Texas Farm Credit District

# Growth. Progress. Stability.

2021
Annual Report

# 2021 Annual Financial Information

*(unaudited)*

## INTRODUCTION AND TEXAS FARM CREDIT DISTRICT OVERVIEW

The Farm Credit Bank of Texas (bank) and its related associations collectively are referred to as the Texas Farm Credit District (district). The district is part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The district serves Texas, Alabama, Mississippi, Louisiana and most of New Mexico. The bank provides funding to the district associations, which, in turn, provide credit to their borrower-shareholders. As of December 31, 2021, the bank served one Federal Land Credit Association (FLCA), 13 Agricultural Credit Associations (ACAs) and certain Other Financing Institutions (OFIs) which are not part of the System. The FLCA and ACAs are collectively referred to as associations. The System is a cooperative structure.

Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to provide sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and certain farm-related businesses. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses.

The System's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System banks. Farm Credit associations receive funding through one of the four System banks. Each System bank has exposure to Systemwide credit risk because each bank is joint and severally liable for all Systemwide debt issued. System entities have specific lending authorities within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

The following commentary reviews the combined financial statements of condition and results of operations of the district for the years ended December 31, 2021, 2020 and 2019.

# COMBINED FINANCIAL HIGHLIGHTS

| (in thousands) | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Total loans | **$ 33,175,189** | $ 28,893,098 | $ 26,336,733 |
| Allowance for loan losses | **85,470** | 94,468 | 89,859 |
| Net loans | **33,089,719** | 28,798,630 | 26,246,874 |
| Total assets | **40,963,826** | 35,606,914 | 32,846,596 |
| Total members' equity | **5,480,962** | 4,986,742 | 4,701,126 |

| Year Ended December 31, | 2021 | 2020 | 2019 |
|---|---|---|---|
| Net interest income | **$ 1,018,618** | $ 911,338 | $ 815,217 |
| (Loan loss reversal) provision for loan losses | **(11,350)** | 8,477 | 12,147 |
| Net fee income | **51,776** | 52,559 | 30,009 |
| Net income | **641,499** | 578,241 | 484,093 |
| Net interest margin | **2.75%** | 2.73% | 2.59% |
| Net loan charge-offs (recoveries) as a percentage of average loans | **0.00** | 0.01 | 0.02 |
| Return on average assets (ROA) | **1.69** | 1.68 | 1.50 |
| Return on average shareholders' equity | **11.60** | 11.45 | 10.09 |
| Operating expenses as a percentage of net interest income and noninterest income | **43.26** | 41.35 | 44.29 |
| Average loans | **$ 30,742,668** | $ 27,482,973 | $ 25,600,606 |
| Average earning assets | **36,987,919** | 33,354,124 | 31,423,293 |
| Average total assets | **37,953,306** | 34,478,016 | 32,169,115 |

## CONDITIONS IN THE TEXAS DISTRICT

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (COVID-19). COVID-19 cases reported in the U.S. and within the district have fluctuated widely in recent months due to several factors, including the emergence of new variants and associated governmental responses. Throughout this unprecedented time, the district has continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit.

The U.S. Bureau of Economic Analysis, in its December 22 release, estimated that real GDP increased at an annual rate of 2.3% in the third quarter, down from 6.7% in the second quarter of 2021. The deceleration of GDP growth occurred due to lower personal consumption expenditures, which were likely influenced by the ongoing COVID-19 pandemic. As of January 10, the Federal Reserve Bank of Atlanta estimates that real GDP growth was about 6.8% during the fourth quarter of 2021. The International Monetary Fund's latest World Economic Outlook released in October 2021 estimates that U.S. real GDP growth will be 5.2% during 2022.

Inflationary pressures persisted during the fourth quarter. The Consumer Price Index for All Urban Consumers increased by 6.8% for the 12 months ending November 2021, the largest 12-month increase since the period ending June 1982.

According to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate declined to 3.9% in December, the lowest level observed since February 2020. As of November 2021, the unemployment rates in the states in the Texas District ranged from a low of 3.1% in Alabama to a high of 6.2% in New Mexico.

The West Texas Intermediate (WTI) crude oil futures price (front-month) increased to an average of about $77 per barrel during the fourth quarter of 2021. This represents a significant increase from the $43 per barrel average observed during the fourth quarter of 2020. In its December Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration estimated that WTI prices would average about $66 per barrel during 2022, down about $2 per barrel from 2021.

The U.S. Department of Agriculture (USDA) estimates that net farm income reached about $116.82 billion in 2021, an increase of about 23.2% year-over-year. The increase in net farm income is anticipated to have been driven by higher cash receipts for both crop and livestock products compared to the prior year. Increased cash receipts were partially offset by lower government payments and higher farm production expenses. Direct government payments, which more than doubled in 2020 to $45.7 billion, fell to an estimated $27.2 billion in 2021. Despite the significant year-over-year decline, direct government payments remain elevated relative to historical standards.

According to USDA's December 2021 World Agricultural Supply and Demand Estimates report, average farm prices for corn, soybeans and cotton are estimated to have experienced significant appreciation during the 2020/21 marketing year. This trend is anticipated to continue for all crops during the 2021/22 marketing year. Farm prices for major livestock and dairy products, including steers, broilers, eggs and milk, similarly experienced price appreciation during calendar year 2021. Although steer and milk prices are anticipated to continue to increase during 2022, barrow and gilt, broiler, and egg prices are likely to decline somewhat in the upcoming year.

During 2022, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, a recovering global economy, and weather-related challenges. The district loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the district's borrowers primarily rely on non-farm sources of income to repay their loans.

During 2021, the bank in its role as an information technology provider to its affiliated associations continued to modernize and roll out its service offering branded FarmView. FarmView is an integrated suite of products for managing the full lending relationship. The suite of products includes sales management, origination, credit analysis, loan accounting, integrated cash management, and document management solutions. The FarmView platform provides benefits directly to the converted associations as well as their underlying retail borrowers. During the third and fourth quarters of 2021, the bank converted several of its associations to FarmView from legacy platforms, and is focused on training and conversion related activities for the next set of conversions that will occur during 2022. The effort to achieve these successful implementations has spanned multiple years.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Results of Operations

### *Net Income*

The district's net income of $641.5 million for the year ended December 31, 2021, reflected an increase of $63.3 million, or 10.94%, over the same time period of 2020. The increase in net income was driven by a $107.3 million increase in net interest income, a $3.9 million increase in noninterest income and a $19.8 million decrease in provision for loan losses, partially offset by an increase of $67.2 million in noninterest expense. The return on average assets increased to 1.69% for the year ended December 31, 2021, from 1.68% for the year ended December 31, 2020.

