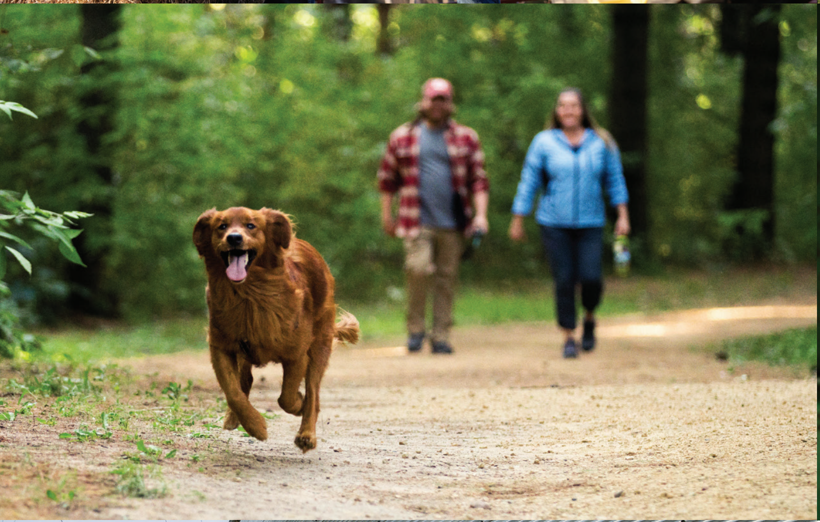
2021 ANNUAL REPORT

Farm Credit Mid-America | Rural 1st Closer to What Matters








As part of a nationwide network of rural lending cooperatives, Farm Credit Mid-America provides our customer-owners and their operations with knowledgeable solutions designed to secure the future of rural communities and agriculture. We invite you to meet some of the people who help us fulfill our purpose. Whether working cooperatively to help farmers and rural families succeed or partnering with organizations to secure a vibrant future for agriculture, we are building a strong and sustainable Association that contributes to the success of agriculture throughout Indiana, Ohio, Kentucky and Tennessee.

A LETTER FROM

BILL JOHNSON

President and Chief Executive Officer (2011–2021)

For almost 10 years, it has been an honor to watch Farm Credit Mid-America grow and evolve to meet the needs of farmers and producers in Indiana, Ohio, Kentucky and Tennessee. The past several years have been living proof that agriculture is unpredictable. We have navigated a variety of challenges—some foreseen and others completely unexpected—together.

While 2021 brought windfalls such as renewed trade agreements and higher commodity prices, the agricultural community faced old and new obstacles created by the global pandemic that included labor shortages, supply chain disruption, limited processing capacity and increased input costs. As always, our customer-owners navigated these challenges with determination and resilience.

A Purpose-Driven Journey

When I joined Farm Credit Mid-America in 2011, we created a plan to guide us to the year 2020 and beyond. Over the course of that journey, we invested in our people, technology and processes to support and sustain a strong, thriving Association. In that time, Farm Credit Mid-America's total owned and managed assets grew by $15.1 billion. 2021 contributed to that overall growth in significant ways. Our assets owned and managed grew to $33.5 billion, an increase of $4.7 billion over 2020. Net income was $430.3 million, and we insured 2.9 million acres.

Belonging to a cooperative like ours has many benefits, including our Patronage Program. In March 2021, we returned $198.6 million to Patronage-eligible customer-owners, bringing the total amount returned between 2016 and 2021 to $640.8 million.

We support our young, beginning and small customer-owners by giving them the tools they need to thrive. In 2021, we welcomed 194 additional young and beginning farmers into our cooperative's Growing Forward™ program and provided training to more than 206 operations through our Know to Grow™ and Know to Thrive conferences.

Our rural lending division, Rural 1st®, helps customers in rural areas achieve their dreams of country living. Thanks to partnerships with other Farm Credit associations, Rural 1st® is now available to rural residents in 13 states. We expect our partnerships to grow as we scale our technology and teams to meet the growing demand for rural lending.

Invested in Our Future

Our purpose to secure the future of rural communities and agriculture has not waivered, and we use our time, talents and resources to produce lasting, positive change in our communities. Over the last five years alone, Farm Credit Mid-America has provided more than $9.8 million to programs, scholarships and partnerships that sustain strong, vibrant communities and prepare the next generation of agricultural leaders. These investments include initiatives that benefit youth and young farmers such as FFA and 4-H, scholarships and local food banks.

Customer-Owners at Heart

Over the summer, we celebrated the return of team members to our offices from remote work. While we are proud that we were able to grow and meet the needs of our customer-owners while working remotely through the global pandemic, we all agree that we are stronger and better when we are together.

This year also saw capital investments and renovations at several of our local offices. These enhancements demonstrate our ongoing commitment to meet the agricultural loan, lease and crop insurance needs of our customer-owners while remaining an integral part of their local communities.

As my tenure ends and I hand the role of President and Chief Executive Officer (CEO) to Dan Wagner, Farm Credit Mid-America remains rooted in our purpose. We are prepared to face whatever may lie ahead and will continue to work alongside our customer-owners to be a reliable source of credit and agricultural expertise, knowing each of you are the true beneficiaries of our success.

It has truly been an honor to serve you. Thank you for the opportunity.

I look forward to seeing what the future holds for agriculture and for Farm Credit Mid-America.

With gratitude,

Bill Johnson

Bill Johnson
President and Chief Executive Officer
2011–2021

A LETTER FROM

ANDREW WILSON

Chair of the Board of Directors

2021 was another year to remember for Farm Credit Mid-America and its customer-owners. We continue to focus on our purpose of securing the future of rural communities and agriculture.

Bill Johnson retired after 10 years as CEO and we thank him for his 39 years of dedicated service to the Farm Credit System. In December, Dan Wagner became President and CEO of our Association. We look forward to Dan's leadership shaping our Association and serving our customer-owners.

Our commitment to provide rural communities and farmers with the financial services they need to succeed is our highest priority, and giving back to these same communities is important to us. In 2021, Farm Credit Mid-America invested more than $2 million in initiatives to grow the next generation of agriculture, advocate for the industry and protect the way of life important to farm families.

We know tomorrow's future is reliant on the next generation of farmers and producers, which is why we invest in today's youth who will become tomorrow's agricultural leaders. We awarded $200,000 in direct scholarships through our Customer Agricultural Scholarship and Farm Credit Mid-America Scholars programs, supporting the best and brightest students as they pursue careers in agriculture. Our ongoing partnerships with 4-H and FFA help young people rise up to meet challenges in the industry, develop their own unique talents and explore a broad range of agricultural interests.

We strengthened our relationships with Historically Black Colleges and Universities. These partnerships cultivate relationships with individuals who are interested in making an impact on rural America and contributing to a strong, skilled and diverse workforce.

When the unexpected happens, we are quick to respond and mobilize our resources to bring relief and support where it is needed most. In August, when storms and floods created unexpected destruction and loss in areas of Tennessee, Farm Credit Mid-America joined some of our country's leading agricultural cooperatives to donate $80,000 in cash and in-kind products to support those local communities. When devastating tornadoes and severe weather swept through Kentucky and Tennessee in December, we partnered with other cooperatives to commit $715,000 to disaster relief programs. Our team members quickly worked to identify impacted customer-owners to help them get through a time of significant hardship.

Farm Credit Mid-America remains focused on our purpose. The Board of Directors has the customer-owner at the heart of everything we do. Thank you for placing your trust in us and your continued participation in our thriving cooperative.

Sincerely,

Andrew Wilson
Chair of the Board of Directors

MEET DAN WAGNER

President & Chief Executive Officer

In December 2021, Farm Credit Mid-America announced Dan Wagner as its next President and Chief Executive Officer. Dan's leadership experience spans nearly 20 years in the Farm Credit System, where he most recently provided executive leadership for our Association's business technology, finance, organizational process excellence and security teams.

"I am blessed and honored to be chosen as Farm Credit Mid-America's next President and CEO," says Dan. "I look forward to working with our talented team members to build on past successes as we continue to secure the future of rural communities and agriculture. I look forward to serving you on our journey together."

COMMITTED TO OUR CUSTOMER-OWNERS.

Cooperatives around the world operate according to a set of principles. As a farmer-owned cooperative, these principles guide us every day. Inspired by our purpose to secure the future of rural communities and agriculture, Farm Credit Mid-America uses our investments and our connections to strengthen the industry, help our customer-owners achieve their dreams and ensure that agriculture is in good hands for generations to come. We remain committed to these investments and to delivering an exceptional experience to our customer-owners. One home, one farm and one business at a time.


Char
E.D.S Ranch LLC
E.D.S Ranch LLC

"THEY UNDERSTAND OUR WAY OF LIFE. THEY UNDERSTAND THE EBBS AND FLOWS OF AG, AND THEY REALLY DO TAKE INTO CONSIDERATION WHERE YOU'VE STARTED AND HOW FAR YOU'VE COME."

AUBREY BOLENDER

PULLING IN THE SAME DIRECTION

Patronage, competitive rates and a spirit of working together are just a few benefits of belonging to a cooperative lender.

Farming is more than a means of income for the Bolender family. It's a lifestyle.

"It's everything," says Aubrey Bolender, who runs a grain and beef operation with her husband and three kids in southwest Ohio. "We wake up in the morning talking about it and right before we go to bed, we're still talking about it. We do it because we enjoy it. We're blessed to live this life."

So, when it came time to find a lender eight years ago, it made sense for the Bolenders to work with a cooperative lender that understands their lifestyle and shares their passion for it. With its cooperative model, competitive rates and strong roots in agriculture, Farm Credit Mid-America was the right fit for the Bolenders.

"They understand our way of life," says Aubrey. "They understand the ebbs and flows of ag, and they really do take into consideration where you've started and how far you've come. A lot of typical banks are only looking at certain numbers. They don't look at the person and the progress. For a farmer, that takes a lot of the worry away."

That understanding is just one of the benefits of belonging to a cooperative like Farm Credit Mid-America. Cooperatives provide many benefits to their customer-owners, and there's comfort in knowing that co-op members want to see each other succeed—a fundamental value of the collective business model.

This desire for shared success benefits farmers of all sizes. When Ray Tyler and his wife, Ashley, owners of Rose Creek Farms in Selmer, Tennessee, reached out to Farm Credit Mid-America to secure financing for their budding micro farm, they found listening ears and a community of resources to help them expand and grow.

"Farm Credit Mid-America listened to us and helped us to come up with a plan that was reasonable for both parties," Ray says. "Together, we looked at the bigger picture with our long-term goals, the clients we wanted to have, and we began to build the infrastructure we needed to become a long-lasting family farm."

One major benefit available to Farm Credit Mid-America customer-owners that farmers will not find at traditional lenders is its Patronage Program. Patronage is the name for the capital that a cooperative returns to its customer-owners. Between 2016 and 2021, Farm Credit Mid-America returned $640.8 million to Patronage-eligible customer-owners through this program. Patronage checks are a welcome return for operators who use the funds to reinvest in their operations or pay down their loan balance further.

"We choose to do business with Farm Credit Mid-America because of their strong financial understanding of agriculture and because they've worked with us through the years when times were good and when they weren't so good," says Brad Starr, who grows corn, soybeans and several varieties of specialty crops in Fayette County, Indiana. "We use the Patronage Program as the icing on the cake. It's a very nice income stream to help our economic status."

Aubrey adds: "You're not going to get that with any other lender. There's no other financial institution that we work with that you get a kickback based on the success of the co-op."

Another additional benefit? Farm Credit Mid-America is committed to not only supporting its customer-owners but also the communities it serves across Indiana, Ohio, Kentucky and Tennessee—with investments in local FFA chapters, 4-H fairs and food banks—just to name a few. And it's that kind of collective, farmer-centered, got-your-back feel that makes Farm Credit Mid-America's customer-owners feel so strongly about the co-op.

"Everybody there, they know you by name, they know the kids," Aubrey says. "It's one of those places you look forward to going in just because of the people who are there."

“RURAL 1ST® WAS THE ONLY LENDER THAT WOULD HELP US OUT WHEN WE WANTED TO GET THIS LAND,” CHARLOTTE SAID. “WE WOULDN’T HAVE BEEN ABLE TO DO WHAT WE’VE DONE WITHOUT THEM, AND WE’RE REALLY APPRECIATIVE OF THAT.”

SETTING FAMILIES UP FOR SUCCESS

Early support helped first-generation farmers get their start.

Matt and Charlotte Schaar, first-generation farmers in Gnadenhutten, Ohio, never expected a global pandemic to be their farm's "big break."

Matt, a recently retired Green Beret, and Charlotte, a corporate wellness executive and major in the Army Reserve, had just started their Ohio operation in earnest a couple of years before the COVID-19 pandemic hit.

Charlotte and Matt were stationed in Fort Bragg, North Carolina. While juggling deployments, Charlotte's corporate job and two young kids, they decided to move back home near family.

Along with their farming partners, Joey and Amy Ellwood, the couple purchased a piece of farmland in the village of Gnadenhutten, about one hundred miles east of Columbus, Ohio, and set up a homestead called EDS Ranch. At the time, Joey was working a full-time corporate job, Matt was still on active duty, Charlotte was in the Reserve and working, so farming was not their primary focus.

In 2017, the Schaars won a fellowship from the Farmer Veteran Coalition (FVC) for a honeybee operation and the business was taking off. FVC is a non-profit organization that helps military members get into agriculture.

When the opportunity came to buy the land from Joey and Amy (the couple was expanding the EDS Ranch farmland with their own land purchase), Matt and Charlotte jumped, but traditional lenders didn't want to finance the property's outbuildings. That's when Matt stumbled upon Farm Credit Mid-America's booth at an FVC convention and learned about Rural 1st®, the Association's division for rural lending.

Matt remembers their openness towards finding a way to help.

"Rural 1st® was the only lender that would help us out when we wanted to get this land," Charlotte said. "We wouldn't have been able to do what we've done without them, and we're really appreciative of that."

"Working with an organization that specializes in rural property purchase and small farms, it's great," Matt said. "They're second to none."

In March 2020, while EDS Ranch was still developing its business, the COVID-19 pandemic hit the United States, rendering national protein stocks scarce.

Customers started calling Matt and Joey from the grocery store, hoping to purchase protein directly from EDS Ranch. Luckily, their freezers were stocked.

Matt, Joey and Amy took orders, packed the truck and delivered nourishment to people in their community. Matt also took care of his young son and daughter at home while Charlotte was deployed overseas.

"It really gave us a lot of pride," said Matt, a retired sergeant first class with nine deployments under his belt. "I felt like I was back in the military, deployed on operations. It was that important. Our customers felt that way, too, and we took great pride in working 16 hours a day."

Today, Matt and Charlotte work full time at EDS Ranch raising chicken, pork and turkey, as well as eggs and honey.

Matt was medically retired from the Army in 2018 after an injury caused by enemy shrapnel. Charlotte left her corporate job soon after she returned from a six-month deployment in 2020 to find the ranch excelling with the increase in demand due to COVID-19-induced shortages. "There was no break when I got back," she says. "We were so busy."

Matt, Charlotte, Joey and Amy have been able to retain the new customers they gained at the height of the pandemic. This has enabled them to switch from selling mostly to commercial and high-end restaurants to selling primarily direct-to-consumers.

Charlotte and Matt now make non-GMO feed for EDS Ranch's free-range poultry, rotate their heritage pigs on the 90-acre farm and oversee the thriving Combat Honey Bee operation, which produces almost 1,000 pounds of honey a year—up from 50 pounds their first year.

With partners like Farm Credit Mid-America, Rural 1st® and the FVC on their side, along with family, friends and the community of veteran-owned businesses, the team looks forward to expanding their business.

When they think towards the future, the Schaars and Ellwoods hope to add contract farmers, sell at local markets and step up Charlotte's new houseplant business, all while continuing to serve their community.

"I SEE SO MUCH OPPORTUNITY WITH OUR HIGH TUNNEL. BLACK SOIL HAS PROVIDED THE CONNECTIONS AND RESOURCES NEEDED, AND IT HAS HELPED TO MAKE THE PROCESS FEEL A LOT LESS INTIMIDATING."

