



2021 ANNUAL REPORT TO SHAREHOLDERS

**Idaho AgCredit, ACA and its wholly owned subsidiaries,
Idaho AgCredit, FLCA and Idaho AgCredit, PCA**
188 W Judicial, PO Box 985,
Blackfoot, ID 83221
(208)785-1510

Celebrating 88 years:

Idaho AgCredit, ACA, chartered January 1, 2015

(formerly known as Idaho Agricultural Credit Association)

Idaho AgCredit, FLCA and Idaho AgCredit, PCA chartered July 1, 2002 as wholly owned subsidiaries of Idaho Agricultural Credit Association

Idaho Agricultural Credit Association chartered January 1, 2000

Eastern Idaho Agricultural Credit Association chartered August 6, 1991

Eastern Idaho Production Credit Association chartered January 6, 1934

Idaho AgCredit

2021 ANNUAL REPORT TO SHAREHOLDERS

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BOARD OF DIRECTORS

Ken Black, Chairman	Burley
Twain S. Hayden, Vice Chairman.....	Arbon
Scott R. Giltner.....	Jerome
Ryan Mathews	Blackfoot
Wendy Pratt	Blackfoot
Bruce Ricks.....	Sugar City
Dennis W. Snarr	Idaho Falls

OFFICERS

Marc Fonnesbeck	President and CEO
Jim Chase.....	Secretary and CFO
Adam C. Jensen	Executive Vice President and CCO
Kirk Powell	Vice President of Capital Markets
Katie Wallace	Vice President of Human Resources
Dana Wood	Vice President of Operations
Ryan Funk.	Vice President and CIO

HEADQUARTERS STAFF

Jan Gamble	Senior Operations Assistant
Echo Wren	Operations Assistant
Travis Crook.....	IT Technician

(Job titles are as of January 1, 2022)

BRANCH STAFF

<u>Blackfoot Branch Office</u>	(208)785-1510
Katie Wallace	Branch Manager
Avery Robertson.....	Assistant Branch Manager
Carson Jacobs	Loan Officer
Jenny Callison.....	Credit Support Specialist
Tenia Giannini	Operations Assistant
Hallie Mickelsen	Operations Assistant

<u>Rexburg Branch Office</u>	(208)356-5479
Nick Bazil.....	Branch Manager
Doug Eck.....	Evaluation Manager and Senior Loan Officer
Jared Ashcraft	Loan Officer
Maguel Sommer.....	Credit Analyst
Sam Erickson	Operations Assistant
Tina Morton	Senior Loan Processing Specialist

<u>American Falls Branch Office</u>	(208)226-5251
Dana Wood	Branch Manager
Dylan Orr	Loan Officer
Rob Acevedo.....	Credit Analyst
Cyndi Campbell	Operations Assistant
Maxine Olson	Operations Assistant
Meagan Reed.....	Audit Coordinator

<u>Twin Falls Branch Office</u>	(208)734-0635
Tianna Fife	Branch Manager
Sean Zaugg.....	Senior Loan Officer
Dave Scott.....	Loan Officer
Kaylie Collins	Credit Support Specialist
Nicolette Mikesell	Operations Assistant



REPORT OF MANAGEMENT

The consolidated financial statements of Idaho AgCredit, ACA and its wholly owned subsidiaries Idaho AgCredit, FLCA and Idaho AgCredit, PCA (collectively Association) are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances and under the oversight of the Audit Committee (composed of all board members) and in the opinion of management fairly present the financial condition and results of operations of the Association. Other financial information included in the 2021 annual report is consistent with the financial statements.

To meet its responsibility for reliable financial information, management depends on 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. To monitor compliance, the Association, its contract auditors, CoBank and an independent accounting firm perform reviews of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate.

The activities of the Association are also reviewed by the Farm Credit Administration (FCA) and certain actions of the Association are subject to approval by CoBank. Certain actions of CoBank are also subject to FCA approval.

The consolidated financial statements of the Association were audited by Wipfli LLP, certified public accountants (CPAs), who also conducted a review of the accounting records and such other auditing procedures as they considered necessary to comply with auditing standards generally accepted in the United States of America. A copy of their report is presented later in this annual report.

The Board of Directors and Audit Committee have overall responsibility for the Association's systems of internal control and financial reporting. In connection with this obligation, each consults regularly with management and periodically reviews the scope and results of work performed by the CPAs and other auditors. The CPAs and other auditors also have direct access to the Board of Directors and Audit Committee.

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

/s/ Ken Black

Ken Black
Board Chairman

/s/ Marc Fonnesbeck

Marc Fonnesbeck
President and CEO

/s/ Jim Chase

Jim Chase
Secretary and CFO

February 16, 2022

Idaho AgCredit



AUDIT COMMITTEE REPORT

The Audit Committee (Committee) includes the entire Board of Directors of Idaho AgCredit, ACA (Association). In 2021, ten Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association'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 responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter. The Committee approved the appointment of Wipfli LLP (CPAs) as the Association's independent auditors for 2021.

The fees for professional services from the CPAs during 2021 were \$34,000 for audit services and \$7,200 for tax and non-audit services. All audit and non-audit services with the CPAs were contracted by and approved by the Audit Committee. Non-audit services included calculation of current and deferred income taxes, preparation of income taxes and consulting on future accounting requirements. The Committee reviewed the non-audit services provided by the CPAs and concluded these services were not incompatible with maintaining the independent auditor's independence.

Management is responsible for the Association'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 CPAs are responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the audited consolidated financial statements for the year ended December 31, 2021 (the "Audited Financial Statements") with management and the CPAs. The Committee also reviews with the CPAs the matters required to be discussed by Statements on Auditing Standards and both the CPAs and the Association's internal auditors (including staff and contract auditors) provide reports directly to the Committee on significant matters.

The Committee received the written disclosures and the letter from the CPAs in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and discussed with the CPAs their independence from the Association. The Committee has discussed with management and the CPAs 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 Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2021 and for filing with the FCA.

/s/ Dennis Snarr

Dennis Snarr
Chairman of the Audit Committee

Ken Black	Scott R. Giltner
Twain S. Hayden	Ryan Mathews, Vice Chairman
Wendy Pratt	Bruce Ricks
Audit Committee Members	

February 16, 2022

Idaho AgCredit
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in thousands)