The district's net income of $578.2 million for the year ended December 31, 2020, reflected an increase of $94.1 million, or 19.45%, over the same time period of 2019. The increase in net income was driven by a $96.1 million increase in net interest income, a $13.7 million increase in noninterest income and a $3.7 million decrease in provision for loan losses, partially offset by an increase of $19.1 million in noninterest expense. The return on average assets increased to 1.68% for the year ended December 31, 2020, from 1.50% reported for the same period of the prior year.

### *Net Interest Income*

Net interest income for the year ended December 31, 2021, was $1.02 billion, an increase of $107.3 million, or 11.77%, over the same period of 2020, due to an increase in the net interest rate spread and a $3.63 billion increase in combined district average earning assets. The increase in earning assets was driven by growth in the associations' loan portfolio supported by strong economic conditions in the Texas District during 2021 in conjunction with their retail borrowers taking advantage of the low interest rate environment. Earning asset growth was also driven by growth in the bank's capital markets and investment portfolios. The 8-basis-point increase in the net interest spread from 253 basis points to 261 basis points was attributable to a 46-basis-point decrease in the average rate on debt, and a 38-basis-point decrease in the rate on earning assets. The improvement in interest rate spread and margin reflected the positive aspects of the bank calling debt during 2021 as well as improvements in the interest rate environment. During the year ended December 31, 2021, the bank called $3.98 billion in debt resulting in $7.2 million in accelerated concession expense recognition, as compared to $16.18 billion in debt resulting in $22.2 million in accelerated concession expense recognition for the same period of 2020. The net interest rate margin increased by 2 basis points to 275 basis points for the year ended December 31, 2020, as compared to 273 basis points for the same period of the prior year.

Net interest income for the year ended December 31, 2020, was $911.3 million, an increase of $96.1 million, or 11.79%, over the same period of 2019, due to an increase in the net interest rate spread and a $1.93 billion increase in combined district average earning assets. The increase in earning assets was driven by growth in the associations' loan portfolio as their borrowers took advantage of the low interest rate environment and growth in the bank's capital market loan portfolio. The 30-basis-point increase in the net interest spread from 223 basis points to 253 basis points was attributable to a 96-basis-point decrease in the average rate on debt, as compared to a 66-basis-point decrease in the rate on earning assets. The net interest rate margin increased by 14 basis points to 273 basis points for the year ended December 31, 2020, as compared to 259 basis points for the same period of the prior year.

### *Provision for Loan Losses*

The loan loss reversal for the year ended December 31, 2021, totaled $11.4 million, a decrease of $19.9 million from the $8.5 million provision for loan losses recorded for the same period of 2020. The decrease was due to a $20.5 million decrease at the combined associations, offset by a $644 thousand increase at the bank. The combined associations recorded a loan loss reversal of $13.1 million for the year ended December 31, 2021, as compared to a $7.4 million provision for loan losses for the same period of 2020. The loan loss reversal was mainly due to an overall improvement in credit quality and a decrease in reserves related to uncertainty from the COVID-19 pandemic.  The bank recorded a provision for loan losses of $1.7 million for the year ended December 31, 2021 as compared to a $1.1 million provision for loan losses for the same period of 2020. The provision for loan losses for the year ended December 31, 2021 was driven by a $1.3 million increase in specific reserves for credit deterioration on a limited number of borrowers within the electric utility sector. In addition to the specific reserves, the bank reversed $1.5 million of COVID-19 related reserves and increased general reserves by $1.9 million due to a higher level of overall lending activity and slight credit deterioration on a limited number of borrowers.

The provision for loan losses for the year ended December 31, 2020, totaled $8.5 million, a decrease of $3.7 million from the $12.1 million provision for loan losses recorded for the same period of 2019. The decrease was due to a $5.4 million decrease at the combined associations, offset by a $1.7 million increase at the bank. The decrease at the combined associations was mainly due to commodity prices being significantly weaker in 2019, particularly cattle, which resulted in an increase in allowance for loan losses. The bank's increase in provision for loan losses for 2020 was driven by a $3.2 million increase in qualitative general reserves associated with the participations purchased loan portfolio due to uncertainty from COVID-19 in the following sectors: beef cattle, dairy, other livestock production and processing, oil and gas, forestry and wood processing, other food and kindred products, and groceries and related products. This increase was offset by a $1.6 million loan loss reversal related to the payoffs of two nonperforming loans during 2020.

### *Noninterest Income*

Noninterest income for the year ended December 31, 2021, was $93.0 million, an increase of $3.9 million, or 4.40%, compared to the same period of 2020. The increase was due to an increase in gains of $8.2 million related to investments in rural business investment corporations (RBICs), and a $2.3 million increase in patronage income offset by a $6.1 million decrease related to distribution refunds from the Farm Credit System Insurance Corporation (FCSIC) received in 2020.

Noninterest income for the year ended December 31, 2020, was $89.1 million, an increase of $13.7 million, or 18.11%, compared to the same period of 2019. The increase was due to a $22.6 million increase in fees for loan-related services, offset by a $12.1 million decrease in gains on investment securities resulting from the sale of investments during 2019.

### *Noninterest Expense*

Noninterest expense for the year ended December 31, 2021, totaled $480.8 million, increasing $67.2 million, or 16.24%, from the same period of 2020. The increase in noninterest expense was driven by a $22.7 million increase in salaries and employee benefits, a $21.1 million increase in FCSIC expense due to an increase in the premium rate as well as an increase in adjusted debt obligations, an $11.7 million increase in other operating expenses, a $6.9 million increase in occupancy and equipment, and a $4.8 million increase in purchased services.

Noninterest expense for the year ended December 31, 2020, totaled $413.7 million, increasing $19.1 million, or 4.85%, from the same period of 2019. The increase in noninterest expense was driven by a $14.3 million increase in salaries and employee benefits, a $7.2 million increase in occupancy and equipment, a $3.8 million increase in purchased services, and a $2.9 million increase in FCSIC expense, partially offset by a $9.1 million decrease in other operating expenses. The decrease in other operating expenses was primarily due to a $5.4 million decrease in travel expenses and a $3.0 million decrease in advertising and member relations expenses resulting from the implications of COVID-19.