ANDREA JAMES

1.4% of farmers in the United States identify as **Black or African American.** A decade ago, **14%** of farmers identified as Black or African American.[1]

35,470 of the 2,042,220 farms in the United States are **Black-operated.**[2]

LEGACY AND HERITAGE IN AGRICULTURE

New partnership helps beginning farmers find their path.

"Gardening is my sanctuary. It allows me to think and reconnect. It grounds me," says Andrea James, a farmer who co-owns and operates The Old Schoolhouse in a rural hamlet in Fayette County, Kentucky with her husband Rodney.

The Old Schoolhouse was the first recipient of a grant for a high tunnel (a greenhouse-like structure that allows farmers to extend their growing season) thanks to a new partnership between Farm Credit Mid-America and Black Soil KY.

"I see so much opportunity with our high tunnel. Black Soil KY has provided the connections and resources needed, and it has helped to make the process feel a lot less intimidating," Andrea explains.

By fostering the needs of those finding their path in agriculture, new and innovative partnerships like the one with Black Soil KY are supporting the next generation of agriculture and helping Farm Credit Mid-America bring its purpose to life.

Andrea's passion for agriculture is rooted in her past. Her grandfather raised turkeys and would give them to those in need in town each year at Thanksgiving. Her father also nurtured a garden for the family, so Andrea did not realize until later in life that food for many families does not come from "farm to table," but from the grocery store to the table.

While serving on the City Council in Lexington, Kentucky, she noticed a push for urban agriculture in inner-city areas and less in Fayette County's rural areas and hamlets. This ignited a desire to reconnect people with land and growing food, which led her to work with Black Soil KY.

Black Soil KY works with 20 Black-owned farms across the state of Kentucky and uses agritourism and a robust event plan to educate consumers and introduce them to local farmers. The variety of programs offered connects Kentuckians to where their food comes from and emphasizes the value of buying local.

According to the United States Department of Agriculture, there has been a significant drop over the last century in African Americans participating in production agriculture.[2] As part of its commitment to support more diversity in the industry, Farm Credit Mid-America saw an opportunity to partner with Black Soil KY and elevate the reach and impact of its mission.

"Diversity is needed not only socially, but it is critical to the application of agriculture," says Ashley C. Smith, Chief Executive Officer of Black Soil KY. "We're thrilled to be able to partner with Farm Credit Mid-America to advance our cause in fostering a greater market share for Black farmers and producers across the Commonwealth."

This partnership will support the construction of up to 48 high tunnels across Kentucky to extend the growing season and help combat residential food insecurity. High tunnel recipients also have the opportunity to participate in Growing Forward, Farm Credit Mid-America's program for young, beginning and small farmers.

"At the core of everything we do, we want to drive consumers to land-based education and outreach, getting them onto the small family farms that really sustain communities and allow them to build a respect and admiration for the work that goes into raising the food that they're enjoying at their kitchen table," Ashley explains. "Once we connect the farmer to the consumer and other markets, we want to continue bringing new people into the industry through education and outreach. That's why our partnership with Farm Credit Mid-America here in the state of Kentucky, and hopefully moving throughout the region and continued service area, will enable us to introduce more and more producers to opportunities to get back into the ground."

[1] McKinsey & Company. (2021, November 10). *Black farmers in the US: The opportunity for addressing racial disparities in farming.* McKinsey & Company. Retrieved January 14, 2022, from https://www.mckinsey.com/industries/agriculture/our-insights/black-farmers-in-the-us-the-opportunity-for-addressing-racial-disparities-in-farming

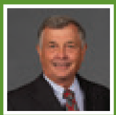
[2] United States Department of Agriculture Statistics Service, Black Producers: Census of Agriculture, 2017

BOARD OF DIRECTORS

Chair
ANDREW WILSON
Somerset, OH

Vice Chair
JOHN KUEGEL JR.
Owensboro, KY

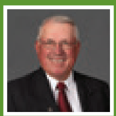
Secretary
DALE “BUD” TUCKER
Greeneville, TN



DAVID BATES, III
Shepherdsville, KY

TODD CLARK
Lexington, KY

DWAIN “DOC” COTTINGHAM
Attica, IN

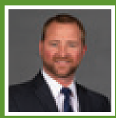


LOWELL HILL
De Graff, OH

STEPHANIE HOPPER
Macy, IN

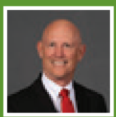
JASON MOORE
Paris, TN

DALE KOESTER
Wadesville, IN

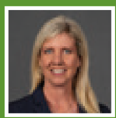


BRANDON ROBBINS
Cookeville, TN

RACHAEL VONDERHAAR
Camden, OH



STEVE BUSH*
Clermont, FL

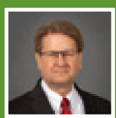


LAURA KNOTH*
Grand Rivers, KY

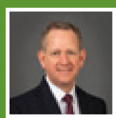
*Appointed Directors

2021 EXECUTIVE LEADERSHIP TEAM**

BILL JOHNSON
President and
Chief Executive Officer

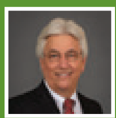


VINCE BAILEY
Executive Vice President,
Chief Credit Officer

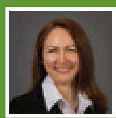


MARK HANNA
Executive Vice President,
Chief Risk Officer

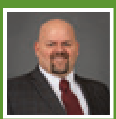
GREG HOFFMAN
Executive Vice President,
General Counsel



KEITH LANE
Executive Vice President,
Chief Lending Officer



HEATHER VIDOUREK
Executive Vice President,
Human Capital



DAN WAGNER
Executive Vice President,
Chief Operating Officer

**Reflects the Executive Leadership team as of December 1, 2021. For additional information on the Board of Directors and the Executive Leadership team, see page 61.

GETTING INVOLVED

OUR COOPERATIVE AND YOU

As a customer-owned cooperative, Farm Credit Mid-America relies on our time and talent to keep agriculture strong across our region. Involvement with Farm Credit Mid-America can be rewarding on a personal level by allowing you to form and build relationships with others, expand your personal networks and hone your leadership skills. You will also have the satisfaction of knowing you are helping to secure the future of rural communities and agriculture by providing valuable input about our products and services.

Here are three ways you can become involved in Farm Credit Mid-America.

BOARD OF DIRECTORS*

Our Board of Directors is responsible for establishing policies, providing strategic direction to and oversight of management and making sure information provided to customer-owners is accurate, understandable and reliable. The Board consists of stockholder-elected directors from each of our four states and two outside appointed directors who bring an independent and objective perspective to the boardroom. Each director serves on a committee responsible for a specific area of board governance—Audit, Human Resources, Risk Management and Governance.

Visionary thinking, leadership experience, strong communication skills, diverse perspectives and backgrounds and a passion to serve are just some of the qualities customer-owners contribute to Farm Credit Mid-America through service on our Board of Directors.

Board members receive compensation for their services and are reimbursed for expenses incurred in attending meetings.

To recommend a customer-owner in Indiana, Ohio, Kentucky or Tennessee to our Board of Directors, visit **e-farmcredit.com/about/board-of-directors/recommendation-form**.

NOMINATING COMMITTEE*

Each year, five customer-owners from each of our four states are elected by voting members to serve on Farm Credit Mid-America's Nominating Committee. The Nominating Committee meets each February to nominate candidates for open Director and Nominating Committee positions. Members are compensated for their time and travel.

To nominate an individual to the Nominating Committee, visit **e-farmcredit.com/about/nominating-committee/recommendation-form**.

ADVOCATE COUNCIL

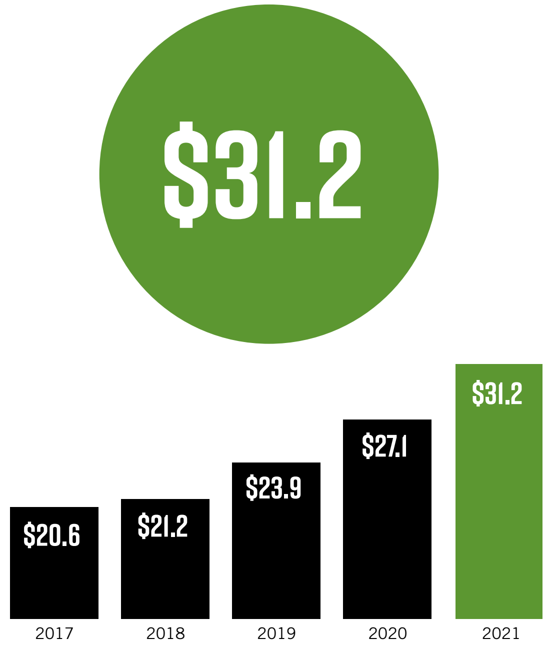
Securing the future of rural communities and agriculture begins with building strong relationships with our customer-owners and communities where they live and work. We are better equipped to serve our customer-owners when we have greater visibility into their unique challenges and operational needs.

That's why we created the Farm Credit Mid-America Advocate Council. The Advocate Council is a diverse group of 320 professionals and leaders who represent rural communities and agriculture across Indiana, Ohio, Kentucky and Tennessee. Together, we are engaged in ongoing conversations and sharing thoughts, ideas and opportunities to deepen our impact, relationships and support for our customer-owners.

*Recommendations are accepted year-round for positions up for election on the Board of Directors and for the Nominating Committee. Qualifications and eligibility requirements apply. Farm Credit Mid-America's bylaws prohibit customer-owners who do not farm or reside within Farm Credit Mid-America's chartered four-state area from serving on the Board of Directors or the Nominating Committee.

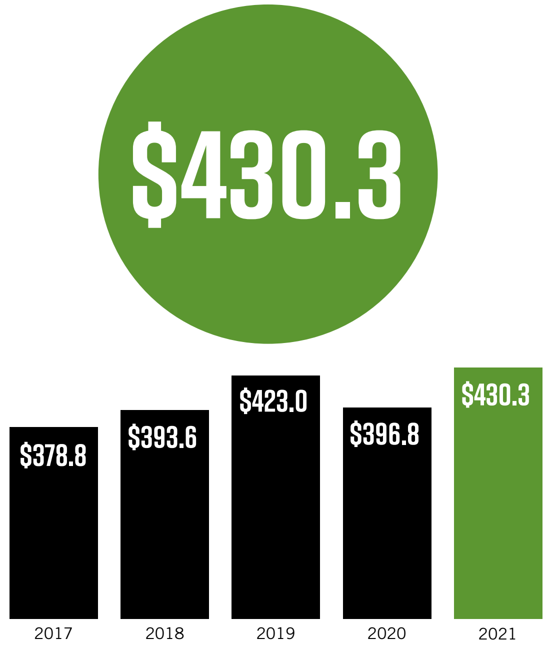
LOANS (OWNED AND MANAGED)

Dollars in billions



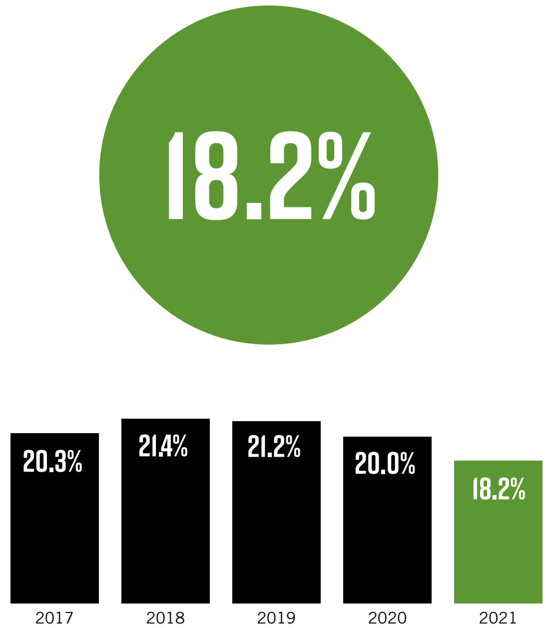
NET INCOME

Dollars in millions



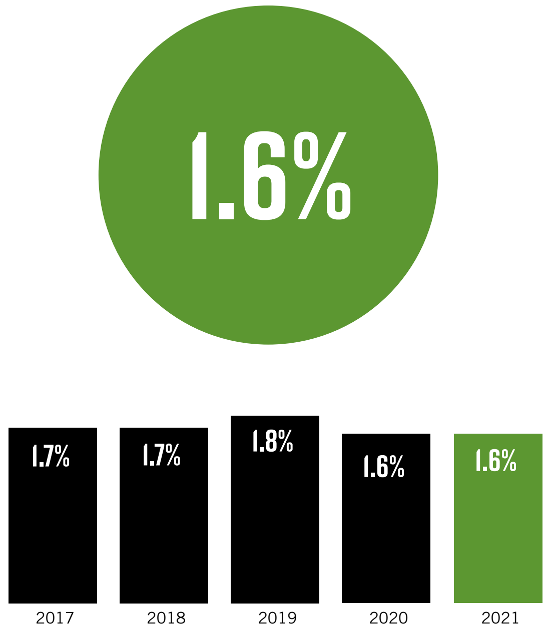
TOTAL CAPITAL RATIO

Percentage



RETURN ON AVERAGE ASSETS (AFTER TAX)

Percentage



CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
FARM CREDIT MID-AMERICA, ACA

(DOLLARS IN THOUSANDS) **AS OF DECEMBER 31** **CONDENSED STATEMENT OF CONDITION DATA**	2021	2020	2019	2018	2017
Loans	**$27,257,721**	$24,619,166	$23,483,766	$22,317,940	$21,428,443
Allowance for loan losses	**70,723**	82,867	76,898	103,549	103,658
Net loans	**27,186,998**	24,536,299	23,406,868	22,214,391	21,324,785
Investment in AgriBank, FCB	**864,105**	690,787	517,435	442,516	441,703
Investment securities	**834,625**	456,074	476,728	90,911	131,931
Other assets	**655,591**	596,005	602,252	612,722	573,970
Total assets	**$29,541,319**	$26,279,165	$25,003,283	$23,360,540	$22,472,389
Obligations with maturities of one year or less	**$426,008**	$395,132	$425,827	$357,764	$301,362
Obligations with maturities greater than one year	**23,746,145**	20,739,705	19,634,898	18,294,973	17,709,391
Total liabilities	**24,172,153**	21,134,837	20,060,725	18,652,737	18,010,753
Capital stock and participation certificates	**80,285**	77,157	74,791	78,260	81,474
Unallocated surplus	**5,289,781**	5,068,119	4,868,756	4,630,441	4,381,202
Accumulated other comprehensive loss	**(900)**	(948)	(989)	(898)	(1,040)
Total members' equity	**5,369,166**	5,144,328	4,942,558	4,707,803	4,461,636
Total liabilities and members' equity	**$29,541,319**	$26,279,165	$25,003,283	$23,360,540	$22,472,389

For the year ended December 31	**2021**	2020	2019	2018	2017
CONDENSED STATEMENT OF INCOME DATA					
Net interest income	**$548,661**	$522,953	$508,326	$488,277	$470,177
(Reversal of) provision for credit losses	**(12,055)**	11,318	(22,761)	8,056	23,169
Other expenses, net	**(130,457)**	(114,793)	(108,084)	(86,620)	(68,192)
Net income	**$430,259**	$396,842	$423,003	$393,601	$378,816
KEY FINANCIAL RATIOS					
FOR THE YEAR					
Return on average assets	**1.6%**	1.6%	1.8%	1.7%	1.7%
Return on average members' equity	**8.2%**	7.9%	8.7%	8.6%	8.8%
Net interest income as a percentage of average earning assets	**2.1%**	2.2%	2.2%	2.2%	2.2%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.1%
AT YEAR END					
Members' equity as a percentage of total assets	**18.2%**	19.6%	19.8%	20.2%	19.9%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.5%	0.5%
Common equity tier 1 ratio	**17.9%**	19.6%	20.8%	20.9%	19.7%
Tier 1 capital ratio	**17.9%**	19.6%	20.8%	20.9%	19.7%
Total capital ratio	**18.2%**	20.0%	21.2%	21.4%	20.3%
Permanent capital ratio	**18.0%**	19.7%	20.9%	21.0%	19.8%
Tier 1 leverage ratio	**16.9%**	18.5%	19.1%	19.2%	18.3%
NET INCOME DISTRIBUTED					
FOR THE YEAR					
Patronage distributions:					
Cash	**$198,601**	$184,075	$144,102	$86,240	$27,781

FARM CREDIT MID-AMERICA, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 65 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

Bill Johnson, President and CEO of Farm Credit Mid-America, will retire in the first quarter of 2022 after 11 years in the role and 39 years of dedicated service to the Farm Credit System. In December 2021, Farm Credit Mid-America named Dan Wagner as its President and Chief Executive Officer. Wagner assumes the top leadership position following a nationwide search that began in September when then-President and CEO Bill Johnson announced his plans to retire. In his new role, Wagner will build on the Association's strong performance experienced under Johnson's leadership.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Length and severity of an epidemic or pandemic
- Economic fluctuations in the agricultural, international, rural and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions

- Actions taken by the Federal Reserve System in implementing monetary policy
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements
- Industry outlooks for agricultural conditions
- Changes in interest rate indices utilized in our lending

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the United States. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture.