	December 31				
Consolidated Statements of Condition Data	2021	2020	2019	2018	2017
Loans	\$ 338,467	\$ 312,181	\$ 286,470	\$ 291,670	\$ 262,801
Less allowance for loan losses	1,523	1,584	1,573	1,193	1,179
Net loans	336,944	310,597	284,897	290,477	261,622
Cash and investment securities	3,394	2,984	1,453	1,957	0
Accrued interest receivable	4,340	4,576	4,901	4,859	4,575
Investment in CoBank, ACB	10,966	10,966	10,963	10,953	10,943
Other property owned	0	0	0	0	0
Other assets	4,159	3,633	3,058	2,765	2,672
Total assets	\$ 359,803	\$ 332,756	\$ 305,272	\$ 311,011	\$ 279,812
Obligations with maturities of one year or less	\$ 293,149	\$ 268,573	\$ 244,009	\$ 251,740	\$ 223,464
Obligations with maturities longer than one year	292	296	252	237	225
Total liabilities	\$ 293,441	\$ 268,869	\$ 244,261	\$ 251,977	\$ 223,689
Capital stock and participation certificates	504	481	434	428	425
Allocated retained earnings	24,304	22,381	20,882	18,435	16,639
Unallocated retained earnings	41,554	41,025	39,695	40,171	39,059
Accumulated other comprehensive income/(loss)	0	0	0	0	0
Total shareholders' equity	\$ 66,362	\$ 63,887	\$ 61,011	\$ 59,034	\$ 56,123
Total liabilities and shareholders' equity	\$ 359,803	\$ 332,756	\$ 305,272	\$ 311,011	\$ 279,812
	For the Year Ended December 31				
Consolidated Statements of Income Data	2021	2020	2019	2018	2017
Net interest income	\$ 8,955	\$ 8,174	\$ 8,188	\$ 7,651	\$ 7,120
Patronage distribution from Farm Credit Institutions	1,453	1,187	1,044	1,216	1,020
(Provision for) or Reversal of loan losses	111	(35)	(390)	(14)	(52)
Noninterest expense, net	(4,194)	(3,550)	(3,892)	(3,447)	(3,532)
(Provision for) or Benefit from income taxes	(167)	(138)	(95)	(143)	(256)
Cumulative effect of change(s) in accounting principles	0	0	0	0	0
Net income/(loss)	\$ 6,158	\$ 5,638	\$ 4,855	\$ 5,263	\$ 4,300
Comprehensive Income	\$ 6,158	\$ 5,638	\$ 4,855	\$ 5,263	\$ 4,300
Consolidated Key Financial Ratios	2021	2020	2019	2018	2017
For The Year					
Return on average assets	1.83%	1.81%	1.61%	1.88%	1.61%
Return on average shareholders' equity	9.18%	8.85%	7.89%	8.96%	7.66%
Net interest income as % of average earning assets	2.84%	2.80%	2.93%	2.93%	2.87%
Net charge-offs/(recoveries) as % of avg net loans	(0.02%)	0.00%	0.00%	0.00%	0.00%
At Year End					
Shareholders' equity as a percentage of total assets	18.44%	19.20%	19.99%	18.98%	20.06%
Debt as a ratio to shareholders' equity	4.42:1	4.21:1	4.00:1	4.27:1	3.99:1
Allowance for loan losses as a percentage of loans	0.45%	0.51%	0.55%	0.41%	0.45%
Common Equity Tier 1 (CET1) Capital	15.56%	16.46%	16.93%	16.21%	17.21%
Tier 1 Capital	15.56%	16.46%	16.93%	16.21%	17.21%
Total Regulatory Capital	16.02%	16.98%	17.49%	16.63%	17.68%
Tier 1 Leverage	15.57%	16.20%	16.84%	15.93%	16.76%
Unallocated retained or equivalents Leverage (UREE)	15.42%	16.05%	16.69%	15.79%	16.60%
Permanent capital ratio	15.96%	17.21%	17.72%	17.14%	18.43%
Net Income Distribution	2021	2020	2019	2018	2017
Cash patronage distributions paid	\$ 2,812	\$ 2,884	\$ 2,355	\$ 2,134	\$ 2,081
Cash patronage declared	\$ 3,702	\$ 2,809	\$ 2,884	\$ 2,355	\$ 2,134
Stock dividends declared	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands except as noted)

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Idaho AgCredit, ACA for the year ended December 31, 2021. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operation. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes and other sections of this report. The accompanying consolidated financial statements were prepared under the oversight of our Audit Committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity
- Capital Resources
- Regulatory Matters
- Litigation
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy

The Association's quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on the Association's website, www.IdahoAgCredit.com, or upon request. We are located at 188 West Judicial, PO Box 985, Blackfoot, ID 83221 or may be contacted by calling (208)785-1510.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

We are one of 67 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Our territory served extends across a diverse agricultural region of 25 counties in south and east Idaho and two counties in Wyoming. The counties in our territory are listed in Note 1, Organization and Operations, of the Notes to Consolidated Financial Statements. We make long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses and we make production and intermediate-term loans for agricultural production or operating purposes. Additionally, we provide other related services to our borrowers, such as credit life insurance. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

As part of the System, we obtain the funding for our lending and operations from a Farm Credit Bank. Our funding bank, CoBank, ACB (CoBank), is a cooperative of which we are a member. We, along with the borrower's investment in our Association are materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge on CoBank's web site, www.cobank.com, or may be obtained at no charge by contacting us at Idaho AgCredit, 188 W Judicial, PO Box 985, Blackfoot, ID 83221 or by calling (208)785-1510. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from AgVantis, which is a technology service corporation. We purchase payroll and other human resources services from Farm Credit Foundations, which is a human resource service provider for a number of Farm Credit institutions.

ECONOMIC OVERVIEW

Production agriculture is a cyclical business that is heavily influenced by commodity prices. Commodity prices for 2019 and 2020 were generally near breakeven or slightly above. Commodity prices in 2021 were generally improved and most operations were profitable. The impact to the Association from the negative portion of these cycles that agriculture has and always will experience is somewhat lessened by geographic and commodity diversification and the generally strong financial condition of our agricultural borrowers.

Economic conditions in most sectors of our region during 2021 were generally positive as prices for major commodities financed

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands except as noted)

including wheat, barley, alfalfa and beef cattle were generally a little above breakeven. Open potato prices for the 2021 crop are generally favorable to very favorable. Open potato prices for the 2019 and 2020 crops were generally above breakeven with some receiving excellent returns. Contracted potatoes are generally a little above breakeven. Sugar beet prices are generally above breakeven depending on the operation's debt load. Milk prices have improved during the year with most producers above breakeven prices depending on their feed sources and milk components. The costs for energy, fertilizers and related items generally remained moderate through 2021, but these costs are generally expected to rise significantly in 2022.

The Covid-19 pandemic brought with it significant uncertainty in market prices at the beginning of 2020, but most prices had stabilized by mid summer in 2020 and remained relatively stable in 2021. The Association's customers largely benefitted from Covid-19 programs like Small Business Administration (SBA) Paycheck Protection Program (PPP) and the Farm Service Agency's (FSA) Coronavirus Food Assistance Program (CFAP). Labor supplies were adequate and production inputs for rural agriculture in the Association's territory were mostly unaffected by the Covid-19 pandemic.

Irrigation supplies during 2019, 2020 and 2021 were generally adequate. The 2021 year end reservoir levels were below average, and an above average snowpack will be needed to ensure adequate water in 2022. Ongoing water rights issues and litigation between pumpers and surface water users continue to highlight the importance of water management. The State of Idaho Department of Water Resources annually assesses whether some pumping may be cut off or reduced. Given initial snowpack, it is likely most regions should have adequate water for 2022 crops, but these projections largely depend on precipitation received through the rest of the winter and spring. The Idaho Legislature is also considering options for building more long-term stability into how water is made available.

Prime rate remained unchanged in 2021, but it is likely Prime rate will increase between .75% and 1.25% in 2022 due to growing concern over inflation. Prime rate decreased twice in 2020 to 3.25% at year end, compared to 4.75% at year end 2019. The interest rate changes in 2020 represented significant concerns over the economy, largely due to the Covid-19 pandemic. Rate increases in the next few years will tighten customer margins, which could present challenges to lenders and producers.