## Loan Portfolio

**District Loans by Loan Type**

| (in thousands) | **December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Real estate mortgage | **$ 20,906,907** | $ 17,674,977 | $ 15,696,003 |
| Production and intermediate-term | **4,021,114** | 3,518,445 | 3,313,367 |
| Agribusiness: | | | |
| Loans to cooperatives | **610,130** | 628,781 | 474,242 |
| Processing and marketing | **4,134,282** | 3,855,875 | 4,222,344 |
| Farm-related business | **557,816** | 446,451 | 218,196 |
| Communications | **926,645** | 856,600 | 636,069 |
| Energy (rural utilities) | **1,349,722** | 1,342,603 | 1,220,359 |
| Water and waste disposal | **164,665** | 163,366 | 131,196 |
| Rural residential real estate | **287,703** | 267,506 | 253,336 |
| International | **94,384** | - | - |
| Mission-related | **41,758** | 73,405 | 98,650 |
| Loans to other financing institutions (OFIs) | **39,067** | 31,597 | 41,170 |
| Lease receivables | **40,996** | 33,492 | 31,801 |
| **Total loans** | **$ 33,175,189** | $ 28,893,098 | $ 26,336,733 |

The district loan portfolio consists only of retail loans. Bank loans to its affiliated associations, also referred to as direct notes, have been eliminated in the combined financial statements. Total loan volume at December 31, 2021, was $33.18 billion, an increase of $4.28 billion, or 14.82%, from the $28.89 billion loan portfolio balance at December 31, 2020. The loan volume increase during the year was primarily driven by a $3.71 billion increase in the associations' loan portfolios and a $575.1 million increase in the bank's capital markets loan portfolio.

The bank's capital markets loan portfolio, also referred to as participations purchased loan portfolio, predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. In addition to purchasing loans from our district associations, which may exceed their hold limits, the bank seeks the purchase of participations and syndications originated outside of the district's territory by other System institutions, commercial banks and other lenders. These loans may be held as earning assets of the bank or sub-participated to the associations or other System entities.

## Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. While the amounts represent the maximum potential credit risk, a substantial portion of the district's lending activities is collateralized and, accordingly, the credit risk associated with lending activities is considerably less than the recorded loan principal and is considered in the allowance for loan losses.

Portfolio credit risk is also evaluated with the goal of managing the concentration of credit risk. Concentration risk is reviewed and measured by industry, commodity, geography and customer limits.

The district's concentration of credit risk in various agricultural commodities is shown in the following table:

**Commodity Concentrations**

| (in millions) | **December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Livestock | **$ 11,083** | $ 9,060 | $ 8,226 |
| Crops | **4,643** | 4,091 | 3,704 |
| Timber | **2,233** | 2,218 | 1,931 |
| Dairy | **1,906** | 1,574 | 1,294 |
| Poultry | **1,055** | 1,097 | 1,106 |
| Cotton | **1,203** | 1,072 | 1,062 |
| Rural residential real estate | **253** | 253 | 253 |
| All other commodities | **10,799** | 9,528 | 8,761 |
| Total loans | **$ 33,175** | $ 28,893 | $ 26,337 |

The diversity of states underlying the district's loan portfolio is reflected in the following table:

**Geographic Concentrations**

| | **December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Texas | **56%** | 53% | 53% |
| Alabama | **7** | 7 | 7 |
| Mississippi | **6** | 6 | 7 |
| Louisiana | **4** | 4 | 4 |
| California | **3** | 3 | 2 |
| All other states | **24** | 27 | 27 |
| Total | **100%** | 100% | 100% |

## Loan Quality

One credit quality indicator utilized by the bank and associations is the Farm Credit Administration Uniform Loan Classification System which 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 receivable classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable:

**District Loan Quality**

| | **December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Acceptable | **97.8%** | 97.0% | 96.6% |
| OAEM (special mention) | **1.3** | 2.0 | 1.8 |
| Substandard/doubtful | **0.9** | 1.0 | 1.6 |
| Total | **100.0%** | 100.0% | 100.0% |

Overall credit quality at the bank and at the district associations remained strong at December 31, 2021. Loans classified as acceptable or OAEM as a percentage of total loans and accrued interest receivable were at 99.1% at December 31, 2021, compared to 99.0% at December 31, 2020, and 98.4% at December 31, 2019.

## Nonperforming Assets

| (in thousands) | | **December 31, 2021** | | December 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|---|---|
| Nonaccrual loans: | | | | | | |
| Real estate mortgage | **$** | **44,826** | $ | 65,493 | $ | 71,745 |
| Production and intermediate-term | | **13,572** | | 25,454 | | 30,307 |
| Agribusiness | | **2,005** | | 3,971 | | 12,234 |
| Energy (rural utilities) | | **25,090** | | 1,936 | | 12,293 |
| Rural residential real estate | | **880** | | 840 | | 465 |
| Mission-related | | **1** | | 900 | | 1,144 |
| Total nonaccrual loans | **$** | **86,374** | $ | 98,594 | $ | 128,188 |
| Accruing restructured loans: | | | | | | |
| Real estate mortgage | **$** | **21,579** | $ | 23,039 | $ | 29,983 |
| Production and intermediate-term | | **3,190** | | 2,909 | | 4,596 |
| Energy (rural utilities) | | **-** | | - | | 1,944 |
| Rural residential real estate | | **118** | | 141 | | 148 |
| Mission-related | | **4,930** | | 5,123 | | 5,302 |
| Total accruing restructured loans | **$** | **29,817** | $ | 31,212 | $ | 41,973 |
| Accruing loans 90 days or more past due: | | | | | | |
| Real estate mortgage | **$** | **478** | $ | 1,153 | $ | 3,491 |
| Production and intermediate-term | | **2,810** | | 212 | | 816 |
| Agribusiness | | **-** | | 5 | | - |
| Rural residential real estate | | **-** | | 99 | | 24 |
| Total accruing loans 90 days or more past due | **$** | **3,288** | $ | 1,469 | $ | 4,331 |
| Total nonperforming loans | **$** | **119,479** | $ | 131,275 | $ | 174,492 |
| Other property owned | | **2,479** | | 2,544 | | 10,695 |
| Total nonperforming assets | **$** | **121,958** | $ | 133,819 | $ | 185,187 |

Nonperforming loans are composed of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due, and are also referred to as impaired loans. Nonperforming assets consist of nonperforming loans and other property owned (OPO). Total nonperforming assets have decreased by $11.9 million, or 8.86%, from $133.8 million at December 31, 2020 to $122.0 million at December 31, 2021. Nonaccrual loans decreased by $12.2 million due to repayments and the return of loans to accrual status, partially offset by loans transferred into nonaccrual status. The $1.8 million increase in accruing loans 90 days past due was primarily driven by a limited number of production and intermediate loans which are expected to be repaid in the near future.

At December 31, 2021, $43.1 million, or 49.93%, of loans classified as nonaccrual were current as to principal and interest, compared to $58.1 million, or 58.93%, of nonaccrual loans at December 31, 2020 and $78.0 million, or 60.81%, of nonaccrual loans at December 31, 2019.