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. However, we have weathered the significant challenges presented to date and our business continuity response has allowed us to continue to serve our mission.

AGRICULTURAL AND ECONOMIC CONDITIONS

2021 will be a year to remember or forget depending on your circumstances. Issues like health, supply chain, climate change programs, and inflation had significant impact on 2021 and will continue to for at least a portion of 2022. For most local producers 2021 will represent the highest year of net farm income since 2013. Net farm income was driven by demand, good yields, and price opportunities across most commodities and protein segments. The December 2021 United States Department of Agriculture (USDA) Outlook projects net farm income to increase by $22.0 billion (23.2%) to $116.8 billion. In inflation adjusted dollars net farm income is forecast to increase by $18.4 billion or 18.7%. This is a larger increase than experienced from 2019 to 2020 when a large percentage of the increase was driven by government programs.

Farm sector equity is forecast to increase to about $2.8 trillion, but decline 1.0% in inflation adjusted dollars. Farm sector assets are projected to increase by $12.9 billion in nominal dollars while the farm debt to equity ratio is projected to increase (worsen) by .01% to 13.9. Strong income from 2020 and 2021 was driven by strong global demand for Ag products, however supply chain issues, rising input costs, and equipment and cash rent costs are rapidly reducing anticipated net earnings for 2022. Land values, the cornerstone of agriculture's balance sheet, are experiencing double digit increases with strong demand, limited market supply, increasing alternative uses, and low interest rates driving prices (Source: USDA December 2021 Farm Sector Income Forecast). For only the second time since May, the Ag Economy Barometer rose in December. The December 2021 index climbed to a reading of 125, 9 points higher than November 2021. Both the Index of Current Conditions and the Index of Future Expectations rose in December with the rise in the barometer attributable mostly to an improved perspective on current conditions in the agricultural sector. December's Index of Current Conditions stood at 146, 18 points higher than a month earlier, while the Index of Future Expectations rose just 4 points to 114. A more positive outlook regarding their farm's financial situation by Ag producers was a major contributor to this month's rise in both the Index of Current Conditions and the barometer.

Farmers are very concerned about rising production costs and the availability of production inputs. When asked what their biggest concerns are for their farming operation in the upcoming year, higher input cost was overwhelmingly the top choice, with 47% of respondents choosing it from a list that included lower crop and/or livestock prices, environmental policy, farm policy, climate policy, and COVID's impact. In the December 2021 survey over half (57%) of producers said they expect farm input prices in the upcoming year to rise by more than 20% compared to a year earlier and nearly four out of ten respondents said they expect input prices to rise by more than 30% (Source: Purdue University/CME Group December 2021 Ag Economy Barometer).

In terms of the general economy, the U.S. November 2021 Bureau of Labor Statistics reported total unemployment fell by 0.4 percentage points in November, to 4.2%. November unemployment rates for the Association's four state area are as follows: Indiana 3.0%, Kentucky 4.1%, Tennessee 4.0%, and Ohio 4.8%. Housing activity continues to slow in most areas within our four states with prices remaining strong driven by low inventories and attractive interest rates. According to the November University of Michigan Surveys of Consumers, consumer sentiment declined in November to 67.4%, the lowest point in the past decade. Consumers expressed less optimism about prospects for their own finances as well as the growth prospects for the overall economy. The decline was due to a combination of rapidly escalating inflation combined with the absence of any federal policies that would effectively redress the inflationary damage to household budgets. While pandemic induced supply-line shortages were the precipitating cause, the roots of inflation have grown and spread more broadly across the economy. One-in-four consumers cited inflationary erosions of their living standards in November (Source: November University of Michigan Surveys of Consumers).

LOAN PORTFOLIO

Loan Portfolio

Total loans were $27.3 billion at December 31, 2021, an increase of $2.6 billion from December 31, 2020.

Components of Loans

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Accrual loans:			
Real estate mortgage	**$17,310,915**	$15,432,275	$14,734,675
Production and intermediate-term	**4,664,137**	4,197,638	4,011,581
Agribusiness	**2,882,846**	2,612,881	2,087,077
Rural residential real estate	**882,864**	767,061	908,795
Finance leases and other	**1,375,004**	1,408,725	1,476,522
Non-accrual loans	**141,955**	200,586	265,116
Total loans	**$27,257,721**	$24,619,166	$23,483,766

The finance leases and other category is primarily composed of certain assets originated under the mission related investment authority and rural infrastructure related loans, as well as lease receivables.

The increase in total loans from December 31, 2020, was primarily due to an increase in real estate mortgage loans. This increase is offset by the Consumer Lending asset pool sale to AgriBank. On June 1, 2021, we sold $1.1 billion of a participation interest in real estate and rural residential real estate loans to AgriBank. AgriBank has established a separate patronage pool for these assets and may pay patronage back to us at the sole discretion of the AgriBank Board of Directors.

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were $2.5 billion, $1.8 billion, and $139.0 million at December 31, 2021, 2020, and 2019, respectively. The increase was primarily due to the formation of the Consumer Lending asset pool program on May 1, 2020. Also during 2020, we began participating in the ProPartners Financial (ProPartners) alliance with certain other associations in the Farm Credit System. We sell to AgriBank a 100% participation interest in production and intermediate-term loans associated with ProPartners.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and under certain circumstances, loan forgiveness. Since inception of the program in 2020, we have successfully processed $19.8 million in PPP loans for customers with primarily production and intermediate-term type loans. As of December 31, 2021, no loans under this program were outstanding.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Finally, borrower tax planning strategies resulted in an increase of production and intermediate-term loans at the end of the year, generally followed by sharp pay-downs the following year. While the seasonality is a recurring item, in 2021 we saw unusually low utilization of operating loans through most of the year, followed by a return to normal levels of utilization in December.

We offer variable, fixed, capped, indexed, and adjustable interest rate loans and fixed rate lease programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

PORTFOLIO DISTRIBUTION

Geographical Distribution

AS OF DECEMBER 31	2021	2020	2019
Indiana	**25.7%**	25.2%	25.6%
Ohio	**20.7%**	21.3%	22.3%
Tennessee	**13.1%**	13.3%	14.9%
Kentucky	**10.6%**	10.7%	11.9%
California	**6.1%**	5.6%	5.2%
Other	**23.8%**	23.9%	20.1%
Total	**100.0%**	100.0%	100.0%

Agricultural Concentrations

AS OF DECEMBER 31	2021	2020	2019
Corn and soy beans	**20.1%**	21.0%	21.4%
Other crops	**19.2%**	19.2%	19.6%
Landlords	**10.5%**	10.0%	9.3%
Cattle	**9.5%**	9.7%	10.8%
Processing and marketing	**8.0%**	8.5%	7.1%
Other livestock	**6.4%**	6.0%	6.0%
Timber	**5.8%**	5.5%	4.9%
Poultry and eggs	**4.0%**	3.9%	3.8%
Dairy	**3.8%**	3.7%	3.7%
Rural home	**3.1%**	3.0%	3.6%
Other	**9.6%**	9.5%	9.8%
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

PORTFOLIO CREDIT QUALITY

Portfolio credit quality improved from December 31, 2020. Adversely classified loans decreased to 2.6% of the portfolio at December 31, 2021, from 2.8% of the portfolio at December 31, 2020. Strong growth in high quality new loans and proactive engagement with customers experiencing economic challenges continues to strengthen the overall portfolio. Stable to increasing collateral values are supporting good loan to value ratios throughout the portfolio. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

RISK ASSETS

Components of Risk Assets

(DOLLARS IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Loans:			
Non-accrual	**$141,955**	$200,586	$265,116
Accruing restructured	**15,771**	17,130	19,057
Accruing loans 90 days or more past due	**67,123**	42,419	34,213
Total risk loans	**224,849**	260,135	318,386
Other property owned	**1,272**	1,485	3,514
Total risk assets	**$226,121**	$261,620	$321,900
Total risk loans as a percentage of total loans	**0.8%**	1.0%	1.3%
Non-accrual loans as a percentage of total loans	**0.5%**	0.8%	1.1%
Current non-accrual loans as a percentage of total non-accrual loans	**69.0%**	68.3%	67.7%
Total delinquencies as a percentage of total loans	**0.9%**	0.9%	1.0%

Note: Accruing loans include accrued interest receivable.

Risk assets decreased from December 31, 2020, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within established risk management parameters.

The decrease in non-accrual loans was primarily due to improving economic conditions at the farm level and proactively engaging customers experiencing financial stress leading to timely and mutually beneficial outcomes. Non-accrual loans remained at an acceptable level at December 31, 2021, 2020, and 2019.

The increase in accruing loans 90 days or more past due came primarily from USDA guaranteed assets with servicing actions approved, but awaiting documents from the servicing lender. The loans are well secured and full payment is expected. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

ALLOWANCE FOR LOAN LOSSES

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

Allowance Coverage Ratios

AS OF DECEMBER 31	2021	2020	2019
Allowance as a percentage of:			
Loans	**0.26%**	0.34%	0.30%
Non-accrual loans	**49.8%**	41.3%	29.0%
Total risk loans	**31.5%**	31.9%	24.2%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.0%
Adverse assets to capital and allowance for loan losses	**13.0%**	13.4%	16.8%

The allowance for loan losses decreased from December 31, 2020, due to the reversal of provision for credit losses expense in the later part of 2021. The allowance analysis indicated a reversal of allowance was needed due to improved credit quality and economic conditions. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2021.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities. Investment securities totaled $834.6 million, $456.1 million, and $476.7 million at December 31, 2021, 2020, and 2019, respectively. Market conditions provided more opportunities for investment purchases in 2021. Our investment securities consisted of securities containing pools of loans guaranteed by the SBA.

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2021, 2020, and 2019, we have not recognized any impairment on our investment portfolio.

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Net income	**$430,259**	$396,842	$423,003
Return on average assets	**1.57%**	1.59%	1.76%
Return on average members' equity	**8.22%**	7.87%	8.73%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(IN THOUSANDS)	2021	2020	2019	2021 vs 2020	2020 vs 2019
Net interest income	**$548,661**	$522,953	$508,326	**$25,708**	$14,627
(Reversal of) provision for credit losses	**(12,055)**	11,318	(22,761)	**23,373**	(34,079)
Non-interest income	**246,268**	210,679	160,936	**35,589**	49,743
Non-interest expense	**363,488**	316,930	265,224	**(46,558)**	(51,706)
Provision for income taxes	**13,237**	8,542	3,796	**(4,695)**	(4,746)
Net income	**$430,259**	$396,842	$423,003	**$33,417**	$(26,161)

NET INTEREST INCOME

Changes in Net Interest Income

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021 vs 2020	2020 vs 2019
Changes in volume	**$41,243**	$21,759
Changes in interest rates	**(15,110)**	(6,715)
Changes in non-accrual income and other	**(425)**	(417)
Net change	**$25,708**	$14,627

Net interest income included income on non-accrual loans that totaled $12.8 million, $13.2 million, and $13.6 million in 2021, 2020, and 2019, respectively. Non-accrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.1%, 2.2%, and 2.2% in 2021, 2020, and 2019, respectively. Our net interest margin is sensitive to interest rate changes and competition.

(REVERSAL OF) PROVISION FOR CREDIT LOSSES

The reversal of provision for credit losses expense booked in late 2021 was a result of improvement in credit quality and other credit and economic factors. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

NON-INTEREST INCOME

The change in non-interest income was primarily due to patronage income and operating lease income.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit Institutions is typically distributed in cash.

Patronage Income

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Patronage from AgriBank	**$161,239**	$136,232	$109,467
AgDirect partnership distribution	**5,486**	5,266	5,048
Other patronage	**991**	1,174	147
Total patronage income	**$167,716**	$142,672	$114,662
Form of patronage distributions:			
Cash	**$147,615**	$142,672	$65,696
Stock	**20,101**	—	48,966
Total patronage income	**$167,716**	$142,672	$114,662

The increase in patronage was primarily due to an increase in wholesale stock patronage. Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income.

Operating Lease Income: The increase in operating lease income is due to the gain associated with an early termination of an operating lease.

NON-INTEREST EXPENSE

Components of Non-interest Expense

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Salaries and employee benefits	**$222,690**	$202,094	$167,996
Other operating expense:			
Purchased and vendor services	**33,315**	26,733	18,039
Communications	**4,043**	4,062	4,309
Occupancy and equipment	**33,254**	28,420	24,983
Advertising and promotion	**17,093**	15,939	12,738
Examination	**3,513**	3,593	3,642
Farm Credit System insurance	**32,419**	17,897	16,377
Other	**15,598**	13,947	16,898
Other non-interest expense	**1,563**	4,245	242
Total non-interest expense	**$363,488**	$316,930	$265,224
Operating rate	**1.4%**	1.3%	1.1%

Salaries and employee benefits expense increased primarily due to increased staffing levels.

The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by FCSIC on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for all of 2021, compared to a premium rate of 8 basis points for the first half of 2020 and 11 basis points for the second half of 2020. The FCSIC has announced premiums will be 16 basis points for 2022. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Purchased and vendor services increased primarily due to the Rural 1st® partner fees paid to partnering associations during 2021 as a result of increased Rural 1st® originations.

PROVISION FOR INCOME TAXES

The change in provision for income taxes was related to an increase in our estimate of taxes based on taxable income. Additional disclosure is included in Note 8 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2021, we had $2.2 billion available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Average balance	**$21,849,155**	$19,617,871	$18,847,539
Average interest rate	**1.6%**	2.0%	2.8%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-bank Offer Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. ICE Benchmark Administration (the entity responsible for calculating LIBOR) ceased the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and has announced it intends to cease publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. It is widely anticipated that the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, including LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Furthermore, as AgriBank has shifted their funding, with no remaining LIBOR-indexed bonds as of December 31, 2021, we may see an increase to our basis risk. With limited exceptions in accordance with FCA guidance, we have ceased issuing new loans indexed to LIBOR, somewhat mitigating this basis risk.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

CAPITAL ADEQUACY

Total members' equity was $5.4 billion, $5.1 billion, and $4.9 billion at December 31, 2021, 2020, and 2019, respectively. Total members' equity increased $224.8 million from December 31, 2020, primarily due to net income for the year and an increase in capital stock and participation certificates partially offset by patronage distribution accruals.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

AS OF DECEMBER 31	2021	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.9%**	19.6%	20.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.9%**	19.6%	20.8%	6.0%	2.5%	8.5%
Total capital ratio	**18.2%**	20.0%	21.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.0%**	19.7%	20.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**16.9%**	18.5%	19.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.1%**	19.4%	19.3%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 7 to the accompanying Consolidated Financial Statements and off-balance sheet commitments are discussed in Note 11 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target range is subject to revision as circumstances change. Our optimum total capital target range is 15% to 17%, as defined in our 2022 capital plan.

At the December 2021 Board of Directors' Meeting, the Board passed a Patronage Obligating Resolution that outlines the intent of the Association to refund patronage-sourced net earnings for the calendar year 2022 to eligible patrons of the Association. If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2022.

RELATIONSHIP WITH AGRIBANK

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank.

