2021 Annual Report

ALABAMA AG CREDIT
LAND & FARM LENDERS

12.1 million

AMOUNT OF PATRONAGE BEING PAID OUT TO OUR BORROWER-STOCKHOLDERS BASED ON OUR 2021 FINANCIAL GOALS THAT WERE ACHIEVED

22,017

ALABAMA AG CREDIT'S NET INCOME FOR 2021

PERCENT CREDIT QUALITY

99.19%

KEEPING YOUR $ SAFE

$661M

Loan volume for our top commodity in 2021 — **TIMBER**.

Did you know Alabama reached a record 43.61 billion cubic feet of standing timber?

$115M

Loan volume for the third-highest commodity in 2021 — **POULTRY**.

Did you know America consumes more chicken than any other country?

WE FINANCE LOANS OF ALL SIZE. OUR AVERAGE LOAN SIZE IS

$220K

$166M

Loan volume for our second highest commodity in 2021 — **CATTLE**.

Did you know that Alabama has some of the top purebred herds in the country?

55%

OF OUR BORROWERS ARE BEGINNING FARMERS WITH AN OPERATION

<10 YEARS OLD

18,368

NUMBER OF FARMS IN THE 40 COUNTIES THAT WE SERVE. *Did you know that 40,592 farms dot Alabama's rural landscape?*

105

Number of years Farm Credit has served rural communities

,688

2,256,854

Number of people living in the counties that we serve

33,485

Square miles that our territory covers through the lower 40 counties in Alabama

629

RURAL HOME MORTGAGES

$1.2 BILLION

TOTAL LOANS AT THE END OF 2021. THIS WAS A GROWTH OF $69.1 MILLION OVER LAST YEAR'S TOTAL LOAN VOLUME.

10.5%

RETURN ON SHAREHOLDERS EQUITY

90

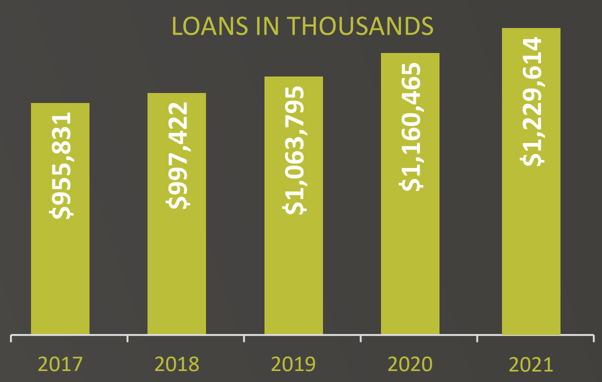
# of AAC Team Members

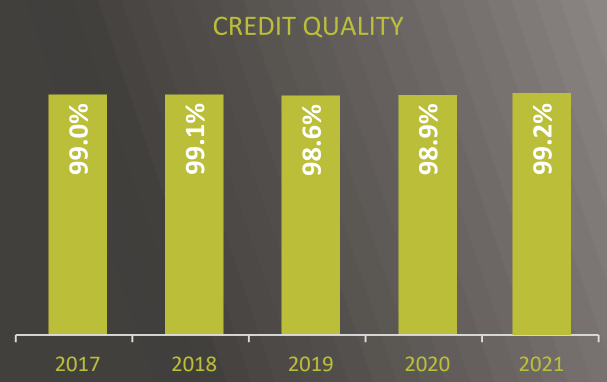
$224K

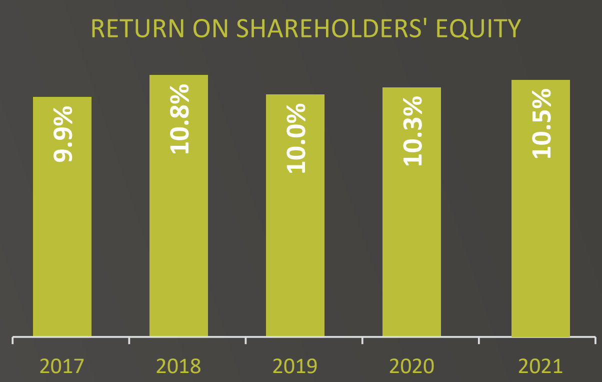
AMOUNT OF DONATIONS AND SPONSORSHIPS GIVEN TO SUPPORT AGRICULTURE & RURAL COMMUNITIES

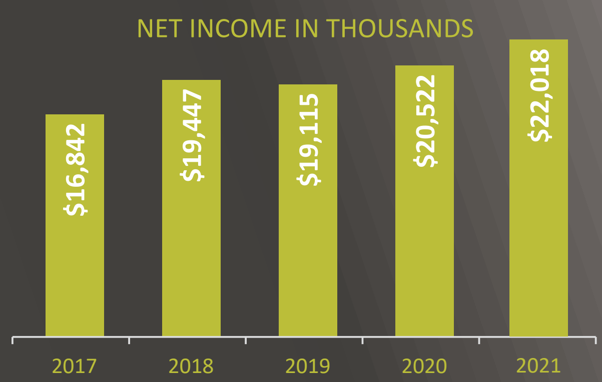
contents

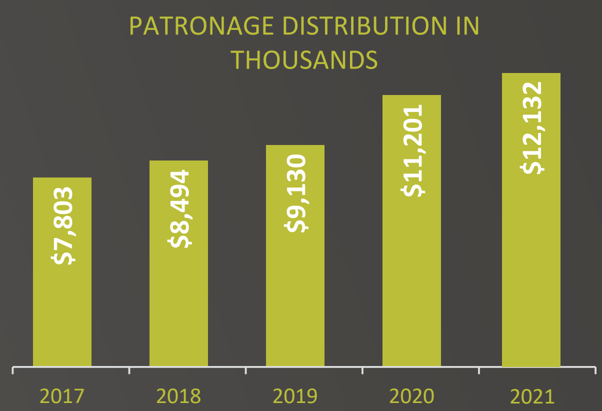
financial data

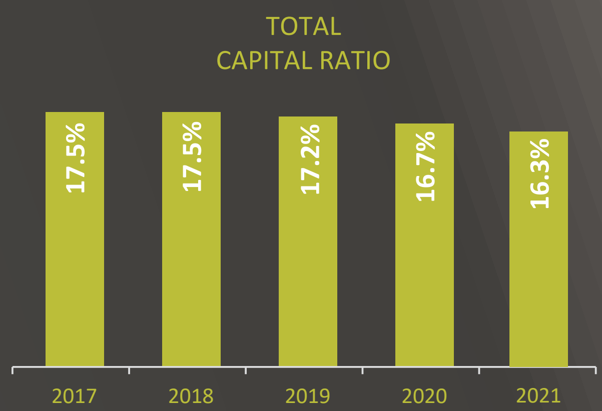












Larry Gibson

Douglas Thiessen

a message from our leadership

As we reflect on 2021, we are excited to say that Alabama Ag Credit generated record results last year. It's another amazing accomplishment, but achieving results like these does not just happen. To generate them, we need borrowers who see us as a valuable resource and a workforce that consistently dedicates our time, expertise, and financial knowledge to support those in agriculture and rural Alabama.

We produced records in several areas, including profitability, new loans closed, and total loan volume. As you can conclude from these results and the numerous other successes detailed in this year's Annual Report, member-borrowers like you have helped us create a stronger association.

We all faced challenges last year as the pandemic continued to negatively weigh on our economy. Supply chain disruptions and labor shortages have become the new norm. Input costs, product shortages, and rising inflation make it difficult for producers to make a profit. Still, through all the ups and downs, our business has remained strong. Our member-borrowers know having a reliable lender that understands the ups and downs of their operations is key to their success.

Again, we celebrate our strong financial performance last year, and we are even more proud to return over half of those profits to our member-borrowers. That means $12.1 million dollars will make its way to your pocket in March. Our member-borrowers are the beneficiaries of our success.

As we conclude our year and begin the next, we know our work isn't any less urgent. We thank you for the critical role you play in our efforts to meet our mission to serve the needs of our agricultural producers and rural communities here in Alabama. As we continue our journey, we are honored that you have chosen to join us as a partner, supporter, and friend.

Larry Gibson
Chairman of the Board

Douglas Thiessen
President/Chief Executive Officer

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA (Association) are prepared by management, who is responsible for the statements' 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. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Douglas Thiessen, President/Chief Executive Officer
March 11, 2022

Larry H. Gibson, Jr., Chairman, Board of Directors
March 11, 2022

Heather Smith, Sr. VP/Chief Financial Officer
March 11, 2022

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Douglas Thiessen, President/Chief Executive Officer	Heather Smith, Sr. VP/Chief Financial Officer
March 11, 2022	*March 11, 2022*

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the entire board of directors of Alabama Ag Credit, ACA. In 2021, five committee meetings were held. The Committee oversees the scope of Alabama Ag Credit, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Alabama Ag Credit, ACA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2021.

Management is responsible for Alabama Ag Credit, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of Alabama Ag Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed Alabama Ag Credit, ACA's audited consolidated financial statements for the year ended December 31, 2021 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Alabama Ag Credit, ACA's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from Alabama Ag Credit, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in Alabama Ag Credit, ACA's Annual Report to Stockholders for the year ended December 31, 2021.

Audit Committee Members

Richard M. Stabler, CPA, Chairman
Larry H. Gibson, Jr.
John Carl Sanders
Annie Dee
Richard H. Meadows
Ray Petty
Mark D. Platt
Roman McLeod
Bradfield Evans

March 11, 2022

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2021	2020	2019	2018	2017
Balance Sheet Data					
Assets					
Cash	**$ 9**	$ 10	$ 11	$ 10	$ 13
Investments	**-**	-	-	-	-
Loans	**1,229,614**	1,160,465	1,063,795	997,422	955,831
Less: allowance for loan losses	**8,804**	8,141	7,758	7,359	6,632
Net loans	**1,220,810**	1,152,324	1,056,037	990,063	949,199
Investment in and receivable from the Farm Credit Bank of Texas	**22,469**	20,502	21,182	18,026	16,875
Other property owned, net	**-**	100	-	45	41
Other assets	**15,658**	16,756	18,174	16,777	15,631
Total assets	**$ 1,258,946**	$ 1,189,692	$ 1,095,404	$ 1,024,921	$ 981,759
Liabilities					
Obligations with maturities of one year or less	**$ 21,351**	$ 19,603	$ 17,718	$ 15,402	$ 15,565
Obligations with maturities greater than one year	**1,027,316**	970,073	886,771	827,639	795,341
Total liabilities	**1,048,667**	989,676	904,489	843,041	810,906
Members' Equity					
Capital stock and participation certificates	**4,438**	4,289	4,196	4,114	4,005
Unallocated retained earnings	**206,271**	196,386	187,094	177,746	167,430
Accumulated other comprehensive (loss) income	**(430)**	(659)	(375)	20	(582)
Total members' equity	**210,279**	200,016	190,915	181,880	170,853
Total liabilities and members' equity	**$ 1,258,946**	$ 1,189,692	$ 1,095,404	$ 1,024,921	$ 981,759
Statement of Income Data					
Net interest income	**$ 31,271**	$ 29,207	$ 28,463	$ 28,916	$ 27,000
(Provision for loan losses) loan loss reversal	**(614)**	(813)	(420)	(792)	(692)
Income from the Farm Credit Bank of Texas	**7,356**	6,123	4,796	4,136	3,489
Other noninterest income	**603**	1,266	651	763	400
Noninterest expense	**(16,598)**	(15,261)	(14,375)	(13,576)	(13,355)
Benefit from income taxes	**-**	-	-	-	-
Extraordinary items	**-**	-	-	-	-
Net income (loss)	**$ 22,018**	$ 20,522	$ 19,115	$ 19,447	$ 16,842
Key Financial Ratios for the Year					
Return on average assets	**1.8%**	1.79%	1.8%	1.9%	1.8%
Return on average members' equity	**10.6%**	10.3%	10.0%	10.8%	9.9%
Net interest income as a percentage of average earning assets	**2.6%**	2.6%	2.7%	2.9%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2021	2020	2019	2018	2017
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**16.7%**	16.8%	17.4%	17.8%	17.4%
Debt as a percentage of members' equity	**498.7%**	494.8%	473.8%	463.5%	474.6%
Allowance for loan losses as a percentage of loans	**0.7%**	0.7%	0.7%	0.7%	0.7%
Common equity tier 1 ratio	**15.6%**	16.0%	16.5%	16.8%	16.8%
Tier 1 capital ratio	**15.6%**	16.0%	16.5%	16.8%	16.8%
Total capital ratio	**16.3%**	16.7%	17.2%	17.5%	17.5%
Permanent capital ratio	**15.7%**	16.1%	16.6%	16.9%	16.9%
Tier 1 leverage ratio	**15.9%**	16.3%	16.7%	16.9%	16.9%
UREE leverage ratio	**17.0%**	17.4%	17.8%	18.0%	18.0%
Net Income Distribution					
Cash dividends paid	**$ 11,201**	$ 9,767	$ 9,130	$ 8,494	$ 7,803

Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2021. For more information, see Note 9 in the accompanying consolidated financial statements, "Members Equity" included in this annual report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)**

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called the Association) for the years ended December 31, 2021, 2020 and 2019, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying consolidated financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

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

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System (System) as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). The potential impact of COVID-19 on the global, U.S. and local economies creates a high degree of economic uncertainty with business disruptions in supply chains in both the non-ag and the ag sectors. The Farm Credit Bank of Texas (Bank) and the Association continue during these unprecedented times to fulfill their mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Bank has been able to maintain access to the financial markets to redeem and replace preferred-stock and callable debt and fund incremental needs. There have been no significant changes to its funding strategies or interest rate risk profile. The credit quality of the Bank's loan portfolio continues to remain strong and capital levels remain strong as well.

