2021
Annual Report

Farm Credit Services of North Dakota, ACA

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Farm Credit Services of North Dakota, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Services of North Dakota, ACA

(dollars in thousands)

As of December 31	**2021**	2020	2019	2018	2017
Condensed Statement of Condition Data					
Loans	**$ 1,392,699**	$ 1,336,241	$ 1,273,012	$ 1,222,541	$ 1,198,827
Allowance for loan losses	**3,922**	3,798	3,821	3,696	3,256
Net loans	**1,388,777**	1,332,443	1,269,191	1,218,845	1,195,571
Investment in AgriBank, FCB	**33,616**	32,039	33,050	30,361	22,294
Other assets	**43,239**	44,079	48,209	38,180	34,264
Total assets	**$ 1,465,632**	$ 1,408,561	$ 1,350,450	$ 1,287,386	$ 1,252,129
Obligations with maturities of one year or less	**$ 1,101,130**	$ 13,462	$ 12,472	$ 13,014	$ 9,652
Obligations with maturities greater than one year	**--**	1,050,999	1,017,166	979,366	972,874
Total liabilities	**1,101,130**	1,064,461	1,029,638	992,380	982,526
Capital stock and participation certificates	**1,817**	1,857	1,895	1,969	1,997
Unallocated surplus	**363,152**	342,783	319,459	293,212	267,818
Accumulated other comprehensive loss	**(467)**	(540)	(542)	(175)	(212)
Total members' equity	**364,502**	344,100	320,812	295,006	269,603
Total liabilities and members' equity	**$ 1,465,632**	$ 1,408,561	$ 1,350,450	$ 1,287,386	$ 1,252,129

For the year ended December 31	**2021**	2020	2019	2018	2017
Condensed Statement of Income Data					
Net interest income	**$ 34,132**	$ 33,210	$ 30,015	$ 30,804	$ 31,440
Provision for loan losses	**--**	300	345	766	475
Other expenses, net	**4,384**	5,261	3,428	4,644	6,929
Net income	**$ 29,748**	$ 27,649	$ 26,242	$ 25,394	$ 24,036
Key Financial Ratios					
For the Year					
Return on average assets	**2.1%**	2.0%	2.0%	2.0%	2.0%
Return on average members' equity	**8.4%**	8.3%	8.5%	9.0%	9.4%
Net interest income as a percentage of average earning assets	**2.5%**	2.5%	2.4%	2.5%	2.7%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	0.0%	0.0%	0.0%	0.0%
At Year End					
Members' equity as a percentage of total assets	**24.9%**	24.4%	23.8%	22.9%	21.5%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.3%	0.3%
Common equity tier 1 ratio	**21.0%**	20.5%	19.8%	18.6%	17.8%
Tier 1 capital ratio	**21.0%**	20.5%	19.8%	18.6%	17.8%
Total capital ratio	**21.2%**	20.7%	20.1%	18.9%	18.0%
Permanent capital ratio	**21.0%**	20.5%	19.8%	18.6%	17.8%
Tier 1 leverage ratio	**24.1%**	23.0%	21.7%	20.6%	19.9%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$ 4,254**	$ --	$ --	$ --	$ --

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Services of North Dakota, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of North Dakota, ACA (the Association) and its subsidiaries, Farm Credit Services of North Dakota, FLCA and Farm Credit Services of North Dakota, 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); subsequent to the merger of this Association with AgCountry Farm Credit Services, ACA. 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 at www.agcountry.com 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.

MERGER WITH AGCOUNTRY FARM CREDIT SERVICES, ACA

The merger between AgCountry Farm Credit Services, ACA and Farm Credit Services of North Dakota, ACA was effective January 1, 2022. The merged entity, AgCountry Farm Credit Services, ACA, is headquartered in Fargo, ND. The merged entity now serves over 25,000 customers in 82 counties in Minnesota, North Dakota, and Wisconsin, and has assets over $10.0 billion.

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 and those of the merged association, AgCountry Farm Credit Services, ACA. 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 and fair value measurements
- Industry outlooks for agricultural conditions
- Changes in interest rate indices utilized in our lending

AGRICULTURAL AND ECONOMIC CONDITIONS

The yields in most of our territory were below average levels but commodity prices are well above projected levels. Financial information gathered at this time indicates that most producers will be able to meet repayment capacity due to higher commodity prices, crop insurance, and government payments. The input prices for producers' 2022 crop have increased dramatically, which will challenge margins going forward.

The livestock producers in our area were short of grass and hay due to the drought conditions. Some either partially or completely liquidated their herds as pasture and hay conditions deteriorated. The prices for livestock are at projected levels and with some herd liquidations, producers should generally be able to meet their projected income levels for 2021. The challenge for cow/calf producers will be 2022 and beyond as they work to rebuild their herds.

The COVID-19 virus has created uncertainty; however, there does not appear to be an issue with any customers getting their commodities or supplies delivered. The demand for real estate has remained strong and prices appear to be holding steady or increasing based on recent sales. The interest rates remaining low will modestly help producers' expenses. Although trends are indicating rates may begin to increase, they are not expected to cause a material adverse impact to producer's bottom line.

The overall profitability of our producers is most likely being challenged due to the dry conditions. However, higher commodity prices, crop insurance, and government payments will help producers who modify their operations to remain viable, obtain financing, and continue operating their farm or ranch.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.4 billion at December 31, 2021, an increase of $56.5 million from December 31, 2020.

Components of Loans

(in thousands) As of December 31	**2021**	2020	2019
Accrual loans:			
Real estate mortgage	**$ 475,310**	$ 453,673	$ 441,927
Production and intermediate-term	**414,443**	426,399	433,984
Agribusiness	**329,958**	300,735	259,226
Other	**171,084**	151,636	130,092
Nonaccrual loans	**1,904**	3,798	7,783
Total loans	**$ 1,392,699**	$ 1,336,241	$ 1,273,012

The other category is primarily composed of rural infrastructure related loans.

The increase in total loans from December 31, 2020, was primarily due to growth in participation volume through our alliance with AgCountry CFG and traditional real estate mortgage loan activity. Our traditional production loan volume declined slightly with producers paying down operating loans, having a profitable year due to higher commodity prices and additional government payments.

We have sold to AgriBank participation interests in certain loans as part of a pool program. The total outstanding participation interests in this program were $37.6 million, $55.8 million, and $52.2 million at December 31, 2021, 2020, and 2019, respectively.

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 $20.3 million in PPP loans for customers with primarily production and intermediate-term type loans. As of December 31, 2021, $110 thousand of 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.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We also offer lease programs through our affiliation with Farm Credit Leasing. Refer to the Relationships with other Farm Credit Institutions section of this report for further information. 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

Our portfolio is concentrated primarily in the following states at December 31, 2021: North Dakota 59.6% and California 5.8%. The remainder of our portfolio is purchased outside of these states to support rural America and to diversify our portfolio risk. Approximately 15.6% of our total loan portfolio was in Ward and Wells counties at December 31, 2021.

Agricultural Concentrations

As of December 31	**2021**	2020	2019
Cash grains	**50.6%**	52.8%	55.6%
Food processing	**11.4%**	9.2%	8.4%
Rural utilities	**8.8%**	8.5%	7.7%
Livestock	**8.6%**	8.8%	9.5%
Farm machinery	**4.5%**	4.9%	3.7%
Landlords	**3.7%**	3.6%	3.7%
Other	**12.4%**	12.2%	11.4%
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

The credit quality of our portfolio improved from December 31, 2020. Adversely classified loans decreased to 2.7% of the portfolio at December 31, 2021, from 3.6% of the portfolio at December 31, 2020. 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.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2021, $40.4 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2021**	2020	2019
Loans:			
Nonaccrual	**$ 1,904**	$ 3,798	$ 7,783
Accruing restructured	**341**	362	385
Accruing loans 90 days or more past due	**--**	--	6
Total risk loans	**2,245**	4,160	8,174
Other property owned	**--**	--	--
Total risk assets	**$ 2,245**	$ 4,160	$ 8,174
Total risk loans as a percentage of total loans	**0.2%**	0.3%	0.6%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.3%	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**64.8%**	15.5%	43.6%
Total delinquencies as a percentage of total loans	**0.2%**	0.5%	0.7%

Note: Accruing loans include accrued interest receivable.

