AgFirst Farm Credit Bank and District Associations December 31, 2021 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of condition and results of operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the years ended December 31, 2021, 2020, and 2019. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

The Associations are structured as cooperatives, and each Association is owned by its borrowers. AgFirst also operates as a cooperative. The District Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders jointly own AgFirst. As such, the benefits of ownership flow to the same farmer/rancher-borrowers that the System was created to serve.

As of December 31, 2021, the District consisted of the Bank and nineteen District Associations. See *Other Matters* section for discussion on a pending merger expected to take place in 2022. All nineteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). The Funding Corporation issues a variety of Federal Farm Credit Banks Consolidated Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System banks. Each System bank has exposure to Systemwide credit risk because each bank is jointly and severally liable for all Systemwide debt issued.

AgFirst provides funding and related services to the District Associations, which, in turn, provide loans and related services to agricultural and rural borrowers. AgFirst has in place with each of the District Associations, a revolving line of credit, referred to as a "Direct Note", which is eliminated in this combined District report. Each Association primarily funds its lending and general corporate activities by borrowing through its Direct Note. Virtually all assets of the Associations secure the Direct Notes. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association, including the subsidiaries of the Associations.

AgFirst and the Associations are chartered to serve eligible borrowers in Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia, Puerto Rico, and portions of Kentucky, Louisiana, Ohio, and Tennessee. As of December 31, 2021, two other Farm Credit Banks (FCBs) and an Agricultural Credit Bank (ACB), through a number of associations, provided loans and related services to eligible borrowers in the remaining portion of the United States. While owned by its related associations, each FCB manages and controls its own business activities and operations. The ACB is owned by its related associations as well as other agricultural and rural institutions, including agricultural cooperatives. Associations are not commonly owned or controlled and each manages and controls its own business activities and operations.

While combined District statements reflect the financial and operational interdependence of AgFirst and its Associations, AgFirst does not own or control the Associations. AgFirst publishes Bank-only audited financial statements (electronic version of which is available on AgFirst's website at **www.agfirst.com**) that may be referred to for a more complete analysis of AgFirst's financial condition and results of operations.

Financial Highlights

(dollars in thousands)

As of December 31,	2021	2020	2019
Total loans	**$ 34,861,495**	$ 32,170,077	$ 30,718,991
Allowance for loan losses	**(212,216)**	(220,261)	(211,077)
Net loans	**$ 34,649,279**	$ 31,949,816	$ 30,507,914
Total assets	**$ 45,743,761**	$ 42,447,462	$ 40,331,696
Total shareholders' equity	**7,329,678**	7,107,520	6,672,951

Year Ended December 31,	2021	2020	2019
Net interest income	**$ 1,344,273**	$ 1,250,634	$ 1,054,662
Provision for (reversal of) allowance for loan losses	**(3,553)**	3,646	12,097
Noninterest income (expense), net	**(535,566)**	(517,703)	(489,800)
Net income	**$ 812,260**	$ 729,285	$ 552,765
Net interest income as a percentage of average earning assets	**3.16 %**	3.07 %	2.73 %
Net (charge-offs) recoveries to average loans	**(0.01)%**	0.02 %	(0.04)%
Return on average assets	**1.87 %**	1.75 %	1.40 %
Return on average shareholders' equity	**10.87 %**	10.22 %	8.10 %
Operating expense as a percentage of net interest income and noninterest income	**43.83 %**	43.27 %	48.52 %
Average loans	**$ 33,163,811**	$ 31,495,735	$ 30,024,891
Average earning assets	**42,607,256**	40,755,472	38,692,772
Average assets	**43,496,675**	41,692,290	39,349,694

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

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, AgFirst and the Associations transitioned the vast majority of their employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. The Bank continues to operate primarily in a remote work environment, with a limited number of employees working at the Bank's headquarters. Associations' remote work environments and pandemic mitigation strategies have varied over the last several months to address their unique local conditions. The majority of Associations have returned to pre-pandemic working conditions while others have some contingent of staff working remotely and continue to allow customer branch visits by appointment only.

The COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress has been made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by rising inflation, supply chain disruptions and labor shortages in the United States and globally.

Even after the COVID-19 pandemic subsides, the global economy will likely require some time to recover from its effects, the length of which is unknown, and during which economic downturn may be experienced. As a result, AgFirst and District Associations may be materially and adversely affected during this recovery.

COVID-19 Support Programs

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

The farm sector and farm households were among those provided financial assistance through the U.S. Department of Agriculture (USDA) and other government agency programs. Among the many programs was the Paycheck Protection Program (PPP). The PPP provided support to small businesses to cover payroll and certain other expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (SBA), whose guarantee is backed by the full faith and credit of the United States government. Over the life of the program, the District extended loans to approximately 9,900 borrowers. As of December 31, 2021, the District had $24.9 million of these loans outstanding. In addition, through December 31, 2021, the volume of PPP loans that have received forgiveness from the SBA since the start of the program was $243.0 million.

CLIMATE CHANGE

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

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

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

RESULTS OF OPERATIONS

Net Income

District net income totaled $812.3 million for the year ended December 31, 2021, an increase of $83.0 million from 2020. Net income of $729.3 million for the year ended December 31, 2020 was an increase of $176.5 million from 2019. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income *(dollars in thousands)*	Year Ended December 31, 2021	Year Ended December 31, 2020
Net income (for prior year)	$ 729,285	$ 552,765
Increase (decrease) due to:		
Total interest income	(77,506)	(188,160)
Total interest expense	171,145	384,132
Net interest income	93,639	195,972
Provision for loan losses	7,199	8,451
Noninterest income	50,834	(2,361)
Noninterest expense	(68,006)	(25,105)
Provision for income taxes	(691)	(437)
Total increase (decrease) in net income	82,975	176,520
Net income	$ 812,260	$ 729,285

Interest Income

Total interest income for the year ended December 31, 2021 was $1.532 billion, a decrease of $77.5 million, as compared to the same period of 2020. Total interest income for the year ended December 31, 2020 was $1.610 billion, a decrease of $188.2 million, as compared to the same period of 2019. The decrease in interest income in both 2021 and 2020 resulted primarily from lower yields on earning assets as borrowers refinanced at lower interest rates due to reductions in interest rates. The average yield on interest earning assets decreased 35 basis points from 2020 to 2021 and 70 basis points from 2019 to 2020. The average volume of interest earning assets increased $1.852 billion in 2021 and $2.063 billion in 2020.

The following table illustrates the impact of volume and yield changes on interest income:

Net Change in Interest Income *(dollars in thousands)*	Year Ended December 31, 2021-2020	Year Ended December 31, 2020-2019
Current year increase (decrease) in average earning assets	$ 1,851,784	$ 2,062,700
Prior year average yield	3.95 %	4.65 %
Interest income variance attributed to change in volume	73,141	95,845
Current year average earning assets	42,607,256	40,755,472
Current year increase (decrease) in average yield	(0.35) %	(0.70) %
Interest income variance attributed to change in yield	(150,647)	(284,005)
Net change in interest income	$ (77,506)	$ (188,160)

Interest Expense

Total interest expense for the year ended December 31, 2021 was $188.0 million, a decrease of $171.1 million, as compared to the same period of 2020. Total interest expense for the year ended December 31, 2020 was $359.1 million, a decrease of $384.1 million, as compared to the same period of 2019. The decrease in interest expense for both 2021 and 2020 was primarily attributed to lower average rates paid on average System debt obligations.