As discussed further in the "Liquidity and Funding Sources" and "Relationship with the Farm Credit Bank of Texas" sections of Management's Discussion and Analysis, the Association relies on the Bank as its primary source of funding for its operations, and is therefore impacted by these factors that affect the Bank. The Association is closely monitoring its loan portfolio overall and is particularly focused on sectors that may be pressured by COVID-19 and its related economic impacts. The Association will continue to evaluate its allowance for loan losses as changes in outlook occur. Through December 31, 2021, and the date of this report, the Association's loan portfolio has maintained strong credit quality. In addition, capital levels remain strong to address adversity and support continuing loan demand. The Association has taken actions to provide relief to many Association borrowers affected by COVID-19. Servicing actions include deferring payments, extending terms, providing additional liquidity, and a temporary moratorium on foreclosures that expired by the end of the second quarter of 2020.

Operationally, the Association continues to function as normal during these challenging times. The Association has witnessed the benefits of past and current technology initiatives which allow Association personnel to work remotely and support both their families and their customer base. The Association's internal controls over financial reporting and disclosure controls and procedures continue to operate effectively and no material changes to the controls or financial systems have occurred or are contemplated. The Association will continue to monitor the potential impact of COVID-19.

In March 2021, the Association paid a patronage of $11,194,069 in cash from 2020 earnings to the Association's stockholders and in December 2021 declared another patronage of $12,132,310 from 2021 earnings to be paid in March 2022. In December 2021, the Association received a direct loan patronage of $6,377,901 from the Bank, representing approximately 63 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $372,061 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2021, the Association received a capital markets patronage of $425,091 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

In March 2020, the Association paid a patronage of $9,795,999 in cash from 2019 earnings to the Association's stockholders and in December 2020 declared another patronage of $11,201,017 from 2020 earnings to be paid in March 2021. In December 2020, the Association received a direct loan patronage of $5,108,308 from the Bank, representing 54.75 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received $433,165 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2020, the Association received a capital markets patronage of $406,617 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

In March 2019, the Association paid a patronage of $9,129,530 in cash from 2018 earnings to the Association's stockholders and in December 2019 declared another patronage of $9,767,396 from 2019 earnings to be paid in March 2020. In December 2019, the Association received a direct loan patronage of $4,012,119 from the Bank, representing 45.94 basis points on the average daily balance of the Association's direct loan with the Bank. During 2019, the Association received $495,121 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2019, the Association received a capital markets patronage of $288,419 from the Bank, representing 75 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

The Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The Association's loan portfolio is stated at recorded investment (principal less funds held) and consisted of 5,623 loans at December 31, 2021. Total loan volume as of December 31, 2021, 2020 and 2019 was $1,229,614,367, $1,160,464,933 and $1,063,795,171, respectively. The principal commodities comprising the Association's loan portfolio are timber, cattle, poultry and field crops. The composition of the Association's loan portfolio, including borrower profile, geographic distribution, commodity concentrations and asset quality, is described more fully in detailed tables in Note 3 to the financial statements, "Loans and Allowance for Loan Losses," included in this annual report.

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR) announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. Since this announcement, central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Bank and its affiliated associations are currently evaluating the impacts of a potential phase-out of the LIBOR benchmark interest rate, including the possibility of using SOFR as an alternative to LIBOR. The transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR based instruments, including certain of the Farm Credit System debt securities, the Bank's borrowings, loans, investments, derivatives, and other Bank assets and liabilities that are indexed to LIBOR. On December 18, 2020, the FCA posted an informational memorandum providing guidance to System institutions on the transition away from LIBOR, in which they emphasized that the IBA proposal is not intended to slow down the transition and that System institutions should continue reducing LIBOR exposures as soon as practicable.

System institutions have adopted transition plans with steps and timeframes to accomplish the following:
- reduce LIBOR exposure,
- stop the inflow of new LIBOR volume,
- develop and implement loan products with alternative reference rates,
- assess and, if necessary, revise fallback language on legacy LIBOR indexed loans and contracts,
- adjust operations processes, including accounting and management information systems to handle alternative reference rates, and
- communicate pending or imminent changes to customers, as appropriate.

The Bank established a LIBOR Workgroup, with cross-functional representation from the finance, operations, credit and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. In late 2020, the Funding Corporation launched an alternative benchmark rate based on SOFR as an alternative to LIBOR. The rate is a monthly reset variable rate index and is published on the Funding Corporation's website. As of December 31, 2021, the Association had $5.4 million in loan volume tied to the new index.

The Association's Asset/Liability Committee (ALCO) serves as the primary workgroup to address all matters related to the phase-out of LIBOR for the Association. ALCO is comprised of the Chief Executive Officer (CEO), Chief Credit Officer (CCO), Chief Financial Officer (CFO), and Chief Relationship Officer (CRO). Other resources will also be engaged as needed. The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index. At December 31, 2021, the Association's portfolio included LIBOR-indexed volume of $74,743,182, representing approximately 6.1 percent of the loan portfolio.

Purchase and Sales of Loans:

During 2021, 2020 and 2019, the Association was participating in loans with other lenders. As of December 31, 2021, 2020 and 2019, these participations totaled $69,199,270, $66,362,690 and $58,359,383, or 5.6 percent, 5.7 percent and 5.4 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the Texas Farm Credit District (District) of $0, $343,229 and $393,313, or 0.0 percent, 0.0 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $58,125,326, $66,392,397 and $46,023,235 as of December 31, 2021, 2020 and 2019, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2021		2020		2019	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 4,056,983**	**46.6%**	$ 7,775,295	96.3%	$ 8,324,241	98.4%
Formally restructured	**4,642,443**	**53.4%**	203,799	2.5%	135,473	1.6%
Other property owned, net	**-**	**0.0%**	100,000	1.2%	-	0.0%
Total	**$ 8,699,426**	**100.0%**	$ 8,079,094	100.0%	$ 8,459,714	100.0%

At December 31, 2021, 2020 and 2019, loans that were considered impaired were $8,699,426, $7,979,094 and $8,459,714, representing 0.7 percent, 0.7 percent and 0.8 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

Other property owned, net, consisted of one property as of December 31, 2020, which has been sold as of December 31, 2021.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural or rural real estate lender. To help mitigate and diversify credit risk, the Association has employed practices including obtaining credit guarantees and engaging in loan participations. The Association also has the option of securitizing loans if considered prudent to manage risk.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2021	2020	2019
Allowance for loan losses	**$ 8,804,126**	$ 8,140,866	$ 7,758,195
Allowance for loan losses to total loans	**0.7%**	0.7%	0.7%
Allowance for loan losses to nonaccrual loans	**217.0%**	104.7%	93.2%
Allowance for loan losses to impaired loans	**101.2%**	102.0%	91.7%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $8,804,126, $8,140,866 and $7,758,195 at December 31, 2021, 2020 and 2019, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2021, was $22,017,688 as compared to $20,521,652 for the year ended December 31, 2020, reflecting an increase of $1,496,036, or 7.3 percent. The Association's net income for the year ended December 31, 2019 was $19,115,421. Net income increased $1,406,231, or 7.4 percent, in 2020 versus 2019.

Net interest income for 2021, 2020 and 2019 was $31,270,592, $29,206,523 and $28,463,291, respectively, reflecting increases of $2,064,069, or 7.1 percent, for 2021 versus 2020 and $743,232, or 2.6 percent, for 2020 versus 2019. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2021		2020		2019	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,205,565,963**	**$ 52,366,901**	$ 1,114,407,502	$ 52,889,413	$ 1,044,718,502	$ 55,219,208
Interest-bearing liabilities	**1,013,964,904**	**21,096,309**	933,563,686	23,682,890	873,608,295	26,755,917
Impact of capital	**$ 191,601,059**		$ 180,843,816		$ 171,110,207	
Net interest income		**$ 31,270,592**		$ 29,206,523		$ 28,463,291

	2021 Average Yield	2020 Average Yield	2019 Average Yield
Yield on loans	**4.34%**	4.75%	5.29%
Cost of interest-bearing liabilities	**2.08%**	2.54%	3.06%
Interest rate spread	**2.26%**	2.21%	2.23%
Impact of capital	**0.33%**	0.41%	0.50%
Net interest income/average earning assets	**2.59%**	2.62%	2.73%

	2021 vs. 2020			2020 vs. 2019		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 4,319,546**	**$ (4,842,058)**	**$ (522,512)**	$ 3,683,482	$ (6,013,277)	$ (2,329,795)
Interest expense	**2,039,618**	**(4,626,199)**	**(2,586,581)**	1,836,254	(4,909,281)	(3,073,027)
Net interest income	**$ 2,279,928**	**$ (215,859)**	**$ 2,064,069**	$ 1,847,228	$ (1,103,996)	$ 743,232

Interest income for 2021 decreased by $522,512, or 1.0 percent, compared to 2020, primarily due to decreases in rates offset by increases in average loan volume. The Association recognized interest income of $618,414 from nonaccrual loans in 2021. Without the additional nonaccrual interest income, the yield on loans for 2021 would have been 4.29 percent, interest rate spread would have been 2.21 percent, and net interest income/average earning assets would have been 2.54 percent. Interest expense for 2021 decreased by $2,586,581, or 10.9 percent, compared to 2020 due to a decrease in the cost of debt partially offset by increases in average loan volume.

Interest income decreased by $2,329,795, or 4.2 percent, from 2019 to 2020 primarily due to decreases in yields on earning assets partially offset by an increase in average loan volume. The Association recognized interest income of $241,993 from nonaccrual loans in 2020. Without the additional nonaccrual interest income, the yield on loans for 2020 would have been 4.72 percent, interest rate spread would have been 2.19 percent, and net interest income/average earning assets would have been 2.60 percent. Interest expense decreased by $3,073,027, or 11.5 percent, from 2019 to 2020 due to a decrease in the cost of debt partially offset by an increase in average debt volume. Loan volume, and accordingly, the direct note to the Bank, increased during the reporting period as a result of increased and focused marketing efforts by the Association and retention of a highly experienced credit staff.

Noninterest income for 2021 increased by $593,491, or 8.1 percent, compared to 2020, due primarily to increased patronage from the Bank. Noninterest income for 2020 increased by $1,941,460, or 35.6 percent, compared to 2019, due primarily to increased patronage from the Bank and increased loan fees. Patronage from the Bank increased primarily as a result of a higher average direct loan with the Bank during 2021 as compared to 2020, as well as 2020 as compared to 2019, and a higher rate of patronage distributed in accordance with the Bank's patronage model as discussed in the Significant Events section, above. Loan fees increased in 2020 as compared to 2019 as a result of an increase in the number of interest rate conversions due to the lower rate environment.

Provisions for loan losses decreased by $198,342, or 24.4 percent, compared to 2020, even though there were more impaired loans in 2021 compared to 2020. Provisions for loan losses increased by $392,124, or 93.2 percent, in 2020 compared to 2019 even though there were fewer impaired loans in 2020 compared to 2019. The increase in provisions in 2020 was due to the charge off of one large credit.

Operating expenses consist primarily of salaries and employee benefits, Insurance Fund premiums and occupancy and equipment. Operating expenses increased by $1,359,866 or 8.9 percent, from 2020 to 2021. The increase was primarily due to a $706,934 increase in Insurance Fund premiums, resulting from an increase in the premium rates from 11 basis points in 2020 to 16 basis points in 2021. Operating expenses increased by $886,337 or 6.2 percent, from 2019 to 2020. The increase was primarily due to a $914,530 increase in salaries and employee benefits. Salaries and employee benefits increased primarily as a result of a larger workforce in 2020 versus 2019 coupled with normal increases in compensation rates. For further detail on the Association's employee benefit plans, see Note 2, "Summary of Significant Accounting Policies" and Note 11, "Employee Benefit Plans," to the consolidated financial statements included in this annual report.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $1,815,198, $1,614,971 and $1,187,910 for 2021, 2020 and 2019, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $1,588,796, $1,395,305 and $1,081,536 for 2021, 2020 and 2019, respectively, related to the origination of loans.