PATRONAGE

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

PURCHASED SERVICES

As of December 31, 2021, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

IMPACT ON MEMBERS' INVESTMENT

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS

ProPartners Financial: During 2020 we began participating in ProPartners Financial (ProPartners) with certain Farm Credit System institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. We sell to AgriBank our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank Board of Directors.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $851 thousand, $661 thousand, and $493 thousand at December 31, 2021, 2020, and 2019, respectively.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation of which we are a partial owner. As of December 31, 2021, and 2020, our investment in SunStream was $5.6 million. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2021, 2020, and 2019, our investment in Foundations was $113 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Rural Business Investment Company: We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Services of America: We have a relationship with Farm Credit Services of America, an AgriBank District association headquartered in Nebraska, which involves partnering on agricultural purpose loan origination systems.

Rural 1st®: We deliver specialized products and services for people looking to make the move to rural living through land and home purchases, home equity, and construction projects through our Rural 1st® division. We partner on Rural 1st® with other Farm Credit associations, both inside and outside the AgriBank District. Under these partnership agreements, Farm Credit Mid-America pays fees to these associations for loan volume originated in their territories. During 2021, 2020, and 2019, fees paid to Rural 1st® participants were $14.8 million, $8.8 million, and $1.5 million, respectively. Future agreements with other associations are expected.

UNINCORPORATED BUSINESS ENTITIES (UBES)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $56.4 million, $41.9 million, and $34.5 million at December 31, 2021, 2020, and 2019, respectively.

PROGRAMS

We are involved in the following programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBEs section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT
FARM CREDIT MID-AMERICA, ACA

We prepare the Consolidated Financial Statements of Farm Credit Mid-America, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Andrew Wilson

ANDREW WILSON
Chair of the Board
Farm Credit Mid-America, ACA

Daniel Wagner

DANIEL WAGNER
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar

STEVE ZAGAR
Senior Vice President and Chief Financial Officer
Farm Credit Mid-America, ACA

March 14, 2022

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
FARM CREDIT MID-AMERICA, ACA

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 2013 framework in *Internal Control — Integrated Framework*, 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 concluded that as of December 31, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2021.

Daniel Wagner

DANIEL WAGNER
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar

STEVE ZAGAR
Senior Vice President and Chief Financial Officer
Farm Credit Mid-America, ACA

March 14, 2022

REPORT OF AUDIT COMMITTEE
FARM CREDIT MID-AMERICA, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Farm Credit Mid-America, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent 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 Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for 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 Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2021, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2021.

Steven R. Bush

STEVEN R. BUSH
Chair of the Audit Committee
Farm Credit Mid-America, ACA

Audit Committee Members:
Rachael M. Vonderhaar
Brandon Robbins
Dale Koester
Dale B. Tucker

March 14, 2022

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Farm Credit Mid-America, ACA,

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit Mid-America, 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 members' 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 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 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 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 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 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.

REPORT OF INDEPENDENT AUDITORS (CONTINUED)

- 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

Minneapolis, Minnesota

March 14, 2022

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F: (612) 373 7160, www.pwc.com

CONSOLIDATED STATEMENTS OF CONDITION
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
ASSETS			
Loans	**$27,257,721**	$24,619,166	$23,483,766
Allowance for loan losses	**70,723**	82,867	76,898
Net loans	**27,186,998**	24,536,299	23,406,868
Investment in AgriBank, FCB	**864,105**	690,787	517,435
Investment securities	**834,625**	456,074	476,728
Accrued interest receivable	**202,544**	197,261	207,924
Assets held for lease, net	**36,774**	60,572	95,017
Other assets	**416,273**	338,172	299,311
Total assets	**$29,541,319**	$26,279,165	$25,003,283
LIABILITIES			
Note payable to AgriBank, FCB	**$23,745,489**	$20,738,979	$19,634,081
Accrued interest payable	**88,774**	84,150	128,990
Deferred tax liabilities, net	**4,068**	6,674	17,974
Patronage distribution payable	**210,000**	200,004	186,600
Other liabilities	**123,822**	105,030	93,080
Total liabilities	**24,172,153**	21,134,837	20,060,725
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**80,285**	77,157	74,791
Unallocated surplus	**5,289,781**	5,068,119	4,868,756
Accumulated other comprehensive loss	**(900)**	(948)	(989)
Total members' equity	**5,369,166**	5,144,328	4,942,558
Total liabilities and members' equity	**$29,541,319**	$26,279,165	$25,003,283

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Interest income	**$895,539**	$923,672	$1,034,176
Interest expense	**346,878**	400,719	525,850
Net interest income	**548,661**	522,953	508,326
(Reversal of) provision for credit losses	**(12,055)**	11,318	(22,761)
Net interest income after (reversal of) provision for credit losses	**560,716**	511,635	531,087
Non-interest income			
Patronage income	**167,716**	142,672	114,662
Financially related services income	**12,756**	10,489	10,448
Fee income	**55,510**	52,965	33,767
Operating lease income	**7,697**	2,253	2,925
Other property owned losses, net	—	(306)	(3,637)
Other non-interest income	**2,589**	2,606	2,771
Total non-interest income	**246,268**	210,679	160,936
Non-interest expense			
Salaries and employee benefits	**222,690**	202,094	167,996
Other operating expense	**139,235**	110,591	96,986
Other non-interest expense	**1,563**	4,245	242
Total non-interest expense	**363,488**	316,930	265,224
Income before income taxes	**443,496**	405,384	426,799
Provision for income taxes	**13,237**	8,542	3,796
Net income	**$430,259**	$396,842	$423,003
Other comprehensive income (loss)			
Employee benefit plans activity	**$48**	$41	$(91)
Total other comprehensive income (loss)	**48**	41	(91)
Comprehensive income	**$430,307**	$396,883	$422,912

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS)	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2018	$78,260	$4,630,441	$(898)	$4,707,803
Net income	—	423,003	—	423,003
Other comprehensive loss	—	—	(91)	(91)
Unallocated surplus designated for patronage distributions	—	(184,680)	—	(184,680)
Cumulative effect of change in accounting principle	—	(8)	—	(8)
Capital stock and participation certificates issued	5,308	—	—	5,308
Capital stock and participation certificates retired	(8,777)	—	—	(8,777)
Balance as of December 31, 2019	74,791	4,868,756	(989)	4,942,558
Net income	—	396,842	—	396,842
Other comprehensive income	—	—	41	41
Unallocated surplus designated for patronage distributions	—	(197,479)	—	(197,479)
Capital stock and participation certificates issued	9,758	—	—	9,758
Capital stock and participation certificates retired	(7,392)	—	—	(7,392)
Balance as of December 31, 2020	77,157	5,068,119	(948)	5,144,328
Net income	**—**	**430,259**	**—**	**430,259**
Other comprehensive income	**—**	**—**	**48**	**48**
Unallocated surplus designated for patronage distributions	**—**	**(208,597)**	**—**	**(208,597)**
Capital stock and participation certificates issued	**10,932**	**—**	**—**	**10,932**
Capital stock and participation certificates retired	**(7,804)**	**—**	**—**	**(7,804)**
Balance as of December 31, 2021	**$80,285**	**$5,289,781**	**$(900)**	**$5,369,166**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Cash flows from operating activities			
Net income	**$430,259**	$396,842	$423,003
Depreciation on premises and equipment	**13,243**	12,989	9,051
(Gain) loss on sale of premises and equipment, net	**(3)**	15	219
Depreciation on assets held for lease	**8,173**	18,042	26,628
(Gain) loss on disposal of assets held for lease, net	**(1,064)**	2,531	2,639
Net amortization of premiums on loans and investment securities	**41,901**	30,463	33,122
(Reversal of) provision for credit losses	**(12,055)**	11,318	(22,761)
Stock patronage received from Farm Credit Institutions	**(20,291)**	(168)	(49,045)
(Gain) loss on other property owned, net	**(28)**	249	3,427
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(19,559)**	(9,304)	(22,143)
Increase in other assets	**(43,360)**	(24,635)	(3,117)
Increase (decrease) in accrued interest payable	**4,624**	(44,840)	6,193
Increase (decrease) in other liabilities	**16,234**	(1,809)	21,104
Net cash provided by operating activities	**418,074**	391,693	428,320
Cash flows from investing activities			
Increase in loans, net	**(2,659,745)**	(1,149,601)	(1,185,531)
Purchases of investment in AgriBank, FCB, net	**(153,217)**	(173,352)	(25,953)
Purchases of investment in other Farm Credit Institutions, net	**(14,498)**	(10,513)	(2,273)
Purchases of investment securities	**(499,143)**	(61,546)	(446,896)
Proceeds from maturing investment securities	**103,900**	73,408	53,531
Sales of assets held for lease, net	**16,689**	13,872	10,992
Proceeds from sales of other property owned	**10,074**	9,065	6,810
Purchases of premises and equipment, net	**(33,506)**	(16,078)	(32,441)
Net cash used in investing activities	**(3,229,446)**	(1,314,745)	(1,621,761)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**3,006,510**	1,104,898	1,340,022
Patronage distributions paid	**(198,601)**	(184,075)	(144,102)
Capital stock and participation certificates issued (retired), net	**3,463**	2,229	(2,479)
Net cash provided by financing activities	**2,811,372**	923,052	1,193,441
Net change in cash	**—**	—	—
Cash at beginning of year	**—**	—	—
Cash at end of year	**$—**	$—	$—
Supplemental information			
Interest paid	**$342,254**	$445,559	$519,657
Taxes paid, net	**13,880**	22,047	11,674

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

1

ORGANIZATION AND OPERATIONS

FARM CREDIT MID-AMERICA, ACA

FARM CREDIT SYSTEM AND DISTRICT

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 65 borrower-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2022, the District consisted of 13 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for non-accrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION

Farm Credit Mid-America, ACA (the Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (subsidiaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in all counties in Indiana; all counties in Ohio, with the exception of Marion, Crawford, Wyandot, Hancock, Seneca, Wood, Ottawa, Lucas, and Sandusky; all counties in Kentucky, with the exception of Graves, Hickman, Carlisle, Fulton, Ballard, McCracken, Calloway, and Marshall; and all counties in Tennessee.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries and holds certain types of investments.

We offer crop insurance to borrowers and those eligible to borrow. We also offer fee appraisal services to our members.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

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

SIGNIFICANT ACCOUNTING POLICIES

LOANS: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in non-accrual status when principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in non-accrual status and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year should be charged-off against the allowance for loan losses. Any cash received on non-accrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Non-accrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in non-accrual status, the loan has evidence of sustained performance in making on-time contractual payments.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined below). There may be modifications made in the normal course of business that would not be considered troubled debt restructurings (TDRs).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

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

Loans in our portfolio that are considered impaired are assessed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include non-accrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by assessing risk loans individually and all other loans by combining them into groups of loans sharing similar risk characteristics. For loans that are not individually assessed for impairment, an allowance is recorded for probable and estimable credit losses as of the financial statement date, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "(Reversal of) provision for credit losses" in the Consolidated Statements of Comprehensive Income, recoveries, and charge-offs.

INVESTMENT IN AGRIBANK: Our stock investment in AgriBank is on a cost plus allocated equities basis.

INVESTMENT SECURITIES: We are authorized to purchase and hold certain types of investments. If we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through Net income in the Consolidated Statements of Comprehensive Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

OTHER PROPERTY OWNED: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in "Other assets" in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Other property owned losses, net" in the Consolidated Statements of Comprehensive Income.

OTHER INVESTMENTS: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are accounted for under the equity method. The investments are included in "Other assets" in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Comprehensive Income in the year of impairment.

PREMISES AND EQUIPMENT: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Other non-interest income" or "Other non-interest expense", respectively, in the Consolidated Statements of Comprehensive Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

LEASES: We are the lessee in finance and operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For finance and operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Finance and Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is recorded on the Statement of Comprehensive Income and is allocated between interest expense and amortization expense. The portion allocated to interest expense is calculated using the effective interest method.

We are the lessor in finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance leases is included in “Loans” in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease and charge depreciation and other expenses against revenue as incurred in “Operating lease income” in the Consolidated Statements of Comprehensive Income. The amortized cost of operating leases is included in “Assets held for lease, net” in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

POST-EMPLOYMENT BENEFIT PLANS: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the “Projected Unit Credit” actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in “Other operating expense” on the Consolidated Statements of Comprehensive Income. Service costs are included in “Salaries and employee benefits” on the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

INCOME TAXES: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

PATRONAGE PROGRAM: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

OFF-BALANCE SHEET CREDIT EXPOSURES: 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 loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Consolidated Statements of Comprehensive Income.

CASH: For purposes of reporting cash flow, cash includes cash on hand.

FAIR VALUE MEASUREMENT: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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:

- Quoted prices for similar assets or liabilities in active markets
- 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, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- 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 fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is 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.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

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

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

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LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(DOLLARS IN THOUSANDS)	2021		2020		2019	
AS OF DECEMBER 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$17,421,250**	**63.9%**	$15,586,259	63.3%	$14,927,079	63.6%
Production and intermediate-term	**4,689,759**	**17.2%**	4,234,849	17.2%	4,071,670	17.3%
Agribusiness	**2,883,053**	**10.6%**	2,613,561	10.6%	2,088,621	8.9%
Rural residential real estate	**888,414**	**3.3%**	775,520	3.2%	919,607	3.9%
Finance leases and other	**1,375,245**	**5.0%**	1,408,977	5.7%	1,476,789	6.3%
Total	**$27,257,721**	**100.0%**	$24,619,166	100.0%	$23,483,766	100.0%

The finance leases and other category is primarily composed of certain assets originated under the mission related investment authority and rural infrastructure related loans, as well as lease receivables.

PORTFOLIO CONCENTRATIONS

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2021, volume plus commitments to our ten largest borrowers totaled an amount equal to 3.8% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. 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 may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

PARTICIPATIONS

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(IN THOUSANDS)	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2021								
Real estate mortgage	**$—**	**$(2,150,950)**	**$664,949**	**$(34,257)**	**$1,677,796**	**$(23,816)**	**$2,342,745**	**$(2,209,023)**
Production and intermediate-term	**—**	**(91,063)**	**852,916**	**(147,434)**	**540,108**	**(483)**	**1,393,024**	**(238,980)**
Agribusiness	**—**	**(94,840)**	**1,153,638**	**(1,305,438)**	**485,263**	**(972)**	**1,638,901**	**(1,401,250)**
Rural residential real estate	**—**	**(381,075)**	**—**	**—**	**308,083**	**—**	**308,083**	**(381,075)**
Finance leases and other	**—**	**—**	**187,097**	**—**	**24,211**	**—**	**211,308**	**—**
Total	**$—**	**$(2,717,928)**	**$2,858,600**	**$(1,487,129)**	**$3,035,461**	**$(25,271)**	**$5,894,061**	**$(4,230,328)**
As of December 31, 2020								
Real estate mortgage	$—	$(1,634,782)	$504,401	$(14,242)	$1,574,189	$(24,436)	$2,078,590	$(1,673,460)
Production and intermediate-term	—	(11,915)	819,836	(12,156)	460,588	(540)	1,280,424	(24,611)
Agribusiness	—	(61,944)	1,216,152	(737,339)	489,809	(1,059)	1,705,961	(800,342)
Rural residential real estate	—	(265,222)	—	—	136,301	—	136,301	(265,222)
Finance leases and other	—	—	152,910	—	43,008	—	195,918	—
Total	$—	$(1,973,863)	$2,693,299	$(763,737)	$2,703,895	$(26,035)	$5,397,194	$(2,763,635)
As of December 31, 2019								
Real estate mortgage	$—	$(190,856)	$440,313	$(14,704)	$1,394,891	$(23,082)	$1,835,204	$(228,642)
Production and intermediate-term	—	—	582,653	(14,553)	439,658	(645)	1,022,311	(15,198)
Agribusiness	—	(3,068)	1,001,147	(337,801)	329,264	(1,181)	1,330,411	(342,050)
Rural residential real estate	—	—	45	—	68,776	—	68,821	—
Finance leases and other	—	—	137,059	—	75,926	—	212,985	—
Total	$—	$(193,924)	$2,161,217	$(367,058)	$2,308,515	$(24,908)	$4,469,732	$(585,890)

Information in the preceding chart excludes loans entered into under our mission related investment authority.

CREDIT QUALITY AND DELINQUENCY

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable — loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) — loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard — loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful — loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss — loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2021, 2020, or 2019.