Real estate prices and land rents have remained strong in the Association's territory. Any downward pressure on land rents due to low commodity prices could move land prices lower. The prices of smaller parcels of land adjoining larger farming operations may continue to see a premium above general land sales. No specific weaknesses in general land prices have been seen yet. The Association's mortgage portfolio increased in 2020 and 2021. Mortgage interest rates remained low in the last year and several operations refinanced at lower rates.

The Association's net income was good and primarily reflects the strong economic success of the Association's customers and the growth in average Association loan volume. Cash patronage from CoBank increased in 2020 and 2021, and is expected to remain relatively stable in 2022.

The Agricultural Improvement Act of 2018 (Farm Bill) was signed into law on December 20, 2018. This Farm Bill governs an array of federal farm and food programs, including commodity price support payments, farm credit, conservation programs, research, rural development and foreign and domestic food programs for five years through 2023. The Farm Bill continues to provide support for crop insurance programs and commodity support programs, strengthen livestock disaster programs, and provides dairy producers with an updated voluntary margin protection program that will provide more flexibility to dairy operations. The Farm Bill also authorizes the production and marketing of industrial hemp in accord with state or federal regulations. The Farm Bill also clarifies the Insurance Corporation's authority, role and procedures for acting as a conservator or receiver of a troubled System institution. The Farm Bill provides a range of statutory options to the Insurance Corporation including, but not limited to, marshalling and liquidating assets, satisfying claims of creditors and using interim devices such as bridge banks.

LOAN PORTFOLIO

Total loans outstanding were \$338,467 at December 31, 2021, which was an increase of \$26,287 or 8.4% from \$312,180 at December 31, 2020, and an increase of \$51,997 or 18.2% from \$286,470 in the two year period at December 31, 2019. The increase in loans from 2020 to 2021 reflects substantial growth in mortgage loans as a result of marketing and low interest rates, and a slight increase in commercial loans due to marketing and low interest rates. The increase in loans from 2019 to 2020 reflects substantial growth in mortgage loans as a result of marketing and low interest rates, and a moderate reduction in commercial loans generally due to weak economic conditions and conservative borrowing in response to the Covid-19 pandemic. The types of loans outstanding at December 31 are reflected in the following table.

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands except as noted)

Type of Loan	2021		2020		2019	
	Oustanding	Percent	Oustanding	Percent	Oustanding	Percent
Real estate mortgage loans	\$ 219,630	64.9%	\$ 200,011	64.1%	\$ 172,849	60.3%
Production and intermediate-term loans	103,949	30.7%	96,714	31.0%	105,286	36.7%
Agribusiness:						
Processing and marketing loans	7,726	2.3%	5,649	1.8%	5,300	1.9%
Farm related business loans	4,538	1.3%	6,181	2.0%	3,035	1.1%
Rural residential real estate loans	0	0.0%	0	0.0%	0	0.0%
Communication loans	2,624	0.8%	1,645	0.5%	0	0.0%
Energy loans	0	0.0%	1,980	0.6%	0	0.0%
Total	\$ 338,467	100.00%	\$ 312,180	100.00%	\$ 286,470	100.00%

The Association may have loans in the categories of real estate mortgage loans, production and intermediate-term loans, Agribusiness loans (including loans to cooperatives, processing and marketing loans and farm related business loans), rural residential real estate loans, rural infrastructure loans (including loans for communications, energy, water and waste water), mission related loans, and other loans. Each chart or table within this annual report which breaks out volume by any of these categories will identify all reportable categories for the years shown.

Real estate mortgage loans outstanding increased to \$219,630 compared to \$200,011 at year end 2020, primarily due to marketing efforts. These loans are used to purchase, refinance or improve real estate and have maturities ranging from 5 to 40 years. Real estate mortgages are also made to non-farm rural homeowners. By federal regulation, real estate mortgage loans must be secured by first liens and may be made only in amounts up to 85% of the original appraised value of the property or up to 97% of the appraised value if guaranteed by certain state, federal, or other governmental agencies. Under our current underwriting standards, we loan less than the regulatory limit of 85% of the appraised value of the property.

Production and intermediate-term loans increased to \$103,949 compared to \$96,714 at year end 2020 due to improving economic conditions. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans generally match the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch and are written for a specific term of 1 to 15 years with most loans not exceeding 10 years.

At December 31, 2021, agribusiness and communication loan volume of \$14,888 comprised about 4.4% of total loan volume, including \$8,714 or 2.6% of total loan volume as a result of purchased loan participations in these categories.

Loan Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by loan participations purchased and sold, geographic locations served, commodities financed, and loan size as illustrated in the following four tables.

We purchase loan participations from other System entities to generate additional earnings and in some cases diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to reduce risk and comply with lending limits we have established. Our volume of participations purchased and sold as of December 31 follows.

	2021	2020	2019
Participations purchased	\$ 52,029	\$ 47,122	\$ 45,065
Participations sold	\$ 23,525	\$ 15,625	\$ 19,783

We have no purchased loans, loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

The geographic distribution of loans by county are shown below as of December 31 (loans we purchase from outside our territory are shown in "Other").

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands except as noted)

County (in Idaho unless denoted)	2021	2020	2019
Bannock	1.5%	1.7%	0.8%
Bear Lake	0.6%	0.7%	0.1%
Bingham	16.6%	16.3%	17.0%
Blaine	0.2%	0.2%	0.2%
Bonneville	2.8%	1.5%	0.8%
Butte	1.8%	1.9%	1.7%
Camas	0.1%	0.1%	0.1%
Canyon	0.0%	0.0%	0.0%
Caribou	4.0%	4.4%	3.4%
Cassia	2.3%	2.4%	3.4%
Clark	0.0%	0.0%	0.0%
Custer	2.4%	2.1%	2.2%
Franklin	0.0%	0.0%	0.0%
Fremont	4.0%	4.4%	4.1%
Gooding	3.5%	3.1%	2.4%
Jefferson	11.2%	12.0%	13.3%
Jerome	3.8%	3.4%	2.4%
Lemhi	0.3%	0.4%	1.9%
Lincoln	0.6%	0.6%	0.2%
Madison	6.5%	7.4%	8.4%
Minidoka	2.9%	2.7%	2.7%
Oneida	1.8%	1.5%	0.6%
Owyhee	0.0%	0.0%	0.0%
Power	8.5%	10.0%	11.0%
Teton	0.5%	0.4%	0.5%
Twin Falls	9.5%	7.7%	8.3%
Lincoln and Teton counties, Wyoming	0.2%	0.0%	0.0%
Other (California)	8.4%	8.0%	8.8%
Other (Other states)	6.0%	7.1%	5.7%
Total	100.0%	100.0%	100.0%

Bingham County has a large concentration of potatoes and sugar beets, which require extensive capital. Fremont and Madison Counties also have a large concentration of potato acreage. Power County has large concentrations of potatoes, grain and sugar beet acreages. Jefferson County has large concentrations of potatoes, grain, hay and cattle. Twin Falls County has large concentrations of milk and dairy cattle.