For the year ended December 31, 2021, 2020 and 2019, the Association's return on average assets was 1.8 percent. For the year ended December 31, 2021, the Association's return on average members' equity was 10.5 percent, as compared to 10.3 percent and 10.0 percent for the years ended December 31, 2020 and 2019, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,025,517,581, $968,268,302 and $884,543,103 as of December 31, 2021, 2020 and 2019, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.00 percent, 2.17 percent and 2.92 percent at December 31, 2021, 2020 and 2019, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2020, is due to increased funding needs generated by growth in the Association's loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $204,959,259, $192,858,180 and $179,739,079 at December 31, 2021, 2020 and 2019, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $1,234,181,754 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is

September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2022. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $210,279,336, $200,016,157 and $190,915,453 at December 31, 2021, 2020 and 2019, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2021, 2020 and 2019 was 15.7 percent, 16.1 percent and 16.6 percent, respectively. The Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The Association's common equity tier 1 ratio was 15.6 percent, tier 1 capital ratio was 15.6 percent, and total capital ratio was 16.3 percent at December 31, 2021. The Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum UREE leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio was 15.9 percent and UREE leverage ratio was 17.0 percent at December 31, 2021. The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2021. The following table reflects the Association's capital ratios at December 31:

	2021	2020	2019	Regulatory Minimums
Common equity tier 1 ratio	**15.6%**	16.0%	16.5%	7.0%
Tier 1 capital ratio	**15.6%**	16.0%	16.5%	8.5%
Total capital ratio	**16.3%**	16.7%	17.2%	10.5%
Permanent capital ratio	**15.7%**	16.1%	16.6%	7.0%
Tier 1 leverage ratio	**15.9%**	16.3%	16.7%	5.0%
UREE leverage ratio	**17.0%**	17.4%	17.8%	1.5%

Significant Recent Accounting Pronouncements:

Refer to Note 2 – "Summary of Significant Accounting Policies" in this annual report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2021, the Association was not under written agreements with the Farm Credit Administration.

On January 5, 2021, the FCA posted an informational memorandum (IM) providing guidance to the Farm Credit System on managing challenges associated with COVID-19. The informational memorandum provided supplements on flood insurance requirements, consumer financial protection, and electronic delivery of borrower rights notices. On January 12, 2021, the FCA posted a supplement to its January 5, 2021, IM, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement covers regulatory capital requirements for Paycheck Protection Program loans. On January 28, 2021, the FCA posted a supplement to its January 5, 2021, IM, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement discusses matters related to association annual meetings and elections during the 2021 calendar year.

On February 5, 2021, the FCA posted an IM on maintaining and using stockholder lists. The informational memorandum provides institutions with guidance on maintaining the lists and using them to establish who should receive voting and financial information.

On June 30, 2021, the FCA posted an advance notice of proposed rulemaking to seek public comments on how to amend or restructure bank liquidity regulations. The FCA is considering whether to amend the existing liquidity regulatory framework so banks can better withstand crises that adversely impact liquidity. The comment period ended on November 27, 2021.

On August 26, 2021, the FCA published a proposed rule in the Federal Register on defining and establishing risk-weightings for high-volatility commercial real estate (HVCRE) exposures. The comment period ended on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule on the tier 1/tier 2 capital framework. The rule clarifies the regulations, simplifies certain requirements, and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. It also codifies guidance provided in FCA Bookletter 068. On October 1, 2021, the FCA published the final rule on the tier 1/tier 2 capital framework in the Federal Register. The final rule became effective on January 1, 2022.

On December 8, 2021, the FCA posted an IM on managing the LIBOR transition. The IM provides institutions with guidance on the transition away from LIBOR, clarifies the meaning of new LIBOR contracts, and provides guidance on using alternative reference rates.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Regardless of the state of the agricultural and general economies, your Association's board of directors and management are committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Alabama Ag Credit, ACA

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- 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

Austin, Texas
March 11, 2022

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	December 31, 2021	2020	2019
Assets			
Cash	**$ 8,686**	$ 10,343	$ 11,379
Loans	**1,229,614,367**	1,160,464,933	1,063,795,171
Less: allowance for loan losses	**8,804,126**	8,140,866	7,758,195
Net loans	**1,220,810,241**	1,152,324,067	1,056,036,976
Accrued interest receivable	**8,457,988**	9,660,163	10,786,605
Investment in and receivable from the Bank:			
Capital stock	**20,155,010**	18,541,250	17,377,430
Accrued patronage receivable	**181,005**	406,617	288,432
Other	**2,132,556**	1,553,862	3,516,526
Other property owned, net	**-**	100,000	-
Premises and equipment	**6,308,781**	6,264,322	6,461,977
Other assets	**891,353**	831,976	925,087
Total assets	**$ 1,258,945,620**	$ 1,189,692,600	$ 1,095,404,412
Liabilities			
Note payable to the Bank	**$ 1,025,517,581**	$ 968,268,302	$ 884,543,103
Accrued interest payable	**1,798,078**	1,804,407	2,228,315
Drafts outstanding	**146,759**	203,007	862,901
Patronage distributions payable	**12,139,695**	11,201,454	9,767,488
Other liabilities	**9,064,171**	8,199,273	7,087,152
Total liabilities	**1,048,666,284**	989,676,443	904,488,959
Members' Equity			
Capital stock and participation certificates	**4,437,945**	4,289,225	4,196,475
Unallocated retained earnings	**206,271,466**	196,386,088	187,094,401
Accumulated other comprehensive loss	**(430,075)**	(659,156)	(375,423)
Total members' equity	**210,279,336**	200,016,157	190,915,453
Total liabilities and members' equity	**$ 1,258,945,620**	$ 1,189,692,600	$ 1,095,404,412

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
Interest Income			
Loans	**$ 52,366,901**	$ 52,889,413	$ 55,219,208
Interest Expense			
Note payable to the Bank	**21,096,309**	23,682,890	26,755,917
Net interest income	**31,270,592**	29,206,523	28,463,291
Provision for Loan Losses	**614,320**	812,662	420,538
Net interest income after provision for losses	**30,656,272**	28,393,861	28,042,753
Noninterest Income			
Income from the Bank	**7,356,308**	6,122,990	4,795,659
Loan fees	**423,662**	880,675	231,740
Gain (loss) on other property owned, net	**52,020**	(22,654)	(54,334)
Gain on sale of premises and equipment, net	**55,246**	61,093	173,272
Other noninterest income	**72,467**	324,108	246,735
Total noninterest income	**7,959,703**	7,366,212	5,393,072
Noninterest Expenses			
Salaries and employee benefits	**10,109,835**	9,914,845	9,000,315
Directors' expense	**370,826**	338,104	369,885
Purchased services	**592,456**	617,066	492,848
Travel	**720,490**	529,694	797,882
Occupancy and equipment	**1,031,503**	917,854	822,481
Communications	**356,326**	350,459	296,814
Advertising	**377,979**	386,594	344,224
Public and member relations	**467,034**	426,229	514,131
Supervisory and exam expense	**392,451**	376,687	370,789
Insurance Fund premiums	**1,717,060**	1,010,126	881,811
Other components of net periodic postretirement benefit cost	**122,753**	102,108	97,280
Other noninterest expense	**339,574**	268,655	331,944
Total noninterest expenses	**16,598,287**	15,238,421	14,320,404
NET INCOME	**22,017,688**	20,521,652	19,115,421
Other comprehensive income:			
Change in postretirement benefit plans	**229,081**	(283,733)	(395,401)
COMPREHENSIVE INCOME	**$ 22,246,769**	$ 20,237,919	$ 18,720,020

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2018	$ 4,114,255	$ 177,746,279	$ 19,978	$ 181,880,512
Net income	-	19,115,421	-	19,115,421
Other comprehensive income	-	-	(395,401)	(395,401)
Capital stock/participation certificates issued	605,365	-	-	605,365
Capital stock/participation certificates retired	(523,145)	-	-	(523,145)
Patronage dividends:				
Cash	-	(9,767,396)	-	(9,767,396)
Change in patronage declared and paid	-	97	-	97
Balance at December 31, 2019	4,196,475	187,094,401	(375,423)	190,915,453
Net income	-	20,521,652	-	20,521,652
Other comprehensive income	-	-	(283,733)	(283,733)
Capital stock/participation certificates issued	872,860	-	-	872,860
Capital stock/participation certificates retired	(780,110)	-	-	(780,110)
Patronage dividends:				
Cash	-	(11,201,017)	-	(11,201,017)
Change in patronage declared and paid	-	(28,948)	-	(28,948)
Balance at December 31, 2020	4,289,225	196,386,088	(659,156)	200,016,157
Net income	-	22,017,688	-	22,017,688
Other comprehensive income	-	-	229,081	229,081
Capital stock/participation certificates issued	992,040	-	-	992,040
Capital stock/participation certificates retired	(843,320)	-	-	(843,320)
Patronage dividends:				
Cash	-	(12,132,310)	-	(12,132,310)
Change in patronage declared and paid	-	-	-	-
Balance at December 31, 2021	**$ 4,437,945**	**$ 206,271,466**	**$ (430,075)**	**$ 210,279,336**

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	**$ 22,017,688**	$ 20,521,652	$ 19,115,421
Provision for loan losses	**614,320**	812,662	420,538
Provision for acquired property	**(36,000)**	36,000	(37,600)
(Gain) loss on other property owned, net	**(16,020)**	(26,312)	77,220
Depreciation and amortization	**465,232**	487,022	484,323
Gain on sale of premises and equipment, net	**(55,246)**	(60,079)	(166,428)
Decrease (increase) in accrued interest receivable	**1,202,175**	1,126,442	(958,728)
(Increase) decrease in other receivables from the Bank	**(353,082)**	1,844,479	(2,101,915)
(Increase) decrease in other assets	**(81,739)**	93,111	(18,365)
(Decrease) increase in accrued interest payable	**(6,329)**	(423,908)	142,454
Increase in other liabilities	**1,139,355**	828,388	228,954
Net cash provided by operating activities	**24,890,354**	25,239,457	17,185,874
Cash flows from investing activities:			
Increase in loans, net	**(69,097,404)**	(97,206,246)	(66,648,512)
Cash recoveries of loans previously charged off	**41,911**	40,390	37,515
Proceeds from purchase of investment in the Bank	**(1,613,760)**	(1,163,820)	(1,054,790)
Purchases of premises and equipment	**(516,385)**	(443,842)	(723,449)
Proceeds from sales of premises and equipment	**107,945**	170,969	347,498
Proceeds from sales of other property owned	**38,000**	-	281,140
Net cash used in investing activities	**(71,039,693)**	(98,602,549)	(67,760,598)

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
Cash flows from financing activities:			
Net draws on note payable to the Bank	**57,249,279**	83,725,199	58,990,421
(Decrease) increase in drafts outstanding	**(56,248)**	(659,894)	632,992
Issuance of capital stock and participation certificates	**992,040**	872,860	605,365
Retirement of capital stock and participation certificates	**(843,320)**	(780,110)	(523,145)
Patronage distributions paid	**(11,194,069)**	(9,795,999)	(9,129,530)
Net cash provided by financing activities	**46,147,682**	73,362,056	50,576,103
Net (decrease) increase in cash	**(1,657)**	(1,036)	1,379
Cash at the beginning of the year	**10,343**	11,379	10,000
Cash at the end of the year	**$ 8,686**	$ 10,343	$ 11,379
Supplemental schedule of noncash investing and financing activities:			
Financed sales of other property owned	**$ 150,500**	$ -	$ -
Loans transferred to other property owned	**36,480**	136,000	275,720
Loans charged off	**15,985**	444,069	34,924
Patronage declared	**12,132,310**	11,201,017	9,767,396
Change in AOCI	**(229,081)**	283,733	395,401
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 21,102,638**	$ 24,340,240	$ 27,913,217

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

ALABAMA AG CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called the Association) is a member owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama.

   The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2021, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

   The Farm Credit Bank of Texas (Bank) and its related associations (including the Association) are collectively referred to as the Texas Farm Credit District (District). The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2021, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

   The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the Association.

   FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

   The Association also serves as an intermediary in offering credit life and term life insurance to borrowers.