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

The decrease in nonaccrual loans was primarily due to the payoff of two accounts. Nonaccrual loans remained at an acceptable level at December 31, 2021, 2020, and 2019.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. 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	**0.3%**	0.3%	0.3%
Nonaccrual loans	**206.0%**	100.0%	49.1%
Total risk loans	**174.7%**	91.3%	46.7%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	0.0%	0.0%
Adverse assets to capital and allowance for loan losses	**10.4%**	14.2%	15.5%

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.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Net income	**$ 29,748**	$ 27,649	$ 26,242
Return on average assets	**2.1%**	2.0%	2.0%
Return on average members' equity	**8.4%**	8.3%	8.5%

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 section
- 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	**$ 34,132**	$ 33,210	$ 30,015	**$ 922**	$ 3,195
Provision for loan losses	**--**	300	345	**300**	45
Non-interest income	**18,128**	17,820	19,191	**308**	(1,371)
Non-interest expense	**21,938**	22,454	21,818	**516**	(636)
Provision for income taxes	**574**	627	801	**53**	174
Net income	**$ 29,748**	$ 27,649	$ 26,242	**$ 2,099**	$ 1,407

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	**$ 937**	$ 1,591
Changes in interest rates	**(273)**	1,608
Changes in nonaccrual income and other	**258**	(4)
Net change	**$ 922**	$ 3,195

Net interest income included income on nonaccrual loans that totaled $360 thousand, $102 thousand, and $107 thousand in 2021, 2020, and 2019, respectively. Nonaccrual 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 2.5%, 2.5%, and 2.4% in 2021, 2020, and 2019, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Loan Losses

The change in the provision for loan losses was related to changes in the estimate of losses in our portfolio, changes in specific reserves, charge-off and recovery activity, and changes in loan volume. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Salaries and employee benefits	**$ 13,182**	$ 13,855	$ 13,509
Other operating expense:			
Purchased and vendor services	**1,653**	1,712	1,491
Communications	**178**	195	187
Occupancy and equipment	**1,741**	1,696	1,419
Advertising and promotion	**600**	521	606
Examination	**473**	458	463
Farm Credit System insurance	**1,636**	1,000	917
Other	**1,827**	3,001	3,174
Other non-interest expense	**648**	16	52
Total non-interest expense	**$ 21,938**	$ 22,454	$ 21,818
Operating rate	**1.6%**	1.7%	1.7%

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 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 $516.1 million available under our line of credit. We generally apply excess cash to this line of credit. Our other source of lendable funds is from equity. Pursuant to our merger with AgCountry Farm Credit Services, ACA, as described in Note 13, our note payable with AgriBank was terminated effective January 1, 2022. AgCountry Farm Credit Services, ACA, the merged entity, entered into a new note payable with AgriBank on January 1, 2022, which matures on December 31, 2024.

Note Payable Information

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Average balance	**$ 1,044,713**	$ 1,042,411	$ 1,001,232
Average interest rate	**0.8%**	1.2%	2.7%

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 $364.5 million, $344.1 million, and $320.8 million at December 31, 2021, 2020, and 2019, respectively. Total members' equity increased $20.4 million from December 31, 2020, primarily due to net income for the year and 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	**21.0%**	20.5%	19.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**21.0%**	20.5%	19.8%	6.0%	2.5%	8.5%
Total capital ratio	**21.2%**	20.7%	20.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**21.0%**	20.5%	19.8%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**24.1%**	23.0%	21.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**25.2%**	24.0%	22.8%	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.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section 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 CET1 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 CET1 target range post-merger is 14% to 16%, as defined in the AgCountry Farm Credit Services, ACA 2022 capital plan.

In October 2020, the Association began to 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. 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 post-merger 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 5 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%. The investment in AgriBank was transferred to AgCountry Farm Credit Services, ACA on January 1, 2022; the effective date of the merger.

We are also required to hold additional investment in AgriBank based on a contractual agreement under a pool program.

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. Our technology will be transitioned to the platforms utilized by AgCountry Farm Credit Services, ACA and we anticipate this transition to be completed during the third quarter of 2022. 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

AgCountry CFG: AgCountry CFG is a Capital Markets alliance with other Farm Credit Associations to serve large eligible borrowers. The alliance is managed by AgCountry as the lead lender and facilitating agent and helps diversify revenue and manage risk for the participating alliance associations. Each participating association makes an independent credit decision to purchase these loans based on the Association's capacity and preferences. We had $528.7 million, $476.2 million, and $411.8 million of AgCountry CFG volume at December 31, 2021, 2020, and 2019, respectively. We also had $226.9 million of available commitment on AgCountry CFG loans at December 31, 2021.

ProPartners Financial: We participate 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.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitated the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations were governed by representatives of each participating association. The expenses of CTC were allocated to each of the participating associations based on an agreed upon formula. The systems developed were owned by each of the participating associations. We expect to transition technology platforms to AgCountry Farm Credit Services, ACA during the third quarter of 2022 and will fulfill any remaining obligations to CTC by the end of the year.

FCS of Mandan, ACA: Effective January 1, 2021, we formed an alliance with FCS of Mandan, ACA to integrate the associations' Appraisal Departments. All appraisal staff were jointly employed and managed by both associations. Effective July 1, 2021, the appraisal alliance dissolved due to the proposed merger with AgCountry Farm Credit Services, ACA. Effective January 1, 2017, we formed an alliance with FCS of Mandan, ACA to integrate the associations' Technology Departments. All information technology staff were jointly employed and managed by both associations. We expect to transition technology platforms to AgCountry Farm Credit Services, ACA during the third quarter of 2022 and will fulfill any remaining obligations to the alliance by the end of the year.

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 receive a fee from FCL at the origination of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We had a relationship with CoBank, ACB (CoBank), a System bank, which involved purchasing or selling participation interests in loans. As part of that relationship, our equity investment in CoBank was $0, $0, and $5 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. We expect to transition some technology to platforms utilized by AgCountry Farm Credit Services, ACA during the third quarter of 2022, and will consolidate other SunStream services under existing AgCountry contracts with SunStream. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation, of which we were a partial owner before our merger with AgCountry Farm Credit Services, ACA, effective January 1, 2022. As of December 31, 2021, and 2020, our investment in SunStream was $305 thousand, which will be redistributed amongst other owners after our merger effective January 1, 2022. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

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 $17 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Programs

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

Equipment Financing: We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

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 Services of North Dakota, ACA

We prepare the Consolidated Financial Statements of Farm Credit Services of North Dakota, 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.

Greg Sabolik
Board Chair
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

March 2, 2022

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Farm Credit Services of North Dakota, ACA

The Farm Credit Services of North Dakota, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, were responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements prior to the merger with AgCountry Farm Credit Services, ACA (the Merged Association) effective January 1, 2022. 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 were 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 Merged 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 Merged 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 Merged Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2021.

Marcus L. Knisely
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

March 2, 2022

REPORT OF AUDIT COMMITTEE

Farm Credit Services of North Dakota, ACA

The Consolidated Financial Statements for Farm Credit Services of North Dakota, ACA (the Association) were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of AgCountry Farm Credit Services, ACA (the Merged 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.

Suzanne Allen
Chairperson of the Audit Committee
AgCountry Farm Credit Services, ACA

Members of the Audit Committee:
Kurt Elliott, Vice Chair
Leif Aakre
Thomas Henry
Karen Kerner
Lynn Pietig
Curtis Trost

March 2, 2022

Report of Independent Auditors

To the Board of Directors of Farm Credit Services of North Dakota, ACA,

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit Services of North Dakota, 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.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, on January 1, 2022, the Association merged operations with AgCountry Farm Credit Services, ACA. The merged association will conduct business as AgCountry Farm Credit Services, ACA. Our opinion is not modified with respect to this matter.