The following table illustrates the impact of volume and rate changes on interest expense:

Net Change in Interest Expense *(dollars in thousands)*	**Year Ended December 31,** 2021-2020	2020-2019
Current year increase (decrease) in average interest-bearing liabilities	$ 1,458,412	$ 1,997,608
Prior year average rate	1.06 %	2.32 %
Interest expense variance attributed to change in volume	15,405	46,397
Current year average interest-bearing liabilities	35,455,735	33,997,323
Current year increase (decrease) in average rate	(0.53) %	(1.26) %
Interest expense variance attributed to change in rate	(186,550)	(430,529)
Net change in interest expense	$ (171,145)	$ (384,132)

The COVID-19 impact on interest rates provided the Bank opportunities to call and replace $7.251 billion of debt for the year ended December 31, 2021 and $43.043 billion for the year ended December 31, 2020. The average rate reduction for the debt called in 2021 (i.e., the difference between the rates on the called bonds and the rates on the replacement bonds) was 22 basis points, resulting in interest expense savings of $64.3 million, net of debt extinguishment expense of $9.2 million, over the remaining life of the bonds of 3.77 years. For the year ended December 31, 2020, the average rate reduction for the called bonds was 63 basis points, resulting in interest expense savings of $954.8 million, net of debt extinguishment expense of $65.5 million, over the remaining life of the bonds of 4.27 years. In addition, there was $18.005 billion of debt called during the year ended December 31, 2019. For 2019, the average rate reduction for the called bonds was 39 basis points, resulting in interest expense savings of $303.1 million, net of debt extinguishment expense of $30.0 million, over the remaining life of the bonds of 4.91 years. Replacement bonds generally have terms similar to those of the bonds being replaced.

Net Interest Income

Net interest income increased in 2021 and 2020, as illustrated by the following table:

District Analysis of Net Interest Income
Year Ended December 31,
(dollars in thousands)

	2021 Avg. Balance	Interest	Avg. Yield	**2020** Avg. Balance	Interest	Avg. Yield	**2019** Avg. Balance	Interest	Avg. Yield
Loans	$ 33,163,811	$ 1,399,131	4.22 %	$ 31,495,735	$ 1,446,870	4.59 %	$ 30,024,891	$ 1,571,525	5.23 %
Investments	9,320,822	132,955	1.43	9,030,846	160,823	1.78	8,432,013	221,309	2.62
Other	122,623	142	0.12	228,891	2,041	0.89	235,868	5,060	2.15
Total earning assets	42,607,256	1,532,228	3.60	40,755,472	1,609,734	3.95	38,692,772	1,797,894	4.65
Interest-bearing liabilities	35,455,735	(187,955)	0.53	33,997,323	(359,100)	1.06	31,999,715	(743,232)	2.32
Spread			3.07			2.89			2.33
Impact of capital	$ 7,151,521		0.09	$ 6,758,149		0.18	$ 6,693,057		0.40
Net Interest Income (NII) & NII to average earning assets		$ 1,344,273	3.16 %		$ 1,250,634	3.07 %		$ 1,054,662	2.73 %

Net interest income for the year ended December 31, 2021 was $1.344 billion compared to $1.251 billion for the same period of 2020, an increase of $93.6 million, or 7.49 percent. For the year ended December 31, 2020, net interest income increased $196.0 million or 18.58 percent, from $1.055 billion in 2019. The net interest margin, which is net interest income as a percentage of average earning assets, was 3.16 percent, 3.07 percent, and 2.73 percent for the years ended December 31, 2021, 2020, and 2019, respectively, an increase of 9 basis points and 34 basis points, respectively. The increases in net interest margin resulted primarily from lower rates paid on interest-bearing liabilities and higher earning asset volume, partially offset by refinancing of interest-earning assets at lower interest rates.

Provision for Loan Losses

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for loan loss expense so that appropriate allowances for loan losses are maintained. Provision for loan losses was a net provision reversal of $3.6 million for the year ended December 31, 2021, compared to a net provision expense of $3.6 million and $12.1 million for the years ended December 31, 2020 and 2019, respectively. The decrease in net provision expense in 2021 resulted primarily from a decrease in provision expense for general reserves while the reduction in 2020 was due primarily to a reduction in provision expense for specific credits compared to the corresponding prior years.

The $3.6 million in net provision reversal for the year ended December 31, 2021 consisted of $6.3 million of net provision reversals for general reserves and $2.7 million of provision expense for specific reserves. Net provision expense in 2021 primarily related to borrowers in the poultry ($3.6 million reversal), swine ($1.5 million reversal), dairy ($1.5 million reversal), cattle ($1.0 million reversal), tree fruits and nuts ($2.6 million expense), utilities ($1.6 million expense), field crops ($1.3 million expense), fruits/vegetables ($1.2 million expense), and forestry ($1.1 million expense) segments.

The $3.6 million in net provision expense for the year ended December 31, 2020 consisted of $13.0 million of provision expense for general reserves and $9.4 million of net provision reversals for specific reserves. Net provision expense in 2020 primarily related to borrowers in the poultry ($9.5 million expense), other ($3.0 million expense), forestry ($2.9 million expense), rural home loan ($2.3 million expense), swine ($2.0 million expense), processing ($1.1 million expense), cattle ($1.0 million expense), nursery/greenhouse ($13.3 million reversal), other real estate ($3.3 million reversal), and dairy ($2.4 million reversal) segments.

The $12.1 million in net provision expense for the year ended December 31, 2019 consisted of $10.4 million of provision expense for general reserves and $1.7 million of provision expense for specific reserves. Net provision expense in 2019 primarily related to borrowers in the forestry ($3.2 million expense), processing ($3.1 million expense), other real estate ($2.8 million expense), poultry ($2.4 million expense), cotton ($1.5 million expense), dairy ($1.5 million expense), cattle ($1.2 million expense), swine ($1.2 million expense), grains ($1.2 million expense), field crops ($5.1 million reversal) and nursery/ greenhouse ($2.4 million reversal) segments.

See the *Loan Portfolio* section below for further information.

Noninterest Income

The following table illustrates the changes in noninterest income:

Noninterest Income *(dollars in thousands)*	**For the Year Ended December 31,**			**Increase (Decrease)**	
	2021	**2020**	**2019**	**2021/ 2020**	**2020/ 2019**
Loan fees	$ 52,979	$ 41,402	$ 32,551	$ 11,577	$ 8,851
Fees for financially related services	19,826	14,500	11,819	5,326	2,681
Lease income	3,898	3,743	4,776	155	(1,033)
Net impairment losses	—	(102)	(83)	102	(19)
Gains on investments, net	330	7,215	—	(6,885)	7,215
Losses on debt extinguishment	(9,204)	(65,475)	(30,034)	56,271	(35,441)
Gains on other transactions	11,392	20,651	9,942	(9,259)	10,709
Insurance premium refund	—	6,813	7,051	(6,813)	(238)
Other noninterest income	18,730	18,370	13,456	360	4,914
Total noninterest income	$ 97,951	$ 47,117	$ 49,478	$ 50,834	$ (2,361)

Noninterest income increased $50.8 million from 2020 to 2021 and decreased $2.4 million from 2019 to 2020. Significant line item dollar variances are discussed below.

Loan fees increased $11.6 million and $8.9 million for the years ended December 31, 2021 and 2020, respectively, compared to the prior years. The increase for 2021 was primarily due to a $6.0 million increase in loan origination fees primarily as a result of refinances in the low interest rate environment and a $5.0 million increase in fee income on loans made under the SBA Paycheck Protection Program (PPP). The increase for 2020 was primarily due to fee income of $5.0 million on loans made under the PPP. Increases in modification, servicing, and commitment fees also contributed to the higher loan fee income for 2020. See the *COVID-19 Support Programs* section above for further discussion.

For the years ended December 31, 2021 and 2020, fees for financially related services increased $5.3 million and $2.7 million due primarily to increases of $4.9 million and $2.2 million, respectively, in crop/hail and multi-peril insurance income. The increases for both periods resulted primarily from sales of new insurance products related to hurricane protection.

Gains on investments decreased $6.9 million for the year ended December 31, 2021 and increased $7.2 million for the year ended December 31, 2020. As part of its normal portfolio management activities, the Bank periodically packages and sells amortizing securities that have relatively small remaining balances and correspondingly high administrative costs. During 2021, the Bank sold such securities with a par value of approximately $43.9 million and recognized net gains of $330 thousand compared to sales of securities with a par value of approximately $55.9 million and net gains of $7.2 million recorded during 2020. There were no sales of investment securities in 2019.