   The Association’s financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders’ investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated and all material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to GAAP and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements include the accounts of Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

In March 2020, the FASB issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions 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 contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations; nor did the guidance impact the presentation of taxes for prior periods in the 2020 year-end financial statements.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted, and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2019. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

B. Cash and Cash Equivalents: Cash and cash equivalents, as included in the statement of cash flows, represent cash on hand and on deposit at local banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.
Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still

accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

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

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

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

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowances for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of these circumstances.
The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the

loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets.

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

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other district associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors. The Association had advance conditional payments of $18,605,779, $14,844,722 and $17,334,811 at December 31, 2021, 2020 and 2019, respectively, all of which was restricted and therefore was all netted against the related loan balances in the consolidated balance sheet.

H. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

   Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2021, made on their behalf into various investment alternatives.

   The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability in the consolidated balance sheet.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3 percent of eligible earnings, and to match 50 percent of employee contributions for the next 2 percent of employee contributions, up to a maximum employer contribution of 4 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred.

In addition to the DB plan, the DC plan, and the Farm Credit Benefits Alliance 401(k) Plan, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan. Therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities in the consolidated balance sheet. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans."

I. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds from the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

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 are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions 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. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES AND UNFUNDED COMMITMENTS

A summary of loans as of December 31 follows:

	2021		2020		2019	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 998,985,301**	**81.2%**	$ 938,239,785	80.8%	$ 867,916,496	81.6%
Production and intermediate term	**113,307,883**	**9.2%**	124,885,845	10.8%	120,331,139	11.3%
Agribusiness:						
Processing and marketing	**35,054,092**	**2.9%**	31,386,952	2.7%	35,352,598	3.3%
Farm-related business	**22,633,008**	**1.8%**	10,726,553	0.9%	15,959	0.0%
Loans to cooperatives	**5,625,925**	**0.5%**	6,423,734	0.6%	3,878,008	0.4%
Rural residential real estate	**49,880,090**	**4.1%**	43,082,896	3.7%	32,732,601	3.1%
Energy and Water/Waste Water	**2,551,045**	**0.2%**	3,111,657	0.3%	934,042	0.1%
International	**1,577,023**	**0.1%**	-	0.0%	-	0.0%
Communication	**-**	**0.0%**	2,607,511	0.2%	2,634,328	0.2%
Total	**$ 1,229,614,367**	**100.0%**	$ 1,160,464,933	100.0%	$ 1,063,795,171	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding participations purchased and sold as of December 31, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 49,535,526	$ 11,440,508	-	-	$ 49,535,526	$ 11,440,508
Production and intermediate term	12,528,362	124,869	-	-	12,528,362	124,869
Real estate mortgage	3,007,314	46,559,949	-	-	3,007,314	46,559,949
Energy and Water/Waste Water	2,551,045	-	-	-	2,551,045	-
International	1,577,023	-	-	-	1,577,023	-
Total	$ 69,199,270	$ 58,125,326	$ -	$ -	$ 69,199,270	$ 58,125,326

Geographic Distribution: Distribution is based on collateral location.

County	**2021**	2020	2019
Baldwin	**6.4%**	5.2%	4.6%
Dallas	**4.3%**	3.9%	4.5%
Dale	**4.2%**	4.6%	4.7%
Montgomery	**4.0%**	4.4%	4.0%
Marengo	**3.9%**	4.6%	4.2%
Henry	**3.7%**	4.0%	3.1%
Coffee	**3.2%**	3.5%	3.6%
Bullock	**3.1%**	3.4%	3.8%
Houston	**2.8%**	2.8%	3.0%
Geneva	**2.8%**	3.0%	2.9%
Tuscaloosa	**2.7%**	2.6%	2.7%
Monroe	**2.7%**	2.7%	3.5%
Hale	**2.6%**	2.4%	2.3%
Macon	**2.5%**	3.0%	3.1%
Mobile	**2.3%**	2.2%	2.5%
Barbour	**2.3%**	2.5%	3.2%
Pike	**2.3%**	2.2%	2.1%
Lowndes	**2.2%**	2.5%	3.2%
Perry	**2.2%**	2.4%	1.6%
Wilcox	**2.1%**	2.2%	1.6%
Autauga	**2.0%**	1.9%	2.0%
Lee	**2.0%**	1.7%	2.0%
Washington	**1.9%**	2.1%	1.3%
Escambia	**1.9%**	1.4%	1.2%
Elmore	**1.9%**	1.9%	1.9%
Coosa	**1.8%**	1.8%	1.4%
Greene	**1.7%**	1.8%	2.0%
Chilton	**1.7%**	1.8%	1.6%
Tallapoosa	**1.5%**	1.4%	1.2%
Russell	**1.5%**	1.3%	1.3%
Sumter	**1.4%**	1.1%	1.1%
Chambers	**1.3%**	1.1%	1.1%
Pickens	**1.3%**	1.4%	1.7%
Crenshaw	**1.3%**	1.5%	1.7%
Clarke	**1.1%**	1.3%	1.2%
Other Counties	**4.8%**	4.8%	5.7%
Other States	**8.6%**	7.6%	7.4%
Totals	**100.0%**	**100.0%**	**100.0%**

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

	2021		2020		2019	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Timber	**$ 661,347,156**	**53.8%**	$ 611,814,919	52.7%	$ 538,591,023	50.6%
Livestock, except dairy and poultry	**166,287,277**	**13.5%**	143,476,643	12.4%	135,276,611	12.7%
Poultry and eggs	**114,726,329**	**9.3%**	125,493,255	10.8%	131,351,349	12.3%
Field crops except cash grains	**100,426,864**	**8.2%**	96,812,924	8.3%	97,868,355	9.2%
Rural home loans	**57,809,792**	**4.7%**	51,133,572	4.4%	42,073,104	4.0%
Lumber and wood products, except furniture	**24,333,973**	**2.0%**	29,514,707	2.5%	21,222,805	2.0%
Food and kindred products	**19,772,934**	**1.6%**	13,501,858	1.2%	14,632,339	1.4%
Wholesale trade - nondurable goods	**14,934,222**	**1.2%**	14,226,495	1.2%	5,790,000	0.5%
Animal specialties	**14,920,699**	**1.2%**	13,788,440	1.2%	13,098,001	1.2%
Other	**55,055,121**	**4.5%**	60,702,120	5.3%	63,891,584	6.1%
Total	**$ 1,229,614,367**	**100.0%**	$ 1,160,464,933	100.0%	$ 1,063,795,171	100.0%

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

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

The following table presents information relating to impaired loans:

	December 31, 2021	2020	2019
Nonaccrual loans			
Current as to principal and interest	**$ 1,984,310**	$ 4,806,586	$ 5,494,677
Past Due	**2,072,673**	2,968,709	2,829,564
Total nonaccrual loans	**4,056,983**	7,775,295	8,324,241
Impaired accrual loans			
Restructured accrual loans	**4,642,443**	203,799	135,473
Total impaired accrual loans	**4,642,443**	203,799	135,473
Total impaired loans	**$ 8,699,426**	$ 7,979,094	$ 8,459,714

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

	December 31, 2021	December 31, 2020	December 31, 2019
Nonaccrual loans:			
Real estate mortgage	**$ 3,347,224**	$ 6,315,042	$ 7,480,266
Production and intermediate term	**649,187**	1,460,253	789,891
Rural residential real estate	**60,572**	-	38,125
Agribusiness	**-**	-	15,959
Total nonaccrual loans	**4,056,983**	7,775,295	8,324,241
Accruing restructured loans:			
Real estate mortgage	**3,565,659**	203,799	135,473
Production and intermediate term	**1,076,784**	-	-
Total accruing restructured loans	**4,642,443**	203,799	135,473
Total nonperforming loans	**8,699,426**	7,979,094	8,459,714
Other property owned	**-**	100,000	-
Total nonperforming assets	**$ 8,699,426**	$ 8,079,094	$ 8,459,714

One credit quality indicator utilized by the Bank and the Association is the FCA's Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest classified under the FCA's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31. There were no loans and related interest in the loss category.

	2021	2020	2019
Real estate mortgage			
Acceptable	**98.6** %	97.9 %	97.9 %
OAEM	**0.6**	0.9	0.6
Substandard/doubtful	**0.8**	1.2	1.5
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**97.3**	93.5	96.5
OAEM	**1.2**	5.3	1.9
Substandard/doubtful	**1.5**	1.2	1.6
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	100.0	86.9
OAEM	**-**	-	13.1
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	100.0
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy and Water/Waste Water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.8**	99.8	99.6
OAEM	**0.1**	0.1	-
Substandard/doubtful	**0.1**	0.1	0.4
	100.0	100.0	100.0
International			
Acceptable	**100.0**	-	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	-	-
Total Loans			
Acceptable	**98.6**	97.6	97.5
OAEM	**0.6**	1.3	1.1
Substandard/doubtful	**0.8**	1.1	1.4
	100.0 %	100.0 %	100.0 %

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2021, 2020 and 2019:

December 31, 2021:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 3,830,400**	**$ 1,231,486**	**$ 5,061,886**	**$ 1,000,844,097**	**$ 1,005,905,983**	**$ -**
Production and intermediate term	**-**	**432,736**	**432,736**	**114,108,886**	**114,541,622**	**-**
Rural residential real estate	**48,896**	**27,126**	**76,022**	**49,941,263**	**50,017,285**	**-**
Processing and marketing	**-**	**-**	**-**	**35,167,242**	**35,167,242**	**-**
Farm-related business	**-**	**-**	**-**	**22,673,453**	**22,673,453**	**-**
Loans to cooperatives	**-**	**-**	**-**	**5,635,136**	**5,635,136**	**-**
Energy and Water/Waste Water	**-**	**-**	**-**	**2,553,042**	**2,553,042**	**-**
International	**-**	**-**	**-**	**1,578,592**	**1,578,592**	**-**
Communication	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 3,879,296**	**$ 1,691,348**	**$ 5,570,644**	**$ 1,232,501,711**	**$ 1,238,072,355**	**$ -**

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,499,143	$ 2,102,912	$ 4,602,055	$ 941,700,770	$ 946,302,825	$ -
Production and intermediate term	9,538	718,690	728,228	125,494,605	126,222,833	-
Rural residential real estate	25,995	-	25,995	43,186,236	43,212,231	-
Processing and marketing	-	-	-	31,474,587	31,474,587	-
Farm-related business	-	-	-	10,740,077	10,740,077	-
Loans to cooperatives	-	-	-	6,450,703	6,450,703	-
Energy and Water/Waste Water	-	-	-	3,114,192	3,114,192	-
International	-	-	-	-	-	-
Communication	-	-	-	2,607,648	2,607,648	-
Total	$ 2,534,676	$ 2,821,602	$ 5,356,278	$ 1,164,768,818	$ 1,170,125,096	$ -

December 31, 2019:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 4,372,447	$ 251,030	$ 4,623,477	$ 872,120,416	$ 876,743,893	$ -
Production and intermediate term	201,975	410,499	612,474	121,424,888	122,037,362	-
Rural residential real estate	29,480	-	29,480	32,821,510	32,850,990	-
Processing and marketing	-	-	-	35,476,359	35,476,359	-
Farm-related business	-	-	-	15,959	15,959	-
Loans to cooperatives	-	-	-	3,886,270	3,886,270	-
Energy and Water/Waste Water	-	-	-	936,702	936,702	-
International	-	-	-	-	-	-
Communication	-	-	-	2,634,241	2,634,241	-
Total	$ 4,603,902	$ 661,529	$ 5,265,431	$ 1,069,316,345	$ 1,074,581,776	$ -

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of December 31, 2021, the total recorded investment of TDR loans was $6,098,182, including $1,455,739 classified as nonaccrual and $4,642,443 classified as accrual, with specific allowance for loan losses of $1,654,006. There were no additional commitments to lend to borrowers whose loans have been modified in TDR at December 31, 2021, 2020 or 2019.

The following tables present additional information regarding TDRs, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2021, 2020 and 2019. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2021:	**Pre-modification Outstanding Recorded Investment**		**Post-modification Outstanding Recorded Investment**	
Troubled debt restructurings:				
Real estate mortgage	**$**	**1,589,937**	**$**	**3,395,157**
Production and intermediate term		**1,131,175**		**1,217,102**
Total	**$**	**2,721,112**	**$**	**4,612,259**

December 31, 2020:	Pre-modification Outstanding Recorded Investment		Post-modification Outstanding Recorded Investment	
Troubled debt restructurings:				
Real estate mortgage	$	2,909,333	$	2,957,716
Production and intermediate term		73,109		1,472
Total	$	2,982,442	$	2,959,188

December 31, 2019:	Pre-modification Outstanding Recorded Investment		Post-modification Outstanding Recorded Investment	
Troubled debt restructurings:				
Real estate mortgage	$	249,981	$	251,031
Production and intermediate term		163,863		145,911
Total	$	413,844	$	396,942

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for troubled debt restructuring includes extension of the term and/or delayed payments. Other types of modifications include principal or accrued interest reductions and interest rate decreases, among others. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case management assesses all of the modified terms to determine if the overall modification qualifies as a TDR.

