring states. Our 2021 sponsorship totaled $10,000.

California Foundation for Ag in the Classroom: American AgCredit partnered with CoBank, Farm Credit West, Fresno Madera Farm Credit, and Yosemite Farm Credit to sponsor this not-for-profit organization dedicated to educating youth throughout California about the importance of agriculture in their daily lives. Contributions totaled $15,000 in 2021, and the program is reviewed annually for future contributions.

Center for Land Based Learning (CLBL): Separately and partnering with CoBank and other Farm Credit associations in California, American AgCredit committed to a multi-year contribution totaling $100,000 to help fund CLBL's new headquarters building and 30-acre farm site, which serves as the base for the California Farm Academy and Apprenticeship Program. The Farm Academy alumni are 56% Black, indigenous, or people of color. Its youth programs (FARMS, SLEWS, CFW) also demonstrate a racial diversity of over 75%. Additional contributions of $20,000 allowed CLBL to pivot its FARMS (Farming, Agriculture, Resources Management for Sustainability) program amid the pandemic environment, offering webinars to high school students across the state and transitioning to virtual field days.

Separately, American AgCredit and CoBank each contributed $20,000 to help underwrite the 2022 strategic planning process. American AgCredit offers leadership expertise with an employee serving as chair for the Center for Land Based Learning's board of directors.

Colorado Farm Bureau (CFB) YF&R Program: This important program gives American AgCredit the opportunity to network with young farmers and ranchers across Colorado. With our support of CFB YF&R, we can attend and present an economic update at the annual event, as well as be involved in the Discussion Meet competition. Supporting Colorado Young Farmers and Ranchers is important to our team and the future of agriculture in Colorado.

Colorado FFA Foundation: Through a comprehensive agricultural education program, the Colorado FFA teaches its members premier leadership skills, personal growth, and career success. American AgCredit is a star partner with Colorado FFA, giving over $55,000 in 2021 to the Colorado FFA Foundation. Our staff is equally committed to supporting the growth and development of youth in agriculture. In addition, American AgCredit offers leadership to the Colorado FFA Foundation with an employee serving on the Colorado FFA Foundation board of directors. We are proud to have continued our support in 2021 with Colorado FFA.

Nevada Junior Livestock Show: The Nevada Junior Livestock Show (NJLS) provides an opportunity for Nevada youth to exhibit their livestock projects. NJLS encourages the growth of sportsmanship, leadership, citizenship, and responsibility in each of the youth exhibitors competing. In 2021, American AgCredit sponsored the show and the champion banners, provided a $2,000 scholarship, and purchased animals at the livestock sale. Total investment for NJLS in 2021 was over $7,500. Additionally, American AgCredit provides leadership to NJLS with an American AgCredit employee serving on the NJLS board of directors.

Nevada FFA: The Nevada FFA Foundation promotes agriculture education and career and technical education in the state of Nevada, while providing financial resources for agriculture education programs that support students to develop leadership, personal growth, and career success. In 2021, American AgCredit supported Nevada FFA through a $1,000 scholarship, sponsorship of career development events at the Nevada State FFA Convention, and funding for the Nevada FFA Greenhand Conference. Total support for the Nevada FFA Foundation in 2021 was over $20,000. American AgCredit also offers leadership to the Nevada FFA Foundation with an American AgCredit employee serving on the Nevada FFA Foundation board of directors.

Leadership Foundation of Hawaii: The Leadership Foundation of Hawaii (LFH) offers several programs to support the next generation in agriculture. Of particular interest is its focus on youth programs like 4-H and FFA, providing training and scholarship opportunities. Due to the pandemic, both the 4-H and FFA conventions were cancelled. A portion of American AgCredit's $15,000 contribution to LFH helped fund virtual career and mentorship programs.

GoFarm Hawaii: American AgCredit and CoBank have pledged $2 million to support GoFarm Hawaii, a University of Hawaii program that provides business technical assistance, educational opportunities, and access to a suite of resources designed to remove barriers to farming and agribusinesses. In addition, it operates five beginning farmer training sites across four islands and an agricultural technician training program at the Waiawa Correctional Facility. American AgCredit is proud to support these valuable programs by providing farmers the tools they need to be successful.