The following table provides an age analysis of the loan portfolio (including accrued interest):

**Aging Analysis of Loans (in thousands)**

| December 31, 2021 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans |
|---|---|---|---|---|---|
| **Real estate mortgage** | **$ 96,715** | **$ 16,372** | **$ 113,087** | **$ 20,957,168** | **$ 21,070,255** |
| **Production and intermediate-term** | **9,506** | **8,391** | **17,897** | **4,031,456** | **4,049,353** |
| **Agribusiness** | **1,160** | **-** | **1,160** | **5,319,239** | **5,320,399** |
| **Communications** | **-** | **-** | **-** | **927,018** | **927,018** |
| **Energy (rural utilities)** | **-** | **16,069** | **16,069** | **1,338,264** | **1,354,333** |
| **Water and waste disposal** | **-** | **-** | **-** | **165,506** | **165,506** |
| **Rural residential real estate** | **2,263** | **399** | **2,662** | **285,906** | **288,568** |
| **International** | **-** | **-** | **-** | **94,540** | **94,540** |
| **Mission-related** | **246** | **1** | **247** | **41,849** | **42,096** |
| **Loans to OFIs** | **-** | **-** | **-** | **39,125** | **39,125** |
| **Lease receivables** | **167** | **-** | **167** | **40,997** | **41,164** |
| **Total loans** | **$ 110,057** | **$ 41,232** | **$ 151,289** | **$ 33,241,068** | **$ 33,392,357** |

| December 31, 2020 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans |
|---|---|---|---|---|---|
| Real estate mortgage | $ 90,611 | $ 25,962 | $ 116,573 | $ 17,710,722 | $ 17,827,295 |
| Production and intermediate-term | 27,608 | 3,683 | 31,291 | 3,513,820 | 3,545,111 |
| Agribusiness | 367 | 312 | 679 | 4,948,503 | 4,949,182 |
| Communications | - | - | - | 856,769 | 856,769 |
| Energy (rural utilities) | 1,924 | - | 1,924 | 1,345,098 | 1,347,022 |
| Water and waste disposal | - | - | - | 164,253 | 164,253 |
| Rural residential real estate | 2,384 | 328 | 2,712 | 265,622 | 268,334 |
| Mission-related | 1,889 | 900 | 2,789 | 71,357 | 74,146 |
| Loans to OFIs | - | - | - | 31,653 | 31,653 |
| Lease receivables | - | - | - | 33,655 | 33,655 |
| Total loans | $ 124,783 | $ 31,185 | $ 155,968 | $ 28,941,452 | $ 29,097,420 |

## Aging Analysis of Loans (in thousands)

| December 31, 2019 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans |
|---|---|---|---|---|---|
| Real estate mortgage | $ 95,208 | $ 27,852 | $ 123,060 | $ 15,730,848 | $ 15,853,908 |
| Production and intermediate-term | 16,395 | 14,245 | 30,640 | 3,321,244 | 3,351,884 |
| Agribusiness | 2,090 | 36 | 2,126 | 4,937,104 | 4,939,230 |
| Communications | - | - | - | 636,383 | 636,383 |
| Energy (rural utilities) | - | - | - | 1,225,149 | 1,225,149 |
| Water and waste disposal | - | - | - | 132,155 | 132,155 |
| Rural residential real estate | 2,008 | 91 | 2,099 | 252,124 | 254,223 |
| Mission-related | 1,114 | 1,055 | 2,169 | 97,318 | 99,487 |
| Loans to OFIs | - | - | - | 41,270 | 41,270 |
| Lease receivables | - | - | - | 31,915 | 31,915 |
| Total loans | $ 116,815 | $ 43,279 | $ 160,094 | $ 26,405,510 | $ 26,565,604 |

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

| (in thousands) | Real Estate Mortgage | Production and Intermediate-Term | Agri-business | Communi-cations | Energy and Water/Waste Disposal | Rural Residential Real Estate | International | Mission-Related | Loans to OFIs | Lease Receivables | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for Loan Losses:** | | | | | | | | | | | |
| Balance at December 31, 2020 | $ 49,204 | $ 24,214 | $ 16,354 | $ 864 | $ 2,867 | $ 391 | $ - | $ 124 | $ - | $ 450 | $ 94,468 |
| (Loan loss reversal) provision for loan losses | (4,757) | (10,693) | (2,121) | (20) | 6,522 | (84) | 115 | 4 | - | (316) | (11,350) |
| Recoveries | 466 | 1,951 | 551 | - | 35 | 7 | - | - | - | - | 3,010 |
| Charge-offs | (422) | (773) | (791) | - | - | - | - | - | - | - | (1,986) |
| Other* | (1) | 796 | 708 | (20) | (128) | (1) | (25) | - | - | (1) | 1,328 |
| Balance at December 31, 2021 | $ 44,490 | $ 15,495 | $ 14,701 | $ 824 | $ 9,296 | $ 313 | $ 90 | $ 128 | $ - | $ 133 | $ 85,470 |
| | | | | | | | | | | | |
| Individually evaluated for impairment | $ 2,178 | $ 2,024 | $ 368 | $ - | $ 6,552 | $ 9 | $ - | $ 123 | $ - | $ - | $ 11,254 |
| Collectively evaluated for impairment | 42,312 | 13,471 | 14,333 | 824 | 2,744 | 304 | 90 | 5 | - | 133 | 74,216 |
| Balance at December 31, 2021 | $ 44,490 | $ 15,495 | $ 14,701 | $ 824 | $ 9,296 | $ 313 | $ 90 | $ 128 | $ - | $ 133 | $ 85,470 |
| | | | | | | | | | | | |
| **Recorded Investments in Loans Outstanding:** | | | | | | | | | | | |
| Balance at December 31, 2021 | | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 70,617 | $ 21,343 | $ 2,004 | $ - | $ 23,263 | $ 1,172 | $ - | $ 4,931 | $ - | $ - | $ 123,330 |
| Loans collectively evaluated for impairment | 20,999,638 | 4,028,010 | 5,318,395 | 927,018 | 1,496,576 | 287,396 | 94,540 | 37,165 | 39,125 | 41,164 | 33,269,027 |
| Loans acquired with deteriorated credit quality | - | - | - | - | - | - | - | - | - | - | - |
| Balance at December 31, 2021 | $21,070,255 | $ 4,049,353 | $ 5,320,399 | $ 927,018 | $1,519,839 | $ 288,568 | $ 94,540 | $ 42,096 | $ 39,125 | $ 41,164 | $ 33,392,357 |

*Reserve for losses on letters of credit and unfunded commitments is recorded in other liabilities.