For the years ended December 31, 2021, 2020 and 2019, there were no loans that met the accounting criteria as a TDR and that occurred within the previous 12 months of that year and for which there was a payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs					
	December 31, 2021		December 31, 2020		December 31, 2019	
Troubled debt restructurings:						
Real estate mortgage	**$**	**4,804,946**	$	3,055,470	$	399,840
Production and intermediate term		**1,293,236**		129,983		177,417
Total	**$**	**6,098,182**	$	3,185,453	$	577,257

	TDRs in Nonaccrual Status*					
	December 31, 2021		December 31, 2020		December 31, 2019	
Troubled debt restructurings:						
Real estate mortgage	**$**	**1,239,288**	$	1,305,371	$	264,366
Production and intermediate term		**216,451**		128,511		177,417
Total	**$**	**1,455,739**	$	1,433,882	$	441,783

*Represents the portion of loans modified as TDRs that are in nonaccrual status.

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2021	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,462,259	$ 5,450,570	$ 1,519,795	$ 4,126,339	$ 83,315
Production and intermediate term	1,708,238	1,735,687	422,288	1,627,647	31,055
Rural residential real estate	-	-	-	-	-
Total	$ 7,170,497	$ 7,186,257	$ 1,942,083	$ 5,753,986	$ 114,370
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,450,624	$ 1,561,770	$ -	$ 1,059,540	$ 13,508
Production and intermediate term	17,733	104,064	-	19,782	860
Rural residential real estate	60,572	60,572	-	2,684	2,821
Total	$ 1,528,929	$ 1,726,406	$ -	$ 1,082,006	$ 17,189
Total impaired loans:					
Real estate mortgage	$ 6,912,883	$ 7,012,340	$ 1,519,795	$ 5,185,879	$ 96,823
Production and intermediate term	1,725,971	1,839,751	422,288	1,647,429	31,915
Rural residential real estate	60,572	60,572	-	2,684	2,821
Total	$ 8,699,426	$ 8,912,663	$ 1,942,083	$ 6,835,992	$ 131,559

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2020	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 2,703,110	$ 2,775,365	$ 610,686	$ 4,031,039	$ 6,967
Production and intermediate term	350,371	350,371	186,940	517,569	8,932
Farm-related business	-	-	-	-	-
Rural residential real estate	-	-	-	25,868	-
Total	$ 3,053,481	$ 3,125,736	$ 797,626	$ 4,574,476	$ 15,899
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,815,730	$ 3,970,446	$ -	$ 3,696,711	$ 33,797
Production and intermediate term	1,109,883	1,198,265	-	1,188,129	30,147
Farm-related business	-	-	-	2,497	-
Rural residential real estate	-	-	-	79,310	2,011
Total	$ 4,925,613	$ 5,168,711	$ -	$ 4,966,647	$ 65,955
Total impaired loans:					
Real estate mortgage	$ 6,518,840	$ 6,745,811	$ 610,686	$ 7,727,750	$ 40,764
Production and intermediate term	1,460,254	1,548,636	186,940	1,705,698	39,079
Farm-related business	-	-	-	2,497	-
Rural residential real estate	-	-	-	105,178	2,011
Total	$ 7,979,094	$ 8,294,447	$ 797,626	$ 9,541,123	$ 81,854

	Recorded Investment at 12/31/2019	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,049,868	$ 5,096,160	$ 1,000,767	$ 2,705,877	$ 47,497
Production and intermediate term	142,311	142,311	141,311	186,354	793
Farm-related business	-	-	-	-	-
Rural residential real estate	38,125	38,126	16,230	15,408	185
Total	$ 5,230,304	$ 5,276,597	$ 1,158,308	$ 2,907,639	$ 48,475
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,565,872	$ 2,736,397	$ -	$ 4,480,291	$ 54,597
Production and intermediate term	647,580	648,117	-	338,326	8,610
Farm-related business	15,959	15,959	-	16,613	-
Rural residential real estate	-	-	-	35,177	390
Total	$ 3,229,411	$ 3,400,473	$ -	$ 4,870,407	$ 63,597
Total impaired loans:					
Real estate mortgage	$ 7,615,740	$ 7,832,557	$ 1,000,767	$ 7,186,168	$ 102,094
Production and intermediate term	789,891	790,428	141,311	524,680	9,403
Farm-related business	15,959	15,959	-	16,613	-
Rural residential real estate	38,125	38,126	16,230	50,585	575
Total	$ 8,459,715	$ 8,677,070	$ 1,158,308	$ 7,778,046	$ 112,072

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2021, 2020 and 2019.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2021	2020	2019
Interest income which would have been recognized under the original terms	**$ 394,785**	$ 623,637	$ 569,817
Less: interest income recognized	**(131,559)**	(81,854)	(112,072)
Foregone interest income	**$ 263,226**	$ 541,783	$ 457,745

A summary of the changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at December 31, 2020	$ 7,116,942	$ 755,490	$ 188,161	$ 2,090	$ 6,668	$ 71,515	$ -	$ 8,140,866
Charge-offs	(15,448)	(537)	-	-	-	-	-	(15,985)
Recoveries	40,465	1,446	-	-	-	-	-	41,911
Provision for loan losses	858,775	(140,317)	(107,769)	(2,090)	1,807	1,642	2,272	614,320
Other	(433)	1,313	23,934	-	(783)	(1)	(1,016)	23,014
Balance at December 31, 2021	$ 8,000,301	$ 617,395	$ 104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 8,804,126
Ending Balance: individually evaluated for impairment	$ 1,875,562	$ 422,288	$ -	$ -	$ -	$ -	$ -	$ 2,297,850
Ending Balance: collectively evaluated for impairment	$ 6,124,739	$ 195,107	$ 104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 6,506,276
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2021	$ 1,005,905,983	$ 114,541,622	$ 63,475,831	$ -	$ 2,553,042	$ 50,017,285	$ 1,578,592	$ 1,238,072,355
Ending balance for loans individually evaluated for impairment	$ 8,204,825	$ 1,708,238	$ -	$ -	$ -	$ 60,572	$ -	$ 9,973,635
Ending balance for loans collectively evaluated for impairment	$ 997,701,158	$ 112,833,384	$ 63,475,831	$ -	$ 2,553,042	$ 49,956,713	$ 1,578,592	$ 1,228,098,720

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at December 31, 2019	$ 7,175,026	$ 378,935	$ 101,231	$ 2,159	$ 2,389	$ 98,455	$ -	$ 7,758,195
Charge-offs	(69,676)	(374,393)	-	-	-	-	-	(444,069)
Recoveries	40,390	-	-	-	-	-	-	40,390
Provision for loan losses	(28,851)	758,759	106,799	(69)	2,501	(26,478)	-	812,661
Other	53	(7,811)	(19,869)	-	1,778	(462)	-	(26,311)
Balance at December 31, 2020	$ 7,116,942	$ 755,490	$ 188,161	$ 2,090	$ 6,668	$ 71,515	$ -	$ 8,140,866
Ending Balance: individually evaluated for impairment	$ 996,329	$ 507,415	$ -	$ -	$ -	$ 9,255	$ -	$ 1,512,999
Ending Balance: collectively evaluated for impairment	$ 6,120,613	$ 248,075	$ 188,161	$ 2,090	$ 6,668	$ 62,260	$ -	$ 6,627,867
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2020	$ 946,302,825	$ 126,222,833	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,212,231	$ -	$ 1,170,125,096
Ending balance for loans individually evaluated for impairment	$ 11,001,810	$ 1,569,536	$ -	$ -	$ -	$ 56,956	$ -	$ 12,628,302
Ending balance for loans collectively evaluated for impairment	$ 935,301,015	$ 124,653,297	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,155,275	$ -	$ 1,157,496,794

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at December 31, 2018	$ 6,910,644	$ 364,699	$ 43,021	$ 2,268	$ -	$ 38,490	$ -	$ 7,359,122
Charge-offs	(28,202)	-	-	-	-	(6,722)	-	(34,924)
Recoveries	37,515	-	-	-	-	-	-	37,515
Provision for loan losses	254,811	29,431	69,770	(109)	-	66,635	-	420,538
Other	258	(15,195)	(11,560)	-	2,389	52	-	(24,056)
Balance at December 31, 2019	$ 7,175,026	$ 378,935	$ 101,231	$ 2,159	$ 2,389	$ 98,455	$ -	$ 7,758,195
Ending Balance: individually evaluated for impairment	$ 1,354,230	$ 141,311	$ -	$ -	$ -	$ 47,007	$ -	$ 1,542,548
Ending Balance: collectively evaluated for impairment	$ 5,820,796	$ 237,624	$ 101,231	$ 2,159	$ 2,389	$ 51,448	$ -	$ 6,215,647
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2019	$ 876,743,893	$ 122,037,362	$ 39,378,588	$ 2,634,241	$ 936,702	$ 32,850,990	$ -	$ 1,074,581,776
Ending balance for loans individually evaluated for impairment	$ 13,125,547	$ 1,902,058	$ 15,959	$ -	$ -	$ 130,087	$ -	$ 15,173,651
Ending balance for loans collectively evaluated for impairment	$ 863,618,346	$ 120,135,304	$ 39,362,629	$ 2,634,241	$ 936,702	$ 32,720,903	$ -	$ 1,059,408,125

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 4.9 percent, 5.2 percent and 5.2 percent of the issued stock of the Bank as of December 31, 2021, 2020 and 2019. As of those dates, the Bank's assets totaled $33.1 billion, $28.2 billion and $25.7 billion and members' equity totaled $2.0 billion, $2.0 billion and $1.8 billion. The Bank's earnings were $254.6 million, $251.1 million and $203.0 million during 2021, 2020 and 2019.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2021	2020	2019
Land and improvements	**$ 1,500,108**	$ 1,500,108	$ 1,500,108
Building and improvements	**4,745,450**	4,729,917	4,721,667
Furniture and equipment	**654,429**	473,253	465,481
Computer equipment and software	**363,112**	367,610	300,336
Automobiles	**1,882,679**	1,605,216	1,515,196
Construction in progress	**-**	5,988	-
	9,145,778	8,682,092	8,502,788
Accumulated depreciation	**(2,836,997)**	(2,417,770)	(2,040,811)
Total	**$ 6,308,781**	$ 6,264,322	$ 6,461,977

The Association owns its office space in Montgomery (Branch), Dothan, Enterprise, Opelika, Monroeville and Spanish Fort. The Association leases office space in Montgomery (Administration), Demopolis, Selma and Tuscaloosa, all in Alabama. Lease expense was $263,828, $242,461 and $241,155 for 2021, 2020 and 2019, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating Leases
2022	$ 110,233
2023	36,825
2024	36,825
2025	27,619
Total	$ 211,502

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2021	2020	2019
Gain (loss) on sale, net	**$ 16,020**	$ 13,346	$ (91,934)
Operating income (expense), net	**36,000**	(36,000)	37,600
Net gain (loss) on other property owned	**$ 52,020**	$ (22,654)	$ (54,334)

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2021	2020	2019
Captive insurance savings	**$ 501,693**	$ 475,884	$ 408,749
Right to use asset	**205,497**	183,135	396,876
Other assets	**184,163**	172,957	119,462
Total	**$ 891,353**	$ 831,976	$ 925,087

Other liabilities comprised the following at December 31:

	2021	2020	2019
Accumulated postretirement benefit obligation	**$ 3,297,898**	$ 3,382,079	$ 2,988,633
Accrued incentive bonus and related benefits	**2,449,719**	2,363,960	1,900,930
FCS insurance premiums payable	**1,514,276**	832,290	726,371
Lease liability	**205,497**	183,135	396,876
Other liabilities	**1,596,781**	1,437,809	1,074,342
Total	**$ 9,064,171**	$ 8,199,273	$ 7,087,152

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2021, 2020 and 2019, was $1,025,517,581 at 2.00 percent, $968,268,302 at 2.17 percent and $884,543,103 at 2.92 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2021, 2020 and 2019, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $1,234,181,754, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2021, 2020 and 2019, the Association was not subject to remedies associated with the covenants in the general financing agreement. Other than the funding relationship with the Bank, the Association has no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

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

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock or participation certificates is equal to 2 percent of the aggregate of all of the borrower's loans, up to a maximum of $1,000. If needed to meet regulatory capital adequacy requirements, the maximum amount to which the board of directors may increase the stock requirement is 5 percent of the individual loan amounts.