Credit Quality of Loans

(DOLLARS IN THOUSANDS)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31, 2021								
Real estate mortgage	**$16,698,604**	**95.1%**	**$382,974**	**2.2%**	**$473,020**	**2.7%**	**$17,554,598**	**100.0%**
Production and intermediate-term	**4,383,468**	**92.8%**	**170,216**	**3.6%**	**171,455**	**3.6%**	**4,725,139**	**100.0%**
Agribusiness	**2,793,225**	**96.5%**	**57,849**	**2.0%**	**43,431**	**1.5%**	**2,894,505**	**100.0%**
Rural residential real estate	**875,186**	**98.2%**	**1,117**	**0.1%**	**14,856**	**1.7%**	**891,159**	**100.0%**
Finance leases and other	**1,389,252**	**99.9%**	**—**	**—**	**773**	**0.1%**	**1,390,025**	**100.0%**
Total	**$26,139,735**	**95.2%**	**$612,156**	**2.2%**	**$703,535**	**2.6%**	**$27,455,426**	**100.0%**
As of December 31, 2020								
Real estate mortgage	$14,705,777	93.6%	$559,869	3.6%	$448,683	2.8%	$15,714,329	100.0%
Production and intermediate-term	3,837,556	89.8%	241,883	5.7%	193,192	4.5%	4,272,631	100.0%
Agribusiness	2,483,679	94.6%	116,136	4.4%	25,617	1.0%	2,625,432	100.0%
Rural residential real estate	753,189	96.8%	1,445	0.2%	23,213	3.0%	777,847	100.0%
Finance leases and other	1,422,191	99.9%	266	0.0%	901	0.1%	1,423,358	100.0%
Total	$23,202,392	93.5%	$919,599	3.7%	$691,606	2.8%	$24,813,597	100.0%
As of December 31, 2019								
Real estate mortgage	$14,077,185	93.5%	$472,963	3.1%	$507,600	3.4%	$15,057,748	100.0%
Production and intermediate-term	3,621,064	87.8%	230,256	5.6%	272,182	6.6%	4,123,502	100.0%
Agribusiness	2,025,048	96.5%	45,017	2.1%	28,829	1.4%	2,098,894	100.0%
Rural residential real estate	893,905	96.9%	1,679	0.2%	26,880	2.9%	922,464	100.0%
Finance leases and other	1,483,558	99.9%	272	0.0%	1,070	0.1%	1,484,900	100.0%
Total	$22,100,760	93.3%	$750,187	3.2%	$836,561	3.5%	$23,687,508	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(IN THOUSANDS)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
As of December 31, 2021						
Real estate mortgage	**$15,005**	**$23,299**	**$38,304**	**$17,516,294**	**$17,554,598**	**$—**
Production and intermediate-term	**3,403**	**10,818**	**14,221**	**4,710,918**	**4,725,139**	**—**
Agribusiness	**—**	**105**	**105**	**2,894,400**	**2,894,505**	**—**
Rural residential real estate	**3,705**	**1,705**	**5,410**	**885,749**	**891,159**	**—**
Finance leases and other	**114,838**	**67,288**	**182,126**	**1,207,899**	**1,390,025**	**67,123**
Total	**$136,951**	**$103,215**	**$240,166**	**$27,215,260**	**$27,455,426**	**$67,123**
As of December 31, 2020						
Real estate mortgage	$25,130	$32,294	$57,424	$15,656,905	$15,714,329	$—
Production and intermediate-term	4,140	15,667	19,807	4,252,824	4,272,631	1,137
Agribusiness	376	589	965	2,624,467	2,625,432	—
Rural residential real estate	4,675	2,857	7,532	770,315	777,847	86
Finance leases and other	95,185	41,331	136,516	1,286,842	1,423,358	41,196
Total	$129,506	$92,738	$222,244	$24,591,353	$24,813,597	$42,419
As of December 31, 2019						
Real estate mortgage	$45,496	$33,638	$79,134	$14,978,614	$15,057,748	$267
Production and intermediate-term	14,506	22,033	36,539	4,086,963	4,123,502	77
Agribusiness	333	1,413	1,746	2,097,148	2,098,894	—
Rural residential real estate	34,827	2,783	37,610	884,854	922,464	—
Finance leases and other	56,170	34,058	90,228	1,394,672	1,484,900	33,869
Total	$151,332	$93,925	$245,257	$23,442,251	$23,687,508	$34,213

Note: Accruing loans include accrued interest receivable.

RISK LOANS

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on non-accrual risk loans are applied as described in Note 2.

Risk Loan Information

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Non-accrual loans:			
Current as to principal and interest	**$97,926**	$136,958	$179,367
Past due	**44,029**	63,628	85,749
Total non-accrual loans	**141,955**	200,586	265,116
Accruing restructured loans	**15,771**	17,130	19,057
Accruing loans 90 days or more past due	**67,123**	42,419	34,213
Total risk loans	**$224,849**	$260,135	$318,386
Volume with specific allowance	**$11,669**	$15,245	$23,444
Volume without specific allowance	**213,180**	244,890	294,942
Total risk loans	**$224,849**	$260,135	$318,386
Total specific allowance	**$7,465**	$8,668	$10,627

FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Income on accrual risk loans	**$3,993**	$3,410	$2,041
Income on non-accrual loans	**12,802**	13,227	13,644
Total income on risk loans	**$16,795**	$16,637	$15,685
Average risk loans	**$264,344**	$312,191	$312,127

Note: Accruing loans include accrued interest receivable.

Non-accrual Loans by Loan Type

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Real estate mortgage	**$110,334**	$153,983	$192,403
Production and intermediate-term	**25,622**	37,211	60,089
Agribusiness	**208**	680	1,545
Rural residential real estate	**5,550**	8,459	10,812
Finance leases and other	**241**	253	267
Total	**$141,955**	$200,586	$265,116

Additional Impaired Loan Information by Loan Type

(IN THOUSANDS)	As of December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$6,215	$6,199	$5,028	$5,826	$—
Production and intermediate-term	5,080	9,013	2,219	6,589	—
Agribusiness	102	154	93	85	—
Rural residential real estate	272	252	125	404	—
Finance leases and other	—	—	—	—	—
Total	$11,669	$15,618	$7,465	$12,904	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$116,529	$139,086	$—	$139,533	$8,658
Production and intermediate-term	22,422	35,464	—	28,030	4,217
Agribusiness	105	50	—	241	—
Rural residential real estate	6,759	8,302	—	8,218	794
Finance leases and other	67,365	61,733	—	75,418	3,126
Total	$213,180	$244,635	$—	$251,440	$16,795
Total impaired loans:					
Real estate mortgage	$122,744	$145,285	$5,028	$145,359	$8,658
Production and intermediate-term	27,502	44,477	2,219	34,619	4,217
Agribusiness	207	204	93	326	—
Rural residential real estate	7,031	8,554	125	8,622	794
Finance leases and other	67,365	61,733	—	75,418	3,126
Total	$224,849	$260,253	$7,465	$264,344	$16,795

	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$6,231	$6,448	$5,323	$8,184	$—
Production and intermediate-term	8,442	12,934	3,141	11,251	—
Agribusiness	91	123	91	92	—
Rural residential real estate	481	526	113	380	—
Finance leases and other	—	—	—	—	—
Total	$15,245	$20,031	$8,668	$19,907	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$161,963	$190,339	$—	$178,257	$9,674
Production and intermediate-term	31,502	47,733	—	43,651	3,930
Agribusiness	589	640	—	889	—
Rural residential real estate	9,386	11,408	—	11,168	674
Finance leases and other	41,450	38,402	—	58,319	2,359
Total	$244,890	$288,522	$—	$292,284	$16,637
Total impaired loans:					
Real estate mortgage	$168,194	$196,787	$5,323	$186,441	$9,674
Production and intermediate-term	39,944	60,667	3,141	54,902	3,930
Agribusiness	680	763	91	981	—
Rural residential real estate	9,867	11,934	113	11,548	674
Finance leases and other	41,450	38,402	—	58,319	2,359
Total	$260,135	$308,553	$8,668	$312,191	$16,637

	As of December 31, 2019			For the year ended December 31, 2019	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Relate Allowanced	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$10,897	$11,295	$7,713	$11,243	$—
Production and intermediate-term	12,073	15,176	2,682	12,917	—
Agribusiness	95	125	95	353	—
Rural residential real estate	379	413	137	427	—
Finance leases and other	—	—	—	—	—
Total	$23,444	$27,009	$10,627	$24,940	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$196,872	$224,492	$—	$203,127	$6,664
Production and intermediate-term	50,626	65,909	—	54,166	7,297
Agribusiness	1,449	1,397	—	587	3
Rural residential real estate	11,858	14,230	—	13,365	1,006
Finance leases and other	34,137	31,368	—	15,942	715
Total	$294,942	$337,396	$—	$287,187	$15,685
Total impaired loans:					
Real estate mortgage	$207,769	$235,787	$7,713	$214,370	$6,664
Production and intermediate-term	62,699	81,085	2,682	67,083	7,297
Agribusiness	1,544	1,522	95	940	3
Rural residential real estate	12,237	14,643	137	13,792	1,006
Finance leases and other	34,137	31,368	—	15,942	715
Total	$318,386	$364,405	$10,627	$312,127	$15,685

[1] The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2021.

TROUBLED DEBT RESTRUCTURINGS (TDRS)

Included within our loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

TDR Activity

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021		2020		2019	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$461**	**$461**	$1,353	$1,353	$4,720	$4,720
Production and intermediate-term	**48**	**48**	201	201	2,053	2,053
Rural residential real estate	**35**	**35**	43	43	126	126
Total	**$544**	**$544**	$1,597	$1,597	$6,899	$6,899

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary types of modification included interest rate reduction below market and forgiveness of principal and interest.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted

(IN THOUSANDS)	2021	2020	2019
Real estate mortgage	**$—**	$227	$698
Production and intermediate-term	**—**	—	90
Rural residential real estate	**—**	35	4
Total	**$—**	$262	$792

TDRs Outstanding

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Accrual status:			
Real estate mortgage	**$12,411**	$14,211	$15,100
Production and intermediate-term	**1,880**	1,597	2,533
Rural residential real estate	**1,480**	1,322	1,424
Total TDRs in accrual status	**$15,771**	$17,130	$19,057
Non-accrual status:			
Real estate mortgage	**$9,299**	$13,392	$15,470
Production and intermediate-term	**2,100**	3,038	3,626
Rural residential real estate	**350**	639	796
Total TDRs in non-accrual status	**$11,749**	$17,069	$19,892
Total TDRs:			
Real estate mortgage	**$21,710**	$27,603	$30,570
Production and intermediate-term	**3,980**	4,635	6,159
Rural residential real estate	**1,830**	1,961	2,220
Total TDRs	**$27,520**	$34,199	$38,949

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2021.

ALLOWANCE FOR LOAN LOSSES

Changes in Allowance for Loan Losses

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Balance at beginning of year	**$82,867**	$76,898	$103,549
(Reversal of) provision for loan losses	**(12,011)**	10,904	(23,252)
Loan recoveries	**3,380**	3,366	3,802
Loan charge-offs	**(3,513)**	(8,301)	(7,201)
Balance at end of year	**$70,723**	$82,867	$76,898

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

Credit Loss Information on Unfunded Commitments

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
(Reversal of) provision for credit losses	**$(44)**	$414	$491

AS OF DECEMBER 31	2021	2020	2019
Accrued credit losses	**$7,310**	$7,355	$6,940

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(IN THOUSANDS)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Finance Leases and Other	Total
Allowance for loan losses:						
Balance as of December 31, 2020	**$30,300**	**$37,041**	**$13,328**	**$1,632**	**$566**	**$82,867**
(Reversal of) provision for loan losses	**(1,913)**	**(10,072)**	**159**	**(39)**	**(146)**	**(12,011)**
Loan recoveries	**998**	**2,289**	**—**	**93**	**—**	**3,380**
Loan charge-offs	**(889)**	**(2,343)**	**—**	**(281)**	**—**	**(3,513)**
Balance as of December 31, 2021	**$28,496**	**$26,915**	**$13,487**	**$1,405**	**$420**	**$70,723**
Ending balance: individually evaluated for impairment	**$5,028**	**$2,219**	**$93**	**$125**	**$—**	**$7,465**
Ending balance: collectively evaluated for impairment	**$23,468**	**$24,696**	**$13,394**	**$1,280**	**$420**	**$63,258**
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2021	**$17,554,598**	**$4,725,139**	**$2,894,505**	**$891,159**	**$1,390,025**	**$27,455,426**
Ending balance: individually evaluated for impairment	**$122,744**	**$27,502**	**$207**	**$7,031**	**$67,365**	**$224,849**
Ending balance: collectively evaluated for impairment	**$17,431,854**	**$4,697,637**	**$2,894,298**	**$884,128**	**$1,322,660**	**$27,230,577**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Finance Leases and Other	Total
Allowance for loan losses:						
Balance as of December 31, 2019	$29,455	$34,541	$10,468	$1,708	$726	$76,898
Provision for (reversal of) loan losses	1,239	6,816	2,860	149	(160)	10,904
Loan recoveries	1,112	2,084	—	170	—	3,366
Loan charge-offs	(1,506)	(6,400)	—	(395)	—	(8,301)
Balance as of December 31, 2020	$30,300	$37,041	$13,328	$1,632	$566	$82,867
Ending balance: individually evaluated for impairment	$5,323	$3,141	$91	$113	$—	$8,668
Ending balance: collectively evaluated for impairment	$24,977	$33,900	$13,237	$1,519	$566	$74,199
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2020	$15,714,329	$4,272,631	$2,625,432	$777,847	$1,423,358	$24,813,597
Ending balance: individually evaluated for impairment	$168,194	$39,944	$680	$9,867	$41,450	$260,135
Ending balance: collectively evaluated for impairment	$15,546,135	$4,232,687	$2,624,752	$767,980	$1,381,908	$24,553,462
Allowance for loan losses:						
Balance as of December 31, 2018	$39,056	$47,636	$12,786	$2,712	$1,359	$103,549
Reversal of loan losses	(9,723)	(10,014)	(2,106)	(776)	(633)	(23,252)
Loan recoveries	1,618	2,011	—	173	—	3,802
Loan charge-offs	(1,496)	(5,092)	(212)	(401)	—	(7,201)
Balance as of December 31, 2019	$29,455	$34,541	$10,468	$1,708	$726	$76,898
Ending balance: individually evaluated for impairment	$7,713	$2,682	$95	$137	$—	$10,627
Ending balance: collectively evaluated for impairment	$21,742	$31,859	$10,373	$1,571	$726	$66,271
Recorded investment in loans outstanding:						
Ending balance as of December 31, 2019	$15,057,748	$4,123,502	$2,098,894	$922,464	$1,484,900	$23,687,508
Ending balance: individually evaluated for impairment	$207,769	$62,699	$1,544	$12,237	$34,137	$318,386
Ending balance: collectively evaluated for impairment	$14,849,979	$4,060,803	$2,097,350	$910,227	$1,450,763	$23,369,122

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

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INVESTMENT IN AGRIBANK

As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at the Bank by distributing all available Bank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

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INVESTMENT SECURITIES

We held investment securities of $834.6 million, $456.1 million, and $476.7 million at December 31, 2021, 2020, and 2019, respectively. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $6.1 million, $6.4 million, and $6.7 million at December 31, 2021, 2020, and 2019, respectively, of which were not guaranteed.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2021, 2020, and 2019, we have not recognized any impairment on our investment portfolio.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

ADDITIONAL INVESTMENT SECURITIES INFORMATION

(DOLLARS IN THOUSANDS)

AS OF DECEMBER 31, 2021	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**0.6%**	**$592,533**	**$8,528**	**$2,763**	**$598,298**
ABS	**0.8%**	**242,092**	**7,553**	**207**	**249,438**
Total	**0.7%**	**$834,625**	**$16,081**	**$2,970**	**$847,736**

AS OF DECEMBER 31, 2020	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	1.7%	$255,518	$7,993	$99	$263,412
ABS	1.3%	200,556	6,742	—	207,298
Total	1.5%	$456,074	$14,735	$99	$470,710

AS OF DECEMBER 31, 2019	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	3.3%	$301,497	$4,574	$499	$305,572
ABS	2.9%	175,231	297	460	175,068
Total	3.1%	$476,728	$4,871	$959	$480,640

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $5.1 million, $7.4 million, and $14.1 million in 2021, 2020, and 2019, respectively.