| (in thousands) | Real Estate Mortgage | Production and Intermediate-Term | Agri-business | Communi-cations | Energy and Water/Waste Disposal | Rural Residential Real Estate | Mission-Related | Loans to OFIs | Lease Receivables | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for Loan Losses:** | | | | | | | | | | |
| Balance at December 31, 2019 | $ 44,263 | $ 24,200 | $ 15,029 | $ 609 | $ 5,082 | $ 422 | $ 124 | $ - | $ 130 | $ 89,859 |
| Provision for loan losses (loan loss reversal) | 5,027 | 528 | 1,824 | 261 | 546 | (29) | - | - | 320 | 8,477 |
| Recoveries | 725 | 2,948 | 191 | - | 1 | 23 | - | - | - | 3,888 |
| Charge-offs | (784) | (3,036) | (121) | - | (3,325) | (25) | - | - | - | (7,291) |
| Other* | (27) | (426) | (569) | (6) | 563 | - | - | - | - | (465) |
| Balance at December 31, 2020 | $ 49,204 | $ 24,214 | $ 16,354 | $ 864 | $ 2,867 | $ 391 | $ 124 | $ - | $ 450 | $ 94,468 |
| | | | | | | | | | | |
| Individually evaluated for impairment | $ 1,469 | $ 2,324 | $ 443 | $ - | $ 1,316 | $ 19 | $ 117 | $ - | $ - | $ 5,688 |
| Collectively evaluated for impairment | 47,735 | 21,890 | 15,911 | 864 | 1,551 | 372 | 7 | - | 450 | 88,780 |
| Balance at December 31, 2020 | $ 49,204 | $ 24,214 | $ 16,354 | $ 864 | $ 2,867 | $ 391 | $ 124 | $ - | $ 450 | $ 94,468 |
| | | | | | | | | | | |
| **Recorded Investments in Loans Outstanding:** | | | | | | | | | | |
| Balance at December 31, 2020 | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 90,856 | $ 28,643 | $ 9,534 | $ - | $ 1,936 | $ 1,158 | $ 6,023 | $ - | $ - | $ 138,150 |
| Loans collectively evaluated for impairment | 17,736,439 | 3,516,468 | 4,939,648 | 856,769 | 1,509,339 | 267,176 | 68,123 | 31,653 | 33,655 | 28,959,270 |
| Loans acquired with deteriorated credit quality | - | - | - | - | - | - | - | - | - | - |
| Balance at December 31, 2020 | $ 17,827,295 | $ 3,545,111 | $ 4,949,182 | $ 856,769 | $ 1,511,275 | $ 268,334 | $ 74,146 | $ 31,653 | $ 33,655 | $ 29,097,420 |

*Reserve for losses on letters of credit and unfunded commitments is recorded in other liabilities.

| (in thousands) | Real Estate Mortgage | Production and Intermediate-Term | Agri-business | Communi-cation | Energy and Water/Waste Disposal | Rural Residential Real Estate | Mission-Related | Loans to OFIs | Lease Receivables | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for Loan Losses:** | | | | | | | | | | |
| Balance at December 31, 2018 | $ 40,137 | $ 20,483 | $ 13,413 | $ 851 | $ 6,494 | $ 458 | $ 132 | $ - | $ 101 | $ 82,069 |
| Provision for loan losses | | | | | | | | | | |
| (loan loss reversal) | 5,521 | 7,505 | 784 | (232) | (1,355) | (97) | (8) | - | 29 | 12,147 |
| Recoveries | 962 | 1,943 | 881 | - | - | 129 | - | - | - | 3,915 |
| Charge-offs | (2,318) | (5,464) | - | - | - | (67) | - | - | - | (7,849) |
| Other* | (39) | (267) | (49) | (10) | (57) | (1) | - | - | - | (423) |
| Balance at December 31, 2019 | $ 44,263 | $ 24,200 | $ 15,029 | $ 609 | $ 5,082 | $ 422 | $ 124 | $ - | $ 130 | $ 89,859 |
| | | | | | | | | | | |
| Individually evaluated | | | | | | | | | | |
| for impairment | $ 1,853 | $ 2,534 | $ 2,374 | $ - | $ 2,813 | $ 50 | $ 110 | $ - | $ - | $ 9,734 |
| Collectively evaluated | | | | | | | | | | |
| for impairment | 42,410 | 21,666 | 12,655 | 609 | 2,269 | 372 | 14 | - | 130 | 80,125 |
| Balance at December 31, 2019 | $ 44,263 | $ 24,200 | $ 15,029 | $ 609 | $ 5,082 | $ 422 | $ 124 | $ - | $ 130 | $ 89,859 |
| | | | | | | | | | | |
| **Recorded Investments in Loans Outstanding:** | | | | | | | | | | |
| Balance at December 31, 2019 | | | | | | | | | | |
| Loans individually evaluated | | | | | | | | | | |
| for impairment | $ 111,938 | $ 36,836 | $ 13,287 | $ - | $ 12,293 | $ 786 | $ 6,417 | $ - | $ - | $ 181,557 |
| Loans collectively evaluated | | | | | | | | | | |
| for impairment | 15,741,784 | 3,315,048 | 4,925,943 | 636,383 | 1,345,011 | 253,437 | 93,070 | 41,270 | 31,915 | 26,383,861 |
| Loans acquired with | | | | | | | | | | |
| deteriorated credit quality | 186 | - | - | - | - | - | - | - | - | 186 |
| Balance at December 31, 2019 | $ 15,853,908 | $ 3,351,884 | $ 4,939,230 | $ 636,383 | $ 1,357,304 | $ 254,223 | $ 99,487 | $ 41,270 | $ 31,915 | $ 26,565,604 |

*Reserve for losses on letters of credit and unfunded commitments is recorded in other liabilities.

Loans, net of the allowance for loan losses, represented 80.78%, 80.88% and 79.91% of total assets at December 31, 2021, 2020 and 2019 respectively.

## Investments

The bank is responsible for meeting the district's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the district's primary source of liquidity, the bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. Due to the liquidity needs, the bank typically holds investments on an available-for-sale basis. Refer to the bank's 2021 annual report for additional descriptions of the types of investments and maturities. District associations have regulatory authority to enter into certain guaranteed investments that are typically mortgage-backed or asset-backed securities.