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.
- 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 2, 2022

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
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CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of North Dakota, ACA

(in thousands)

As of December 31	**2021**	2020	2019
ASSETS			
Loans	**$ 1,392,699**	$ 1,336,241	$ 1,273,012
Allowance for loan losses	**3,922**	3,798	3,821
Net loans	**1,388,777**	1,332,443	1,269,191
Investment in AgriBank, FCB	**33,616**	32,039	33,050
Accrued interest receivable	**14,824**	16,450	22,576
Premises and equipment, net	**18,412**	18,775	17,669
Other assets	**10,003**	8,854	7,964
Total assets	**$ 1,465,632**	$ 1,408,561	$ 1,350,450
LIABILITIES			
Note payable to AgriBank, FCB	**$ 1,083,305**	$ 1,050,999	$ 1,017,166
Accrued interest payable	**2,148**	2,094	6,072
Deferred tax liabilities, net	**763**	371	249
Patronage distribution payable	**9,450**	4,325	--
Other liabilities	**5,464**	6,672	6,151
Total liabilities	**1,101,130**	1,064,461	1,029,638
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**1,817**	1,857	1,895
Unallocated surplus	**363,152**	342,783	319,459
Accumulated other comprehensive loss	**(467)**	(540)	(542)
Total members' equity	**364,502**	344,100	320,812
Total liabilities and members' equity	**$ 1,465,632**	$ 1,408,561	$ 1,350,450

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Services of North Dakota, ACA

(in thousands)

For the year ended December 31	**2021**	2020	2019
Interest income	**$ 42,667**	$ 45,990	$ 56,669
Interest expense	**8,535**	12,780	26,654
Net interest income	**34,132**	33,210	30,015
Provision for loan losses	**--**	300	345
Net interest income after provision for loan losses	**34,132**	32,910	29,670
Non-interest income			
Patronage income	**7,062**	7,611	6,951
Financially related services income	**6,516**	7,292	8,507
Fee income	**4,155**	2,321	1,847
Other non-interest income	**395**	596	1,886
Total non-interest income	**18,128**	17,820	19,191
Non-interest expense			
Salaries and employee benefits	**13,182**	13,855	13,509
Other operating expense	**8,108**	8,583	8,257
Other non-interest expense	**648**	16	52
Total non-interest expense	**21,938**	22,454	21,818
Income before income taxes	**30,322**	28,276	27,043
Provision for income taxes	**574**	627	801
Net income	**$ 29,748**	$ 27,649	$ 26,242
Other comprehensive income (loss)			
Employee benefit plans activity	**$ 73**	$ 2	$ (367)
Total other comprehensive income (loss)	**73**	2	(367)
Comprehensive income	**$ 29,821**	$ 27,651	$ 25,875

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of North Dakota, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2018	$ 1,969	$ 293,212	$ (175)	$ 295,006
Net income	--	26,242	--	26,242
Other comprehensive loss	--	--	(367)	(367)
Cumulative effect of change in accounting principle	--	5	--	5
Capital stock and participation certificates issued	121	--	--	121
Capital stock and participation certificates retired	(195)	--	--	(195)
Balance as of December 31, 2019	1,895	319,459	(542)	320,812
Net income	--	27,649	--	27,649
Other comprehensive income	--	--	2	2
Unallocated surplus designated for patronage distributions	--	(4,325)	--	(4,325)
Capital stock and participation certificates issued	121	--	--	121
Capital stock and participation certificates retired	(159)	--	--	(159)
Balance as of December 31, 2020	1,857	342,783	(540)	344,100
Net income	**--**	**29,748**	**--**	**29,748**
Other comprehensive income	**--**	**--**	**73**	**73**
Unallocated surplus designated for patronage distributions	**--**	**(9,379)**	**--**	**(9,379)**
Capital stock and participation certificates issued	**139**	**--**	**--**	**139**
Capital stock and participation certificates retired	**(179)**	**--**	**--**	**(179)**
Balance as of December 31, 2021	**$ 1,817**	**$ 363,152**	**$ (467)**	**$ 364,502**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Farm Credit Services of North Dakota, ACA

(in thousands)

For the year ended December 31		**2021**		2020		2019
Cash flows from operating activities						
Net income	**$**	**29,748**	$	27,649	$	26,242
Depreciation on premises and equipment		**681**		634		479
Loss (gain) on sale of premises and equipment, net		**29**		--		(1,319)
Depreciation on assets held for lease		**--**		--		1
Gain on disposal of assets held for lease, net		**--**		--		(1)
Amortization of discounts on loans, net		**(50)**		(25)		(30)
Provision for loan losses		**--**		300		345
Stock patronage received from Farm Credit Institutions		**(878)**		--		(2,581)
Changes in operating assets and liabilities:						
Decrease (increase) in accrued interest receivable		**1,247**		5,423		(1,719)
Increase in other assets		**(1,149)**		(589)		(1,187)
Increase (decrease) in accrued interest payable		**54**		(3,978)		(632)
(Decrease) increase in other liabilities		**(743)**		509		(277)
Net cash provided by operating activities		**28,939**		29,923		19,321
Cash flows from investing activities						
Increase in loans, net		**(55,822)**		(62,735)		(49,650)
(Purchases) redemptions of investment in AgriBank, FCB, net		**(699)**		1,011		(106)
Purchases of investment in other Farm Credit Institutions, net		**--**		(165)		--
Sales of assets held for lease, net		**--**		--		15
Purchases of premises and equipment, net		**(347)**		(1,740)		(7,246)
Net cash used in investing activities		**(56,868)**		(63,629)		(56,987)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**32,306**		33,833		37,800
Patronage distributions paid		**(4,254)**		--		--
Capital stock and participation certificates retired, net		**(123)**		(127)		(134)
Net cash provided by financing activities		**27,929**		33,706		37,666
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental information						
Interest paid	**$**	**8,481**	$	16,758	$	27,286
Taxes paid, net		**321**		420		800

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Services of North Dakota, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

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); subsequent to the merger of this Association with AgCountry Farm Credit Services, ACA, as described in Note 13. 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 nonaccrual 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 Services of North Dakota, ACA (the Association) and its subsidiaries, Farm Credit Services of North Dakota, FLCA and Farm Credit Services of North Dakota, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Benson, Bottineau, Burke, Divide, Eddy, Foster, McHenry, McKenzie, northern McLean, Mountrail, Pierce, Renville, Rolette, northern Sheridan, Ward, Wells, and Williams in the state of North Dakota.

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.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals and through affiliations, retirement and succession planning to our members.

NOTE 2: 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 Services of North Dakota, 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 nonaccrual 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 nonaccrual 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 nonaccrual 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. Nonaccrual 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 nonaccrual 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 nonaccrual 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 "Provision for loan 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.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. 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 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 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. 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.

We are the lessor in operating leases during 2021, 2020, and 2019. 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 “Other non-interest income” in the Consolidated Statements of Comprehensive Income. The amortized cost of operating leases is included in “Other assets” 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. 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 would be recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss would be recorded in “Provision for credit losses” in the Consolidated Statements of Comprehensive Income. However, no such reserve was necessary as of December 31, 2021, 2020, or 2019.

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 through our planned merger date. 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 April 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 expected to adopt the standard as of January 1, 2023. We were in the process of the development and validation of our model to estimate credit losses for our loan portfolio. Processes and internal controls related to the model and the estimation of credit losses for loans were being designed. We were also in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements would depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption. We currently are unable to estimate the impact on our financial statements. As a result of the merger, these activities are being aligned with the ongoing activities of AgCountry Farm Credit Services, ACA.