The following table shows the Association's percentage of average loan volume attributable to the gross sales of the primary agricultural commodities produced by our borrowers as of December 31 (all results are shown net of participations sold). The categories shown are based on the Standard Industrial Classification (SIC) system published by the federal government.

SIC Category	2021	2020	2019
Potatoes	12.8%	13.7%	15.0%
Grain (wheat, malt and feed barley)	18.6%	15.0%	15.4%
Cash Rent	10.2%	9.3%	10.4%
Beef cattle and calves	12.3%	11.7%	11.3%
Hay	10.9%	10.0%	9.9%
Milk and dairy cattle	8.6%	9.2%	8.8%
Sugar beets	4.8%	5.0%	4.7%
Outside income (mostly wages)	5.5%	4.2%	2.9%
Other	16.3%	21.9%	21.6%
Total	100.0%	100.0%	100.0%

Our loan portfolio contains concentrations of approximately 5% or more of potatoes, grain (wheat and barley), cash rent, milk and dairy cattle, beef cattle and calves, hay, and sugar beets. Cash rent operators are generally reliant on similar ratios of commodities as our lending portfolio, although most receive a portion of rent upfront, which reduces sensitivity to market price risk. Repayment ability of our borrowers is closely related to the production and the profitability of the commodities they raise. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by the industry economics. Our future performance would be negatively impacted by adverse agricultural

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands except as noted)

conditions. The degree of the adverse impact would be correlated to the commodities negatively affected and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers which typically derive most earnings from nonagricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy. The percentage of loan volume derived from nonagricultural sources for the years 2019 through 2021 is insignificant and is included as outside income (mostly wages) in the table above.

The principal balance outstanding at December 31, 2021 for loans \$250 thousand or less accounted for 19.7% of loan volume and 81.9% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The table below details loans by dollar size of principal outstanding as of December 31.

	2021	2020	2019			
	Amount Outstanding	Number of Loans	Amount Outstanding	Number of Loans	Amount Outstanding	Number of Loans
\$1 - \$250	\$ 66,655	1,656	\$ 63,126	1,595	\$ 60,325	1,496
\$251 - \$500	63,491	180	55,073	157	50,419	142
\$501 - \$1,000	76,690	110	75,674	107	54,534	79
\$1,001 - \$5,000	131,631	75	118,307	65	116,167	64
\$5,001 - \$25,000	0	0	0	0	5,025	1
\$25,001 - \$100,000	0	0	0	0	0	0
Total	\$ 338,467	2,021	\$ 312,180	1,924	\$ 286,470	1,782

Approximately 80% of our loans outstanding is attributable to 130 borrowers. Due to the size of their loans, the loss of any of these borrowers or the failure of any of these borrowers to perform would adversely affect the portfolio and our future operating results.

The credit risk of some long-term real estate loans has been reduced by entering into agreements that provide long-term standby commitments by Federal Agricultural Mortgage Corporation (Farmer Mac) to purchase the loans in the event of default. The amount of loans subject to these Farmer Mac credit enhancements was \$8,490 as of December 31, 2021, \$8,896 as of December 31, 2020 and \$9,276 as of December 31, 2019. Included in other operating expenses were fees paid for these Farmer Mac commitments totaling \$34 for 2021, \$36 for 2020 and \$38 for 2019. Under the Farmer Mac long-term standby commitment to purchase agreements, we continue to hold the loans in our portfolio and we pay commitment fees to Farmer Mac for Farmer Mac's commitment to purchase each such loan at par in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan and the commitment remains in place. Farmer Mac long-term standby commitments to purchase agreements are further described in Note 3, Loans and Allowance for Loan Losses, of the Notes to Consolidated Financial Statements. Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to their website at www.farmermac.com.

Credit guarantees with government agencies of \$26.5 million, \$26.7 million and \$22.4 million were outstanding at year end 2021, 2020 and 2019 respectively. The credit guarantees outstanding include Small Business Administration Paycheck Protection Program (PPP) loans related to the Covid-19 pandemic of \$83.9 thousand at year end 2021 and \$1.1 million at year end 2020.

Credit Commitments

We may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of our borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated 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. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the commitment expiration distribution of unfunded and contractual credit commitments on loans at December 31, 2021.

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	Less than			Over 5		Total
	1 Year	1-3 years	4-5 years	years		
Real estate mortgage loans	\$ 1,923	\$ 7	\$ 4,003	\$ 337	\$ 6,270	
Production & intermediate-term loans	23,680	41,737	697	262	66,376	
Agribusiness	1,950	1,479	0	4	3,433	
Communication	1,607	0	0	0	1,607	
Commitments to extend credit	29,160	43,223	4,700	603	77,686	
Standby letters of credit	0	0	0	0	0	
Commercial letters of credit	0	0	0	0	0	
Total commitments	\$ 29,160	\$ 43,223	\$ 4,700	\$ 603	\$ 77,686	

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 Statement of Financial Condition 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 we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments and not all commitments will result in loan volume. We accrue reserves for losses on unfunded commitments separately from the underlying loans and the amounts of such reserves are shown on the Consolidated Statements of Financial Condition as a separate liability line item.

High Risk Assets

Nonperforming loan volume is composed of nonaccrual loans, restructured loans, and loans 90 days past due still accruing interest and are referred to as impaired loans. High risk assets consist of impaired loans and other property owned. Comparative information regarding high risk assets in the portfolio, including accrued interest, follows.

	2021	2020	2019
Nonaccrual loans:			
Real estate mortgage loans	\$ 184	\$ 2	\$ 576
Production & intermediate-term loans	432	835	1,604
Agribusiness	0	0	0
Total nonaccrual loans	616	837	2,180
Accruing restructured loans	0	0	0
Accruing loans 90 days past due	0	0	0
Total impaired loans	616	837	2,180
Other property owned	0	0	0
Total high risk assets	\$ 616	\$ 837	\$ 2,180
Nonaccrual loans to total loans	0.18%	0.27%	0.75%
High risk assets to total loans	0.18%	0.27%	0.75%
High risk assets to total shareholders' equity	1.22%	1.31%	3.57%

Total high risk assets decreased \$221 to \$616 as of December 31, 2021 compared with year end 2020. The decrease was a result of collection of guaranteed and nonguaranteed amounts. Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. At December 31, 2021, two customers had nonaccrual loans, compared to three in the prior year. The following table provides additional information on nonaccrual loans as of December 31.

	2021	2020	2019
Nonaccrual loans current as to principal and interest	\$ 616	\$ 467	\$ 668
Cash basis nonaccrual loans	0	0	0
Restructured loans in nonaccrual status	0	0	0

For the years presented in the preceding two tables, there were no cash basis nonaccrual loans, restructured loans in nonaccrual status, or other property owned. High risk asset volume is anticipated to increase in the future because the volume of such loans is relatively low in comparison to total loans and cyclical economic conditions in agriculture will likely lead to more nonaccrual loans in the future.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.

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- 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 as substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are not considered collectible.

The following table presents statistics based on the UCS related to the credit quality of the loan portfolio, including accrued interest at December 31.