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

The Association's capitalization bylaws generally permit stock and participation certificates to be retired at the discretion of the board of directors and in accordance with the Association's capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, the Association exceeded the prescribed standards. Further, neither management nor the board of directors anticipates any significant changes in capital that would affect the normal retirement of stock.

Each owner of Class A stock (for farm loans) is entitled to a single vote, while participation certificates (for rural home and farm-related business loans) provide no voting rights to their owners.

Within two years of repayment of a loan, the Association's capital bylaws require the conversion of any borrower's outstanding Class A stock to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class C stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2021, 2020 and 2019, the Association had no Class C capital stock.

Class P stock may be issued only for allocated surplus distributions, stock dividends, and patronage distributions to borrowers eligible to hold Class A stock. Class P stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class P stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class P shares is made solely at the discretion of the Association's board of directors. At December 31, 2021, 2020 and 2019, the Association had no Class P capital stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A stock, Class C stock, Class P stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2021, 2020 and 2019, respectively:

Date Declared	Date Paid	Patronage
December 2021	**March 2022**	**$ 12,132,310**
December 2020	March 2021	$ 11,201,017
December 2019	March 2020	$ 9,767,396

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2021, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2021:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2021
Common equity tier 1 ratio	4.50%	7.00%	15.62%
Tier 1 capital ratio	6.00%	8.50%	15.62%
Total capital ratio	8.00%	10.50%	16.29%
Permanent capital ratio	7.00%	7.00%	15.72%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	15.89%
UREE leverage ratio	1.50%	1.50%	17.02%

Risk-weighted assets have been defined by 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. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

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

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

The ratios are based on a 90-days average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower 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 and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions 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.

The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2021:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 211,354,262	$ 211,354,262	$ 211,354,262	$ 211,354,262
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,444,543	4,444,543	4,444,543	4,444,543
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	8,451,647	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(18,577,111)	(18,577,111)	(18,577,111)	(18,577,111)
	$ 197,221,694	$ 197,221,694	$ 205,673,341	$ 197,221,694
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,281,348,772	$ 1,281,348,772	$ 1,281,348,772	$ 1,281,348,772
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(18,577,111)	(18,577,111)	(18,577,111)	(18,577,111)
Allowance for loan losses	-	-	-	(8,342,746)
	$ 1,262,771,661	$ 1,262,771,661	$ 1,262,771,661	$ 1,254,428,915

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2021:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 211,354,262	$ 211,354,262
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,444,543	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(18,577,111)	-
	$ 197,221,694	$ 211,354,262
Denominator:		
Total Assets	$ 1,266,697,992	$ 1,266,697,992
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(25,249,582)	(25,249,582)
	$ 1,241,448,410	$ 1,241,448,410

The Association's board of directors has established a Capital Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association's capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

As mentioned in Note 2, "Summary of Significant Accounting Policies," the Association is required to purchase stock in the Bank. The level of stock required is calculated annually based on the average borrowings of the Association from the Bank. The required level is currently 2 percent of the average borrowing from the previous 12 months. This stock investment in the Bank reduces the amount of Association capital available for inclusion in the Association's capital adequacy calculations.

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

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2021	2020	2019
Class A stock	**782,268**	768,226	762,464
Participation certificates	**105,321**	89,619	76,831
Total	**887,589**	857,845	839,295

The Association's accumulated other comprehensive (loss) income relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive (loss) income and the location on the income statement for the year ended December 31:

	2021	2020	2019
Accumulated other comprehensive (loss) income at January 1	**$ (659,156)**	$ (375,423)	$ 19,978
Amortization of prior service (credit) costs included in salaries and employee benefits	**(20,223)**	192	(20,218)
Amortization of actuarial loss included in salaries and employee benefits	**49,202**	-	-
Net actuarial gain (loss)	**200,102**	(283,925)	(375,183)
Other comprehensive income (loss), net of tax	**229,081**	(283,733)	(395,401)
Accumulated other comprehensive (loss) income at December 31	**$ (430,075)**	$ (659,156)	$ (375,423)

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2021	2020	2019
Federal tax at statutory rate	**$ 4,623,714**	$ 4,309,547	$ 4,014,238
State tax, net	**1,431,150**	1,333,907	1,242,502
Effect of nontaxable FLCA subsidiary	**(5,886,061)**	(5,389,250)	(5,118,208)
Change in valuation allowance	**104,230**	(61,401)	13,009
Other	**(273,033)**	(192,803)	(151,541)
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2021	2020	2019
Deferred Tax Assets			
Allowance for loan losses	**$ 186,949**	$ 66,454	$ 116,872
Loss carryforwards	**977,217**	977,217	977,217
Other	**(22,447)**	(6,183)	4,800
Gross deferred tax assets	**1,141,719**	1,037,488	1,098,889
Deferred tax asset valuation allowance	**(1,141,719)**	(1,037,488)	(1,098,889)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded a full valuation allowance of $1,141,719, $1,037,488 and $1,098,889 during 2021, 2020 and 2019, respectively, based on management's estimate that it is more likely than not that the deferred tax assets will not be realized. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association follows FASB guidance on accounting for uncertainty in income taxes. At December 31, 2021, 2020 and 2019, the Association did not recognize a tax liability for any uncertain tax positions.

NOTE 11 — EMPLOYEE BENEFIT PLANS

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year. For the DB plan, the Association recognized pension costs of $705,350, $320,564 and $522,220 for the years ended December 31, 2021, 2020 and 2019, respectively. The Association recognized pension costs for the DC plan of $398,083, $370,302 and $339,655 for the years ended December 31, 2021, 2020 and 2019, respectively.

Employees of the Association are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. The Association's contributions to the 401(k) plan were $286,448, $285,031 and $262,126 for the years ended December 31, 2021, 2020 and 2019, respectively.

In addition, the CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in the Restored Employer and Elective Deferrals programs of the Supplemental 401(k) Plan. For the Restored Employer Contributions program, the Association contributed $18,923, $21,915 and $15,868 for 2021, 2020 and 2019, respectively. To date no employees have made contributions to the Elective Deferrals program. There were no payments made from the Supplemental 401(k) Plan to active employees during 2021, 2020 and 2019.

The DB plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2021.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Funded status of plan	**70.5** %	62.6 %	66.2 %
Association's contribution	**$ 705,350**	$ 320,564	$ 522,220
Percentage of Association's contribution to total contributions	**4.7** %	5.3 %	6.4 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 72.0 percent, 64.3 percent and 68.0 percent at December 31, 2021, 2020 and 2019, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost-sharing basis, predicated on length of employment service. Employees hired before this date that have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2021**	2020	2019
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 3,382,079**	$ 2,988,633	$ 2,512,228
Service cost	**71,023**	61,833	52,171
Interest cost	**93,774**	101,912	117,505
Plan participants' contributions	**35,137**	32,434	33,426
Actuarial (gain) loss	**(200,101)**	283,925	375,183
Benefits paid	**(84,014)**	(86,658)	(101,880)
Accumulated postretirement benefit obligation, end of year	**$ 3,297,898**	$ 3,382,079	$ 2,988,633
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**48,877**	54,224	68,454
Plan participants' contributions	**35,137**	32,434	33,426
Benefits paid	**(84,014)**	(86,658)	(101,880)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (3,297,898)**	$ (3,382,079)	$ (2,988,633)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (3,297,898)**	$ (3,382,079)	$ (2,988,663)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss	**$ 494,992**	$ 744,295	$ 480,785
Prior service credit	**(64,916)**	(85,139)	(105,362)
Total	**$ 430,076**	$ 659,156	$ 375,423
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2021**	12/31/2020	12/31/2019
Discount rate	**3.15%**	2.80%	3.45%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.80%/6.00%**	6.90%/6.40%	6.90%/6.40%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2030/2030**	2028/2029	2028/2029

Total Cost	**2021**	2020	2019
Service cost	**$ 71,023**	$ 61,833	$ 52,171
Interest cost	**93,774**	101,912	117,505
Amortization of:			
Unrecognized prior service credit	**(20,223)**	(20,223)	(20,218)
Unrecognized net loss	**49,202**	20,418	-
Net postretirement benefit cost	**$ 193,776**	$ 163,940	$ 149,458
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	**$ (200,101)**	$ 283,925	$ 375,183
Amortization of net actuarial loss	**(49,202)**	(20,418)	-
Amortization of prior service credit	**20,223**	20,223	20,218
Total recognized in other comprehensive income	**$ (229,080)**	$ 283,730	$ 395,401
AOCI Amounts Expected to be Amortized Into Expense in 2022			
Unrecognized prior service credit	**$ (20,223)**	$ (20,223)	$ (20,218)
Unrecognized net loss	**21,737**	49,202	20,418
Total	**$ 1,514**	$ 28,979	$ 200
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2020**	12/31/2019	12/31/2018
Discount rate	**2.80%**	3.45%	4.75%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.60%/6.20%**	6.90%/6.40%	7.30%/6.90%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2029/2029**	2028/2029	2026/2027

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2022	**$ 65,674**
Fiscal 2023	**79,027**
Fiscal 2024	**84,930**
Fiscal 2025	**93,173**
Fiscal 2026	**109,409**
Fiscal 2027–2031	**697,825**
Expected Contributions	
Fiscal 2022	**$ 65,674**

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2021, 2020 and 2019 for the Association amounted to $4,992,470, $5,325,350 and $3,813,634. During 2021, 2020 and 2019, $3,133,951, $3,792,802 and $1,405,292 of new loans were made, and repayments totaled $3,667,000, $2,956,635 and $1,976,258, respectively. In the opinion of management, no such loans outstanding at December 31, 2021, 2020 and 2019 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $1,596,888, $915,581 and $805,677 in 2021, 2020 and 2019, respectively.

The Association received patronage payments from the Bank totaling $7,356,308, $5,966,941 and $4,795,659 during 2021, 2020 and 2019, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021, 2020 and 2019 for each of the fair value hierarchy values are summarized below:

December 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 166,221**	**$ -**	**$ -**	**$ 166,221**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 129,473	$ -	$ -	$ 129,473

December 31, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 98,961	$ -	$ -	$ 98,961

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 6,247,772**	**$ 6,247,772**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 6,380,885	$ 6,380,885
Other property owned	-	-	112,500	112,500

December 31, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 6,626,162	$ 6,626,162
Other property owned	-	-	-	-

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2021				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 8,686**	**$ 8,686**	**$ -**	**$ -**	**$ 8,686**
Net loans	**1,214,562,469**	**-**	**-**	**1,197,942,971**	**1,197,942,971**
Total Assets	**$ 1,214,571,155**	**$ 8,686**	**$ -**	**$ 1,197,942,971**	**$ 1,197,951,657**
Liabilities:					
Note payable to the Bank	**$ 1,025,517,581**	**$ -**	**$ -**	**$ 1,011,560,820**	**$ 1,011,560,820**
Total Liabilities	**$ 1,025,517,581**	**$ -**	**$ -**	**$ 1,011,560,820**	**$ 1,011,560,820**

	December 31, 2020				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,343	$ 10,343	$ -	$ -	$ 10,343
Net loans	1,145,943,182	-	-	1,158,285,585	1,158,285,585
Total Assets	$ 1,145,953,525	$ 10,343	$ -	$ 1,158,285,585	$ 1,158,295,928
Liabilities:					
Note payable to the Bank	$ 968,268,302	$ -	$ -	$ 978,637,084	$ 978,637,084
Total Liabilities	$ 968,268,302	$ -	$ -	$ 978,637,084	$ 978,637,084

	December 31, 2019				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 11,379	$ 11,379	$ -	$ -	$ 11,379
Net loans	1,049,410,814	-	-	1,048,172,605	1,048,172,605
Total Assets	$ 1,049,422,193	$ 11,379	$ -	$ 1,048,172,605	$ 1,048,183,984
Liabilities:					
Note payable to the Bank	$ 884,543,103	$ -	$ -	$ 883,505,568	$ 883,505,568
Total Liabilities	$ 884,543,103	$ -	$ -	$ 883,505,568	$ 883,505,568