NOTE 3: 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	**$ 476,054**	**34.2%**	$ 454,514	34.0%	$ 444,518	34.9%
Production and intermediate-term	**415,242**	**29.8%**	429,356	32.1%	438,568	34.4%
Agribusiness	**329,958**	**23.7%**	300,735	22.5%	259,231	20.4%
Other	**171,445**	**12.3%**	151,636	11.4%	130,695	10.3%
Total	**$ 1,392,699**	**100.0%**	$ 1,336,241	100.0%	$ 1,273,012	100.0%

The other category is primarily composed of rural infrastructure related loans.

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 5.9% 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 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 Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2021	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ --**	**$ 35,924**	**$ --**	**$ --**	**$ (1,915)**	**$ 35,924**	**$ (1,915)**
Production and intermediate-term	**--**	**(37,626)**	**85,070**	**(2,064)**	**679**	**(112)**	**85,749**	**(39,802)**
Agribusiness	**--**	**--**	**324,025**	**(3,043)**	**7,550**	**--**	**331,575**	**(3,043)**
Other	**--**	**--**	**171,445**	**--**	**--**	**--**	**171,445**	**--**
Total	**$ --**	**$ (37,626)**	**$ 616,464**	**$ (5,107)**	**$ 8,229**	**$ (2,027)**	**$ 624,693**	**$ (44,760)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2020	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ --	$ 36,612	$ --	$ --	$ (1,934)	$ 36,612	$ (1,934)
Production and intermediate-term	--	(55,799)	102,197	(2,522)	725	(134)	102,922	(58,455)
Agribusiness	--	--	291,439	(2,065)	10,174	--	301,613	(2,065)
Other	--	--	151,636	--	--	--	151,636	--
Total	$ --	$ (55,799)	$ 581,884	$ (4,587)	$ 10,899	$ (2,068)	$ 592,783	$ (62,454)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2019	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ --	$ 25,797	$ --	$ 560	$ (2,188)	$ 26,357	$ (2,188)
Production and intermediate-term	--	(52,209)	87,509	(2,960)	1,125	(248)	88,634	(55,417)
Agribusiness	--	--	257,876	(3,724)	3,934	--	261,810	(3,724)
Other	--	--	130,695	--	--	--	130,695	--
Total	$ --	$ (52,209)	$ 501,877	$ (6,684)	$ 5,619	$ (2,436)	$ 507,496	$ (61,329)

Information in the preceding chart excludes loans entered into under our leasing 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	
As of December 31, 2021	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 449,678**	**93.0%**	**$ 14,763**	**3.0%**	**$ 19,315**	**4.0%**	**$ 483,756**	**100.0%**
Production and intermediate-term	**387,803**	**92.0%**	**16,011**	**3.8%**	**17,581**	**4.2%**	**421,395**	**100.0%**
Agribusiness	**320,130**	**96.8%**	**9,375**	**2.8%**	**1,217**	**0.4%**	**330,722**	**100.0%**
Other	**171,100**	**99.7%**	**189**	**0.1%**	**361**	**0.2%**	**171,650**	**100.0%**
Total	**$ 1,328,711**	**94.4%**	**$ 40,338**	**2.9%**	**$ 38,474**	**2.7%**	**$ 1,407,523**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 415,301	89.8%	$ 18,930	4.1%	$ 28,242	6.1%	$ 462,473	100.0%
Production and intermediate-term	386,202	88.4%	31,590	7.2%	19,299	4.4%	437,091	100.0%
Agribusiness	287,104	95.3%	12,811	4.2%	1,420	0.5%	301,335	100.0%
Other	150,267	99.0%	1,090	0.7%	435	0.3%	151,792	100.0%
Total	$ 1,238,874	91.6%	$ 64,421	4.8%	$ 49,396	3.6%	$ 1,352,691	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2019	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 412,093	90.5%	$ 18,868	4.2%	$ 24,328	5.3%	$ 455,289	100.0%
Production and intermediate-term	403,883	89.9%	26,232	5.8%	19,295	4.3%	449,410	100.0%
Agribusiness	248,962	95.7%	8,256	3.2%	2,793	1.1%	260,011	100.0%
Other	124,562	95.2%	2,546	1.9%	3,770	2.9%	130,878	100.0%
Total	$ 1,189,500	91.8%	$ 55,902	4.3%	$ 50,186	3.9%	$ 1,295,588	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2021**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 152**	**$ 218**	**$ 370**	**$ 483,386**	**$ 483,756**	**$ --**
Production and intermediate-term	**1,368**	**452**	**1,820**	**419,575**	**421,395**	**--**
Agribusiness	**--**	**--**	**--**	**330,722**	**330,722**	**--**
Other	**--**	**--**	**--**	**171,650**	**171,650**	**--**
Total	**$ 1,520**	**$ 670**	**$ 2,190**	**$ 1,405,333**	**$ 1,407,523**	**$ --**

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 452	$ 269	$ 721	$ 461,752	$ 462,473	$ --
Production and intermediate-term	3,100	2,942	6,042	431,049	437,091	--
Agribusiness	--	--	--	301,335	301,335	--
Other	--	--	--	151,792	151,792	--
Total	$ 3,552	$ 3,211	$ 6,763	$ 1,345,928	$ 1,352,691	$ --

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 521	$ 1,248	$ 1,769	$ 453,520	$ 455,289	$ --
Production and intermediate-term	4,758	3,148	7,906	441,504	449,410	6
Agribusiness	--	--	--	260,011	260,011	--
Other	--	--	--	130,878	130,878	--
Total	$ 5,279	$ 4,396	$ 9,675	$ 1,285,913	$ 1,295,588	$ 6

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 nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	**$ 1,234**	$ 587	$ 3,393
Past due	**670**	3,211	4,390
Total nonaccrual loans	**1,904**	3,798	7,783
Accruing restructured loans	**341**	362	385
Accruing loans 90 days or more past due	**--**	--	6
Total risk loans	**$ 2,245**	$ 4,160	$ 8,174
Volume with specific allowance	**$ 813**	$ 2,942	$ 3,733
Volume without specific allowance	**1,432**	1,218	4,441
Total risk loans	**$ 2,245**	$ 4,160	$ 8,174
Total specific allowance	**$ 177**	$ 892	$ 1,109

For the year ended December 31	2021	2020	2019
Income on accrual risk loans	**$ 11**	$ 45	$ 35
Income on nonaccrual loans	**360**	102	107
Total income on risk loans	**$ 371**	$ 147	$ 142
Average risk loans	**$ 3,537**	$ 7,583	$ 8,823

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	2021	2020	2019
Real estate mortgage	**$ 745**	$ 841	$ 2,591
Production and intermediate-term	**798**	2,957	4,584
Agribusiness	**--**	--	5
Other	**361**	--	603
Total	**$ 1,904**	$ 3,798	$ 7,783

Additional Impaired Loan Information by Loan Type

	As of December 31, 2021			For the year ended December 31, 2021	
(in thousands)	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	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	452	734	100	1,650	--
Agribusiness	--	--	--	--	--
Other	361	368	77	311	--
Total	$ 813	$ 1,102	$ 177	$ 1,961	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 1,085	$ 1,230	$ --	$ 1,178	$ 96
Production and intermediate-term	347	357	--	368	275
Agribusiness	--	--	--	--	--
Other	--	--	--	30	--
Total	$ 1,432	$ 1,587	$ --	$ 1,576	$ 371
Total impaired loans:					
Real estate mortgage	$ 1,085	$ 1,230	$ --	$ 1,178	$ 96
Production and intermediate-term	799	1,091	100	2,018	275
Agribusiness	--	--	--	--	--
Other	361	368	77	341	--
Total	$ 2,245	$ 2,689	$ 177	$ 3,537	$ 371