Contractual Maturities of Investment Securities

(IN THOUSANDS) AS OF DECEMBER 31, 2021	Amortized Cost
Less than one year	**$6**
One to five years	**1,969**
Five to ten years	**109,507**
More than ten years	**723,143**
Total	**$834,625**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

	Less than 12 months		Greater than 12 months	
(IN THOUSANDS) AS OF DECEMBER 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$221,503**	**$2,681**	**$3,887**	**$82**
ABS	**28,816**	**207**	**—**	**—**
Total	**$250,319**	**$2,888**	**$3,887**	**$82**

	Less than 12 months		Greater than 12 months	
AS OF DECEMBER 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$7,355	$17	$4,207	$82
ABS	—	—	—	—
Total	$7,355	$17	$4,207	$82

	Less than 12 months		Greater than 12 months	
AS OF DECEMBER 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$5,863	$159	$36,668	$340
ABS	95,690	439	8,958	21
Total	$101,553	$598	$45,626	$361

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At December 31, 2021, the majority of the $3.0 million unrealized loss represents unamortized premium.

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NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(DOLLARS IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Line of credit	**$26,000,000**	$24,000,000	$24,000,000
Outstanding principal under the line of credit	**23,745,489**	20,738,979	19,634,081
Interest rate	**1.5%**	1.6%	2.6%

Our note payable was scheduled to mature on April 30, 2022. However, it was renewed early for $26.0 billion with a maturity date of April 30, 2024. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2021, and throughout the year, we were not declared in default under any GFA covenants or provisions.

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MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The stock purchase requirement for obtaining a lease is one share of Class D common stock for those eligible to hold such stock or one Class B participation certificate for those not eligible to hold such stock. In addition, the purchase of one Class B participation certificate is required of all customers who purchase financial services and are not a stockholder. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

REGULATORY CAPITALIZATION REQUIREMENTS

Regulatory Capital Requirements and Ratios

AS OF DECEMBER 31	2021	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.9%**	19.6%	20.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.9%**	19.6%	20.8%	6.0%	2.5%	8.5%
Total capital ratio	**18.2%**	20.0%	21.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.0%**	19.7%	20.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**16.9%**	18.5%	19.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.1%**	19.4%	19.3%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

– Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

DESCRIPTION OF EQUITIES

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
AS OF DECEMBER 31	2021	2020	2019
Class D common stock (at-risk)	**13,783,279**	13,128,093	12,593,938
Class B participation certificates (at-risk)	**2,273,769**	2,303,291	2,364,316

Under our bylaws, we are also authorized to issue Class C common stock. This stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of this class has been issued.

Only holders of Class D common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock.

In the event of impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $210.0 million, $200.0 million, and $186.6 million at December 31, 2021, 2020, and 2019, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

At the December 2021 Board of Directors' Meeting, the Board passed a Patronage Obligating Resolution that outlines the intent of the Association to refund patronage-sourced net earnings for the calendar year 2022 to eligible patrons of the Association. If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

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INCOME TAXES

PROVISION FOR INCOME TAXES

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Current:			
Federal	**$13,391**	$18,612	$11,737
State	**2,452**	1,230	974
Total current	**$15,843**	$19,842	$12,711
Deferred:			
Federal	**$(2,774)**	$(10,570)	$(8,306)
State	**168**	(730)	(609)
Total deferred	**(2,606)**	(11,300)	(8,915)
Provision for income taxes	**$13,237**	$8,542	$3,796
Effective tax rate	**3.0%**	2.1%	0.9%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Federal tax at statutory rates	**$93,134**	$85,131	$89,628
State tax, net	**2,049**	505	488
Patronage distributions	**—**	(1,821)	(4,135)
Effect of non-taxable entity (FLCA)	**(83,655)**	(77,350)	(80,046)
Other	**1,709**	2,077	(2,139)
Provision for income taxes	**$13,237**	$8,542	$3,796

DEFERRED INCOME TAXES

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Allowance for loan losses	**$7,905**	$7,543	$8,312
Postretirement benefit accrual	**115**	110	119
Previously taxed non-accrual interest	**2,035**	2,190	1,854
Net operating loss carryforward	**9**	—	—
Accrued incentive	**3,440**	3,225	2,702
Leasing related, net	**(9,944)**	(13,843)	(25,585)
AgriBank 2002 allocated stock	**(1,952)**	(1,783)	(1,789)
Accrued pension asset	**(5,850)**	(4,239)	(3,797)
Other assets	**200**	123	210
Other liabilities	**(26)**	—	—
Deferred tax liabilities, net	**$(4,068)**	$(6,674)	$(17,974)
Gross deferred tax assets	**$13,704**	$13,191	$13,197
Gross deferred tax liabilities	**$(17,772)**	$(19,865)	$(31,171)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2021, 2020, or 2019.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $188.8 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $4.3 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2021. In addition, we believe we are no longer subject to income tax examinations for years prior to 2018.

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EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2021 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

PENSION PLAN: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's 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 plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan 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 we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers 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 this plan.

AgriBank District Retirement Plan Information

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Unfunded liability	**$46,421**	$169,640	$220,794
Projected benefit obligation	**1,500,238**	1,563,421	1,421,126
Fair value of plan assets	**1,453,817**	1,393,781	1,200,332
Accumulated benefit obligation	**1,384,554**	1,426,270	1,298,942

FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Total plan expense	**$28,048**	$42,785	$36,636
Our allocated share of plan expenses	**5,223**	7,688	6,638
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**16,463**	16,201	16,379

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. 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 accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The 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. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets, directly impacting pension costs. The change in accounting principle did not have a material impact on the financial statements.

Benefits paid to participants in the District were $88.6 million in 2021. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2022 is $90.0 million. Our allocated share of these pension contributions is expected to be $17.1 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 the amounts reflected in the District financial statements.

NONQUALIFIED RETIREMENT PLAN: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Our unfunded liability	**$1,370**	$1,593	$1,784

FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Our allocated share of plan expenses	**$155**	$181	$191
Our cash contributions	**331**	331	331

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including 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 participants in the plan. Our allocated share of the components of net periodic benefit cost other than the service cost component, are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. Service costs related to the plan are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

RETIREE MEDICAL PLANS: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

DEFINED CONTRIBUTION PLANS

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $12.5 million, $10.7 million, and $8.7 million in 2021, 2020, and 2019, respectively. These expenses were equal to our cash contributions for each year.

Additionally, we participate in a District-wide Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purpose as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions will be made to the plan.

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RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be 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 other persons. In our opinion, none of these loans outstanding at December 31, 2021, involved more than a normal risk of collectability.

Related Party Loans Information

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Total related party loans	**$24,606**	$16,439	$16,892

FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
Advances to related parties	**$10,384**	$5,809	$9,370
Repayments by related parties	**8,487**	4,902	7,068

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As discussed in Note 6 we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $166.7 million, $141.5 million, and $114.5 million in 2021, 2020, and 2019, respectively. Patronage income for 2021 and 2019 was paid in cash and AgriBank stock. Patronage income for 2020 was paid in cash.

In addition, we received compensation from AgriBank for servicing loans of $4.5 million, $2.7 million, and $313 thousand in 2021, 2020, and 2019, respectively. The increase is related to the growth in the pool program loans sold to AgriBank.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

As of December 31, 2021, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(IN THOUSANDS) AS OF DECEMBER 31	2021	2020	2019
Investment in AgriBank	**$864,105**	$690,787	$517,435
Investment in AgDirect, LLP	**56,369**	41,871	34,483
Investment in SunStream	**5,625**	5,625	—
Investment in Foundations	**113**	113	113

FOR THE YEAR ENDED DECEMBER 31	2021	2020	2019
AgriBank District purchased services	**$6,840**	$6,475	$5,684

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CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on 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 loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2021, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $5.3 billion. Additionally, we had $38.6 million of issued standby letters of credit as of December 31, 2021.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at December 31, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2021, our total commitment is $72.5 million of which $31.2 million is unfunded, with varying commitment end dates through December 2030. Certain commitments may have an option to extend under certain circumstances.

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FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2021, 2020, or 2019.

NON-RECURRING BASIS

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

Assets Measured at Fair Value on a Non-Recurring Basis

(IN THOUSANDS)

AS OF DECEMBER 31, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	**$—**	**$—**	**$4,415**	**$4,415**
Other property owned	**—**	**—**	**1,348**	**1,348**

AS OF DECEMBER 31, 2020	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	$—	$—	$6,906	$6,906
Other property owned	—	—	1,574	1,574

AS OF DECEMBER 31, 2019	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	$—	$—	$13,458	$13,458
Other property owned	—	—	3,725	3,725

VALUATION TECHNIQUES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUBSEQUENT EVENTS

We have evaluated subsequent events through March 14, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2021 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

DESCRIPTION OF BUSINESS

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

DESCRIPTION OF PROPERTY

There are 82 office buildings located throughout our territory originating and servicing loans and leases. There are 80 retail office locations and 2 Louisville office locations. We own 82 buildings and lease 2 buildings. Of the owned buildings, we have plans to sell two buildings, with one currently on the active market, and both have been replaced by new builds. The owned facilities have net book values ranging between $54 thousand and $43.8 million. During 2021, land was purchased in South Bend, Indiana; Campbellsville, Kentucky; and Lawrenceburg, Tennessee. New buildings were completed in Norwalk and Springfield, Ohio; and Franklin and Scottsburg, Indiana. Additionally, renovations were completed on offices in Celina, Versailles, Eaton, and Cambridge, Ohio; Lafayette and Bloomington, Indiana; Shelbyville and Henderson, Kentucky; and Dresden and Dickson, Tennessee.

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 11 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2021.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 7 to the Consolidated Financial Statements in this Annual Report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, and 11 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

SELECTED FINANCIAL DATA

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

BOARD OF DIRECTORS

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Audit Committee** oversees financial reporting, adequacy of our internal control systems, the scope of our internal audit program, independence of the outside auditors, processes for monitoring compliance with applicable laws and regulations related to preparation of the quarterly and annual reports, and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies, oversees the Association's annual elections, and manages the Board annual self-assessment.
- The **Human Resources Committee** oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Risk Management Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

Board of Directors as of December 31, 2021, including business experience during the last five years

Name	Principal occupation and other business affiliations
Andrew Wilson Chair Board Service Began: 10/2007 Current Term Expires: 2023	**Principal occupation:** Self-employed farmer (corn, soybeans, wheat, hay, cattle, and hogs) **Other business affiliations:** Director, Farm Credit Foundations (employee benefits)
John L. Kuegel, Jr. Vice Chair Board Service Began: 10/2012 Current Term Expires: 2024	**Principal occupation:** Self-employed farmer (corn, soybeans, wheat, hay, and alfalfa) **Other business affiliations:** Director, the Daviess County Farm Bureau Board (agriculture) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District Director, Farm Credit Council, a trade association representing the Farm Credit System
Dale B. Tucker Secretary Board Service Began: 10/2013 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (hay, timber, and cattle) **Other business affiliations:** Greene County Commissioner (local government)
David A. Bates, III Board Service Began: 01/1988 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (beef, corn, soybeans, wheat, hay, barley, and alfalfa) **Other business affiliations:** Director, Bullitt County Farm Bureau (agriculture)
Steven R. Bush Outside Director Board Service Began: 04/2017 Current Term Expires: 2025	**Principal occupation:** Former Executive Director, Central Florida Hope Center, Inc.; former Business Development Executive, 323 Staffing Solutions; former VP; Sales and Marketing, My Property Support, LLC; former CFO, Whitestone Feeds, LLC; former Administrative Pastor, Real life Christian Church; former Executive Pastor, Family Christian Center
Todd A. Clark Board Service Began: 06/2019 Current Term Expires: 2022	**Principal occupation:** Self-employed farmer (beef, poultry, sheep, hay, tobacco, and hemp); Director, Marksbury Farm Mkt. (meat processing and procurement) **Other business affiliations:** Director, Fayette County Farm Bureau Director, KY Forage and Grassland Council Director, KY Agricultural Water Quality Authority Director, KY Farm Bureau Water Management Working Group
Dwain Cottingham Board Service Began: 10/2015 Current Term Expires: 2023	**Principal occupation:** Self-employed farmer (cash grains) **Other business affiliations:** Director, Warren County Sheriff's Merit Board Member, Warren County Community Foundation Finance Committee (philanthropic) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Lowell D. Hill Board Service Began: 10/2014 Current Term Expires: 2022	**Principal occupation:** Self-employed farmer (grain) **Other business affiliations:** Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Stephanie M. Hopper Board Service Began: 06/2021 Current Term Expires: 2022	**Principal Occupation:** Full-time farmer (corn, soybeans, wheat, hay, and beef/swine operations) **Other business affiliations:** Director, CC's Closet (non-profit thrift store)
Laura Knoth Outside Director Board Service Began: 04/2019 Current Term Expires: 2023	**Principal occupation:** Executive Director for KY Corn Growers and KY Small Grain Growers Associations, Self-employed farmer (beef cattle and hay) **Other business affiliations:** Director, Commonwealth Agri-Energy Corporation (ethanol)

Name	Principal occupation and other business affiliations
Dale Koester Board Service Began: 11/2021 Current Term Expires: 2024	**Principal Occupation:** Full-time farmer (wheat, soybeans, corn, straw, and dairy) **Other business affiliations:** Director, Posey County Drainage Board (local government)
Jason Moore Board Service Began: 06/2020 Current Term Expires: 2024	**Principal Occupation:** Self-employed farmer (corn, wheat, soybeans, registered and commercial Angus cattle, freezer beef, hay, and custom harvest); former Facility Manager, Nutrien Ag Solutions **Other business affiliations:** Vice President, Henry County Young Farmers and Ranchers
Brandon Robbins Board Service Began: 10/2011 Current Term Expires: 2023	**Principal Occupation:** Business owner, part-time farmer (cow-calf operation) **Other business affiliations:** Owner, Mountain Farm International, LLC (equipment dealership) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Rachael M. Vonderhaar Board Service Began: 10/2017 Current Term Expires: 2025	**Principal Occupation:** Full-time farmer (grain, cow/calf, and bird seed); business owner **Other business affiliations:** Director, Ohio Small Grains Marketing Program (agriculture/education) Director, Reid Hospital Foundation Preble County Commissioner (local government) Treasurer, Concerned Citizens of Preble County, LLC

Directors are compensated in the form of an annual retainer paid monthly for time spent in preparing and attending board and committee meetings, the summer planning meeting and the AgriBank annual meeting. Beginning January 1, 2021, the monthly retainer rate was $4,473. In addition, directors were compensated at the daily rate of $500 for attendance at designated meetings not specified above but set out by Board policy. Directors were also reimbursed for reasonable expenses incurred in connection with attending such meetings.

The officers of the Board (Chair, Vice Chair, and Secretary) and the Chair of each of the Board's standing committees (Audit, Governance, Human Resources, and Risk Management) received an annual retainer paid monthly for the additional time commitments of their positions. The monthly amounts paid were as follows: Board Chair — $1,118; Audit Committee Chair — $895; Board Vice Chair — $671; and Secretary and other Board Committee Chairs — $447. Additionally, directors serving on standing committees receive $250 for participation in conference call meetings or half day committee meetings not held in conjunction with board meetings.

Additional transactions other than loans in the ordinary course of business involving directors and senior officers include AgDirect, LLP, the trade credit financing program we participate in which originates and refinances agriculture equipment loans through independent equipment dealers. Director Brandon Robbins owns an equipment dealership that participates in this program. All dealerships in the trade credit program are offered the same terms and conditions.