**Investment Information**

| (in thousands)<br>**December 31, 2021** | **Amortized Cost** | **Unrealized Gains** | **Unrealized Losses** | **Fair Value** |
|---|---|---|---|---|
| **Bank investments** | **$ 6,590,103** | **$ 30,202** | **$ (60,066)** | **$ 6,560,239** |
| **District association investments** | **120,735** | **888** | **(110)** | **121,513** |
| **Total district investments** | **$ 6,710,838** | **$ 31,090** | **$ (60,176)** | **$ 6,681,752** |

| December 31, 2020 | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Bank investments | $ 5,468,160 | $ 82,825 | $ (2,818) | $ 5,548,167 |
| District association investments | 87,681 | 598 | (87) | 88,192 |
| Total district investments | $ 5,555,841 | $ 83,423 | $ (2,905) | $ 5,636,359 |

| December 31, 2019 | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Bank investments | $ 5,291,930 | $ 23,147 | $ (19,934) | $ 5,295,143 |
| District association investments | 93,795 | 219 | (6) | 94,008 |
| Total district investments | $ 5,385,725 | $ 23,366 | $ (19,940) | $ 5,389,151 |

The district association investments in the preceding table include held-to-maturity securities with an amortized cost of $6.1 million, an unrealized gain of $108 thousand, and a fair value of $6.2 million as of December 31, 2021; an amortized cost of $8.3 million, an unrealized gain of $184 thousand, and a fair value of $8.5 million as of December 31, 2020; and an amortized cost of $13.1 million, an unrealized gain of $92 thousand, and a fair value of $13.2 million as of December 31, 2019. These securities are reported at amortized cost and included in investment securities on the balance sheets.

## Capital Resources

District members' equity totaled $5.48 billion at December 31, 2021, including $1.05 billion in preferred stock, $72.3 million in capital stock and participation certificates, $4.30 billion in retained earnings and $222.0 million in additional paid-in-capital, offset by accumulated other comprehensive loss of $164.3 million.

Borrower equity purchases required by association capitalization bylaws, combined with a history of growth in retained earnings at district institutions, have resulted in district institutions being able to maintain strong capital positions. The $5.48 billion capital position of the district at December 31, 2021, reflected an increase of 9.80% over the December 31, 2020, capital position of $4.99 billion. This increase was attributable to year-to-date net income of $641.5 million and preferred stock net issuance of $280.0 million, offset by patronage of $283.4 million, retirements of $64.0 million in capital stock and allocated equities, dividends accrued and paid on preferred stock totaling $57.7 million, an increase in accumulated other comprehensive loss of $22.9 million, and preferred stock issuance costs of $4.7 million.

On January 19, 2021, one association issued $200 million of Class A noncumulative subordinated perpetual preferred stock, Series 1 (Class A-1 preferred stock), for net proceeds of $195.5 million with issuance costs of $4.5 million. Dividends on the Class A-1 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing March 15, 2021, at an annual fixed rate of 5.00% up to, but excluding, March 15, 2026, from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 4.523%. The Class A-1 preferred stock is not mandatorily redeemable at any time but may be redeemed in whole or part at the option of the association, with prior approval from the FCA, on any dividend payment date on or after March 15, 2026. For regulatory purposes, the Class A-1 preferred stock will be included in permanent capital, total capital and tier 1 capital within certain limitations.

On October 6, 2021, another association issued $80.0 million of fixed-rate perpetual noncumulative preferred stock, Series B, for net proceeds of $77.4 million with issuance costs of $2.6 million reflected as a reduction in additional paid-in capital. The association authorized 80,000 shares of fixed-rate reset perpetual noncumulative preferred stock, Series B. Holders of Series B preferred stock shall be entitled to receive, if, as and when declared by the board of directors, in its sole discretion, but only out of assets legally available therefor, noncumulative cash dividends on the Series B stated value, and no more, payable quarterly in arrears on each January 15, April 15, July 15 and October 15 commencing January 15, 2022 and ending October 15, 2026, at an annual rate equal to 5.75% of the par value of $1,000 per share from the date of issuance up to but not including October 15, 2026 (the "Fixed Rate Period"), from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 4.74%. From and after October 15, 2026 (the "Floating Rate Period") quarterly dividends will be payable when, as and if declared by the board of directors, in its sole discretion, but only out of assets legally available therefor, at a floating rate equal to the then applicable reset dividend rate. The Series B preferred stock is not mandatorily redeemable at any time but may be redeemed in whole or part at the option of the association, with prior approval from the FCA, on any dividend payment date on or after October 15, 2026. For regulatory purposes, the Series B preferred stock will be included in permanent capital, total capital and tier 1 capital within certain limitations.

Accumulated other comprehensive loss totaled $158.8 million at December 31, 2021, an increase of $17.4 million from December 31, 2020. The increase in accumulated other comprehensive losses was driven by a $109.5 million increase in unrealized losses on the bank's available-for-sale investments primarily attributable to declines in interest rates offset by a $41.7 million decrease in unrealized losses on cash flow derivatives hedges resulting from changes in the valuation of interest rate swaps the bank held during 2021 as a result of declines in interest rates, and a $50.4 million decrease in unrealized losses on pension and other postretirement benefit plans driven primarily by a higher discount rate than at the previous measurement date.

Following is a summary of the components of accumulated other comprehensive loss:

**Accumulated Other Comprehensive Loss**

| (in thousands) | **December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Unrealized (losses) gains on investment securities | **$ (29,194)** | $ 80,334 | $ 3,334 |
| Derivatives and hedging position | **(66,199)** | (107,943) | (54,042) |
| Employee benefit plan position | **(63,405)** | (113,787) | (102,764) |
| Total Accumulated Other Comprehensive Loss | **$ (158,798)** | $ (141,396) | $ (153,472) |

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

## Regulatory Capital Requirements and Ratios

| As of December 31, 2021 | Primary Components of Numerator | Regulatory Minimums with Buffers | Bank | District Associations |
|---|---|---|---|---|
| **Risk adjusted:** | | | | |
| Common equity tier 1 capital ratio | Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1] | 7.00% | 9.55% | 10.30% - 19.02% |
| Tier 1 capital ratio | CET1 capital, noncumulative perpetual preferred stock | 8.50% | 15.09% | 12.50% - 19.02% |
| Total capital ratio | Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4] | 10.50% | 15.17% | 12.79% - 19.48% |
| Permanent capital ratio | Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits | 7.00% | 15.10% | 12.53% - 19.11% |
| **Non-risk adjusted:** | | | | |
| Tier 1 leverage ratio * | Tier 1 capital | 5.00% | 6.37% | 11.41% - 17.92% |
| UREE leverage ratio | URE and URE equivalents | 1.50% | 2.73% | 7.31% - 18.98% |

* Must include the regulatory minimum requirements for the URE and UREE leverage ratio

1 Equities outstanding 7 or more years

2 Capped at 1.25% of risk-adjusted assets

3 Outstanding 5 or more years, but less than 7 years

4 Outstanding 5 or more years

## Employee Benefit Plans

The employees of the bank and substantially all associations participate in various defined benefit retirement plans. The defined benefit retirement plan is noncontributory and the benefits are based on salary and years of service. As of January 1, 1996, the bank and associations froze participation in their defined benefit pension plan and offered defined contribution retirement plans to all employees hired subsequent to the freeze.