	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	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	2,942	3,214	892	3,042	--
Agribusiness	--	--	--	--	--
Other	--	--	--	369	--
Total	$ 2,942	$ 3,214	$ 892	$ 3,411	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 1,204	$ 1,267	$ --	$ 2,192	$ 84
Production and intermediate-term	14	14	--	1,862	63
Agribusiness	--	--	--	--	--
Other	--	--	--	118	--
Total	$ 1,218	$ 1,281	$ --	$ 4,172	$ 147
Total impaired loans:					
Real estate mortgage	$ 1,204	$ 1,267	$ --	$ 2,192	$ 84
Production and intermediate-term	2,956	3,228	892	4,904	63
Agribusiness	--	--	--	--	--
Other	--	--	--	487	--
Total	$ 4,160	$ 4,495	$ 892	$ 7,583	$ 147

	As of December 31, 2019			For the year ended December 31, 2019	
	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	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	3,125	3,214	884	3,413	--
Agribusiness	5	5	5	422	--
Other	603	686	220	655	--
Total	$ 3,733	$ 3,905	$ 1,109	$ 4,490	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 2,976	$ 3,082	$ --	$ 2,732	$ 111
Production and intermediate-term	1,465	1,822	--	1,601	31
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	$ 4,441	$ 4,904	$ --	$ 4,333	$ 142
Total impaired loans:					
Real estate mortgage	$ 2,976	$ 3,082	$ --	$ 2,732	$ 111
Production and intermediate-term	4,590	5,036	884	5,014	31
Agribusiness	5	5	5	422	--
Other	603	686	220	655	--
Total	$ 8,174	$ 8,809	$ 1,109	$ 8,823	$ 142

[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.

There were no TDRs that occurred during the years ended December 31, 2021, 2020, or 2019.

There were no TDRs that defaulted during the years ended December 31, 2021, 2020, or 2019, in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the real estate mortgage loan category totaled $341 thousand, $362 thousand, and $385 thousand, all of which were in accrual status at December 31, 2021, 2020, and 2019, respectively.

There were no 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	**$ 3,798**	$ 3,821	$ 3,696
Provision for loan losses	**--**	300	345
Loan recoveries	**164**	41	--
Loan charge-offs	**(40)**	(364)	(220)
Balance at end of year	**$ 3,922**	$ 3,798	$ 3,821

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	**$ 562**	**$ 1,694**	**$ 1,238**	**$ 304**	**$ 3,798**
(Reversal of) provision for loan losses	**(439)**	**165**	**131**	**143**	**--**
Loan recoveries	**163**	**1**	**--**	**--**	**164**
Loan charge-offs	**(1)**	**(39)**	**--**	**--**	**(40)**
Balance as of December 31, 2021	**$ 285**	**$ 1,821**	**$ 1,369**	**$ 447**	**$ 3,922**
Ending balance: individually evaluated for impairment	**$ --**	**$ 100**	**$ --**	**$ 77**	**$ 177**
Ending balance: collectively evaluated for impairment	**$ 285**	**$ 1,721**	**$ 1,369**	**$ 370**	**$ 3,745**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	**$ 483,756**	**$ 421,395**	**$ 330,722**	**$ 171,650**	**$ 1,407,523**
Ending balance: individually evaluated for impairment	**$ 1,085**	**$ 799**	**$ --**	**$ 361**	**$ 2,245**
Ending balance: collectively evaluated for impairment	**$ 482,671**	**$ 420,596**	**$ 330,722**	**$ 171,289**	**$ 1,405,278**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	$ 472	$ 1,511	$ 1,141	$ 697	$ 3,821
Provision for (reversal of) loan losses	218	184	97	(199)	300
Loan recoveries	41	--	--	--	41
Loan charge-offs	(169)	(1)	--	(194)	(364)
Balance as of December 31, 2020	$ 562	$ 1,694	$ 1,238	$ 304	$ 3,798
Ending balance: individually evaluated for impairment	$ --	$ 892	$ --	$ --	$ 892
Ending balance: collectively evaluated for impairment	$ 562	$ 802	$ 1,238	$ 304	$ 2,906
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	$ 462,473	$ 437,091	$ 301,335	$ 151,792	$ 1,352,691
Ending balance: individually evaluated for impairment	$ 1,204	$ 2,956	$ --	$ --	$ 4,160
Ending balance: collectively evaluated for impairment	$ 461,269	$ 434,135	$ 301,335	$ 151,792	$ 1,348,531

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2018	$ 557	$ 1,450	$ 1,027	$ 662	$ 3,696
(Reversal of) provision for loan losses	(63)	61	312	35	345
Loan recoveries	--	--	--	--	--
Loan charge-offs	(22)	--	(198)	--	(220)
Balance as of December 31, 2019	$ 472	$ 1,511	$ 1,141	$ 697	$ 3,821
Ending balance: individually evaluated for impairment	$ --	$ 884	$ 5	$ 220	$ 1,109
Ending balance: collectively evaluated for impairment	$ 472	$ 627	$ 1,136	$ 477	$ 2,712
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2019	$ 455,289	$ 449,410	$ 260,011	$ 130,878	$ 1,295,588
Ending balance: individually evaluated for impairment	$ 2,976	$ 4,590	$ 5	$ 603	$ 8,174
Ending balance: collectively evaluated for impairment	$ 452,313	$ 444,820	$ 260,006	$ 130,275	$ 1,287,414

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.

NOTE 4: 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%. The investment in AgriBank was transferred to AgCountry Farm Credit Services, ACA on January 1, 2022; the effective date of the merger.

We are also required to hold AgriBank stock related to our participation in a pool program. 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.

NOTE 5: 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	**$ 1,600,000**	$ 1,600,000	$ 1,600,000
Outstanding principal under the line of credit	**1,083,305**	1,050,999	1,017,166
Interest rate	**0.8%**	0.8%	2.3%

Pursuant to our merger with AgCountry Farm Credit Services, ACA, as described in Note 13, our note payable with AgriBank was terminated effective January 1, 2022. AgCountry Farm Credit Services, ACA, the merged entity, entered into a new note payable with AgriBank on January 1, 2022, which matures on December 31, 2024.

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.

NOTE 6: PREMISES AND EQUIPMENT, NET

Premises and Equipment

(in thousands)

As of December 31	**2021**	2020	2019
Land, buildings, and improvements	**$ 20,373**	$ 20,331	$ 19,063
Furniture and equipment	**1,835**	1,596	1,179
Subtotal	**22,208**	21,927	20,242
Less: accumulated depreciation	**3,796**	3,152	2,573
Premises and equipment, net	**$ 18,412**	$ 18,775	$ 17,669

NOTE 7: 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 purchase of one participation certificate is required of all customers to whom a lease is issued, if not already a stockholder, and of all non-stockholder customers who purchase financial services. 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	**21.0%**	20.5%	19.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**21.0%**	20.5%	19.8%	6.0%	2.5%	8.5%
Total capital ratio	**21.2%**	20.7%	20.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**21.0%**	20.5%	19.8%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**24.1%**	23.0%	21.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**25.2%**	24.0%	22.8%	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 B common stock (at-risk)	**362,540**	369,275	377,795
Class E participation certificates (at-risk)	**873**	1,711	825

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

Only holders of Class B 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 remaining assets after payment or retirement of all liabilities will be distributed pro rata to holders of Class B, C, and D common stock and Class E participation certificates.

In the event of stock impairment, losses will be absorbed by concurrent impairment of all classes of stock.

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 $9.5 million, $4.3 million, and $0 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. 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.

NOTE 8: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands) For the year ended December 31	**2021**	2020	2019
Current:			
Federal	**$ 135**	$ 391	$ 330
State	**47**	114	123
Total current	**$ 182**	$ 505	$ 453
Deferred:			
Federal	**$ 323**	$ 101	$ 287
State	**69**	21	61
Total deferred	**392**	122	348
Provision for income taxes	**$ 574**	$ 627	$ 801
Effective tax rate	**1.9%**	2.2%	3.0%

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	**$ 6,368**	$ 5,938	$ 5,679
State tax, net	**77**	86	108
Patronage distributions	**(717)**	(214)	--
Effect of non-taxable entity	**(5,175)**	(5,190)	(5,011)
Other	**21**	7	25
Provision for income taxes	**$ 574**	$ 627	$ 801

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	**$ 352**	$ 407	$ 373
Postretirement benefit accrual	**54**	56	58
Accrued incentive	**250**	322	249
Accrued patronage income not received	**(176)**	(142)	(162)
AgriBank 2002 allocated stock	**(172)**	(172)	(172)
Accrued pension asset	**(628)**	(450)	(322)
Depreciation	**(471)**	(407)	(281)
Other assets	**28**	15	8
Deferred tax liabilities, net	**$ (763)**	$ (371)	$ (249)
Gross deferred tax assets	**$ 684**	$ 800	$ 688
Gross deferred tax liabilities	**$ (1,447)**	$ (1,171)	$ (937)

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 through our planned merger date. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $280.9 million 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.