Information regarding compensation paid to each director who served during 2021 follows:

Name	Number of Days Served[1] Board Meetings	Number of Days Served[1] Other Official Activities	Compensation Paid for Service on a Board Committee[2]	Name of Committee	Total Compensation Paid in 2021
***Andrew Wilson**	7.0	79.5	—		$116,101
John L. Kuegel, Jr.	6.0	25.0	—		75,983
Dale B. Tucker	7.0	10.0	—		66,299
David A. Bates, III	7.0	7.0	—		57,181
Steven R. Bush	7.0	20.5	$10,736	Audit Committee	79,417
Todd A. Clark[3]	7.0	14.0	2,237	Human Resource Committee	69,299
Dwain Cottingham	7.0	13.0	3,131	Human Resource Committee	60,181
Lowell D. Hill	7.0	8.5	5,368	Governance Committee	63,799
Stephanie M. Hopper[4]	4.0	10.5	—		32,591
Laura Knoth	7.0	9.5	—		58,681
Dale Koester[5]	1.0	5.0	—		6,973
Jason Moore	6.0	15.0	—		61,181
Brandon Robbins	7.0	0.0	—		53,681
Rachael M. Vonderhaar	7.0	21.5	—		64,431
Kaye Hurst Whitehead[6]	4.0	0.0	—		40,261
Tony G. Wolfe[7]	1.0	4.0	—		10,947
					$917,006

[1] The number of board meeting days and per diem totals include travel time to and from meetings.
[2] All directors serve on board committees. The additional compensation paid was for serving as a committee chair or participating in meetings not held in conjunction with board meeting dates.
[3] Effective August 2021, Todd Clark was elected as Human Resource Committee Chair.
[4] Appointed to the Board of Directors in June 2021.
[5] Appointed to Board of Directors in November 2021.
[6] Vacated seat on the Board of Directors in September 2021.
[7] Resigned from the Board of Directors in March 2021.
** The compensation includes $9,250 of compensation earned during 2020 and paid in 2021.*

SENIOR OFFICERS

Senior Officers as of December 31, 2021, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Daniel Wagner President and Chief ExecutiveOfficer	**Business experience:** Senior Vice President — Chief Information Officer of Farm Credit Mid-America from June 2012 through April 2017 Executive Vice President — Chief Financial and Information Officer from May 2017 to July 2018 Executive Vice President — Chief Operating Officer from August 2018 to November 2021 President and Chief Executive Officer of Farm Credit Mid-America from December 2021 to present
Vince Bailey Executive Vice President — Chief Credit Officer	**Business experience:** Vice President — Credit Agribusiness of Farm Credit Mid-America from January 2016 through April 2017 Senior Vice President — Ag Underwriting from May 2017 through January 2020 Executive Vice President — Chief Credit Officer from February 2020 to present
Mark Hanna Executive Vice President — Chief Risk Officer	**Business experience:** Director of Risk Analytics for John Deere Financial from January 2014 to February 2020 Executive Vice President — Chief Risk Officer of Farm Credit Mid-America from March 2020 to present
Greg Hoffman Executive Vice President — General Counsel	**Business experience:** Managing Counsel — GE Appliances from June 2016 to July 2018 Senior Vice President — General Counsel for Farm Credit Mid-America from July 2018 to February 2020 Executive Vice President — General Counsel from March 2020 to January 2022
Keith Lane Executive Vice President — Chief Lending Officer	**Business experience:** Senior Vice President — Agribusiness from November 2011 through May 2017 Executive Vice President — Specialty Lending from May 2017 through January 2018 Executive Vice President — Chief Lending Officer from January 2018 to present
Heather Vidourek Executive Vice President — Human Capital	**Business experience:** Senior Vice President — Human Capital from June 2012 to February 2020 Executive Vice President — Human Capital from March 2020 to present
Steve Zagar Senior Vice President — Chief Financial Officer	**Business experience:** Vice President Accounting Operations for Farm Credit Mid-America from June 2013 to July 2018 Senior Vice President — Chief Financial Officer from August 2018 to present

William L. Johnson announced he will retire from the Association during the first quarter of 2022 and, therefore, effective December 27, 2021 moved to a remote consulting role through March 2022.

Greg Hoffman resigned from his role as Executive Vice President — General Counsel in January 2022.

Daniel Wagner is a board member for Farm Credit Foundations (employee benefits).

Heather Vidourek is a trustee of Farm Credit Foundations (employee benefits).

Steve Zagar is a board member and current secretary of Farm Credit Employees Federal Credit Union.

Effective February 1, 2022 Farm Credit Mid-America's new Senior Officer structure was announced. The changes included new positions being created that expanded the total number of executives, changes in titles for some of the former positions, and changes in staff for some positions. The following reflects the new Senior Officer structure:

President and Chief Executive Officer: Daniel Wagner

Chief Credit Officer: Vince Bailey

Chief Risk Officer: Mark Hanna

Chief of Staff: Keith Lane

Chief Administrative Officer: Heather Vidourek

Chief Financial Officer: Steve Zagar

Chief Operating Officer: Chuck Millhollan

Chief Information Officer: Kevin Geron

Chief Lending Officer-Rural 1st®: Art Whaley

In addition to the roles above, the Executive Committee will soon fill the roles of Chief Lending Officer-Agriculture and Chief Lending Officer-Diversified Markets. Keith Lane will serve in these roles in the interim.

SENIOR OFFICER COMPENSATION

Compensation Overview: The CEO and senior officers compensation program's design and governance follows prudent risk management standards, while providing total compensation that promotes the Association's mission and business strategy to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Association's compensation philosophy aims to provide total cash compensation that is competitive within the relevant market in order to recruit, reward and retain team members to meet the Association's objectives, while remaining aligned with the best interests of cooperative shareholders. The senior officer compensation program supports our risk management goals through its balance of the following: (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO and senior officers are compensated with a mix of direct cash and long-term incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of short-term and long-term incentives while keeping in mind their responsibilities to our members. Base salary, short-term incentives and long-term incentives are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: Base salaries for all team members, including the CEO and senior officers, are determined by the position and responsibilities, performance, and competitive market compensation data. The Board of Directors determines the CEO's base salary by considering the CEO's individual performance, Association performance and relevant market compensation data. Senior officer base salary increases are determined by each officer's individual performance rating. CEO and senior officer base salary programs are annually reviewed and approved by the Board of Directors.

Short-term Incentives: The Board of Directors approves the short-term incentive program each year and eligible team members, including the CEO and senior officers, participate in the program. The 2021 program included team and Association performance measures based on financial and business results, Association initiatives, and credit performance. These measures include asset growth, return on assets, crop insurance growth, and credit administration. Association-level measures may be updated periodically and are approved by the Board of Directors and are consistent with the Association's business plan for the corresponding year. Team measures align to the Association goals and also include measures specific to each business division. Payouts are earned only when specific levels of performance are achieved, and are paid out within 75 days of the end of the plan year (the plan year is the calendar year). The 2022 short-term program will be similar to the 2021 program.

Long-term Incentives: We have a long-term incentive program, which aligns the CEO and eligible senior officers to the Association's long-term business objectives, while providing the opportunity for a competitive market-based total compensation package. The Board of Directors set independent three-year performance objectives at the beginning of each plan year, including operating efficiency, credit quality, earning asset growth, and a discretionary component. In addition, the Board of Directors, at its sole discretion, may increase or decrease the amount of the incentive calculated.

The plan is a rolling three-year plan, which pays out during the first quarter after the third year. The Human Resources Committee of the Board of Directors approves the aggregate payout and reports the amount to the full Board of Directors. The Human Resources Committee of the Board of Directors will administer the plan as it relates to the CEO and delegate the administration as it relates to other participants to the CEO and human resources function. In addition, the CEO, at his sole discretion, may increase or decrease the amount of the incentive calculated and paid to a qualified plan participant based on market compensation and individual contributions and performance, not exceeding the approved aggregate senior officer pool.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO and senior officers, based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 9 to the Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.

Compensation to the CEO and Senior Officers

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Change in Pension Value	Long-Term Incentive	Other	Total
Daniel Wagner, CEO[1]	**2021**	**$9**	**$—**	**$—**	**$—**	**$—**	**$1**	**$10**
William L. Johnson, CEO[2]	**2021**	**769**	**483**	**17**	**274**	**388**	**66**	**1,997**
William L. Johnson, CEO	2020	745	469	17	273	469	66	2,039
William L. Johnson, CEO	2019	718	523	15	278	372	52	1,958
Aggregate Number of Senior Officers, excluding CEO								
Seven[3]	**2021**	**$2,109**	**$1,057**	**$38**	**$392**	**$830**	**$277**	**$4,703**
Eight[4]	2020	2,023	999	37	2,690	735	455	6,939
Seven[5]	2019	1,822	925	22	1,081	545	249	4,644

[1] *Daniel Wagner became Chief Executive Officer (CEO) effective December 27, 2021. Prior to this date, he served as Executive Vice President — Chief Operating Officer. Compensation disclosed reflects only the time period he served as CEO, and excludes bonus and long-term incentive pay earned in his previous role, which is included in the aggregate total.*
[2] *William L. Johnson announced his plan to retire from the Association during the first quarter of 2022 and, therefore, effective December 27, 2021 moved to a remote consulting role through March 2022.*
[3] *Includes a prorated amount of compensation for Daniel Wagner, CEO, who served as Executive Vice President — Chief Operating Officer until December 27, 2021.*
[4] *Includes a full year of compensation for an individual that became a senior officer during February 2020 and compensation for another individual that joined the Association as a senior officer in March 2020. Also includes compensation for an individual that retired in January 2020.*
[5] *Includes one senior officer who left in April 2019.*

The Farm Credit Administration (FCA) Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers included in the above table be available and disclosed to our members upon request.

The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 9 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Employer match on District-wide Nonqualified Deferred Compensation Plan available to certain officers.
- Employer match on long-term incentive program.
- Amounts related to one-time payout of unused vacation hours offered to all employees during 2020.
- Amount related to a service award paid to a retiring officer and a relocation reimbursement paid to a new officer in 2020.
- Amounts related to vacation payouts to former senior officers in 2020 and 2019.

No tax reimbursements are made to the CEO and senior officers. The "Deferred/Perquisites" primarily includes group-term life insurance premiums, long-term disability premiums, and compensation associated with any company-paid vehicles.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits increased significantly in 2020 and 2019, primarily due to the decrease in interest rates year over year.

Pension Benefits Attributable to the CEO and Senior Officers

(dollars in thousands) 2021 Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
William L. Johnson, CEO	AgriBank District Retirement Plan	**39.21**	**$1,050**	**$—**
	AgriBank District Pension Restoration Plan	**39.21**	**1,144**	**—**
Aggregate Number of Senior Officers, excluding CEO				
Three	AgriBank District Retirement Plan	**35.52**	**$6,908**	**$—**

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report.

TRAVEL, SUBSISTENCE, AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

The total directors' travel, subsistence, and other related expenses were $181 thousand, $123 thousand, and $253 thousand in 2021, 2020, and 2019, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2022, or at any time during 2021.

MEMBER PRIVACY

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2021 were $166 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $8 thousand for tax services.

FINANCIAL STATEMENTS

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

The Board of Directors has approved a policy to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers follow:

- Young: a farmer, rancher, producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: a farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: a farmer, rancher, producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

DEMOGRAPHICS

We have used the 2017 USDA Ag Census as our source of demographic data for Young, Beginning and Small Farmers (YBS). There are 280,403 farms in the four state territory of Indiana, Kentucky, Ohio and Tennessee. Of that number, there are 27,032 young farmers (or 9.6%); 70,082 beginning farmers (or 25%), and 257,078 small farmers (or 91.6%). The census data is as of 2017 whereas our portfolio data is based on the number of current YBS customers and/or loans in the current year.

MISSION STATEMENT

Our mission for the Young, Beginning and Small Farmer Program is to provide sound and constructive credit to meet the needs of the next generation of young, beginning and small farmers by offering standard or special programs targeted to this group.

TARGETS AND GOALS

TOTAL LOAN PORTFOLIO

The goal of the young farmer program is to maintain the percentage young farmers represent of the total farm members in our portfolio at 25% or higher. The goal of the beginning farmer program is to maintain the percentage that beginning farmers represent of the total farm members in our portfolio at 45% or higher. The goal of the small farmer program is to maintain the percentage that small farmers represent of the total farm members in our portfolio at 70% or higher.

In 2021, there were 74,195 agriculture members in our portfolio. Of that number, there were 21,444 young farmers, 42,983 beginning farmers, and 60,160 small farmers. Farm members could qualify in more than one category. These numbers surpass the goals as follows:

	% of Member Base	
	Actual	Goal
Young	28.9%	25.0%
Beginning	57.9%	45.0%
Small	81.1%	70.0%

NEW LOAN PORTFOLIO

The Association has also set a goal that 20% or more of new loans or leases will be closed to young farm customers, 30% or more new loans or leases will be closed to beginning farmers, and 60% or more of new loans or leases will be closed to small farm customers. These numbers surpass the goals as follows:

	% of Loans	
	Actual	Goal
Young	20.9%	20.0%
Beginning	36.7%	30.0%
Small	63.3%	60.0%

SAFETY AND SOUNDNESS OF THE PROGRAM

It is the responsibility of the President and Chief Executive Officer or their designee for development of appropriate standards and procedures to support implementation of this policy and special programs approved by the Board of Directors. The Board of Directors reviews the ongoing adequacy of this policy at least annually and monitors progress on a quarterly basis.

Management has developed a young, beginning and small farmer program that provides sound and constructive credit through standard or special programs targeted to this group.

YBS PROGRAM FEATURES

We implemented a young, beginning and small farmer and rancher program "Growing Forward" with four components, all of which were continued in 2021.

- Special underwriting program for young and beginning farmers. In 2021, Farm Credit Mid-America provided special underwriting standards on 509 loans representing $125.0 million in loan volume.
- Farm Service Agency (FSA) loan guarantee reimbursement of 50% for young or beginning farmers. In 2021, the Association waived its origination fees and reimbursed members 50% of their FSA guarantee fees on over 70 loans representing nearly $284 thousand in reimbursed FSA fees.
- Over 150 (virtual in 2021) YBS farming operations attended Farm Credit Mid-America's YBS education seminar, "Know to Grow," which works with members to understand and make sound management decisions based upon their own financial information.
- Reimbursement of up to $500 dollars (one time only) to young or beginning members who attend business, production, financial management, or agricultural leadership development programs that will help them in their farm business.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

COOPERATIVE CITIZENSHIP

In 2021, our focus brought additional knowledge to the customer and those pursuing careers in agriculture. We supported young people by providing almost $300 thousand in scholarships to students from Indiana, Ohio, Kentucky, and Tennessee enrolled in college programs related to agricultural careers. The Farm Credit Mid-America Board has a cooperative citizenship philosophy that contributed an additional $1.7 million in programs and gifts that benefitted rural communities, young people, commodity groups and other agricultural organizations by supporting the next generation of agriculture. Employees also participated in and supported organizations like FFA, 4-H and Young Farmer groups by conducting training and education sessions to help the next generation of farmers.

OUTREACH AND EDUCATION

We continued to partner with many organizations to reach a variety of customers in 2021. We continued our large sponsorship with each of our four state's Farm Bureau Young Farmers and Ranchers programs. We provided educational opportunities and worked closely with our universities within our footprint. Our team continues to be engaged with state level groups such as the Organic Association of Kentucky, Richland County Grow-Op in Ohio, Kentucky FFA Foundation Board, and Tennessee's Center for Profitable Agriculture and many more. The Growing Forward team provided direct educational and financial initiative to local industry organizations such as; Kentucky Beef Cattleman's Association, Tennessee Council of Co-ops, Indiana Corn and Soybean organizations, Ohio State University Extension services, Purdue University Extension programs such as Annie's Project, University of Kentucky Extension services and state departments of agriculture. Every year we participate with our YBS customers in fly-ins to Washington DC, both in-person and virtually. Additionally, on the national level, we partnered with other associations from across the Farm Credit System by co-hosting an annual YBS idea sharing conference with the Farm Credit Council. We are also a member of the AgriBank non-traditional lending committee.

In 2021, The Forward Thinker Award, a $5 thousand prize set to honor a young farmer who works to move agriculture forward was rolled out. With nearly 20 applicants, the team is set to announce the winner at the Know to Grow conferences in the first quarter of 2022. In addition to the award, Peer to Peer was developed. This network is in collaboration with other Farm Credit associations, connecting young farmers across the nation to share ideas and learn from each other and some of the best experts in agriculture today. Our goal is that participants of Peer to Peer will develop personally and professionally and may one day become candidates for our Board of Directors.