	2021	2020	2019
Acceptable	97.7%	96.7%	97.1%
OAEM	1.5%	2.2%	1.6%
Substandard	0.7%	1.0%	1.2%
Doubtful	0.1%	0.1%	0.1%
Loss	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

During 2021, overall credit quality improved slightly compared to the prior year. Loans classified as "Acceptable" or "OAEM" were 99.2% at December 31, 2021, 98.9% at December 31, 2020 and 98.7% at December 31, 2019. "Substandard" loans decreased from 1.0% to 0.7% in 2021, and from 1.2% to 1.0% in 2020. "Doubtful" loans remained at 0.1%. The financial position of most agricultural producers strengthened during the past decade and most of our borrowers have maintained generally strong financial positions. As such, our credit quality is anticipated to remain sound in the near term. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs and commodity prices. Each of these can be significantly impacted by uncontrollable events. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans (both including interest) decreased slightly, with .10% at December 2021 compared with .40% at December 2020 and .70% at December 2019.

Allowance for Loan Losses

We maintain an allowance for loan losses at a level consistent with the probable losses identified by management. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio. Because the allowance for loan losses considers factors such as current agricultural and economic conditions, loan loss experience, portfolio quality and loan portfolio composition, there will be a direct impact to the allowance for loan losses and our income statement when there is a change in any of those factors. The following table provides relevant information regarding the allowance for loan losses as of December 31.

	2021	2020	2019
Allowance balance at beginning of the year	\$ 1,584	\$ 1,573	\$ 1,193
(Charge-offs:)			
Production and intermediate-term loans	0	(14)	0
Total charge-offs	\$ 0	\$ (14)	\$ 0

Recoveries:

Production and intermediate-term loans	\$ 49	\$ 0	\$ 0
Total recoveries	\$ 49	\$ 0	\$ 0
Net (Charge-offs) and Recoveries	\$ 49	\$ (14)	\$ 0
Provision for loan losses/(Loan loss reversal)	(110)	25	380
Balance at December 31	\$ 1,523	\$ 1,584	\$ 1,573

Net charge-offs/(Recoveries) to average loans 0.00% 0.00% 0.00%

Allowance for loan loss by loan type:

Real estate mortgage	\$ 557	\$ 589	\$ 554
Production & intermediate-term loans	916	949	998
Agribusiness	35	37	21
Rural residential real estate	0	0	0
Communication	15	7	0
Energy	0	2	0
Total allowance for loan loss	\$ 1,523	\$ 1,584	\$ 1,573

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The allowance for loan losses decreased \$61 from December 31, 2020 to \$1,523 at December 31, 2021. The decrease in allowance for loan losses was primarily due to calculated net increases in allowances related to overall financial conditions and loan volume changes, and a recovery of \$49. During 2020, the allowance for loan loss increased \$11 net of charge-offs primarily due to overall financial conditions and loan volume changes. Overall, charge-off activity remains low relative to the size of the loan portfolio. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table.

	2021	2020	2019
Allowance as a percentage of:			
Loans	0.45%	0.51%	0.55%
Total impaired loans	247.24%	189.25%	72.16%
Nonaccrual loans	247.24%	189.25%	72.16%

We also maintain a reserve for credit losses for unfunded commitments. The reserve for credit losses is subject to substantially the same risk factors as the allowance for loan losses. The following is a summary of the changes in the reserve for credit losses as of December 31.

	2021	2020	2019
Reserve balance at beginning of the year	\$ 63	\$ 52	\$ 42
Provision for loan losses/(Loan loss reversal)	(2)	11	10
Balance at December 31	\$ 61	\$ 63	\$ 52

Reserve for credit losses by loan type:

Real estate mortgage	\$ 2	\$ 1	\$ 4
Production & intermediate-term loans	53	60	46
Agribusiness	5	2	2
Rural residential real estate	0	0	0
Communication	1	0	0
Energy	0	0	0
Total allowance for loan loss	\$ 61	\$ 63	\$ 52

Young, Beginning and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and dependable credit to young, beginning and small (YBS) farmers and ranchers. Our YBS Mission Statement is "To reliably, consistently and constructively serve the credit and related needs of young, beginning and small farmers and ranchers, including socially disadvantaged farmers and ranchers that fit the YBS criteria, through specifically designed credit programs and services. When necessary, private or governmental guarantees will be used to expand the number of young, beginning and small farmers and ranchers that the Association serves. The Association will provide sound constructive credit to enable YBS farmers to begin, grow, or remain in agricultural production and facilitate the transfer of agricultural operations from one generation to the next." The FCA regulatory definitions for YBS farmers and ranchers are shown below.

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than \$250 thousand in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

The following table outlines our percentage of YBS customers (farm operators) as a percentage of the number of farm operators in our loan portfolio while the USDA column represents the percentage of farmers and ranchers (farm operators) classified as YBS within our territory per the 2017 USDA Agricultural Census, which is the most current data available. Due to FCA regulatory definitions, a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

	USDA	2021	2020	2019
Young	10.81%	19.30%	19.79%	21.22%
Beginning	25.79%	23.12%	25.88%	25.99%
Small	80.57%	28.18%	33.94%	34.70%

Our percentages are generally based on the number of loans in our portfolio, while the USDA percentages are based on the number of farmers and ranchers.

We establish annual marketing goals to increase market share of loans to YBS farmers and ranchers. Our 2021 goals were as

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follows:

- Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities for coordinating credit and services offered with other system institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and,
- Implement effective outreach programs to attract YBS farmers and ranchers.

Status report on above goals:

- The Association offered life insurance products to meet the needs of YBS farmers and ranchers.
- The Association maintained an excellent relationship with the Farm Service Agency (FSA). At year end 2021 7.8% of the loan portfolio was FSA or Small Business Administration (SBA) guaranteed. The FSA guaranteed loan program has proven to be very effective in allowing the Association to serve YBS farmers and ranchers.
- Association utilized private guarantees when available to assist YBS applicants.
- Association representatives met with FFA classes, 4H participants and other Young Farmer groups.
- The Association supported youth through livestock purchases and provided additional sponsorships at county and state fairs.
- The Association had agricultural scholarship programs totaling \$12,000 (whole dollars).
- The Association had special loan underwriting standards for lending to YBS borrowers.
- The Association supported additional community youth activities to develop relationships with future producers.

Quarterly reports are provided to the Board of Directors detailing the number, volume and credit quality of YBS customers. The Association developed quantitative targets in the following areas to monitor progress.

- Loan volume and loan number goals for YBS farmers and ranchers in its territory.
- Percentage goals representative of the demographics of YBS and socially disadvantaged farmers and ranchers in its territory.
- Percentage goals for loans made to new borrowers qualifying as YBS farmers and ranchers in its territory.

The Association met its loan activity goals by both number and volume in all categories. It met its number and volume goals for first time loans to YBS producers in all categories. It met its demographic goals by number for all categories, and met its demographic goals by volume goals for beginning and small producers, but not for young producers.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we utilize customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs. Additionally, we are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training and insurance services for YBS and socially disadvantaged farmers and ranchers.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and also in our unfunded loan commitments. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Underwriting standards are utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the term of the note and loan agreement. Underwriting standards include among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- capital – ability of the operation to survive unanticipated risks;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment; and
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, we cannot have loan commitments to one borrower for more than 15% of our permanent capital. Additionally, we set our own lending limits to manage loan concentration risk. We have adopted an individual lending limit of 14.5% of permanent capital for our highest quality borrowers, and have established lending limits for commodity types and special lending programs, including purchased participation loans.