Debt issuance expense is amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through losses on debt extinguishment. The amount of issuance cost expensed when a bond is called is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $7.251 billion for the year ended December 31, 2021 compared to $43.043 billion and $18.005 billion for the years ended December 31, 2020 and 2019, respectively. Accordingly, losses on debt extinguishment decreased $56.3 million for the year ended December 31, 2021 compared to an increase of $35.4 million for the year ended December 31, 2020. See *Net Interest Income* section above for further discussion.

For the years ended December 31, 2021 and 2020, gains on other transactions decreased $9.3 million and increased $10.7 million, respectively. These variances resulted primarily from a decrease of $11.1 million in 2021 and an increase of $12.4 million in 2020 in gains on sales of rural residential loans due to loan sales in 2020 to capitalize on market premiums in the portfolio and manage long-term risk during a period of market volatility. In addition, gains recognized on the fair value of mortgage servicing rights decreased by $1.8 million in 2021 and increased by $2.0 million in 2020 as servicing retained from these loan sales increased gains in 2020. For 2021, a decrease of $1.3 million in provision expense for unfunded commitments and an increase of $1.3 million in gains on sales of fixed assets, which resulted primarily from the sales of automobiles at several Associations, partially offset the decreases above. The increases in 2020 were partially offset by a decrease of $1.7 million in gains on sales of fixed assets, which resulted primarily from the sale of an Association building in 2019, and a $996 thousand increase in provision expense for unfunded commitments. Changes in the reserve for unfunded commitments result from fluctuations in both the balance and composition of unfunded commitments between periods.

During 2020 and 2019, the District received insurance premium refunds of $6.8 million and $7.1 million, respectively, from the FCSIC, which insures the System's debt obligations. These refunds are nonrecurring and resulted from the assets of the FCSIC exceeding the secure base amount, as defined by the Farm Credit Act, at the end of the preceding year. No refund was received in 2021.

Other noninterest income increased by $4.9 million for the year ended December 31, 2020 compared to the prior year. This increase resulted primarily from an increase of $3.4 million in patronage income received from other Farm Credit institutions due to increased participations sold to them.

Noninterest Expenses

Noninterest expenses for years ended December 31 are shown in the following table:

Noninterest Expenses	**For the Year Ended December 31,**			**Increase (Decrease)**	
(dollars in thousands)	**2021**	**2020**	**2019**	**2021/ 2020**	**2020/ 2019**
Salaries and employee benefits	$ 354,054	$ 338,414	$ 315,177	$ 15,640	$ 23,237
Occupancy and equipment	27,365	27,808	46,792	(443)	(18,984)
Insurance Fund premiums	47,212	26,976	23,891	20,236	3,085
Other operating expenses	203,462	168,332	149,849	35,130	18,483
Losses (gains) from other property owned	(300)	2,257	2,973	(2,557)	(716)
Total noninterest expenses	$ 631,793	$ 563,787	$ 538,682	$ 68,006	$ 25,105

Noninterest expenses increased $68.0 million and $25.1 million for the years ended December 31, 2021 and 2020, respectively, compared to the prior years. Significant line item dollar variances are discussed below.

Salaries and employee benefits expenses increased $15.6 million and $23.2 million for the years ended December 31, 2021 and 2020, respectively. The increases for both 2021 and 2020 resulted primarily from increases of $10.4 million and $25.0 million, respectively, in higher salaries and incentives due to normal salary administration and an increase in headcount, and in 2020 also due to higher performance-based incentives. An increase of $3.6 million in group health insurance also contributed to the increase in 2021.

Occupancy and equipment expenses decreased $19.0 million for the year ended December 31, 2020 compared to the prior year. In conjunction with the prospective application of new accounting guidance for internal-use software which was effective January 1, 2020, certain hardware and software depreciation and maintenance expenses totaling $21.6 million were included in other operating expenses in 2020 rather than in occupancy expense as previously reported.

Insurance Fund premiums increased $20.2 million and $3.1 million for the years ended December 31, 2021 and 2020, respectively. The increases resulted primarily from an increase in the base annual premium rate to 16 basis points in 2021 from 8 basis points in the first half of 2020 and 11 basis points in the second half of 2020, and 9 basis points in 2019. The FCSIC Board makes premium rate adjustments, as necessary, to maintain the secure base amount which is based upon insured debt outstanding at System banks. The Insurance Fund premium rate is 16 basis points for at least the first half of 2022.

Other operating expenses increased by $35.1 million and $18.5 million for the years ended December 31, 2021 and 2020, respectively. For 2021, the increase resulted primarily from increases of $17.3 million in contractor expenses and professional fees and $7.4 million in hardware and software depreciation and maintenance costs primarily related to technology initiatives. An increase of $4.3 million in periodic pension and postretirement benefit costs primarily due to a significant number of lump sum payments related to retirements that triggered settlement accounting also contributed to the increase in 2021. Public and member relations expenses and travel and meeting costs increased by $2.0 million and $1.4 million, respectively, as expenses returned to a more normal level in 2021 following reductions in 2020 due to the COVID-19 pandemic. The increase in other operating expenses in 2020 resulted primarily from the addition of $21.6 million in hardware and software depreciation and maintenance expenses as noted in the discussion of occupancy expense above. The increase in other operating expenses for 2020 was also impacted by an increase of $9.7 million in consultant and professional fees predominantly related to technology initiatives, partially offset by decreases of $7.3 million in travel and meeting costs, $2.9 million in training costs, and $2.8 million in public and member relations expenses due to the COVID-19 pandemic.

Losses on other property owned decreased by $2.6 million for the year ended December 31, 2021 compared to the prior year due primarily to lower write-downs and higher gains on sales in the 2021 period.

LOAN PORTFOLIO

The District's aggregate loan portfolio consists primarily of loans made by the Associations to eligible borrowers located within their chartered territories. Diversification of the loan volume by FCA loan type at December 31 is shown in the following table:

Loan Types

(dollars in thousands)	2021		2020		2019	
Real Estate Mortgage	$ 18,585,303	53.31 %	$ 16,849,843	52.38 %	$ 15,524,140	50.54 %
Production and Intermediate Term	6,804,869	19.52	6,758,318	21.01	6,919,544	22.53
Rural Residential Real Estate	3,437,224	9.86	3,480,143	10.82	3,815,624	12.42
Processing and Marketing	2,808,239	8.06	2,209,669	6.87	1,906,654	6.21
Power and Water/Waste Disposal	796,698	2.29	606,739	1.89	589,989	1.92
Communication	786,992	2.26	734,958	2.28	609,970	1.99
Loans to Cooperatives	698,651	2.00	750,943	2.33	614,977	2.00
Farm-Related Business	453,413	1.30	380,011	1.18	363,273	1.18
Other (including Mission Related)	159,177	0.46	83,094	0.26	62,851	0.20
Loans to Other Financing Institutions (OFIs)	159,061	0.45	137,098	0.43	142,384	0.46
International	157,547	0.45	168,952	0.52	157,553	0.51
Lease Receivables	14,321	0.04	10,309	0.03	12,032	0.04
Total	$ 34,861,495	100.00 %	$ 32,170,077	100.00 %	$ 30,718,991	100.00 %

Total loans outstanding were $34.861 billion at December 31, 2021, an increase of $2.691 billion, or 8.37 percent, compared to total loans outstanding at December 31, 2020 and an increase of $1.451 billion, or 4.72 percent, since December 31, 2019.

In 2021, loan growth for the combined District portfolio was primarily in the forestry, field crops, processing, cattle, and grains segments. In 2020, loan growth was primarily in the forestry, processing, utilities, field crops, and poultry segments. Loan growth in 2021 was primarily due to new client acquisition and commodity price increases which amplified funding demands by farmers.