In addition, the bank and associations provide certain health care and other postretirement benefits to eligible retired employees, beneficiaries and directors (other postretirement benefit plan). Employees may become eligible for health care and other postretirement benefits if they reach normal retirement age while working for the bank or an association. These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities individually for the bank and each applicable association.

Employees of the Texas Farm Credit District participate in either the district's defined benefit retirement plan (DB plan) or in a non-elective defined contribution feature (DC plan) within the Farm Credit Benefits Alliance 401(k) plan. In addition, all employees may participate in the Farm Credit Benefits Alliance 401(k) plan. As previously mentioned, the DB plan is noncontributory, 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. Participants in the non-elective pension feature of the DC plan direct the placement of their employers' contributions made on their behalf into various investment alternatives.

The district also participates in the Farm Credit Benefits Alliance 401(k) plan, which offers a pre-tax and after-tax and Roth compensation deferral feature. Employers match 100% of employee contributions for the first 3% of eligible compensation and then match 50% of employee contributions on the next 2% of eligible compensation, for a maximum employer contribution of 4% of eligible compensation.

Certain executive or highly compensated employees in the district 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 election 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 unfunded status of the pension benefit plan decreased $48.9 million, or 32.26%, compared to the prior year. The unfunded status of the other postretirement benefit plan decreased $805 thousand, or 1.01%, compared to the prior year. The unfunded status of both plans was impacted by higher discount rates.

The funding status and the amounts recognized in the combined balance sheet of the district for pension and other postretirement benefit plans follows:

**Retirement Plans**

| (in thousands)<br>December 31, 2021 | Pension Benefit Plan | | Other Postretirement<br>Benefit Plan | |
|---|---|---|---|---|
| Projected benefit obligation | $ | 348,700 | $ | 79,196 |
| Fair value of plan assets | | 245,976 | | - |
| Funded (unfunded) status | $ | (102,724) | $ | (79,196) |
| Accumulated benefit obligation | $ | 341,804 | $ | - |
| Assumptions used to determine benefit obligations: | | | | |
| Discount rate | | 2.80% | | 3.15% |
| Expected long-term rate of return | | 5.70% | | N/A |
| Rate of compensation increase | | 4.50% | | N/A |

| December 31, 2020 | Pension Benefit Plan | | Other Postretirement<br>Benefit Plan | |
|---|---|---|---|---|
| Projected benefit obligation | $ | 405,892 | $ | 80,001 |
| Fair value of plan assets | | 254,237 | | - |
| Funded (unfunded) status | $ | (151,655) | $ | (80,001) |
| Accumulated benefit obligation | $ | 395,159 | $ | - |
| Assumptions used to determine benefit obligations: | | | | |
| Discount rate | | 2.40% | | 2.80% |
| Expected long-term rate of return | | 5.80% | | N/A |
| Rate of compensation increase | | 4.50% | | N/A |

| December 31, 2019 | Pension Benefit Plan | | Other Postretirement<br>Benefit Plan | |
|---|---|---|---|---|
| Projected benefit obligation | $ | 399,897 | $ | 76,635 |
| Fair value of plan assets | | 264,796 | | - |
| Funded (unfunded) status | $ | (135,101) | $ | (76,635) |
| Accumulated benefit obligation | $ | 389,166 | $ | - |
| Assumptions used to determine benefit obligations: | | | | |
| Discount rate | | 3.20% | | 3.45% |
| Expected long-term rate of return | | 6.00% | | N/A |
| Rate of compensation increase | | 4.00% | | N/A |

## Combined Balance Sheets

(Unaudited)

| (in thousands) | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | **$ 160,593** | $ 130,559 | $ 55,312 |
| Federal funds sold and overnight investments | **194,223** | 208,229 | 374,344 |
| Investment securities | **6,681,644** | 5,636,175 | 5,389,059 |
| Loans | **33,175,189** | 28,893,098 | 26,336,733 |
| Less allowance for loan losses | **85,470** | 94,468 | 89,859 |
| Net loans | **33,089,719** | 28,798,630 | 26,246,874 |
| Accrued interest receivable | **226,266** | 214,068 | 241,940 |
| Premises and equipment, net | **264,404** | 250,342 | 210,955 |
| Other assets | **346,977** | 368,911 | 328,112 |
| Total assets | **$ 40,963,826** | $ 35,606,914 | $ 32,846,596 |
| **LIABILITIES** | | | |
| Bonds and notes | **$ 34,640,428** | $ 29,723,429 | $ 27,323,906 |
| Accrued interest payable | **65,388** | 61,063 | 91,951 |
| Patronage distributions payable | **248,718** | 208,730 | 192,909 |
| Preferred stock dividends payable | **11,600** | 11,600 | 21,613 |
| Other liabilities | **516,730** | 615,350 | 515,091 |
| Total liabilities | **$ 35,482,864** | $ 30,620,172 | $ 28,145,470 |
| **MEMBERS' EQUITY** | | | |
| Preferred stock | **$ 1,050,000** | $ 770,000 | $ 720,000 |
| Capital stock and participation certificates | **72,262** | 69,229 | 66,705 |
| Allocated retained earnings | **944,007** | 876,706 | 805,189 |
| Unallocated retained earnings | **3,351,465** | 3,187,578 | 3,038,079 |
| Additional paid-in-capital | **222,026** | 224,625 | 224,625 |
| Accumulated other comprehensive loss | **(158,798)** | (141,396) | (153,472) |
| Total members' equity | **$ 5,480,962** | $ 4,986,742 | $ 4,701,126 |
| Total liabilities and members' equity | **$ 40,963,826** | $ 35,606,914 | $ 32,846,596 |