NOTE 9: 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		**447**		747		685
Contributions by participating employers		**90,000**		90,000		90,000
Our allocated share of contributions		**1,804**		1,811		1,910

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. The Association's allocated share of the pension contributions will be included with AgCountry Farm Credit Services, ACA as a result of the merger effective January 1, 2022. 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	**$**	**945**	$	1,188	$	1,345

For the year ended December 31		2021		2020		2019
Our allocated share of plan expenses	**$**	**69**	$	85	$	216
Our cash contributions		**121**		240		--

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. We had no cash contributions and paid no benefits during 2019.

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 $700 thousand, $705 thousand, and $680 thousand in 2021, 2020, and 2019, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: 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	**$**	**13,084**	$	14,757	$	14,248
For the year ended December 31		**2021**		2020		2019
Advances to related parties	**$**	**9,628**	$	13,226	$	13,899
Repayments by related parties		**11,116**		11,967		15,524

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 5, 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 was $7.0 million, $7.5 million, and $6.9 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.

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. Our technology will be transitioned to the platforms utilized by AgCountry Farm Credit Services, ACA and we anticipate this transition to be completed during the third quarter of 2022. 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	**$**	**33,616**	$	32,039	$	33,050
Investment in SunStream		**305**		305		--
Investment in Foundations		**17**		17		17
For the year ended December 31		**2021**		2020		2019
AgriBank District purchased services	**$**	**942**	$	861	$	778

NOTE 11: 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. At December 31, 2021, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $533.6 million. We had $8.8 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.

NOTE 12: 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			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 667**	**$ 667**

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 2,153	$ 2,153

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 2,755	$ 2,755

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.

NOTE 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 2, 2022, which is the date the Consolidated Financial Statements were available to be issued.

On January 1, 2022, the Association merged operations with AgCountry Farm Credit Services, ACA. All shareholders of the Association received capital stock in AgCountry Farm Credit Services, ACA in exchange for their stock, which was then canceled. This exchange was made at the stock's par value. The FCA issued amended charters for the merged association encompassing the territories previously served by the separate associations.

The merger was accounted for under the acquisition method of accounting in accordance with the FASB Accounting Standards Codification 805 Business Combinations (ASC 805). As the accounting acquirer, AgCountry Farm Credit Services, ACA recognized the identifiable assets acquired and liabilities assumed in the merger as of January 1, 2022, at their respective fair values. There was no goodwill recorded in connection with the transaction. The fair values are based on various assumptions that management believes are reasonable utilizing information currently available.

There have been no other 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 Services of North Dakota, 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

Property Information

Location	Description	Usage
Bottineau	Owned	Branch
Bowbells	Leased	Bowbells Crop Insurance Office
Carrington	Owned	Branch
Crosby	Owned	Branch
Crosby	Owned	Commercial Lot
Minot	Owned	Headquarters/Branch
Minot	Owned	Ward County Crop Insurance Office
Rugby	Owned	Branch
Williston	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Notes 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 5, 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

The following represents certain information regarding the directors of Farm Credit Services of North Dakota, ACA.

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

Name	Principal occupation and other business affiliations
Bryan Ankenbauer* **Chairperson of the Board** **Board Service Began:** 2005 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Partner: EG Acres LLC, a farm management company
Tim Dwyer **Director** **Board Service Began:** 2019 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain and livestock farmer
Thomas Henry* **First Vice Chairperson of the Board** **Board Service Began:** 2010 **Current Term Expires:** 2022	**Principal occupation:** Self-employed grain farmer
Phil Lowe **Outside Director** **Board Service Began:** 2006 **Current Term Expires:** 2022	**Principal Occupation:** President of Lowe's Inc., a garden center, greenhouse nursery, and floral and landscaping operation **Other business affiliations:** Managing Partner: Lowe Family Investments, a property management company
Mark Martinson **Second Vice Chairperson of the Board** **Board Service Began:** 2016 **Current Term Expires:** 2024	**Principal Occupation:** Self-employed grain and livestock farmer
Steve Perdue* **Director** **Board Service Began:** 2009 **Current Term Expires:** 2025	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Director: U.S. Durum Growers Association, which promotes the durum industry Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Clara Sue Price **Outside Director** **Board Service Began:** 2009 **Current Term Expires:** 2024	**Principal Occupation:** Self-employed property management and livestock and vegetable farmer **Other business affiliations:** Owner/Secretary/Treasurer: MMP Investments, LLC, a property management company Owner/Secretary/Treasurer: G&D Properties, LLC, a property management company Board Member: North Dakota Farm Credit Council, government relations
Roger Sauer **Board Secretary** **Board Service Began:** 2018 **Current Term Expires:** 2022	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Board Member: Renville County Farm Bureau, a volunteer organization to promote and support agriculture Chairman: Lansford Threshermen and Historical Association, a non-profit
Scott Spear **Director** **Board Service Began:** 2021 **Current Term Expires:** 2025	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Managing Member, SAS Holdings, LLC, hunting and shooting sports

***Effective January 1, 2022, will serve on AgCountry Farm Credit Services, ACA Board of Directors.
The term for the remaining directors ended due to the merger with AgCountry Farm Credit Services, ACA.

Additional transactions other than loans in the ordinary course of business involving directors and senior officers include competitive bidding for improvements to new and existing facilities. Through this competitive bidding process, during the years of 2020 and 2019, we have entered into transactions with Lowe's, Inc. (Lowe's), a garden center, greenhouse nursery, and floral and landscaping operation. Outside Director, Phil Lowe is the president of Lowe's.

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors receives $600 per diem for each meeting in attendance or $100 for meeting attendance by conference call. In addition, the board chairperson receives a $3,000 annual retainer fee and the other board members receive a $2,000 annual retainer fee paid following the Board of Director's annual reorganization meeting.

Information regarding compensation paid to each Farm Credit Services of North Dakota, ACA director who served during 2021 follows:

	Number of Days Served		Compensation Paid for		
Name	Board Meetings	Other Official Activities	Service on a Board Committee	Name of Committee	Total Compensation Paid in 2021
Bryan Ankenbauer	11	27	$ 700	Audit	$ 26,500
			700	Compensation	
Tim Dwyer	11	12			15,800
Thomas Henry	11	31	300	Audit	28,700
			700	Compensation	
Phil Lowe	11	11	100	Audit	15,400
			700	Compensation	
Mark Martinson	11	21	200	Audit	21,500
Bill Ongstad[1]	7	11			10,900
Steve Perdue	11	28	700	Compensation	25,800
Clara Sue Price	11	18	200	Audit	20,000
Roger Sauer	11	15			17,600
Scott Spear[2]	4	8			9,200
					$ 191,400

[1]Effective August 2021, Bill Ongstad's term expired.

[2]Elected to the Board of Directors in August 2021.

Board of Directors

Thomas Henry, Bryan Ankenbauer, and Steve Perdue, directors from Farm Credit Services of North Dakota, joined the AgCountry Farm Credit Services, ACA Board of Directors as the result of the merger effective January 1, 2022. Their AgCountry Board terms expire in 2024, 2025, and 2026, respectively. In addition to the aforementioned directors, below are the directors for the merged association, AgCountry Farm Credit Services, ACA.