Each loan in the District's portfolio is classified according to a Uniform Classification System, which is used by all System institutions. Below are the classification definitions:

- *Acceptable* – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- *OAEM* – Assets are currently collectible but exhibit some potential weakness.
- *Substandard* – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- *Doubtful* – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- *Loss* – Assets are considered uncollectible.

As a result of government support programs referenced in the *COVID-19 Support Programs* section above combined with management's emphasis on underwriting standards, the credit quality of the District loan portfolio has remained sound. Periods of uncertainty in the general economic environment create the potential for deterioration in the loan portfolio's credit quality. Credit quality of District loans including accrued interest at December 31 is shown in the following table:

	Total Loan Portfolio Credit Quality as of:		
Credit Quality	**2021**	**2020**	**2019**
Acceptable	96.51 %	95.29 %	94.79 %
OAEM	1.94 %	2.67 %	3.11 %
Substandard/doubtful/loss	1.55 %	2.04 %	2.10 %
Total	100.00 %	100.00 %	100.00 %

Delinquencies (loans 90 days or more past due) were 0.27 percent of total loan assets at year-end 2021 compared to 0.36 percent and 0.41 percent at year-end 2020 and 2019, respectively.

At December 31, 2021, nonperforming assets for the District represented 0.99 percent of total loans and other property owned, or $344.6 million, compared to 1.17 percent, or $375.4 million, for 2020, and 1.36 percent, or $416.5 million, for 2019. Nonperforming assets consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due, and other property owned.

The District recognized net loan charge-offs of $4.5 million, net loan recoveries of $5.5 million, and net loan charge-offs of $10.7 million in 2021, 2020, and 2019, respectively. As a percentage of total average loans, net loan charge-offs for the District were 0.01 percent for 2021 compared to net recoveries of 0.02 percent, and net loan charge-offs 0.04 percent for 2020 and 2019, respectively. The Bank as well as each Association maintains an allowance for loan losses, determined by its management based upon its unique situation.

The District employs a number of risk management techniques to limit credit exposures. The District has adopted underwriting standards, individual borrower exposure limits, commodity exposure limits, and other risk management techniques. AgFirst and the Associations actively purchase and sell loan participations to enhance the diversification of their portfolios. The District utilizes guarantees from U.S. government agencies/departments, including the Federal Agricultural Mortgage Corporation (Farmer Mac), the Farm Service Agency, and the Small Business Administration, as well as state government guarantees to further limit credit exposures. At December 31, 2021, the District collectively had $2.703 billion (7.75 percent of the total loan portfolio) under such government or GSE guarantees, compared to $2.869 billion (8.92 percent) and $2.877 billion (9.37 percent) at December 31, 2020 and 2019, respectively.

As mentioned above, the Associations serve primarily all or a portion of fifteen states and Puerto Rico. Additionally, AgFirst and the Associations actively purchase and sell loans and loan participations with non-District institutions. The resulting geographic diversity is a natural credit risk-reducing factor. The geographic distribution of the District's loan volume outstanding by state at December 31 is shown in the following table:

	District Loan Volume by State		
State	**2021**	**2020**	**2019**
North Carolina	16 %	16 %	17 %
Georgia	11	11	12
Pennsylvania	9	8	8
Virginia	8	9	9
Florida	8	8	8
Ohio	7	7	7
South Carolina	5	6	6
Maryland	5	6	6
Alabama	5	4	4
Kentucky	3	3	3
Mississippi	2	2	2
Texas	2	2	2
Louisiana	2	2	2
Other	17	16	14
Total	100 %	100 %	100 %

At December 31, 2021, only two states have loan volume representing 10.00 percent or more of the total. Commodity diversification, guarantees, and borrowers with significant reliance on non-farm income further mitigate the geographic concentration risk in these states.

The District's credit portfolios are comprised of a number of segments having varying, and in some cases complementary, characteristics which helps mitigate credit risk. Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government. This system is used to assign commodity or industry categories based on the largest agricultural commodity of the customer. The aggregate credit portfolio of the District by major commodity segments based on borrower eligibility at December 31 is shown in the following table:

	Percent of Portfolio		
Commodity Group	**2021**	**2020**	**2019**
Forestry	15 %	14 %	14 %
Field Crops	10	10	10
Poultry	10	11	11
Rural Home	10	11	12
Cattle	7	7	7
Grains	6	6	6
Processing	5	5	4
Other Real Estate	4	4	4
Corn	4	4	4
Utilities	4	4	3
Dairy	4	4	5
Tree Fruits and Nuts	3	3	3
Nursery/Greenhouse	3	3	3
Swine	2	3	3
Cotton	2	2	3
Other	11	9	8
Total	100 %	100 %	100 %

As illustrated in the above chart, at December 31, 2021, 2020, and 2019, the District had concentrations of 10.00 percent or greater in only four commodities: forestry, field crops, poultry, and rural home. All four commodities have geographic dispersion over the entire AgFirst footprint.

Forestry is divided principally into hardwood and softwood production and value-added processing. The timber from hardwood production is further processed into furniture, flooring, and high-grade paper and is generally located at the more northern latitudes and higher elevations of the District. Softwood timber production is typically located in the coastal plains of the AgFirst District footprint and is used for building materials for the housing market and pulp to make paper and hygiene products. Timber producers at the Associations range in size from less than fifty acres to thousands of acres, with value-added processing being conducted at sawmills, planer mills, and paper mills.

The field crops commodity group represents a diverse group of commodities, including fruits, vegetables, and other non-grain crops, which are grown throughout the AgFirst District.

Poultry concentrations within the District are dispersed among a large number of farm units producing poultry. Poultry concentration is further dispersed as production is segregated among chicken, turkey, and egg production.

The District's rural home loans consist primarily of first lien residential mortgages purchased by the Bank's Correspondent Lending Unit. At December 31, 2021, 24.72 percent of the loans in this portfolio include a long-term standby commitment to purchase (LTSP) from Federal National Mortgage Association (Fannie Mae) and/or Farmer Mac, thereby limiting credit risk to AgFirst. The LTSPs give AgFirst the right to deliver delinquent loans to the guarantor at par. The remaining loans are included in the Bank's allowance for loan losses methodology related to this portfolio.

The diversity of income sources supporting District loan repayments, including a prevalence of non-farm income among the borrowers, further mitigates credit risk to AgFirst as demonstrated by the following table as of December 31:

	Percent of Portfolio		
Commodity Group	**2021**	**2020**	**2019**
Non-Farm Income	35 %	35 %	35 %
Poultry	10	10	10
Forestry	7	7	7
Field Crops	6	6	6
Processing	5	5	4
Grains	5	5	5
Utilities	4	4	4
Dairy	4	4	4
Corn	4	4	4
Cattle	3	3	3
Tree Fruits and Nuts	3	2	2
Other Real Estate	2	2	2
Swine	2	2	2
Cotton	2	2	3
Nursery/Greenhouse	2	2	2
Other	6	7	7
Total	100 %	100 %	100 %

As a result of stable credit quality and the District's efforts to timely resolve problem assets, the District's high-risk assets continue to be a small percentage of the total loan volume and total assets. Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31,		
(dollars in thousands)	**2021**	**2020**	**2019**
Nonaccrual loans:			
Real estate mortgage	$ 90,654	$ 114,349	$ 124,033
Production and intermediate-term	61,663	92,212	108,890
Loans to cooperatives	—	—	6,352
Processing and marketing	10,390	3,374	3,035
Farm-related business	4,032	2,008	1,058
Power and water/waste disposal	10,980	—	—
Rural residential real estate	19,757	18,897	20,150
Lease receivables	94	126	263
Total	$ 197,570	$ 230,966	$ 263,781
Accruing restructured loans:			
Real estate mortgage	$ 74,377	$ 80,068	$ 72,970
Production and intermediate-term	26,657	33,681	50,604
Processing and marketing	8,969	10,228	468
Farm-related business	169	512	345
Rural residential real estate	20,017	4,165	4,028
Lease receivables	—	24	47
Other (including Mission Related)	3,687	3,830	3,956
Total	$ 133,876	$ 132,508	$ 132,418
Accruing loans 90 days or more past due:			
Real estate mortgage	$ 405	$ 596	$ 251
Production and intermediate-term	220	20	257
Farm-related business	—	—	70
Rural residential real estate	5,781	535	—
Other	458	—	—
Total	$ 6,864	$ 1,151	$ 578
Total nonperforming loans	$ 338,310	$ 364,625	$ 396,777
Other property owned	6,285	10,751	19,749
Total nonperforming assets	$ 344,595	$ 375,376	$ 416,526
Nonaccrual loans as a percentage of total loans	0.57 %	0.72 %	0.86 %
Nonperforming assets as a percentage of total loans and other property owned	0.99 %	1.17 %	1.36 %
Nonperforming assets as a percentage of capital	4.70 %	5.28 %	6.24 %