## Combined Statements of Income

(Unaudited)

| (in thousands) | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **INTEREST INCOME** | | | |
| Investment securities | **$ 73,628** | $ 96,169 | $ 144,599 |
| Loans | **1,260,693** | 1,234,560 | 1,317,664 |
| Total interest income | **$ 1,334,321** | $ 1,330,729 | $ 1,462,263 |
| **INTEREST EXPENSE** | | | |
| Bonds and notes | **287,153** | 372,551 | 537,793 |
| Notes payable and other | **28,550** | 46,840 | 109,253 |
| Total interest expense | **$ 315,703** | $ 419,391 | $ 647,046 |
| Net interest income | **$ 1,018,618** | $ 911,338 | $ 815,217 |
| (Loan loss reversal) provision for loan losses | **(11,350)** | 8,477 | 12,147 |
| Net interest income after provision for loan losses (loan loss reversal) | **$ 1,029,968** | $ 902,861 | $ 803,070 |
| **NONINTEREST INCOME** | | | |
| Patronage income | **27,183** | 24,895 | 23,854 |
| Fees for loan-related services | **51,776** | 52,559 | 30,009 |
| Refunds from Farm Credit System Insurance Corporation | **-** | 6,135 | 6,469 |
| Net gains on sale of investments | **-** | - | 12,126 |
| Other income, net | **14,049** | 5,502 | 2,970 |
| Total noninterest income | **$ 93,008** | $ 89,091 | $ 75,428 |
| **NONINTEREST EXPENSE** | | | |
| Salaries and employee benefits | **263,208** | 240,503 | 226,183 |
| Occupancy and equipment | **54,173** | 47,231 | 40,010 |
| Purchased services | **48,174** | 43,406 | 39,588 |
| Farm Credit System Insurance Corporation expense | **45,083** | 24,031 | 21,120 |
| Other operating expenses | **70,208** | 58,486 | 67,608 |
| Total noninterest expense | **$ 480,846** | $ 413,657 | $ 394,509 |
| Income before income taxes | **642,130** | 578,295 | 483,989 |
| Provision for (benefit from) income taxes | **631** | 54 | (104) |
| **Net income** | **$ 641,499** | $ 578,241 | $ 484,093 |

### Select Information On District Associations

| (in thousands)<br>As of December 31, 2021 | Direct Notes | % of Total Direct Notes | Total Assets | Total Allowance and Capital | Total Capital Ratio | Nonperforming Loans as a % of Total Loans | ROA |
|---|---|---|---|---|---|---|---|
| Ag New Mexico, Farm Credit Services, ACA | $ 288,410 | 1.30% | $ 344,067 | $ 51,286 | 12.80% | 0.67% | 1.23% |
| AgTexas Farm Credit Services | 2,470,311 | 11.16% | 2,927,484 | 402,993 | 14.36% | 0.56% | 1.99% |
| Alabama Ag Credit, ACA | 1,025,534 | 4.64% | 1,258,947 | 219,083 | 16.29% | 0.71% | 1.78% |
| Alabama Farm Credit, ACA | 906,704 | 4.10% | 1,063,701 | 140,773 | 13.37% | 0.61% | 1.77% |
| Capital Farm Credit, ACA | 8,873,815 | 40.11% | 10,748,500 | 1,656,301 | 14.49% | 0.46% | 2.71% |
| Central Texas Farm Credit, ACA | 519,220 | 2.35% | 652,637 | 121,375 | 17.50% | 0.29% | 1.78% |
| Heritage Land Bank, ACA | 568,220 | 2.57% | 675,550 | 102,130 | 13.84% | 0.04% | 1.46% |
| Legacy Ag Credit, ACA | 286,452 | 1.29% | 353,994 | 66,333 | 19.48% | 1.04% | 1.28% |
| Lone Star, ACA | 1,900,149 | 8.59% | 2,333,729 | 393,672 | 16.45% | 0.15% | 2.14% |
| Louisiana Land Bank, ACA | 840,220 | 3.80% | 1,029,836 | 176,614 | 15.91% | 0.62% | 1.80% |
| Mississippi Land Bank, ACA | 788,023 | 3.56% | 959,395 | 150,363 | 14.53% | 0.21% | 1.67% |
| Plains Land Bank, FLCA | 752,113 | 3.40% | 907,307 | 151,905 | 14.76% | 0.24% | 2.10% |
| Southern AgCredit, ACA | 1,101,514 | 4.98% | 1,334,022 | 197,403 | 14.11% | 0.23% | 1.80% |
| Texas Farm Credit Services | 1,804,836 | 8.16% | 2,081,334 | 238,423 | 12.79% | 0.45% | 2.48% |
| Totals | $ 22,125,521 | 100.00% | $ 26,670,503 | $ 4,068,654 | | | |

### District Contact Information

| Name of Entity | Headquarters Location | Contact Number | Website |
|---|---|---|---|
| Ag New Mexico, Farm Credit Services, ACA | 4501 N. Prince Street, Clovis, New Mexico 88101 | 575-762-3828 | www.agnewmexico.com |
| AgTexas Farm Credit Services | 5004 N. Loop 289, Lubbock, Texas 79416 | 806-687-4068 | www.agtexas.com |
| Alabama Ag Credit, ACA | 2660 Eastchase Lane, Suite 401, Montgomery, Alabama 36117 | 334-270-8687 | www.alabamaagcredit.com |
| Alabama Farm Credit, ACA | 300 2nd Avenue SW, Cullman, Alabama 35055 | 256-737-7128 | www.alabamafarmcredit.com |
| Capital Farm Credit, ACA | 3000 Briarcrest Drive, Suite 601, Bryan, Texas 77802 | 979-822-3018 | www.capitalfarmcredit.com |
| Central Texas Farm Credit, ACA | 1026 Early Boulevard, Early, Texas 76802 | 325-643-5563 | www.ranchmoney.com |
| Farm Credit Bank of Texas | 4801 Plaza on the Lake Drive, Austin, Texas 78746 | 512-465-0400 | www.farmcreditbank.com |
| Heritage Land Bank, ACA | 4608 Kinsey Drive, Suite 100, Tyler, Texas 75703 | 903-534-4975 | www.heritagelandbank.com |
| Legacy Ag Credit, ACA | 303 Connally Street, Sulphur Springs, Texas 75482 | 903-885-9566 | www.legacyaca.com |
| Lone Star, ACA | 1612 Summit Avenue, Suite 300, Fort Worth, Texas 76102 | 817-332-6565 | www.lonestaragcredit.com |
| Louisiana Land Bank, ACA | 2413 Tower Drive, Monroe, Louisiana 71201 | 318-387-7535 | www.louisianalandbank.com |
| Mississippi Land Bank, ACA | 5509 Highway 51 North, Senatobia, Mississippi 38668 | 662-562-9671 | www.mslandbank.com |
| Plains Land Bank, FLCA | 1616 S. Kentucky Street, Suite C-250, Amarillo, TX 79102 | 806-331-0926 | www.plainslandbank.com |
| Southern AgCredit, ACA | 402 West Parkway Place, Ridgeland, Mississippi 39157 | 601-499-2820 | www.southernagcredit.com |
| Texas Farm Credit Services | 545 S. Highway 77, Robstown, Texas 78380 | 361-387-8563 | www.texasfarmcredit.com |