We have established internal lending delegations to control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise and position of the credit staff. Larger and more complex loans or loans perceived to have higher risk are typically approved by our loan committee with the most experienced

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and knowledgeable credit staff serving as members. All loans, including those approved under delegated authority, are reviewed by our loan committee.

The majority of our lending is for first mortgage real estate loans which must be secured by a first lien on real estate. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured by livestock, crops and equipment. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified evaluator. Certain appraisals must be performed by individuals with a state certification or license.

We use a two-dimensional risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance. The Model estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. PDs and LGDs are utilized in loan and portfolio management processes and are utilized for the allowance for loan losses estimate. This Model also serves as the basis for economic capital modeling.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category and one loss category; each carrying a distinct percentage of default probability. The Model's LGD scale provides 6 categories, A through F, that have the following anticipated principal loss and range of economic loss expectations:

- A 0% anticipated principal loss; 0% to 5% range of economic loss
- B >0% to 3% anticipated principal loss; >5% to 15% range of economic loss
- C >3% to 7% anticipated principal loss; >15% to 20% range of economic loss
- D >7% to 15% anticipated principal loss; >20% to 25% range of economic loss
- E >15% to 40% anticipated principal loss; >25% to 50% range of economic loss
- F above 40% anticipated loss; above 50% range of economic loss

The Association purchases participation loan interests from other Farm Credit institutions to diversify risk, utilize capital, improve earnings and to meet other operational objectives. The Association applies the same underwriting standards, investigation and analysis requirements to participation purchases as it does to its originated loans and has established limits in the individual and collective volume of such loans.

RESULTS OF OPERATIONS

Earnings Summary

In 2021, we recorded net income of \$6,158, compared with \$5,638 in 2020 and \$4,855 in 2019. The increase in net income of \$520 in 2021 compared to the prior year was primarily due to higher net interest income due to higher loan volume and favorable interest rates, and higher patronage income from CoBank due to higher direct loan volume.. The following table presents the changes in the significant components of net income at year end.

	2021 vs. 2020	2020 vs. 2019
Net income, prior year	\$ 5,638	\$ 4,855
Increase/(Decrease) from changes in:		
Interest income	(168)	(1,388)
Interest expense	949	1,374
Net interest income	781	(14)
Provision for loan losses and commitment reserves	146	355
Noninterest income	178	702
Noninterest expense, net	(556)	(217)
Provision for income taxes	(29)	(43)
Total (decrease)/increase in net income	520	783
Net income, current year	\$ 6,158	\$ 5,638

Return on average assets increased to 1.83% from 1.81% in 2020 and return on average shareholders' equity increased to 9.18% from 8.85% in 2020 primarily due to an increase in net income in relation to average equity.

Net Interest Income

Net interest income for 2021 was \$8,955 compared to \$8,174 in 2020 and \$8,188 in 2019. Net interest income is our principal source of earnings and is impacted by interest earning asset volume, yields on assets and cost of debt. The increase in net interest income was largely due to higher average volume and more favorable interest expense conditions. The table below provides an analysis of the individual components of the change in net interest income during the years shown.

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	2021 vs. 2020	2020 vs. 2019
Net interest income, prior year	\$ 8,174	\$ 8,188
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned and paid	108	(752)
Volume of accruing assets and interest bearing liabilities	518	642
Interest income on nonaccrual loans	155	96
Total (decrease)/increase in net interest income	781	(14)
Net interest income, current year	\$ 8,955	\$ 8,174

The following table illustrates net interest margin and the average interest rates on loans and debt cost and interest rate spread.

	2021	2020	2019
Net interest margin	2.84%	2.81%	2.93%
Interest rate on:			
Average loan volume	4.22%	4.68%	5.41%
Average debt	1.74%	2.33%	2.90%
Interest rate spread	2.48%	2.35%	2.51%

The 13 basis point increase in interest rate spread resulted from a 46 basis point decrease in interest rates on average loan volume and a 59 basis point decrease in interest rates on average debt. The 3 basis point decrease in net interest margin (net interest income as a percentage of average earnings assets) was due to impact of decreasing interest rates which decreased the earnings on the Association's capital, offset by the increase in spread.

Provision for Loan Losses and Reserves/(Loan Loss and Reserve Reversals)

We monitor our loan portfolio on a regular basis to determine if any increase through provision for loan losses and reserves or decrease through a loan loss and reserve reversal in our allowance for loan losses and reserves for losses on loan commitments is warranted based on our assessment of the probable losses in our loan portfolio. We recorded a net reversal in the provision for loan losses and reserves of \$110 compared to a net provision of \$35 for the year ended December 31, 2020 and \$390 in 2019. The net reversal in the provision in 2021 was primarily due to changes in loan volume and credit quality and a net recovery on nonaccrual loans. The net provision in 2020 was primarily due to changes in loan volume and credit quality. The net provision in 2019 was primarily due to changes in loan volume and credit quality, including the addition of a specific allowance on a nonaccrual loan. The portion of the provisions related to reserves for losses on credit commitments was \$2 in 2021, \$11 in 2020 and \$10 in 2019.

Noninterest Income

During 2021, we recorded noninterest income of \$2,138 compared to \$1,960 compared in 2020 and \$1,257 in 2019. Patronage distributions from CoBank were our primary source of noninterest income. Patronage is accrued in the year earned and then received from CoBank in the following year. CoBank patronage is distributed in cash and stock. Patronage earned from CoBank was \$1,351 in 2021, \$1,042 in 2020 and \$944 in 2019. The amount of CoBank patronage depends upon CoBank's net income on its patronage eligible portfolio, which is affected by the Association's average loan balance with CoBank and other factors.

Noninterest income also includes patronage from other Farm Credit institutions, loan fees, mineral income and financially related services income. Patronage from other Farm Credit institutions was \$102 in 2021, \$145 in 2020 and \$100 in 2019. Loan fee income was \$676 in 2021, \$764 in 2020 and \$200 in 2019. The change in patronage from other Farm Credit institutions is primarily due to an increase in patronage eligible loan volume and variations in patronage rates, and the change in loan fee income is due to more new loans and loan rate conversions, in addition to Small Business Administration Paycheck Protection Program (PPP) loans. Other sources of noninterest income did not change materially in these years.

Noninterest Expense

Noninterest expense for the year ended December 31, 2021 increased \$554 or 12.8% compared to 2020 and increased \$772 or 18.8% in the two year period since year end 2019. Noninterest expense for each of the three years ended December 31 is summarized below.