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment. The following tables provide an aging analysis of the recorded investment in past due loans as of:

	December 31, 2021				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 58,269	$ 38,576	$ 96,845	$ 18,616,845	$ 18,713,690
Production and intermediate-term	18,686	27,058	45,744	6,815,090	6,860,834
Loans to cooperatives	—	—	—	699,511	699,511
Processing and marketing	181	2,125	2,306	2,812,733	2,815,039
Farm-related business	1,367	3,060	4,427	451,184	455,611
Communication	—	—	—	787,137	787,137
Power and water/waste disposal	55,251	10,980	66,231	732,474	798,705
Rural residential real estate	29,956	12,593	42,549	3,402,798	3,445,347
International	—	—	—	158,146	158,146
Lease receivables	317	—	317	14,162	14,479
Loans to OFIs	—	—	—	159,327	159,327
Other (including Mission Related)	3,986	458	4,444	155,540	159,984
Total	$ 168,013	$ 94,850	$ 262,863	$ 34,804,947	$ 35,067,810

	December 31, 2020				
(dollars in thousands)	**30 Through 89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 55,907	$ 55,206	$ 111,113	$ 16,867,836	$ 16,978,949
Production and intermediate-term	27,779	44,927	72,706	6,746,670	6,819,376
Loans to cooperatives	—	—	—	751,810	751,810
Processing and marketing	975	2,981	3,956	2,211,971	2,215,927
Farm-related business	2,901	1,070	3,971	377,986	381,957
Communication	—	—	—	735,084	735,084
Power and water/waste disposal	—	—	—	608,380	608,380
Rural residential real estate	52,724	11,580	64,304	3,425,490	3,489,794
International	—	—	—	169,551	169,551
Lease receivables	303	—	303	10,060	10,363
Loans to OFIs	—	—	—	137,379	137,379
Other (including Mission Related)	4,411	—	4,411	79,283	83,694
Total	$ 145,000	$ 115,764	$ 260,764	$ 32,121,500	$ 32,382,264

	December 31, 2019				
(dollars in thousands)	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 73,100	$ 52,907	$ 126,007	$ 15,536,667	$ 15,662,674
Production and intermediate-term	41,973	60,918	102,891	6,894,527	6,997,418
Loans to cooperatives	—	—	—	616,106	616,106
Processing and marketing	457	2,984	3,441	1,910,278	1,913,719
Farm-related business	4,158	547	4,705	360,825	365,530
Communication	—	—	—	610,278	610,278
Power and water/waste disposal	—	—	—	592,303	592,303
Rural residential real estate	48,571	8,246	56,817	3,768,441	3,825,258
International	—	—	—	158,384	158,384
Lease receivables	—	—	—	12,075	12,075
Loans to OFIs	—	—	—	142,754	142,754
Other (including Mission Related)	293	—	293	63,055	63,348
Total	$ 168,552	$ 125,602	$ 294,154	$ 30,665,693	$ 30,959,847

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the combined District at December 31, 2021 were $197.6 million compared to $231.0 million at December 31, 2020. Nonaccrual loans decreased $33.4 million during the year ended December 31, 2021 due primarily to repayments of $108.5 million, reinstatements to accrual status of $28.4 million, charge-offs of uncollectible balances of $8.3 million, and transfers to other property owned of $5.0 million. Offsetting these decreases were loan balances transferred to nonaccrual status of $95.3 million, advances on nonaccrual loans of $17.6 million and recoveries of charge-offs of $5.4 million. At December 31, 2021, total nonaccrual loans were primarily in the field crops (13.65 percent of the total), poultry (11.16 percent), rural home loans (10.07 percent), tree fruits and nuts (8.62 percent), grains (7.59 percent), and cattle (7.54 percent) segments. At December 31, 2020, total nonaccrual loans were primarily in the field crops (18.83 percent of the total), poultry (10.24 percent), tree fruits and nuts (8.37 percent), rural home loan (8.27 percent), swine (7.89 percent), cattle (7.61 percent), grains (6.97 percent), forestry (5.50 percent), and corn (5.21 percent) segments. Nonaccrual loans for the combined District were 0.57 percent of total loans outstanding at December 31, 2021 compared to 0.72 percent and 0.86 percent at December 31, 2020 and 2019, respectively.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank and District Associations would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank and District Associations. TDRs totaled $196.2 million at December 31, 2021, compared to $193.9 million at December 31, 2020. At December 31, 2021, TDRs were comprised of $133.9 million of accruing restructured loans and $62.3 million of nonaccrual restructured loans. At December 31, 2021, restructured loans were primarily in the poultry (15.76 percent of the total), rural home loan (12.60 percent), field crops (11.85 percent), forestry (8.45 percent), cattle (7.65 percent), tree fruits and nuts (6.50 percent), and dairy (6.27 percent) segments. At, December 31, 2020, restructured loans were primarily in the poultry (14.71 percent of the total), field crops (14.22 percent), forestry (10.58 percent), tree fruits and nuts (7.86 percent), cattle (7.82 percent), dairy (6.58 percent), nursery/greenhouse (5.63 percent), grains (5.50 percent), and other real estate (5.20 percent) segments.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank and District Associations (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. OPO decreased $4.5 million during

2021 to $6.3 million at December 31, 2021. The decrease was due primarily to disposals of $10.2 million, partially offset by property received in settlement of loans of $6.0 million. At December 31, 2021, the largest OPO holding was in the cattle segment and totaled $762 thousand (12.13 percent of the total OPO balance).

Allowance for Loan Losses

Each District institution maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within its respective loan and finance lease portfolios as of each reported balance sheet date. The District increases the allowance by recording a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan or lease is uncollectible. Any subsequent recoveries are added to the allowance. Management's evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. Although aggregated in the District's combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities.