Kansas Farm Bureau YF&R Leaders Conference: American AgCredit, as a part of the Farm Credit Associations of Kansas, sponsors the Kansas Farm Bureau YF&R Leaders Conference. The event was held in February 2021 in Manhattan, Kansas and provided a pivotal opportunity to network with approximately 500 young farmers and ranchers from across the state. This important partnership gives our alliance the opportunity to present a keynote speaker at the conference.

Kansas FFA Foundation: Serving over 10,000 members in more than 225 high school agriculture education departments, in 216 unified school districts across the state, the Kansas FFA creates a new generation of agriculturists via student experiences in ag education classes. American AgCredit joins the Farm Credit Associations of Kansas in financial support of $15,000. Separately, American AgCredit made a year-end contribution of $25,000.

Kansas 4-H Foundation: Serving more than 17,000 members across Kansas, 4-H is focused on youth having fun and learning with their friends to help develop highly effective citizens and leaders within our rural communities. American AgCredit, as a part of the Farm Credit Associations of Kansas, provided financial support amounting to $10,000 in 2021.

North American Intercollegiate Dairy Challenge: In partnership with CoBank, Farm Credit West, and Northwest Farm Credit, the Association sponsored this organization, which develops tomorrow's dairy leaders and enhances progress of the dairy industry by providing education, communication, and networking among students, producers, and agribusiness and university personnel. In 2021, a total of $5,000 was provided.

YBS PROGRAM SAFETY AND SOUNDNESS

American AgCredit offers diverse and accessible financing options for qualified farmers and ranchers within our territory. The YBS program provides alternate financing and guarantee options for farmers and ranchers who are just getting started, as well as small or part-time operations. To better serve YBS customers, special lending qualifications and requirements allow young, beginning, and small farmers and ranchers access to financing, leasing, and other services for which they might not otherwise qualify.

Procedures have been established to streamline the delivery of these unique and other small loans utilizing credit scoring through our retail channel delivery system. Loans will continue to be made on a sound basis, with proper emphasis on the fundamentals of sound credit. Loans made under this program meet all our requirements for eligibility and scope of financing, interest rates, and length of term. Co-makers and guarantors (financially responsible family members or other individuals) and secondary collateral are utilized when available and appropriate to minimize risk. Excessively ambitious growth plans are restricted, and loans are closely monitored on a regular basis.

OFFICE LOCATIONS

ADMINISTRATIVE OFFICE 400 Aviation Boulevard, Suite 100 • Santa Rosa, CA 95403 • (800) 800-4865 • AgLoan.com

CALIFORNIA

Alturas
403 E. Highway 395
Alturas, CA 96101
(530) 233-4304

Eureka
5560 S. Broadway Street
Eureka, CA 95503
(707) 445-8871

Merced
711 W. 19th Street
Merced, CA 95340
(209) 384-1050

Oakdale
700 N. Yosemite Avenue
Oakdale, CA 95361
(209) 847-0353

Palm Desert
74199 El Paseo Drive
Suite 101
Palm Desert, CA 92260
(760) 340-5671

Petaluma
1345 Redwood Way
Petaluma, CA 94954
(707) 793-9023

Roseville
2140 Professional Drive
Suite 110
Roseville, CA 95661
(916) 784-1060

St. Helena
1101 Vintage Avenue
St. Helena, CA 94574
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924 E. Blanco Road
Salinas, CA 93901
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Stockton, CA 95206
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Temecula
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Temecula, CA 92590
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Turlock
3201 W. Monte Vista Avenue
Turlock, CA 95380
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Ukiah
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Ukiah, CA 95482
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Yreka, CA 96097
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Grand Junction
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4505 W. 29th Street
Greeley, CO 80634
(970) 330-4071

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1404 Hawk Parkway
Suite 101
Montrose, CO 81401
(970) 249-5274

KANSAS

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102 E. 9th Street
Concordia, KS 66901
(785) 243-4689

Dodge City
1501 Soule Street
Dodge City, KS 67801
(620) 227-8211

Garden City
1606 E. Kansas Avenue
Garden City, KS 67846
(620) 275-4281

Great Bend
5634 10th Street
Great Bend, KS 67530
(620) 792-2211

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1902 E. 23rd Street
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2451 N. Kansas Avenue
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706 S. Main Street
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925 W. Magnolia Road
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1422 S. Main Street
Scott City, KS 67871
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4105 N. Ridge Road
Wichita, KS 67205
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NEVADA

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All owned office buildings and land are pledged to CoBank as collateral for the note payable.

American AgCredit