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

Name	Principal occupation and other business affiliations
Edward J. Hegland **Board Chair** **Board Service Began:** 2012 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Greg Sabolik **Board Vice Chair** **Board Service Began:** 2013 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain and dairy farmer President: Bred and Butter Dairy Vice President: Sabolik Brothers, a grain farm
Leif Aakre **Board Service Began:** 2011 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain farmer
Suzanne Allen **Appointed Outside Director** **Financial Expert** **Board Service Began:** 2011 **Current Term Expires:** 2023	**Principal occupation:** President of Allen CFO Services, a consulting company (May 2020 to present) CFO of Unity Holdings, Inc., a holding company (May 2019-April 2020) CFO of Compudyne, a technology company (September 2016-May 2019) **Other business affiliations:** Director: American Transmission Company, owns and operates high-voltage electric transmission systems
Justin Dagen **Board Service Began:** 2018 **Current Term Expires:** 2022	**Principal occupation:** Self-employed grain and sugar beet farmer and certified seed potato grower **Other business affiliations:** Board Chair: Board of Supervisors Spring Brook Township, a county government Board Member: Heritage Christian School, K-12 education

Name	Principal occupation and other business affiliations
Kurt Elliott **Board Service Began:** 2016 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Commissioner: Traill County Commission, a political subdivision Director: Lake Agassiz Regional Development Board, a nonprofit economic development organization
Mark Ellison **Board Service Began:** 1995 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain farmer President: Ellison Farm, Inc. General Partner: Ellison Farm Ltd. Partnership **Other business affiliations:** 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 Director: Farm Credit Council Services, Inc. (FCCS), an education and insurance company
James Jarvis **Board Service Began:** 2008 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain, timber, and hay farmer Manager of a seasonal vegetable plant distribution and sales operation Owner of a campground **Other business affiliations:** Board Member: Waushara County Human Services, a county department that provides human services to local residents Committee Member: Mt. Morris Township Land Use Committee, a political subdivision
Karen Kerner **Board Service Began:** 2021 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain and livestock farmer
Michael Long **Board Service Began:** 1997 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain and livestock farmer
Greg Nelson **Board Service Began:** 2008 **Current Term Expires:** 2022	**Principal occupation:** Self-employed grain farmer
William Oemichen **Appointed Outside Director** **Board Service Began:** 2009 **Current Term Expires:** 2025	**Principal occupation:** Senior Research Fellow in Food Systems Security and Preparedness, University of Wisconsin-Madison (2018-present) Governance Consultant to Alberta Community and Co-operative Association and British Columbia Co-op Association (2018-present) Director, Office of Preparedness & Emergency Health Care, Wisconsin Department of Health Services (2016-2017) **Other business affiliations:** Treasurer: Group Health Cooperative of South Central Wisconsin, a health care insurance company Board of Trustees Chair: $7.0 billion Wisconsin College Savings Program 529 Board Member: Slipstream, Inc., an energy conservation company Director: Farm Credit Council Services, Inc. (FCCS), an education and insurance company Board Member: U.S. Selective Service Board for Wisconsin, U.S. Government Agency Board Member/President: New Glarus Board of Education, K-12 primary education Principal: Jahn Research Group, national security research Board Member: Green County Leaders, leadership development Fellow: Canadian Centre for Study of Co-operatives, Co-op education Research Principal: University of Saskatchewan, national security research
Lynn Pietig **Board Service Began:** 2015 **Current Term Expires:** 2023	**Principal occupation:** Owner of Pietig Book-Works, an accounting and tax practice Self-employed grain and livestock farmer **Other business affiliations:** Treasurer: Morgan Memorial Foundation Inc., a nursing home and assisted living facility
Curtis Trost **Board Service Began:** 2020 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** President: Curtis Trost Farming, Inc. Board Vice Chairperson: Serenity Suites Senior Living, an assisted living and memory care facility

Name	Principal occupation and other business affiliations
Mary Kay Van Der Geest **Board Service Began:** 2008 **Current Term Expires:** 2022	**Principal occupation:** Self-employed dairy farmer **Other business affiliations:** Director: Van Der Geest Dairy Cattle, a dairy and cropping farming operation Advisor: Van Der Geest Maine Dairy Inc., a dairy farming operation Advisor: Van Der Geest Dairy Sales, a cattle sales organization
Dale Zahradka **Board Service Began:** 2002 **Current Term Expires:** 2022	**Principal occupation:** Self-employed grain farmer
Michael Zenker **Board Service Began:** 2015 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain farmer Seed dealer

Board elections were held in January after the effective date of the merger. Greg Sabolik was elected as Board Chair and Lynn Pietig was elected Vice Chair.

Senior Officers of Farm Credit Services North Dakota, ACA

The following represents certain information regarding the senior officers of Farm Credit Services of North Dakota, ACA.

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

Name and Position	Business experience and other business affiliations
Gordon Hanson President/Chief Executive Officer	**Business experience:** Association President/Chief Executive Officer since July 2019 Association President/Chief Executive Officer - Elect June 2019 Farm Credit Mid-America, ACA Senior Vice President/Chief Risk Officer from January 2014 to May 2019. **Appointed as Senior Officer:** June 2019
Kathy Berg Senior Vice President - Human Resources	**Business experience:** Association Senior Vice President - Human Resources **Appointed as Senior Officer:** April 2016
Dan Beyer Senior Vice President - Chief Lending Officer	**Business experience:** Association Senior Vice President - Chief Lending Officer since February 2018 Association Vice President - Marketing from July 2015 to January 2018 **Appointed as Senior Officer:** July 2015
Geoffrey Blegen Senior Vice President - Insurance	**Business experience:** Association Senior Vice President - Insurance since April 2020 Marketing Representative for NAU Country Insurance Company from November 2014 to April 2020 **Appointed as Senior Officer:** April 2020
Kent Huss Senior Vice President - Chief Financial Officer	**Business experience:** Association Senior Vice President - Chief Financial Officer **Appointed as Senior Officer:** March 1997
Wade Iverson Senior Vice President - Operations	**Business experience:** Association Senior Vice President - Operations **Appointed as Senior Officer:** March 2000
Brad Limke Senior Vice President - Chief Credit Officer	**Business experience:** Association Senior Vice President - Chief Credit Officer **Appointed as Senior Officer:** September 2016

Gordon Hanson was a member of the board for AgCountry CFG (capital markets lending) until the merger on January 1, 2022.

Senior Officers of AgCountry Farm Credit Services, ACA

The following senior officers from AgCountry Farm Credit Services, ACA are the senior officers for the merged association, AgCountry Farm Credit Services, ACA.

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

Name and Position	Business experience and other business affiliations
Marcus L. Knisely President and Chief Executive Officer	**Business experience:** President and Chief Executive Officer since 1998 **Other business affiliations:** Board member of Farm Credit Financial Partners, Inc., a System service corporation providing technology and other operational services
Rebecca A. Thibert Chief Financial Officer	**Business experience:** Chief Financial Officer from October 2020 to present Chief Technology Officer and Acting CFO from June 2020 to September 2020 EVP Strategic Technology from July 2017 to June 2020 VP Strategic Technology from June 2014 to June 2017
Kim Zeltinger Chief Credit Officer	**Business experience:** Chief Credit Officer from August 2018 to present Chief Credit Officer-Elect from June 2018 to July 2018 SVP of Credit from July 2017 to May 2018 VP of Credit from January 1999 to June 2017
Mark Rehovsky Chief Marketplace Officer	**Business experience:** Chief Marketplace Officer from March 2012 to December 2021
Jeffrey A. Schmidt Chief Risk Officer	**Business experience:** Chief Risk Officer from August 2018 to present SVP Credit from July 2017 to July 2018 Chief Credit Officer, United FCS from July 2008 to June 2017
Randy Aberle EVP Agribusiness and Capital Markets	**Business experience:** EVP Agribusiness and Capital Markets from November 2011 to present **Other business affiliations:** Board Chairperson for ProPartners Financial, a related alliance discussed on page 8
Jessica Fyre Chief Operations Officer and General Counsel	**Business experience:** Chief Operations Officer and General Counsel from October 2020 to present EVP General Counsel from July 2013 to September 2020 **Other business affiliations:** Board Vice Chair of Farm Credit Financial Partners, Inc., a System service corporation providing technology and other operational services Board member of AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Howard Olson SVP Government and Public Affairs	**Business experience:** SVP Government and Public Affairs from January 2020 to present SVP Insurance and Communications from August 2016 to December 2019 **Other business affiliations:** Board Chair of Midwest Council on Agriculture, an organization which advocates for strong agriculture and economic policy Board member of Minnesota AgriGrowth Council, a non-profit organization representing the agriculture and food systems industry
Jeni Strand EVP Human Resources	**Business experience:** EVP Human Resources from July 2017 to present VP Human Resources from January 2008 to June 2017

Gordon Hanson, CEO of Farm Credit Services of North Dakota, joined the Executive Leadership Team on January 1, 2022 in the role of Chief Strategy Officer. Troy Andreasen became Chief Marketplace Officer effective January 1, 2022, when Mark Rehovsky changed roles at AgCountry.