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other Loans**	Total
Activity related to allowance for credit losses:										
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Charge-offs	(3,175)	(3,896)	(908)	—	—	(2,065)	—	—	—	(10,044)
Recoveries	1,771	2,305	1,201	—	—	275	—	—	—	5,552
Provision for loan losses	(597)	(4,095)	358	(276)	1,763	(432)	(84)	(223)	33	(3,553)
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 2,102	$ 3,068	$ 8,341	$ 377	$ 107	$ 422	$ 212,216
Balance at December 31, 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Charge-offs	(1,061)	(8,160)	(893)	—	(150)	(217)	—	(7)	—	(10,488)
Recoveries	1,197	14,523	125	—	—	177	—	4	—	16,026
Provision for loan losses	12,159	(12,865)	3,314	30	(1,208)	2,287	—	(55)	(16)	3,646
Loan type reclassification	55	(55)	—	—	—	—	—	—	—	—
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Balance at December 31, 2018	$ 86,078	$ 90,661	$ 19,387	$ 2,647	$ 1,209	$ 8,055	$ 504	$ 433	$ 683	$ 209,657
Charge-offs	(4,874)	(10,523)	(2,492)	—	(1)	(217)	—	—	—	(18,107)
Recoveries	1,408	5,241	197	—	1	583	—	—	—	7,430
Provision for loan losses	5,618	6,178	(627)	(299)	1,454	(105)	(43)	(45)	(34)	12,097
Loan type reclassification	244	—	—	—	—	—	—	—	(244)	—
Balance at December 31, 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Allowance on loans evaluated for impairment:										
Individually	$ 4,570	$ 10,704	$ 435	$ —	$ 1,760	$ 627	$ —	$ —	$ 92	$ 18,188
Collectively	94,253	68,610	19,227	2,102	1,308	7,714	377	107	330	194,028
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 2,102	$ 3,068	$ 8,341	$ 377	$ 107	$ 422	$ 212,216
Individually	$ 6,318	$ 12,769	$ 128	$ —	$ —	$ 568	$ —	$ 57	$ 92	$ 19,932
Collectively	94,506	72,231	18,883	2,378	1,305	9,995	461	273	297	200,329
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Individually	$ 4,846	$ 17,087	$ 1,069	$ —	$ —	$ 574	$ —	$ 83	$ 92	$ 23,751
Collectively	83,628	74,470	15,396	2,348	2,663	7,742	461	305	313	187,326
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2019	$ 88,474	$ 91,557	$ 16,465	$ 2,348	$ 2,663	$ 8,316	$ 461	$ 388	$ 405	$ 211,077
Recorded investment in loans evaluated for impairment:										
Individually	$ 272,655	$ 84,809	$ 20,939	$ —	$ 10,980	$ 633,918	$ —	$ 94	$ 4,145	$ 1,027,540
Collectively	18,440,589	6,776,025	3,949,222	787,137	787,725	2,811,429	158,146	14,385	315,166	34,039,824
PCI***	446	—	—	—	—	—	—	—	—	446
Balance at December 31, 2021	$ 18,713,690	$ 6,860,834	$ 3,970,161	$ 787,137	$ 798,705	$ 3,445,347	$ 158,146	$ 14,479	$ 319,311	$ 35,067,810
Individually	$ 316,166	$ 122,213	$ 15,755	$ —	$ —	$ 810,686	$ —	$ 243	$ 3,829	$ 1,268,892
Collectively	16,662,215	6,697,163	3,333,939	735,084	608,380	2,679,108	169,551	10,120	217,244	31,112,804
PCI***	568	—	—	—	—	—	—	—	—	568
Balance at December 31, 2020	$ 16,978,949	$ 6,819,376	$ 3,349,694	$ 735,084	$ 608,380	$ 3,489,794	$ 169,551	$ 10,363	$ 221,073	$ 32,382,264
Individually	$ 338,417	$ 157,023	$ 10,903	$ —	$ —	$ 1,034,596	$ —	$ 310	$ 3,956	$ 1,545,205
Collectively	15,323,616	6,840,395	2,884,452	610,278	592,303	2,790,627	158,384	11,765	202,146	29,413,966
PCI***	641	—	—	—	—	35	—	—	—	676
Balance at December 31, 2019	$ 15,662,674	$ 6,997,418	$ 2,895,355	$ 610,278	$ 592,303	$ 3,825,258	$ 158,384	$ 12,075	$ 206,102	$ 30,959,847

* *Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*
** *Includes the loan types: Mission Related Loans and Loans to OFIs.*
*** *Purchased credit impaired loans.*

The allowance for loan losses was $212.2 million at December 31, 2021, as compared with $220.3 million and $211.1 million at December 31, 2020 and 2019, respectively. Activity which decreased the allowance during 2021 included charge-offs of $10.0 million and provision expense reversals of $3.6 million, partially offset by loan recoveries of $5.6 million. The largest commodity segments included in charge-offs during 2021 were the poultry (22.34 percent of the total), rural home loans

(20.49 percent), field crops (16.36 percent), and grains (12.78 percent) segments. See *Provision for Loan Losses* section above for details regarding changes to the allowance from provision expense (reversal). Recoveries during 2021 were related primarily to borrowers in the processing (17.56 percent of the total), field crops (13.46 percent), nursery/greenhouse (13.26 percent), and forestry (9.55 percent) segments. The allowance at December 31, 2021 included specific reserves of $18.2 million (8.57 percent of the total) and $194.0 million (91.43 percent) of general reserves. The largest commodity segments included in the allowance at December 31, 2021 were the poultry (15.34 percent of the total), field crops (12.18 percent), forestry (11.38 percent), cattle (7.80 percent), and grains (6.22 percent) segments. The largest commodity segments included in the allowance at December 31, 2020 were the poultry (17.29 percent of the total), field crops (11.49 percent), forestry (10.29 percent), cattle (7.85 percent), and grains (6.90 percent) segments.The allowance for loan losses was 0.61 percent, 0.68 percent, and 0.69 percent of total loans outstanding at December 31, 2021, 2020, and 2019, respectively.

INVESTMENTS

The Bank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Along with normal cash flows associated with lending operations, the District has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation, and cash and investments. The Bank also maintains several repurchase agreement facilities. In addition, the System has established a line of credit in the event contingency funding is needed to meet obligations of System banks.

The Bank's investments are primarily classified as available-for-sale investments. At December 31, 2021, the Bank had not recorded any impairments. Refer to the Bank's 2021 Annual Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. During the years ended December 31, 2020 and 2019, one District Association recorded impairment losses of $102 thousand and $83 thousand, respectively, on one investment security. The following tables summarize the District's investments:

	December 31, 2021			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 9,314,698	$ 92,012	$ (67,506)	$ 9,339,204
District Association investments	30,905	3,235	(123)	34,017
Total District investments	$ 9,345,603	$ 95,247	$ (67,629)	$ 9,373,221

	December 31, 2020			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 8,324,899	$ 199,536	$ (3,850)	$ 8,520,585
District Association investments	35,549	5,224	(186)	40,587
Total District investments	$ 8,360,448	$ 204,760	$ (4,036)	$ 8,561,172

	December 31, 2019			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 7,880,510	$ 83,235	$ (27,334)	$ 7,936,411
District Association investments	43,292	3,221	(201)	46,312
Total District investments	$ 7,923,802	$ 86,456	$ (27,535)	$ 7,982,723

CAPITAL

Capital serves to support future asset growth, investment in new products and services, and to provide protection against credit, interest rate, and other risks, as well as operating losses. A sound capital position is critical to provide protection to investors in Systemwide Debt Securities and to ensure long-term financial success.

Total District shareholders' equity at December 31, 2021 was $7.330 billion, compared to $7.108 billion and $6.673 billion at December 31, 2020 and 2019, respectively. The $222.2 million increase in 2021 resulted primarily from an increase in retained earnings from net income of $812.3 million and an increase in employee benefit plans adjustments (i.e. actuarial adjustments and plan asset value changes) of $89.3 million. These increases in shareholders' equity were offset by decreases from patronage distributions declared of $456.1 million, a decrease in net unrealized gains on investments of $168.5 million primarily due to an increase in interest rates which decreased the fair value of the Bank's existing available-for-sale fixed-rate investment securities, retained earnings retired of $41.2 million, and $16.8 million of preferred stock retired. The $434.6 million increase in 2020 resulted primarily from an increase in retained earnings from net income of $729.3 million, an increase in net unrealized gains on investments of $138.2 million due to a decrease in interest rates which increased the fair value of the Bank's existing available-for-sale fixed-rate investment securities, and an increase in employee benefit plans adjustments of $11.1 million. These increases in shareholders' equity were offset by decreases from patronage distributions declared of $379.2 million and retained earnings retired of $77.4 million.

During 2021, the Bank repurchased, through privately negotiated transactions, and subsequently cancelled, Class B Perpetual Non-Cumulative Fixed-to-Floating Rate Subordinated Preferred Stock with par value totaling $16.8 million. The net effect of the repurchases on shareholders' equity was to reduce preferred stock outstanding by $16.8 million and to increase additional paid-in capital by $4.8 million.