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

Valuation Techniques

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

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2021, the Association had outstanding unfunded commitments totaling $116,864,844. Included in that total were, through participations, letters of credit of $114,316.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2021				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 7,552**	**$ 7,678**	**$ 8,126**	**$ 7,915**	**$ 31,271**
Provision for loan losses	**(5)**	**(74)**	**(74)**	**(461)**	**(614)**
Noninterest expense, net	**(2,449)**	**(2,871)**	**(2,975)**	**(344)**	**(8,639)**
Net income	**$ 5,098**	**$ 4,733**	**$ 5,077**	**$ 7,110**	**$ 22,018**

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,162	$ 7,224	$ 7,259	$ 7,561	$ 29,206
Provision for loan losses	(150)	(180)	(313)	(170)	(813)
Noninterest expense, net	(2,823)	(2,105)	(2,456)	(487)	(7,871)
Net income	$ 4,189	$ 4,939	$ 4,490	$ 6,904	$ 20,522

	2019				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,077	$ 7,145	$ 7,114	$ 7,128	$ 28,464
Provision for loan losses	(133)	(47)	(118)	(122)	(420)
Noninterest expense, net	(2,756)	(2,801)	(2,850)	(522)	(8,929)
Net income	$ 4,188	$ 4,297	$ 4,146	$ 6,484	$ 19,115

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 11, 2022, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Alabama Ag Credit, ACA (Association) serves its 40-county territory through its main administrative and lending office at 2660 Eastchase Lane, Suite 401, Montgomery, Alabama 36117. Additionally, there are nine branch lending offices located throughout the territory. The Association owns the office buildings in Montgomery (branch), Opelika, Enterprise, Dothan, Monroeville and Spanish Fort, free of debt. The Association leases the office buildings in Montgomery (administrative), Demopolis, Selma and Tuscaloosa.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end and the Association's annual stockholder report will be available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end. Copies of the reports can also be obtained by writing to Alabama Ag Credit, ACA, 2660 Eastchase Lane, Suite 401, Montgomery, Alabama 36117 or calling (334) 270-8687. In addition, copies of the reports can also be requested by e-mailing *info@alabamaagcredit.com.*

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2021, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

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

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES	TIME IN POSITION
Larry H. Gibson, Jr.	Chairman	April 2010	2022	-
John Carl Sanders	Vice Chairman	April 2015	2024	-
Kimberly H. Adams	Director*	June 2018	2021	-
Annie Dee	Director	June 2019	2022	-
J.K. Love	Director-Elected Director*	April 2006	2021	-
Richard H. Meadows	Director	July 2020	2023	-
Ray Petty	Director-Elected Director	January 2007	2025	-
Mark D. Platt	Director	April 2016	2023	-
Richard M. Stabler	Director-Elected Director	August 2020	2023	-
Roman McLeod	Director-Elected Director	June 2021	2024	-
Bradfield Evans	Director	June 2021	2024	-
Douglas Thiessen	President/Chief Executive Officer	February 2007	-	15 years
Chris Higbe	Sr. VP/Chief Credit Officer	May 2011	-	10 years
M. Scott Sellers	Sr. VP/Chief Financial Officer**	September 2003	-	17 years
J. Scott McCall	Sr. VP/Chief Relationship Officer	January 2011	-	11 years
Heather Smith	Sr. VP/Chief Financial Officer**	January 2022	-	0 years

* The terms for Kimberly H. Adams and J.K. Love expired in 2021. Ms. Adams and Mr. Love no longer serve on the board of directors.

** M. Scott Sellers transitioned to VP, Audit and Compliance, and Heather Smith was appointed Sr. VP/Chief Financial Officer effective January 2022.

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Larry H. Gibson, **Jr**., age 49. Mr. Gibson resides in Aliceville, Alabama, and is president and owner of Gibson Forest Management, Inc., a forestry consulting firm established in 1994, and Gibson Timberlands, LLC, a land and timber company. He manages approximately 60,000 acres of timberland for clients in West Alabama and East Mississippi where he provides complete forest management services and he owns approximately 2,000 acres of timberland where timber and wildlife are the primary commodities. Mr. Gibson is a member of the Alabama Forestry Association, the Society of American Foresters (past state chair), the Association of Consulting Foresters (past state chair), and Alabama Farmers Federation of Pickens County, having served on the boards of each organization. He currently serves as a member of the Pickens County Industrial Board (industrial development). Mr. Gibson earned a bachelor's degree in Forest Management from Mississippi State University. He is a trustee at Hebron United Methodist Church. Mr. Gibson serves as chairman of the Association's board of directors, and previously served as vice chairman of the board.

John Carl Sanders, age 67. Mr. Sanders resides in Roeton, Alabama, and has been farming full-time all of his adult life. He farms in partnership with his son on 1,000 acres where the primary commodities produced are peanuts, cotton and corn. In addition, Mr. Sanders has a 100-head brood cow operation. Mr. Sanders serves as president of the Alabama Peanut Producers Association (peanut promotion); a director of the American Peanut Council (peanut promotion); a member of the Peanut Standards Board (peanut promotion); vice president of the Coffee County Farmers Federation (agricultural federation); and a director of the Alabama 4-H Club

Foundation (resources for promotion of youth in agriculture). Mr. Sanders earned a bachelor's degree in Agricultural Science from Auburn University. Mr. Sanders serves as vice chairman of the Association's board of directors, and formerly served as chairman of the board.

Kimberly H. Adams, age 57. Ms. Adams resides in Montgomery, Alabama, where she has a law practice, established in 2000, concentrating in governmental affairs and governmental law. She is also a certified mediator for the State of Alabama, and owns a pine and hardwood timber farm located in Russell County, Alabama. Ms. Adams' affiliations include the Alabama State Bar Association; the Montgomery County Bar Association; the Alabama Council of Association Executives; the Alabama Forestry Association; the Alabama Chapter Coastal Conservation Association; and the Montgomery County Junior League (sustaining member). Ms. Adams earned a bachelor's degree from Auburn University and a Juris Doctor degree from Cumberland School of Law. Ms. Adams is a member of First United Methodist Church.

Annie Dee, age 62. Ms. Dee resides in Aliceville, Alabama, and has been farming all of her adult life. She is president and part owner of Dee River Ranch, a family-operated 10,000-acre farm where the principal commodities produced are corn and soybeans. In addition, Dee River Ranch has over 1,000 head of Brahman and Angus crossbred cattle, along with pine and hardwoods planted on part of the farm. Ms. Dee is part owner and manager of Dee Farm, a general partnership which runs the farming operations located at Dee River Ranch, and Dee Farm Equipment, LLC. The farm also engages in collaborations with several universities in irrigation research projects, and crop variety and fungicide trials. In addition to her work on the farm, Ms. Dee's affiliations and board service include: the Alabama Soybean and Corn Association (agricultural commodity promotion), the Pickens County Farmers Federation (agricultural federation), the West Alabama Food Bank (storing and distributing food for hunger relief), and the Advisory Board for the Soybean Innovation Lab administered through University of Illinois. Formerly Ms. Dee also served on the boards of the United Soybean Board and the Alabama Soybean Producers. Ms. Dee has worked with the Howard G. Buffet Foundation on "Invest an Acre" and "Harvesting the Potential" programs, and she is a Soil Health Partner for the National Association of Conservation Districts. She serves as a lead farmer for the Farm Journal Foundation and is a member of Pickens County Cattlewomen (past president), New Era Arts Club (past president), and Corpus Christi Parish Council (past president). In addition, Ms. Dee serves on the advisory committee for Auburn University Forestry Department, NRCS State Advisory Board and Auburn University Integrated Pest Management. Ms. Dee earned a bachelor's degree in Animal Industries from Clemson University and attends Corpus Christi Church.

J.K. Love, age 80. Mr. Love resides in Montgomery, Alabama, and is a CPA. Mr. Love retired after 30 years in public accounting and served four years as the CFO for Hudson Industries, Inc., a Troy, Alabama-based business which specializes in manufacturing, packaging and distribution of food condiments. Mr. Love is formerly part owner of and continues to serve as CFO of Southeast Subway Development Co. Inc., and ALGA Development Co., franchising businesses for Subway brand restaurants in parts of Alabama, Georgia and Florida. He has served as CFO for Southeast Subway Development for 20 years and ALGA Development for 2 years. In addition, Mr. Love is part owner and serves as treasurer on the board of directors of 5i Solutions, Inc., a Ft. Lauderdale, Florida-based company specializing in electronic document management. He also serves on the board of directors for two other Montgomery-based businesses – Whitfield Foods, Inc., which specializes in packaging of beverages, retail syrup and other food products; and Best Glass, Inc., which is a subcontractor for commercial buildings. Mr. Love earned a bachelor's degree in Accounting from Auburn University. Mr. Love served as the chairman of the Association's audit committee until his term expired in April 2021.

Richard H. Meadows, age 52. Mr. Meadows resides in Columbia, Alabama, with his wife Kathy, and they have three sons. He has been involved in the farming business most of his life. Mr. Meadows is an area sales manager for WB Fleming Mineral Company, where he has worked for 14 years. The company is a producer of livestock minerals and is based in Tifton, Georgia, with Mr. Meadows' sales territory covering central and south Alabama and the Florida panhandle. Mr. Meadows is a partner with his brother and other family members in Meadows Creek Farm, a cattle operation partnership formed in 1985 and based in Houston County, Alabama, focusing on seedstock production of Charolais, Angus, and SimAngus cattle. He also raises commercial cattle and market feeder calves through SAFE feeder calf sale. Meadows Creek Farm also grows corn silage, grain sorghum, and small grains for cattle feed. Mr. Meadows is past president and current board member of Houston County Cattlemen's Association (treasurer) and Alabama Charolais Association. He is also a past president and now current executive committee member and current board member of Alabama Cattlemen's Association (cattle promotion). Mr. Meadows earned a Bachelor of Science degree in Animal and Dairy Science from Auburn University and a Master of Business Administration degree with concentration in Agricultural Economics from Auburn University. Mr. Meadows is currently deacon chairman at Watermark Church in Ashford, Alabama.

Ray Petty, age 71. Mr. Petty resides in Birmingham, Alabama, and serves on the Montgomery Advisory Board for an independent commercial bank, ServisFirst Bank, based in Birmingham, Alabama. Mr. Petty was serving on the board of directors of ServisFirst at the time of his appointment as chief development officer in July 2008, a position he held until 2019. Previously, Mr. Petty was retired after a 34-year career in commercial banking with SouthTrust Bank. Mr. Petty served 27 years in Montgomery, the last 20 as the Montgomery area president. During the last nine years of his Montgomery tenure, Mr. Petty also served as South Alabama/Mississippi regional president. In addition, he taught commercial lending for 15 years at University of South Alabama's banking school. Mr. Petty earned a bachelor's degree in History from Auburn University.

Mark D. Platt, age 44. Mr. Platt resides in Fruitdale, Alabama, and has been farming full-time for the last 22 years. He is co-owner of Platt Farms, a Washington County-based operation which includes 850 acres where principal commodities produced are poultry, cotton, peanuts, feed grains, cattle and timber. Mr. Platt serves on the boards of Deer Park-Vinegar Bend Water Board (rural water management), Fruitdale Volunteer Fire Department (fire service), Washington County Soil and Water Conservation District (soil and water conservation), Washington County Farmers Federation (agricultural federation), and the Clark-Washington Farm Service Agency (USDA programs). Mr. Platt is a member of Alabama Farmers Federation, Alabama Cattlemen's Association, Alabama Peanut Producers Association, and Association of Volunteer Fire Departments. Mr. Platt attended Alabama Southern where he earned an associate's degree in Industrial and Business Technology. Mr. Platt is a member of Four Points Baptist Church.

Richard M. Stabler, age 65. Mr. Stabler resides in Fairhope, Alabama and is a CPA. Mr. Stabler has over 40 years of experience in public accounting and recently retired as a member/partner with the accounting firm Warren Averett, LLC. He served on the firm's Executive Committee and was Chair of the firm's Office Managing Member Council for nine years and served as the Office Managing Member of the Montgomery office of the firm for ten years. He also serves on the board of directors of Montgomery based Whitfield Foods, Inc, a company specializing in packaging of beverage, retail syrup and other food products. Mr. Stabler is a member of the American Institute of Certified Public Accountants and the Alabama Society of CPAs. Additionally, Mr. Stabler serves on the board of directors of Leadership Alabama, an Alabama focused leaders' educational organization. Mr. Stabler earned a bachelor's degree in Accounting from Troy University. Mr. Stabler serves as the chairman of the Association's audit committee since May 2021.

Roman L. McLeod, age 50. Mr. McLeod resides in Pike Road, Alabama, and has 24 years of experience in the financial industry. He currently serves as the director of the Office of Cash Management at Auburn University, a position he has held for seven years. Previously he served in leadership positions with the State of Alabama, Office of State Treasurer for 11 years. Mr. McLeod has also served in various roles in commercial banking for six years. He is a Certified Public Manager and is a graduate of Leadership Montgomery. Mr. McLeod earned a Bachelor of Science degree in Business at the University of North Alabama. Mr. McLeod also serves on the board of trustees for Beulah Baptist Church.