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our CEO, senior officer, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO, senior officer, and highly compensated individuals compensation program supports our risk management goals through a set of checks and balances, including (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, senior officer, and highly compensated individuals are compensated with a mix of direct cash and short-term incentives as well as retirement plans generally available to all employees. Our Board of Directors approves the overall salary structure for all senior officers, including the CEO and highly compensated individuals which includes the variable compensation plan targeting various objectives throughout the year keeping in mind their fiduciary responsibilities to our members. Base salary and short-term incentives are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO, senior officer, and highly compensated individuals base salaries reflect the employee's experience and level of responsibility. The salary structure is subject to review and approval by the Compensation Committee of our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Short-term Incentives: The CEO, senior officer, and highly compensated individuals incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall association performance includes loan volume, credit quality, credit administration, net operating rate, net interest margin, and related services income. Additionally, performance criteria related to personal performance includes attainment of personal objectives and performance ratings. We calculate the incentives after the end of the plan year (the plan year is the calendar year). Employees must be employed on March 20 of the following year, with the merged entity AgCountry Farm Credit Services, ACA, to collect incentive pay unless severance agreements allow otherwise.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals, 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, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Gordon Hanson, CEO	**2021**	**$ 382**	**$ 185**	**$ 3**	**$ 53**	**$ 623**
Gordon Hanson, CEO	2020	364	137	3	141	645
Gordon Hanson, CEO	2019	204	75	52	143	474
Claude Sem, CEO	2019	202	80	2	2,097	2,381
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Seven	**2021**	**$ 1,116**	**$ 334**	**$ 12**	**$ 342**	**$ 1,804**
Seven	2020	911	240	10	687	1,848
Seven	2019	1,037	334	7	896	2,274

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

The composition of senior officers may change during the year based on business needs of the Association. In February 2020 a senior officer resigned and in April a new senior officer was hired. During 2019, the CEO retired in July. The amounts above reflect compensation earned during the time employees served as senior officers. The composition of the senior officers and highly compensated individuals can change due to base salary or other incentives available to employees as described above.

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

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. 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. Most notably Claude Sem's pension value increased $2.1 million in 2019. 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.
- Amounts paid related to retention bonuses in 2021.
- Amounts paid related to vacation payouts to former senior officers in 2021, 2020, and 2019.
- Amounts related to sign-on bonuses in 2020 and 2019, designed to offset other lost incentive compensation.

Any dollar value of tax reimbursement provided to the CEO, senior officer, or highly compensated individuals is included in the column for which the reimbursement was provided.

The "Deferred/Perquisites" primarily includes group-term life insurance premiums, long-term disability premiums, and relocation bonuses.

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 Senior Officers and Highly Compensated Individuals

(dollars in thousands) **2021** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO				
Five	AgriBank District Retirement Plan	**27**	**$ 4,103**	**$ --**

The change in composition of the aggregate senior officers and highly compensated individuals 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.

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:

AgCountry Farm Credit Services, ACA
Post Office Box 6020
Fargo, ND 58108-6020
(855) 402-7849
www.agcountry.com

The total directors' travel, subsistence, and other related expenses were $71 thousand, $64 thousand, and $125 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 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 $84 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel.

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 Services of North Dakota, ACA

(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

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

The demographics of the young, beginning, and small farmers in our territory were compiled from the 2017 USDA Ag-Census. At the time of the census there were a total of 8,235 farmers in Farm Credit Services of North Dakota, ACA's territory. This included 1,164 young farmers, 1,753 beginning farmers, and 5,712 small farmers in our territory.

Our mission statement for the Young, Beginning, and Small Farmers Program is "to assist young, beginning, and small farmers and ranchers to succeed in business in their agricultural environment." The specific means to meet the objective of this mission statement follows:

- Our volume goal for young farmers is $469.2 million which is 140% of risk funds. At December 31, 2021, we had $206.3 million in loans to young farmers which was 62% of risk funds.
- Our volume goal for beginning farmers is $418.9 million which is 125% of risk funds. At December 31, 2021, we had $209.0 million in loans to beginning farmers which was 62% of risk funds.
- Our volume goal for small farmers is $322.8 million which is the available debt per the 2017 census. This is less than the 400% parameter of risk funds. At December 31, 2021, we had $141.0 million in loan volume to small farmers which was 42% of risk funds.
- Our goal for the number of loans is 1,340 of loans to young farmers, 1,320 of loans to beginning farmers, and 2,025 of loans to small farmers. At December 31, 2021, we had 1,039 loans to young farmers, 1,094 loans to beginning farmers, and 1,433 loans to small farmers.

We also have the opportunity to coordinate with the Bank of North Dakota and the Farm Service Agency in originating new loans. Our goal through coordinating with these two entities was to make 10 new loans to young farmers for $500 thousand in loan volume, 10 new loans to beginning farmers for $500 thousand in loan volume, and 25 new loans to small farmers for $1.3 million in loan volume. With this coordination effort in 2021, we made 16 loans to young farmers for $6.1 million, 17 loans to beginning farmers for $7.2 million and 7 loans for $1.7 million to small farmers.

We also provide related services to this segment of our portfolio with a goal of continued growth equal to or greater than what our overall related services are growing. To date, the number of farmers served with certain services includes:

	Young	Beginning	Small
Hail Insurance	64	71	67
Multi-Peril Insurance	110	131	123
Life Insurance	84	84	95

We also have a plan for marketing and outreach activities for this segment of our territory. We had goals of distributing 1,012 FFA handbooks to 38 schools and actually gave 897 handbooks to 39 schools. Our goal was to attend 6 FFA banquets and 1 was attended. We planned to attend 6 FFA Alumni Meetings and 7 were attended. We had a goal of attending 12 4-H premium sales with 12 attended. We have participated with the other Farm Credit System associations in North Dakota in providing 4 innovative grants for a total of approximately $5 thousand. We planned for and awarded six $1 thousand scholarships to sons and daughters of the agriculture community. We had planned presentations to 5 agriculture classes with 0 completed. We had a goal of attending 5 Adult Farm Management events with 0 attended. We had a goal to hold 18 insurance meetings and 18 were completed. Our goal was to participate in 8 agriculture shows with 4 completed. We had a goal of 10 direct mailings to young, beginning, and small farmers in our area with 3 completed. We had a goal of staff to attend 100 key community agriculture events in our territory and 262 were attended. We also had a goal to participate in 3 kid's farm safety events with 0 completed.

Our website has a page dedicated to our Young, Beginning, and Small Farmers Program along with information sent in our customer magazine targeted at the young, beginning, and small farmers segment of our territory.

Our specifically designed credit programs and services for young, beginning, and small farmers include underwriting standards and use of guarantees or other credit enhancements to ensure the program is conducted in a manner that protects the safety and soundness of Farm Credit Service of North Dakota, ACA.