The following table summarizes accumulated other comprehensive income (AOCI) balances at period end:

(dollars in thousands)	December 31, 2021	December 31, 2020	December 31, 2019
Accumulated Other Comprehensive Income (Loss)			
Unrealized gain (loss) on investment securities	$ 22,252	$ 190,792	$ 52,606
Derivatives and hedging activity	201	287	533
Employee benefit plans activity	(267,139)	(356,429)	(367,486)
Total accumulated other comprehensive income (loss)	$ (244,686)	$ (165,350)	$ (314,347)

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. The Bank and all Associations exceeded regulatory capital requirements, as demonstrated in the following table. These ratios are calculated using a three-month average daily balance.

Regulatory Capital Requirements and Ratios

As of December 31, 2021	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations
Risk adjusted:					
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.50 %	7.00 %	18.47%	14.90 % - 33.51 %
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.00 %	8.50 %	18.70%	14.90 % - 33.51 %
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.00 %	10.50 %	18.85%	16.40 % - 34.67 %
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00 %	7.00 %	18.73%	15.60 % - 33.88 %
Non-risk adjusted:					
Tier 1 leverage ratio*	Tier 1 capital	4.00 %	5.00 %	6.87%	14.36 % - 32.24 %
URE and UREE component	URE and URE equivalents	1.50 %	1.50 %	6.09%	9.86 % - 32.69 %

[1] *Equities outstanding 7 or more years*
[2] *Capped at 1.25% of risk-adjusted assets*
[3] *Outstanding 5 or more years, but less than 7 years*
[4] *Outstanding 5 or more years*
* *At least 1.50% must be URE and URE equivalents*

EMPLOYEE BENEFIT PLANS

The Bank and fifteen District Associations participate in the multiemployer AgFirst Farm Credit Retirement Plan, which is a qualified defined benefit final average pay plan (FAP Plan). Three District Associations participate in the multiemployer Independent Associations' Retirement Plan (IAR Plan), which is also a qualified defined benefit final average pay plan. In addition to the multiemployer defined benefit plans above, one Association also sponsors a single employer qualified defined benefit plan, the First South Farm Credit, ACA Retirement Plan (FS Plan). In addition, the Bank and 18 District Associations participate in a multiemployer qualified defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plan, and the Bank and all 19 District Associations participate in the Farm Credit Benefits Alliance (FCBA) 401(k) Plan (401(k) Plan), a multiemployer qualified defined contribution 401(k) plan. These plans are qualified plans under the Internal Revenue Code.

The FAP Plan covers eligible employees hired prior to January 1, 2003. The IAR Plan covers eligible employees whose employment date is prior to January 1, 2009. The FS Plan covers eligible employees whose employment date is prior to January 1, 2009. Each plan is noncontributory. The "Projected Unit Credit" actuarial method is used for financial reporting purposes. Pension benefits are primarily based on eligible compensation and years of service. The District entities funded $49.8 million, $40.3 million, and $35.7 million into these retirement plans for each of the three years ended December 31, 2021, 2020, and 2019, respectively. The expenses of these retirement plans included in noninterest expenses were $43.1 million, $37.7 million, and $37.0 million for 2021, 2020, and 2019, respectively. The plans' respective prepaid retirement expenses or liabilities are reflected in Other Assets or Other Liabilities in the District's Combined Balance Sheets.

In addition to providing pension benefits, the District provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the District employees may become eligible for the benefits if they reach early retirement age while working for the Bank or District Associations. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. In addition, substantially all District employees who retired on or before December 1, 2007, after reaching early retirement age are provided retiree life insurance benefits. The OPEB Plan includes certain other Farm Credit System employees that are not employees of the Bank or District Associations and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the District's Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in salaries and employee benefit costs on the District's Statements of Comprehensive Income were $8.1 million for 2021, $7.7 million for 2020, and $8.0 million for 2019. At December 31, 2021, 2020, and 2019, the total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $209.6 million, $220.0 million, and $209.5 million, respectively.

The District also participates in the defined contribution 401(k) Plan which qualifies as a 401(k) plan as defined by the Internal Revenue Code. The District contributes $0.50 or $1.00 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 or 6.00 percent of total compensation, dependent upon each District entity's policy. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees who are not covered under the FAP Plan, the IAR Plan, or the FS Plan. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $19.2 million, $17.5 million, and $15.8 million for the years ended December 31, 2021, 2020, and 2019, respectively.

In addition to the multiemployer plans above, AgFirst and certain District Associations individually sponsor supplemental defined benefit and defined contribution retirement plans and offer a FCBA supplemental 401(k) plan for certain key employees. These plans are nonqualified; therefore, the associated liabilities are included in the District's Combined Balance Sheets in Other Liabilities. The District entities contributed $1.3 million for each of the years ended December 31, 2021, 2020, and 2019 into these supplemental retirement plans. The supplemental retirement plans are unfunded and had a projected benefit obligation of $32.2 million and a net under-funded status of $32.2 million at December 31, 2021. The expenses of these nonqualified plans included in the District's noninterest expenses were $3.0 million, $3.2 million, and $2.7 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The funding status and the amounts recognized in the Combined Balance Sheet of the District for postretirement benefit plans follows:

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2021				
Projected benefit obligations	$ 1,021,039	$ 89,065	$ 130,983	$ 32,222
Fair value of plan assets	981,904	80,379	115,078	—
Funded (unfunded) status	(39,135)	(8,686)	(15,905)	(32,222)
Accumulated benefit obligation	$ 957,177	$ 76,911	$ 120,802	$ 27,608
Assumptions used to determine benefit obligations:				
Discount rate	2.95 %	3.10 %	2.95 %	2.90 %
Expected long-term rate of return	4.65 %	4.30 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2020				
Projected benefit obligations	$ 1,103,348	$ 97,212	$ 134,385	$ 32,056
Fair value of plan assets	988,899	84,634	102,957	—
Funded (unfunded) status	(114,449)	(12,578)	(31,428)	(32,056)
Accumulated benefit obligation	$ 1,030,647	$ 83,770	$ 122,795	$ 27,260
Assumptions used to determine benefit obligations:				
Discount rate	2.65 %	2.85 %	2.65 %	2.60 %
Expected long-term rate of return	4.65 %	4.30 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2019				
Projected benefit obligations	$ 1,039,901	$ 89,310	$ 122,125	$ 29,231
Fair value of plan assets	910,376	74,707	93,276	—
Funded (unfunded) status	(129,525)	(14,603)	(28,849)	(29,231)
Accumulated benefit obligation	$ 971,256	$ 76,287	$ 111,418	$ 24,258
Assumptions used to determine benefit obligations:				
Discount rate	3.30 %	3.40 %	4.40 %	3.30 %
Expected long-term rate of return	5.05 %	4.75 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

**Not applicable*

REGULATORY MATTERS

On September 9, 2021, the FCA adopted a final rule that amended certain sections of the FCA's regulations to provide technical corrections, amendments, and clarification to certain provisions in the FCA's tier 1/tier 2 capital framework for the Farm Credit System. The rule incorporates guidance previously provided by the FCA related to its tier 1/tier 2 capital framework as well as ensures that the FCA's capital requirements continue to be comparable to the standardized approach that the other federal banking regulatory agencies have adopted. The final rule became effective on January 1, 2022 and had no significant impact.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

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

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

OTHER MATTERS

Direct Notes

See the *Direct Notes* section of *Management's Discussion & Analysis of Financial Condition & Results of Operations* in the AgFirst Farm Credit Bank 2021 Annual Report for a discussion of the Bank's funding to District Associations.

Association Merger

On August 31, 2021, the boards of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA announced intentions to pursue a merger. The Associations, with combined total assets of $5.8 billion, anticipate a merger date of July 1, 2022 subject to receiving all regulatory and shareholder approvals required.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it was uncertain whether LIBOR would continue to be quoted after 2021.