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	2021	2020	2019	Percent of Change	
	2021	2020	2019	2021/2020	2020/2019
Salaries and employee benefits	\$ 3,388	\$ 3,235	\$ 2,905	4.7%	11.4%
Occupancy & equipment	145	146	161	(0.7%)	(9.3%)
Supervisory & examination costs	123	119	114	3.4%	4.4%
Data processing services	10	10	10	0.0%	0.0%
Other, net	862	679	794	27.0%	(14.5%)
Total operating expense	\$ 4,528	\$ 4,189	\$ 3,984	8.1%	5.1%
Losses(Gains) on other property owned, net	0	0	0	0.0%	0.0%
Farm Credit Insurance Fund Premium	351	135	123	(160.0%)	9.8%
Total noninterest expense	\$ 4,879	\$ 4,324	\$ 4,107	12.8%	5.3%

Salaries and benefits in 2021 were \$153 higher due to additional employees, salary increases and growth incentives. Occupancy and equipment decreased \$1 due to minor changes in equipment expense. Other expenses increased \$183 due to a return to more normal travel and training expenses and member relation expenses and higher purchased services. The Farm Credit Insurance Fund premium increased \$216 to \$351 in 2021 primarily due to higher loan volume an increase in the premium rate.

Provision for income taxes

We recorded \$167 in provision for income taxes during 2021, compared with \$138 in 2020 and \$95 in 2019 for the taxable earnings of Idaho AgCredit, PCA. The increase was primarily due to a higher estimate of net taxable earnings on the PCA. Tax expense was also impacted by our patronage program. We operate as a Subchapter T cooperative for tax purposes and thus may deduct from taxable income certain amounts that are distributed from net earnings to borrowers. See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements for additional details.

Liquidity

Liquidity is necessary to meet our financial obligations. Liquidity is needed to pay our note with CoBank, fund loans and other commitments and fund business operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction and liquidate nonearning assets. Our direct loan with CoBank, cash on hand and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge to CoBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank which matures on May 31, 2023. The annual average principal balance of the note payable to CoBank was \$255,648 in 2021, \$239,758 in 2020 and \$232,720 in 2019.

We plan to continue to fund lending operations through the utilization of our funding arrangement with CoBank, retained earnings from current and prior years and from borrower stock investments. CoBank's primary source of funds is the ability to issue System-wide Debt Securities to investors through the Federal Farm Credit Bank Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. Financial markets were much more stable in the last few years and we continued to obtain sufficient funding to meet the needs of our customers.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank which allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we may commit a portion of excess loanable funds with CoBank at a fixed rate for a specified term as a part of CoBank's Association Equity Positioning Program (AEPP), although no funds were committed to this program at year end 2021, 2020 or 2019. This program potentially enables us to reduce our overall cost of funds with CoBank without significantly increasing our overall interest rate risk position. We may also be exposed to interest rate risk on variable rate loans when the timing of loan rate changes does not closely align with the timing of changes to the underlying interest expenses. The ability to change the interest rate on variable rate loans substantially mitigates this risk. We also have a small portfolio of London Interbank Offered Rate (LIBOR) indexed loans, PPP loans and one sales contract which are not match-funded. These loans could become match-funded at the option of the Association.

Funds Management

We offer variable, fixed, adjustable, prime-based, SOFR and LIBOR-based rate loans to borrowers. Our Board of Directors

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determines the interest rate charged based on the following factors: 1) the interest rate charged by CoBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our profitability objectives.

LIBOR was used by CoBank in determining and match funding a portion of our administrative variable rate cost of funds in 2020 and 2019. Some LIBOR rates were discontinued at the end of 2021 and no new lending should occur based on LIBOR. Some LIBOR rates will continue to be published until June 30, 2023 for use with existing LIBOR loans. In the United States, rate indexes based on SOFR (Secured Overnight Financing Rates) are expected to take the place of LIBOR rate indexes. We established a transition plan with CoBank beginning in January 2020 to replace the LIBOR portion of funding costs with SOFR by the end of 2020. We are also monitoring the few loans we have that are tied to LIBOR and expect to transition those loans before the discontinuation of LIBOR. We do not expect this change to materially impact our variable rates.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Shareholders' equity at year end totaled \$66,362 in 2021, \$63,887 in 2020 and \$61,011 in 2019. The annual increases in shareholders' equity reflects net income and net stock issuances partially offset by patronage dividends paid. Our capital position is reflected in the following ratio comparisons as of December 31.

	2021	2020	2019
Debt to shareholders' equity	4.42:1	4.21:1	4.00:1
Shareholders' equity as a percent of net loans	19.70%	20.57%	21.42%
Shareholders' equity as a percent of total assets	18.44%	19.20%	19.99%

Debt to shareholders' equity increased and shareholders' equity as a percentage of loans and of total assets decreased from 2020 primarily due to retained net income which was retained at a lower rate in relation to increases in loan volume. There are no material trends or changes in the mix and cost of debt and capital resources, there are no material favorable or unfavorable trends in capital resources, and there are no trends, commitments, contingencies or events that are reasonably likely to have a material adverse effect upon the adequacy of available funds.

Retained Earnings

Our retained earnings increased at year end from the prior year by \$2,452 to \$65,858 in 2021, \$2,829 to \$63,406 in 2020 and \$1,971 to \$60,577 in 2019. The 2021 increase was a result of net income of \$6,158, partially offset by \$3,702 of patronage distributions declared.

Patronage Program

We have a patronage program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, the Bylaws address increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage dividends are based on business done with us during the year. We paid cash patronage of \$2,812 in 2021, \$2,884 in 2020 and \$2,355 in 2019. During 2021, we declared cash patronage distributions of \$3,702 to be paid in February 2022.

Stock

Our total stock and participation certificates increased \$23 at year end to \$504 and was \$481 in 2020 and \$434 in 2019. The change in stock and participation certificates each year is a result of net issuances and retirements. We require a stock or participation certificate investment for each borrower, with the exception of Sales Contracts and Participations Purchased. We have a Borrower Level Stock Program which allows stock to be assigned to each borrower instead of each loan. This reduces the stock requirements for borrowers with multiple loans. The current stock requirement for each borrower is the lesser of one thousand dollars or 2.0% of the amount of the borrower's combined loan volume.

Capital Plan and Regulatory Requirements

Our Board of Directors establishes a formal capital adequacy plan that addresses capital targets in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

Idaho AgCredit
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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As shown in the following table, at December 31 of each year end, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions, retire equities and pay preferred stock dividends.

(ratios at period end)	2021	2020	2019	Regulatory Minimum
Common equity tier 1 capital ratio	15.56%	16.46%	16.93%	7.00%
Tier 1 capital ratio	15.56%	16.46%	16.93%	8.50%
Total regulatory capital ratio	16.02%	16.98%	17.49%	10.50%
Tier 1 leverage ratio	15.57%	16.20%	16.84%	5.00%
URE and Equivalents (UREE) Leverage ratio	15.42%	16.05%	16.69%	1.50%
Permanent capital ratio	15.96%	17.21%	17.72%	7.00%

The minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2021, we exceeded our ratio goals but not our dollar goal. The Board has established a plan of retaining an amount of earnings each year until the dollar goal is reached. Due to our strong capital position, we will continue to be able to retire at-risk stock. Refer to Note 9 Shareholders' Equity for additional information related to our capital and related requirements and restrictions.

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognize the increased risk posed by high-volatility commercial real estate exposures. The public comment period on the proposed rule ends on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule that amends, corrects and clarifies certain provisions of the Tier 1/Tier 2 capital framework approved by the FCA in March 2016. The final rule includes amendments that do not change the minimum capital requirements or capital buffers, but focus on clarifying and improving other provisions to ensure application of the capital rules as intended, reduce burden to the Farm Credit System, and assist the FCA in better determining compliance with the Tier 1/Tier 2 capital framework. The final rule will become effective on January 1, 2022. We do not expect this regulation to have a material impact on our regulatory capital and leverage ratios.