ARTICLE VIII — CAPITALIZATION

800 Authorized Shares

The Association is authorized to issue:

(a) fifty million (50,000,000) shares of Class C Common Stock with a par value of $5 per share to be issued as provided in Section 810.3 of these Bylaws, provided an unlimited number of shares may be issued for purposes of Section 845.2 and such other purposes for which the Regulations do not require the Bylaws to state a number or value limit;

(b) an unlimited number of shares of Class D Common Stock with a par value of $5 per share to be issued as provided in Sections 810.4 of these Bylaws;

(c) an unlimited number of Class B Participation Certificates, with a face value of $5 per unit to be issued as provided in Section 810.6 of these Bylaws; and

(d) such number of shares of such other classes of capital stock as may be provided for in an amendment or amendments to these Bylaws as adopted pursuant to Article XIV, provided, however, if the class being proposed in any amendment or amendments is for a class of preferred stock, such amendment or amendments shall be approved by a majority of the shares voting of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

(e) No fractional shares of any class of stock shall be issued or paid.

805 Ownership

Evidence of ownership of stock and participation certificates may be by book entry or in definitive form as prescribed by the Board.

A borrower's required investment in Association common stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with MidAm, PCA or MidAm, FLCA, as the case may be. Accordingly, all references to loans and outstanding loan balances in this Article shall refer to aggregate loans held or originated by Association, MidAm, PCA and MidAm, FLCA.

810 Issue, Rights, Preferences and Limitations of Classes of Stock

810.1 Reserved

810.2 Reserved

810.3 Class C Common Stock

(a) Issue

This stock may be issued in accordance with the Act and Regulations:

1. In such amounts and to such persons as may be permitted under a plan adopted by the Board
2. For allocated surplus distributions, dividend payments, and patronage distributions; and
3. In accordance with Section 845.2 of these Bylaws.

(b) Voting Rights

Class C Common Stock shall have no voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

810.4 Class D Common Stock

(a) Issue

Class D Common Stock may only be issued to borrowers who are farmers, ranchers or producers or harvesters of aquatic products and other requirements of such borrowers as specified in the Act and Regulations.

(b) Voting Rights

Class D Common Stock shall have voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Condition to Borrowing

1. Any borrower who is entitled to own Class D Common Stock shall acquire voting stock in the Association as a condition for obtaining a loan from the Association, MidAm, PCA or MidAm, FLCA. The amount of Class D Common Stock which a borrower shall be required to acquire shall be 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the stock requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).
2. If the Association fails to meet the minimum permanent capital standards the Class D Common Stock shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing from the Association, MidAm, PCA or MidAm, FLCA as the Board from time to time may determine.

(e) Condition to Lease

As a condition of obtaining a lease from Association, MidAm, PCA or MidAm, FLCA any lessee who is entitled to own Class D Common Stock shall be required to acquire Class D Common Stock in an amount as determined by the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

810.5 Reserved

810.6 Class B Participation Certificates

(a) Issue

Class B Participation Certificates may be issued in accordance with the Act and Regulations:

1. To borrowers who are rural residents to capitalize their rural housing loans.
2. To borrowers who are persons or organizations furnishing to farmers and ranchers farm related services directly related to their agricultural production, to capitalize their loans.
3. To other persons or organizations who are eligible to borrow or participate in loans from Association, MidAm, PCA or MidAm, FLCA but are not eligible to hold voting stock.
4. For allocated surplus distributions, dividend payments, and patronage distributions.
5. To any person who is not a stockholder but who is eligible to borrow from Association, MidAm, PCA or MidAm, FLCA for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by Association, MidAm, PCA or MidAm, FLCA.

(b) Voting Rights

Class B Participation Certificates shall have no voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Fractional Units

No fractional units of Class B Participation Certificates shall be issued or paid.

(e) Condition to Borrowing

1. Any borrower who is entitled to own Class B Participation Certificates shall acquire Participation Certificates as a condition for obtaining a loan from Association, MidAm, PCA or MidAm, FLCA. The amount of Class B Participation Certificates which a borrower

shall acquire shall be 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the certificate requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).

2. If the Association fails to meet the minimum permanent capital standards, the Class B Participation Certificates shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing as the Board from time to time may determine.

(f) Condition to Lease or Purchase of Financially Related Services

As a condition of obtaining a lease or purchasing financially related services from Association, MidAm, PCA or MidAm, FLCA any lessee or purchaser of financially related services who is entitled to own Class B Participation Certificates shall be required to acquire Class B Participation Certificates in an amount as determined by the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

815 Application of Earnings or Losses

815.1 At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year in the following order:

(a) to cover operating expenses, including additions to loan valuation reserves as provided by law;
(b) to restore the amount of any impairment of stock and participation certificates as prescribed in Section 855.2 of these Bylaws;
(c) to restore the amount of any impairment of allocated surplus;
(d) to restore the amount of any impairment of paid-in surplus;
(e) to create and maintain an unallocated surplus account as provided in Section 820 of these Bylaws;
(f) to pay dividends on stock and participation certificates of the Association if authorized pursuant to Section 830 of these Bylaws; and
(g) to make patronage distributions if authorized pursuant to Section 835 of these Bylaws.

815.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 815.1 above, such loss shall be absorbed by, first, charges to the unallocated surplus account; second, impairment of paid-in surplus; third, impairment of the allocated surplus account in the manner determined by the Board; fourth, impairment of Class D Common Stock, Class C Common Stock, and Class B Participation Certificates, concurrently; and fifth, impairment of any class of preferred stock issued and outstanding.

820 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount established in the capital adequacy requirements prescribed by the FCA, or such higher requirement established by the Board, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 815, the unallocated surplus account may not be reduced below the minimum aggregate amount prescribed by the Board.

825 Allocated Surplus Accounts

825.1 The Association may, subject to the Act and the Regulations, create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis in accordance with Section 835 of these Bylaws. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocation," or both, as those terms are defined under Section 1388 of the Code as follows:

(a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the Board's sole discretion, in order of issuance by year as funds are available.

(b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the Board's sole discretion.

Only those persons to which allocated surplus may be issued may own such allocated surplus. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment as provided Section 815.2.

825.2 Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for such borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.3 Subject to the Act and Regulations, when the debt of a borrower is in default or is in the process of final liquidation, the Association may, at the Board's sole discretion, retire at book value not to exceed face value any and all surplus account allocations owned by such borrower to be applied against the indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.4 Subject to the Act, Regulations, and any other restrictions, when all of the stock and participation certificates of the Association owned by a borrower are retired or otherwise disposed of, any surplus account allocations owned by such borrower may also be retired, upon request by the borrower and subject to the approval of the Board at its sole discretion, and the proceeds paid to the borrower. Alternatively, if the Board so directs, upon notice to the borrower such surplus account applications may be applied against any of the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.5 Subject to the Act and the Regulations, and provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met, allocated surplus may be distributed at their book value not to exceed their stated value in Class C Common Stock of the Association or in cash. Any such distribution shall be at the sole discretion of the Board. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Act and the Regulations. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis. If any part of a distribution in Class C Common Stock to one borrower is less than $5, such distribution may be held by the Association and accumulated with subsequent partial distributions to equal one whole share of Class C Common Stock.

825.6 All qualified notices of allocation shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a "nonqualified written notice of allocation" as also defined in Section 1388 of the Code.

825.7 A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from allocations of "nonqualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member or Equityholder of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.

830 Dividends

830.1 In accordance with the Act and the Regulations, the Board may declare dividends on the common stock and participation certificates of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum capital adequacy requirements established by the FCA. Any dividend paid on common stock and participation certificates shall be paid on all classes of common stock and participation certificates on a per share basis and without preference between classes of common stock and participation certificates; provided, however, that such dividends shall not exceed 8% per share/unit per annum. No dividend shall be paid on common stock and participation certificates in any year with respect to which the Association is obligated to pay patronage as provided under Section 835. Any dividend on preferred stock, if authorized, shall not reduce net earnings from business done with or for patrons. Any such dividend shall be in addition to amounts otherwise payable to patrons under Section 835.

830.2 Dividends may be paid to holders of record on the effective date of the declaration, or such other record date established by the Board.

830.3 Dividends on stock and participation certificates may be paid in cash, Class C Common Stock, or partly in cash and partly in stock. If any part of such dividends payable in stock to one borrower are less than $5, the dividends may be distributed in cash or held by the Association and accumulated with subsequent dividends until the retained dividends equal $5, so that the dividends may be distributed as one whole share of Class C Common Stock.

830.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the Board's sole discretion, be applied against the borrower's indebtedness to the Association and any subsidiary.

835 Patronage Refunds

835.1 Prior to the beginning of any fiscal year, the Board may adopt a resolution in accordance with the Act and the Regulations, so as to obligate the Association to distribute as a patronage dividend, its available "Patronage-Sourced Net Earnings" for such fiscal year or for that year and subsequent fiscal years. Patronage-Sourced Net Earnings shall mean the net earnings of the Association and its Subsidiaries from business conducted on a patronage business ("Patronage Business" or "Patronage Transaction") as defined in the Patronage Resolution. Members, Equityholders and other parties with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VIII of the Bylaws.

835.2 All patronage distributions shall be paid to Patrons in proportion to the amount or value of Patronage Business done by the Association and its Subsidiaries with or for each Patron, as determined by the Board in accordance with cooperative principles on an equitable and nondiscriminatory basis, and within the payment period prescribed by 26 U.S.C. 1382(d). A Patron who pays interest or otherwise contributes to the Association's net income, as applicable, during the period for which the patronage distribution is made shall be entitled to receive a pro-rata share of the patronage distribution regardless of whether the Patron continues to be a stockholder or borrower of the Association or its Subsidiaries on the date the declaration of the patronage distribution is made. In accordance with the Act and Regulations, the Board may establish, on a rational and equitable basis, separate patronage pools or allocation units for Patronage Business transactions of the same type or with similar characteristics. The Board shall determine the amounts and forms of patronage distributions from each pool on a rational and equitable basis.

835.3 Net earnings of any fiscal year shall be available for patronage distribution only after making the applications as required in (a) through (f) of Section 815, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made. Earnings from transactions that do not constitute Patronage Business will be set aside and applied to unallocated surplus.

835.4 Patronage distributions may be in cash, Class C Common Stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution; provided, however, that the cash portion of any patronage distribution for any fiscal year which includes a qualified written notice of allocation shall not be less than the amount required to qualify such distribution as a deduction for Federal income tax purposes. Any part of a patronage distribution in Class C Common Stock to one borrower that is not a multiple of $5 may be distributed in cash or held by the Association for the borrower and included in a subsequent distribution.

In the event that the total patronage distribution to a Patron is less than the minimum amount or amounts as determined annually by the Board, prior to the end of the taxable year, such distribution may be retained by the Association, paid entirely in cash or applied to the Patron's indebtedness. Any part of the patronage allocated to a borrower may, at the Board's sole discretion, be applied to such borrower's indebtedness to the Association and its Subsidiaries. If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the Board's sole discretion, be applied against the borrower's indebtedness to the Association and its Subsidiaries.

835.5 Each person who hereafter applies for and is accepted to membership in this Association and each Member of this Association on the effective date of this bylaw who continues as a Member after such date, and each person who thereafter applies for and is issued stock of this Association shall by such act alone, consent that the amount of any distributions with respect to such holder's patronage which are made in written notices of allocation, as defined in 26 U.S.C. 1388 (i.e. patronage allocations of surplus account and patronage refunds paid in Class C Common Stock of the Association, and which are received by him or her from the Association), will be taken into account as income by such person at the stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The foregoing consent shall not apply to any written notice of allocation expressly designated as "nonqualified." Such holders also consent by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice from the Association that such amount has been applied on his or her indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

835.6 The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in written notices of allocations as defined in 26 U.S.C. 1388 (i.e., patronage allocations of surplus account, patronage refunds paid in Class C Common Stock, or distributions with respect to patronage that have been applied to the holder's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be, and for which the holder has received written notice), will be taken into account as income by the Patron at the stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Patron, and it may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

835.7 Where the Association arranges for the provision of credit and/or related services to its Patrons through the Subsidiaries, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from the Subsidiaries, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with Patrons and all business done with the Subsidiaries shall be treated as business done with the Association.

840 Transfer

840.1 Stock and participation certificates may be transferred to persons or organizations eligible to receive or to hold such stock or participation certificates as provided in Section 810 of these Bylaws.

840.2 The Association shall be its own transfer agent in all matters relating to its stock and participation certificates.

845 Conversion

845.1 Each class of common stock and participation certificates may be converted into any other class of common stock or participation certificates for which the holder is eligible as provided in Section 810.

845.2 Class D Common Stock shall be converted into Class C Common Stock within two years after the holder thereof ceases to be a borrower from Association, MidAm, PCA or MidAm, FLCA.

850 Retirement

850.1 Class C Common Stock, Class D Common Stock, and Class B Participation Certificates

Subject to the Act common stock and participation certificates may be retired at the sole discretion of the Board, provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met. Such retirements shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvement plan. All stock and participation certificates shall be retired at book value not to exceed par or face value.

850.2 Reserved

850.3 Retirement in the Event of Default

Subject to the Act and Regulations, when the debt of a borrower is in default, the Association may, at the Board's sole discretion, order the retirement of any common stock or participation certificates held by the borrower at book value not to exceed par value or face value, and apply all or part of the proceeds thereof against the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

855 Impairment

855.1 Any losses which result in an impairment of the Association's capital shall be borne ratably by, first, each share of Class D Common Stock and Class C Common Stock, and each unit of Class B Participation Certificates outstanding; and second, each share of preferred stock outstanding (if any).

855.2 Impaired common stock and participation certificates shall be restored in the reverse of the sequence set forth in Section 855.1 until each share of stock and unit of participation certificates has a book value equal to the par value or face value, respectively.

860 Liquidation

In the event of a voluntary or involuntary liquidation of the Association, following the payment of all claims in accordance with the Act and Regulations, the remainder of the assets of the Association shall be distributed in the following order of priority:

860.1 First, to the holders of common stock and participation certificates, pro rata, in proportion to the number of shares or units of each such class of stock and participation certificate then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders.

860.2 Second, to the holders of allocated surplus evidenced by qualified written notices of allocation on a pro rata basis until an amount equal to the aggregate face value of all such allocated surplus has been distributed to such holders;

860.3 Third, to the holders of allocated surplus evidenced by nonqualified written notices of allocation on a pro rata basis until an amount of equal to the aggregate face value of all such allocated surplus has been distributed to such holders; and

860.4 Fourth, any remaining assets shall be distributed to present and former Patrons (including patrons of any predecessor System institution) in the proportion to which the aggregate patronage of each such party bears to the total patronage of all such parties insofar as practical unless otherwise provided by law.

865 Lien

Except with respect to common stock or participation certificates held by other System institutions, each of Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all common stock and participation certificates in the Association owned by its borrowers as additional collateral for any indebtedness of such borrower. All common stock and participation certificates shall be pledged to MidAm, PCA or MidAm, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to MidAm, PCA or MidAm, FLCA, respectively. Common stock and participation certificates may not be pledged or hypothecated to third parties.

870 Paid-In Surplus

The Association is authorized to receive paid-in surplus from the FCB in accordance with the Act and the Regulations.

875 Secondary Market Loans

875.1 No Purchase Requirement

On or after December 1, 1996, no voting stock or participation certificate purchase requirement shall apply to a loan which is designated, at the time the loan is made, for sale to a secondary market. If the loan so designated for sale is not sold into the secondary market during the 180 day period beginning on the date of the designation, the stock and participation certificate purchase requirements shall apply.

875.2 Retirement

The Board is authorized to retire stock or participation certificates on those loans sold to a secondary market prior to December 1, 1996 and on those loans designated for sale to the secondary market but not sold within the 180 day time period, provided however that the Association shall not retire such stock or participation certificates if the action would result in the failure of the Association to meet minimum capital adequacy standards established in the Regulations.

CUSTOMER-OWNER PRIVACY

Your privacy and the security of your financial and personal information are vital to our ability to serve your credit needs. We hold your information in strict confidence. It is not sold or traded to marketing companies or information brokers. It may only be disclosed in situations allowed by federal regulations or upon your consent.

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