Bradfield Evans, age 39. Mr. Evans resides in Hope Hull, Alabama, and has been a full-time seedstock cattleman for 6 years, and overall has been farming for 11 years. He and his family operate CK Cattle, a Lowndes County-based farming operation that encompasses 3,000 acres of owned and leased open pasture land. The cattle operation includes a base herd of approximately 750 registered Angus, Chiangus, and SimAngus cows. The farm also grows over 200 acres of corn silage and 400 acres of hay. Mr. Evans serves as the president of Lowndes County Cattlemen's Association (beef promotion) and state chair of Alabama Cattlemen's Association Young Cattlemen's Leadership Program Council (develop leadership qualities in young farmers). He also serves as vice-chair of Dallas/Lowndes FSA County Committee (USDA Programs) and a board member of the Alabama Farmers Federation for Lowndes County (agricultural federation). Mr. Evans has also participated as Alabama's delegate to NBCA's Young Cattlemen's Conference (2018) and in the King Ranch Institute for Ranch Management Excellence in Ag Leadership program (2020). Mr. Evans is a deacon at Hayneville Baptist Church.

Douglas Thiessen, age 57, President/Chief Executive Officer. Mr. Thiessen has been with the Association since February 2007. Prior to joining the Association, Mr. Thiessen served for four years as Senior Vice President/Chief Financial Officer of First Ag Credit, FCS, based in Lubbock, Texas. In addition, he held various financial positions with computer manufacturer Dell Computer and the Farm Credit Bank of Texas, and also served as a commissioned examiner with the Farm Credit Administration. Mr. Thiessen has a total of 23 years of service within the Farm Credit System. Mr. Thiessen serves as president of the board of the Alabama Future Farmers of America Foundation (youth in agriculture), and is a director on the boards of the Alabama Poultry and Egg Association (poultry promotion) and Goodwill Industries of Central Alabama, Inc (nonprofit charity), and formerly served on the boards of the Alabama 4-H Club Foundation (youth in agriculture), the Montgomery Area Chamber of Commerce (industrial development), and the Alabama Agribusiness Council (agriculture and forestry promotion). He is also a member of the AgFirst/FCBT Plan Fiduciary Committee. Mr. Thiessen is a graduate of the LSU Graduate School of Banking, and he also has a Bachelor of Science degree in Agricultural Economics from Texas Tech University and an executive Master of Business Administration degree from Troy University.

Chris Higbe, age 51, Senior Vice President/Chief Credit Officer. Mr. Higbe joined the Association in May 2011 as the Association's VP-Credit, and in May 2012 was named Chief Credit Officer. Prior to joining the Association, Mr. Higbe was employed in various credit-related positions in the commercial banking industry for approximately 19 years, most recently serving for two years as credit manager of a de-novo bank in Prattville, Alabama. Mr. Higbe serves on the board of the Alabama Agribusiness Council (agriculture and forestry promotion). Mr. Higbe is a graduate of Auburn University Montgomery with a Bachelor of Science degree in General Business and a Bachelor of Science degree in Accounting.

M. Scott Sellers, age 53, Senior Vice President/Chief Financial Officer. Mr. Sellers has been with the Association since September 2003. He is a CPA with more than 10 years' experience in public accounting. Prior to joining the Association, Mr. Sellers worked for four years in a family-owned forestry consulting and rural real estate brokerage firm. Mr. Sellers is a graduate of Auburn University with a Bachelor of Science degree in Accounting and he also has a Master of Business Administration degree with an emphasis in Finance from Auburn University Montgomery. Mr. Sellers served as Sr. VP/Chief Financial Officer during 2021, then transitioned into the VP/Audit and Compliance role during January 2022.

J. Scott McCall, age 57, Chief Relationship Officer. Mr. McCall has been with the Association since January 2011, serving in the roles of Regional President, and VP-Senior Lender. He was named Chief Relationship Officer effective February 2019. Prior to joining the Association, Mr. McCall was employed by Sterling Bank in Montgomery, Alabama for 22 years, most recently serving as Executive Vice President/Commercial Banking Lead for 5 years. Mr. McCall is a past Chairman of the Board and Executive Committee of the Baptist Health Care Foundation, and he also serves on the Advisory Board for Auburn University Montgomery School of Business. Mr. McCall is a graduate of the Southwestern Graduate School of Banking in Dallas, Texas and also has a Bachelor of Science degree in Business Administration from Auburn University Montgomery.

Heather Smith, age 46, Senior Vice President/Chief Financial Officer. Ms. Smith joined the Association in January 2022 as the new Chief Financial Officer. Previously she served as Vice President/Controller for another Farm Credit association for eight years, and before that held various positions in public accounting, government and private businesses. Altogether Ms. Smith has 24 years of accounting and finance experience. Ms. Smith is a graduate of Athens State University with a Bachelor of Business Administration degree in Accounting.

COMPENSATION OF DIRECTORS

In 2019, the directors' compensation program included a monthly retainer and a per-day honorarium. A retainer of $1,250 per month was paid to the board chairman and audit committee chairman, and $1,000 per month was paid to all other directors. As of July 1, 2020, the retainer was increased to $1,750 per month for the board chairman and audit committee chairman, and $1,250 per month to all other directors. The honorarium rate of $500 is paid for each day served in any official capacity as an Association board member. An additional travel-related honorarium of $200 per day is paid to directors traveling over 100 miles but less than 200 miles to a board or committee meeting, and an additional honorarium of $400 is paid to directors traveling over 200 miles. For multi-day meetings, the increased travel honorarium applies to the first day only. In addition, if multiple meetings are held on the same day (i.e., "stacked meetings," for example, audit committee and board meeting held on the same day), the directors receive an additional honorarium of $150 for the "stacked" meeting. The directors are also compensated for scheduled conference calls at the rate of $200 per day. Additionally, they are reimbursed for certain expenses incurred while representing the Association in an official capacity. There were no changes to the compensation program during 2021.

Mileage for attending official meetings during 2021, 2020 and 2019 was paid at the IRS-approved rate prevailing at the time. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2021**
Larry H. Gibson, Jr.	16	19	$ 37,300
John Carl Sanders	16	12	26,400
Kimberly H. Adams	6	4	11,850
Annie Dee	14	18	30,950
J.K. Love	5	6	11,850
Richard H. Meadows	15	15	29,500
Ray Petty	15	12	28,800
Mark D. Platt	16	10	30,200
Richard M. Stabler	16	22	36,800
Roman McLeod	14	18	25,910
Bradfield Evans	9	9	16,043
			$ 285,603

The aggregate compensation paid to directors in 2021, 2020 and 2019 was $285,603, $258,398 and $236,450, respectively.
Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2021:

Director	Committee: Audit	Committee: Compensation
Larry H. Gibson, Jr.	$ 1,100	$ 1,700
John Carl Sanders	1,100	1,000
Kimberly H. Adams	650	500
Annie Dee	1,450	1,700
J.K. Love	650	500
Richard H. Meadows	1,100	1,700
Ray Petty	1,100	1,700
Mark D. Platt	1,100	1,700
Richard M. Stabler	1,100	1,700
Roman McLeod	950	1,000
Bradfield Evans	300	1,000
	$ 10,600	$ 14,200

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $85,223, $79,706 and $132,635 in 2021, 2020 and 2019, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

A critical factor to the Association's success is its ability to attract, develop, and retain staff that are knowledgeable and efficient in their ability to support the Association in the execution of its strategic objectives and delivery of results that maximize value to the stockholders. This objective holds particularly true for the Association's chief executive officer (CEO) and senior officers. The Association employs a compensation program which focuses on the performance and contributions of its employees in achieving the Association's financial and operational objectives, all for the ultimate benefit of its stockholder/members. The Association's board of directors, through its compensation committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the Association's evaluation and establishment of salary and incentive plans used by the Association.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is set by the board, through its compensation committee, using the compensation market data of independent third party specialists, as well as peer comparisons of CEOs of similar sized Farm Credit associations, as a guideline to determine a fair and competitive salary. Factors considered by the compensation committee and board in determining the final established compensation amounts for the CEO include personal performance evaluation, Association performance relative to goals established in the annual business plan, profitability, credit quality and administration, ability to pay patronage to members, and overall abilities exhibited by the CEO. The CEO's incentive bonus is determined at the discretion of the compensation committee and board.

The following table summarizes the compensation paid to the CEO of the Association during 2021, 2020 and 2019. Amounts reflected in the table are presented in the year the compensation was earned.

Name of CEO	Year	Salary (a)	Bonus (b)	Deferred/ Perquisite (c)	Other (d)	Total
Douglas Thiessen	**2021**	**395,381**	**98,843**	**51,727**	**3,829**	**549,780**
Douglas Thiessen	2020	382,014	95,500	49,058	3,684	530,256
Douglas Thiessen	2019	368,564	92,138	45,270	3,550	509,522

(a) Gross salary.
(b) Bonuses paid within the first 30 days of the subsequent calendar year.
(c) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, and automobile benefits.
(d) Amounts in the "Other" column include premiums paid for life insurance.

The employment relationship between the Association and the CEO is "at-will," meaning the Association may terminate the CEO's employment at any time, and the CEO may choose to leave at any time.

Compensation of Other Senior Officers

The following table summarizes the compensation paid to all senior officers (excluding the CEO) of the Association during 2021, 2020 and 2019. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Group (a)	Year	Salary (b)	Bonus (c)	Deferred/ Perquisite (d)	Other (e)	Total
Aggregate of five highest paid officers	**2021**	**877,737**	**261,454**	**129,551**	**6,231**	**1,274,973**
	2020	845,412	230,035	124,893	6,179	1,206,519
	2019	803,614	241,038	109,674	5,703	1,160,029

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(d) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, and automobile benefits.
(e) Amounts in the "Other" column include premiums paid for life insurance, gift cards, and physical fitness program reimbursements. All amounts for gift cards were grossed up for taxes.

The CEO and a senior officer participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (the Plan). The Plan is a defined contribution plan and is sponsored and maintained by the AgFirst/FCBT Plan Sponsor Committee for the benefit of participating employers in the AgFirst Farm Credit Bank/Farm Credit Bank of Texas Agreement Regarding Employee Benefit Plans (the Administrative Agreement) and their eligible employees. One of the purposes of the Plan is to allow a means for participating employers to restore benefits lost due to limitations under the Internal Revenue Code as it relates to the Association's existing pension plan. During 2021, 2020 and 2019 the Association evaluated the benefits lost as a result of these limitations with regard to the CEO and a senior officer and funded the shortfall. The Association contributed $18,923, $21,915 and $15,868 to the Plan in 2021, 2020 and 2019, respectively.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to the CEO or any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits

The Association participates in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the participants are married on the date the annuity begins, that the spouse is exactly two years younger than the participant, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit. Neither the CEO nor any of the highest paid officers (including senior officers) are participants in the pension plan.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees paid during 2021 for professional services rendered for the Association by PwC were $140,604 for audit services, $10,600 for tax return preparation services and $900 for an automated disclosure checklist license. No other services were performed by PwC during the reporting period. All audit and non-audit services performed by PwC during the reporting period were approved by the audit committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has formed unincorporated business entities for the purpose of acquiring and managing unusual or complex collateral associated with loans. Each of the entities is a single-member limited liability company (LLC) with the Association being the sole member. SA Alabama Properties, LLC and SA Alabama Properties II, LLC were each organized for the purpose of holding and managing foreclosed properties. In addition the Association is also part owner of FCBT Biostar B, LLC, which was organized for the purpose of holding and managing foreclosed property related to a participation loan.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2022, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: Ten years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2017 USDA Census of Agriculture for Alabama (Census) indicates that in the Association's territory 4.9 percent of farm operators are "young," 28.4 percent are "beginning" and 92.5 percent of the farms are "small."

Slight differences noted between the Census and our YBS information is as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm in a class up to 9 years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- USDA data is based on the number of farms, whereas the Association's data is based on the number of loans.

The Association's YBS loans, as a percentage of total loans outstanding on December 31, are reflected in the table below for the past three years.

	Young	Beginning	Small
2019	18.23%	51.01%	65.37%
2020	17.60%	54.81%	75.36%
2021	17.58%	55.14%	74.16%

The Association's goals over the succeeding three-year period are to reach the percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	Beginning	Small
2022	18.00%	55.50%	74.75%
2023	18.50%	56.00%	75.25%
2024	19.00%	56.50%	75.75%

The Association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.

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