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

The Bank and Associations have exposure to LIBOR arising from loans made to customers, investment securities purchased, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

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

The Bank and Associations have implemented LIBOR transition plans and continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

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

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

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

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

(dollars in millions)	**Due in 2022**	**Due in 2023 (On or Before June 30)**	**Due After June 30, 2023**	**Total**
Investments	$ —	$ —	$ 1,022	$ 1,022
Loans	346	135	4,714	5,195
Total	$ 346	$ 135	$ 5,736	$ 6,217
Systemwide debt securities	$ 275	$ 35	$ —	$ 310
Preferred stock	—	—	33	33
Total	$ 275	$ 35	$ 33	$ 343

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. At December 31, 2021, less than 1 percent of total District investments, less than 2 percent of total District loans, and less than 1 percent of Systemwide debt securities maturing after June 30, 2023 do not contain fallback provisions. The Bank's preferred stock may be redeemed on any five-year anniversary of its issuance. The next redemption date for the preferred stock is June, 2022.

Balance Sheets

(unaudited)

(dollars in thousands)	As of December 31, 2021	2020	2019
Assets			
Cash	**$ 630,194**	$ 698,542	$ 488,366
Cash equivalents	**400,000**	520,000	650,000
Investments in debt securities:			
Available-for-sale (amortized cost of $9,295,565, $8,294,821, and $7,843,244, respectively)	**9,317,572**	8,485,350	7,895,569
Held-to-maturity (fair value of $55,649, $75,822, and $87,154, respectively)	**50,038**	65,627	80,558
Total investments in debt securities	**9,367,610**	8,550,977	7,976,127
Loans	**34,861,495**	32,170,077	30,718,991
Allowance for loan losses	**(212,216)**	(220,261)	(211,077)
Net loans	**34,649,279**	31,949,816	30,507,914
Loans held for sale	**8,382**	19,063	8,291
Accrued interest receivable	**229,090**	233,375	261,595
Accounts receivable	**76,301**	119,391	100,307
Equity investments in other Farm Credit institutions	**57,455**	52,717	47,763
Other investments	**2,426**	1,794	1,039
Premises and equipment, net	**249,421**	224,578	213,206
Other property owned	**6,285**	10,751	19,749
Other assets	**67,318**	66,458	57,339
Total assets	**$ 45,743,761**	$ 42,447,462	$ 40,331,696
Liabilities			
Systemwide bonds payable	**$ 31,440,802**	$ 25,693,876	$ 27,291,279
Systemwide and other notes payable	**6,123,570**	8,803,180	5,525,414
Accrued interest payable	**41,735**	27,891	106,793
Accounts payable	**528,778**	430,504	365,529
Advanced conditional payments	**10,991**	10,601	5,981
Other liabilities	**268,207**	373,890	363,749
Total liabilities	**38,414,083**	35,339,942	33,658,745
Shareholders' Equity			
Perpetual preferred stock	**32,500**	49,250	49,250
Protected borrower equity	**446**	446	501
Capital stock and participation certificates	**189,018**	178,388	165,997
Additional paid-in-capital	**87,363**	82,573	82,573
Retained earnings			
Allocated	**2,312,926**	2,264,776	2,195,441
Unallocated	**4,952,111**	4,697,437	4,493,536
Accumulated other comprehensive income (loss)	**(244,686)**	(165,350)	(314,347)
Total shareholders' equity	**7,329,678**	7,107,520	6,672,951
Total liabilities and equity	**$ 45,743,761**	$ 42,447,462	$ 40,331,696

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Year Ended December 31, 2021	2020	2019
Interest Income			
Investments	**$ 132,955**	$ 160,823	$ 221,309
Loans	**1,399,131**	1,446,870	1,571,525
Other	**142**	2,041	5,060
Total interest income	**1,532,228**	1,609,734	1,797,894
Interest Expense	**187,955**	359,100	743,232
Net interest income	**1,344,273**	1,250,634	1,054,662
Provision for (reversal of) allowance for loan losses	**(3,553)**	3,646	12,097
Net interest income after provision for (reversal of) allowance for loan losses	**1,347,826**	1,246,988	1,042,565
Noninterest Income			
Loan fees	**52,979**	41,402	32,551
Fees for financially related services	**19,826**	14,500	11,819
Lease income	**3,898**	3,743	4,776
Net impairment losses on investments	**—**	(102)	(83)
Gains on investments, net	**330**	7,215	—
Losses on debt extinguishment	**(9,204)**	(65,475)	(30,034)
Gains on other transactions	**11,392**	20,651	9,942
Insurance premium refund	**—**	6,813	7,051
Other noninterest income	**18,730**	18,370	13,456
Total noninterest income	**97,951**	47,117	49,478
Noninterest Expenses			
Salaries and employee benefits	**354,054**	338,414	315,177
Occupancy and equipment	**27,365**	27,808	46,792
Insurance Fund premiums	**47,212**	26,976	23,891
Other operating expenses	**203,462**	168,332	149,849
Losses (gains) from other property owned	**(300)**	2,257	2,973
Total noninterest expenses	**631,793**	563,787	538,682
Income before income taxes	**813,984**	730,318	553,361
Provision for income taxes	**1,724**	1,033	596
Net income	**$ 812,260**	$ 729,285	$ 552,765
Other comprehensive income net of tax:			
Unrealized gains (losses) on investments	**(168,540)**	138,186	101,735
Change in value of cash flow hedges	**(86)**	(246)	(353)
Employee benefit plans adjustments	**89,290**	11,057	(44,544)
Other comprehensive income (loss)	**(79,336)**	148,997	56,838
Comprehensive income	**$ 732,924**	$ 878,282	$ 609,603

DISTRICT ASSOCIATIONS

As of December 31, 2021

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
AgCarolina	$ 1,001,022	4.78 %	$ 1,334,268	$ 307,376	20.58 %	1.12 %	2.85 %
AgChoice	2,122,048	10.13	2,663,516	486,826	16.86	0.24	3.05
AgCredit	2,194,319	10.48	2,680,427	443,401	20.58	0.20	3.28
AgGeorgia	894,593	4.27	1,191,907	276,923	22.25	2.73	3.01
AgSouth	1,617,876	7.72	2,119,473	465,216	21.93	0.93	3.56
ArborOne	489,921	2.34	606,888	114,602	18.20	3.37	2.65
Cape Fear	836,955	4.00	1,101,053	235,235	20.93	0.95	3.44
Carolina	1,453,937	6.94	1,868,407	363,654	19.65	0.59	3.32
Central Florida	635,922	3.04	790,139	130,375	17.17	0.88	3.05
Central Kentucky	537,512	2.57	667,887	124,276	18.99	0.51	3.40
Colonial	556,606	2.66	774,366	195,934	24.61	0.18	2.82
First South	2,293,490	10.95	2,901,440	562,619	17.17	0.13	2.67
Florida	1,094,413	5.22	1,448,601	328,884	20.06	0.38	2.89
MidAtlantic	2,338,902	11.17	3,120,283	701,571	20.70	2.14	2.99
Northwest Florida	230,976	1.10	327,014	91,435	26.95	0.66	2.56
Puerto Rico	116,482	0.56	175,839	56,504	34.67	6.35	1.91
River Valley	443,283	2.12	571,151	116,120	19.71	2.14	2.66
Southwest Georgia	522,972	2.50	647,983	115,705	16.40	0.89	3.28
Virginias	1,566,004	7.48	2,084,671	496,317	22.50	2.02	2.51

AgFirst Farm Credit Bank

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1901 Main Street
Columbia, SC 29201
803-799-5000
www.agfirst.com

AgFirst District Associations

AgCarolina Farm Credit, ACA
4000 Poole Road
Raleigh, NC 27610
919-250-9500
www.agcarolina.com

AgChoice Farm Credit, ACA
300 Winding Creek Blvd.
Mechanicsburg, PA 17050
717-796-9372
www.agchoice.com

AgCredit Agricultural Credit Association
610 W. Lytle Street
Fostoria, OH 44830-3422
419-435-7758
www.agcredit.net

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069
478-987-8300
www.aggeorgia.com

AgSouth Farm Credit, ACA
26 South Main Street
Statesboro, GA 30458
912-764-9091
www.agsouthfc.com

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501
843-662-1527
www.arborone.com

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