REGULATORY MATTERS

As of December 31, 2021, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

LITIGATION

There are no legal actions pending against the Association in which claims for money damages are asserted.

GOVERNANCE

Governance disclosures, including Board of Directors, Director Independence, Audit Committee, Compensation Committee and Other Governance are presented in the Governance section of the section titled "Disclosure Information Required by Farm Credit Administration Regulations" following the Notes to Consolidated Financial Statements.

FORWARD-LOOKING INFORMATION

Our discussion 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," and "will" or other variations of these terms are intended to identify 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, disease, 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/or the Farm Credit System; and
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, Summary of Significant Accounting Policies,

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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of the Notes to Consolidated Financial Statements. The development and selection of critical accounting policies, and the related disclosures, have been reviewed by our Audit Committee. A summary of critical policies relating to determination of the allowance for loan losses follows.

Allowance for Loan Losses

The allowance for loan losses is our best estimate of the amount of probable loan losses existing in and inherent in our loan portfolio as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. We determine the allowance for loan losses based on a periodic evaluation of the loan portfolio, which generally considers recent historical charge-off experience adjusted for relevant factors.

Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, and geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolios could occur for various credit related reasons and could result in a change in the allowance for loan losses, which would have a direct impact on the provision for loan losses and results of operations. See Note 2, Summary of Significant Accounting Policies, and Note 3, Loans and Allowance for Loan Losses, of the accompanying Notes to Consolidated Financial Statements for detailed information regarding the allowance for loan losses.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

Independent Auditor's Report

Audit Committee and Stockholders of Idaho AgCredit, ACA
Idaho AgCredit, ACA and Subsidiaries
Blackfoot, Idaho

Opinion

We have audited the consolidated financial statements (the "Financial Statements") of Idaho AgCredit, ACA and its Subsidiaries (the "Association"), which comprise the consolidated statements of financial condition as of December 31, 2021, 2020, and 2019, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Idaho AgCredit, ACA and Subsidiaries as of December 31, 2021, 2020, and 2019 and the changes in financial position 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 audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Idaho AgCredit ACA and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Idaho AgCredit ACA and Subsidiaries ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Idaho AgCredit ACA and Subsidiaries 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho AgCredit ACA and Subsidiaries 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Five-Year Summary of Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 4-19 and the Disclosure Information appearing on pages 46–51, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, but is supplementary information required by Farm Credit Administration Regulations. Such information has not been subjected to auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Wipfli LLP
Idaho Falls, Idaho
February 16, 2022

Idaho AgCredit
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31		
	2021	2020	2019
ASSETS			
Loans	\$ 338,466,936	\$ 312,180,361	\$ 286,470,251
Less allowance for loan losses	1,523,288	1,583,542	1,572,793
Net loans	336,943,648	310,596,819	284,897,458
Cash	3,394,015	2,984,233	1,453,133
Accrued interest receivable	4,339,675	4,576,338	4,901,371
Investment in CoBank, ACB	10,966,466	10,966,466	10,963,123
Premises and equipment, net	1,284,981	1,357,424	1,358,241
Other property owned	0	0	0
Prepaid pension expense	1,355,394	911,426	485,271
Deferred tax asset, net	(65,000)	32,000	101,000
Other assets	1,583,529	1,330,994	1,112,853
Total assets	\$ 359,802,708	\$ 332,755,700	\$ 305,272,450
LIABILITIES			
Note payable to CoBank, ACB	\$ 277,580,124	\$ 257,350,434	\$ 235,808,464
Advance conditional payments	10,820,485	7,517,043	4,290,453
Accrued interest payable	417,866	456,339	615,942
Patronage distributions payable	3,702,198	2,808,643	2,884,335
Reserve for losses on loan commitments	61,232	62,883	52,127
Other liabilities	858,684	672,955	610,284
Total liabilities	293,440,589	268,868,297	244,261,605
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	504,265	481,320	433,760
Allocated retained earnings (Memo Nonqualified)	24,303,750	22,380,647	20,882,039
Unallocated retained earnings	41,554,104	41,025,436	39,695,046
Accumulated other comprehensive income/(loss)	0	0	0
Total shareholders' equity	66,362,119	63,887,403	61,010,845
Total liabilities and shareholders' equity	\$ 359,802,708	\$ 332,755,700	\$ 305,272,450

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

Idaho AgCredit
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Year Ended December 31		
	2021	2020	2019
INTEREST INCOME			
Loans	\$ 13,575,316	\$ 13,742,546	\$ 15,131,425
Total interest income	13,575,316	13,742,546	15,131,425
INTEREST EXPENSE			
Note payable to CoBank, ACB	4,573,872	5,503,772	6,820,561
Advance conditional payments	46,007	64,810	122,503
Total interest expense	4,619,879	5,568,582	6,943,064
Net interest income	8,955,437	8,173,964	8,188,361
(Provision for) or Reversal of loan losses and reserves	110,542	(35,293)	(389,508)
Net interest income after loss (provision)/reversal	9,065,979	8,138,671	7,798,853
NONINTEREST INCOME			
Patronage distributions from CoBank	1,351,115	1,042,299	944,285
Patronage distributions from Other Farm Credit Institutions	102,161	144,914	100,177
Loan fees	676,063	764,320	200,038
Financially related services income	3,128	3,696	3,263
Other noninterest income	5,125	5,263	9,733
Total noninterest income	2,137,592	1,960,492	1,257,496
NONINTEREST EXPENSE			
Salaries and employee benefits	3,387,641	3,235,265	2,905,430
Occupancy and equipment	144,796	146,022	161,189
Farm Credit Insurance Fund premium/(net rebate)	351,000	135,336	123,110
Supervisory and examination costs	123,407	118,586	114,186
Data processing services	9,720	9,720	9,720
Losses/(Gains) on other property owned, net	0	0	0
Other noninterest expense	862,303	678,871	792,875
Total noninterest expense	4,878,867	4,323,800	4,106,510
Income/(loss) before income taxes	6,324,704	5,775,363	4,949,839
(Provision for)/Benefit from income taxes	(166,898)	(137,723)	(94,728)
Net income/Comprehensive income	\$ 6,157,806	\$ 5,637,640	\$ 4,855,111

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

Idaho AgCredit
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock and Participation Certificates	Allocated Retained Earnings	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2018	\$ 427,450	\$ 18,435,269	\$ 40,171,041	\$ 59,033,760
Net Income/Comprehensive income		2,446,770	2,408,341	4,855,111
Stock issued	161,280			161,280
Stock retired	(154,970)			(154,970)
Patronage distributions:				
Cash			(2,884,335)	(2,884,335)
Allocated retained earnings				0
Other (rounding)			(1)	(1)
Balance at December 31, 2019	\$ 433,760	\$ 20,882,039	\$ 39,695,046	\$ 61,010,845
Net Income/Comprehensive income		1,498,608	4,139,032	5,637,640
Stock issued	193,440			193,440
Stock retired	(145,880)			(145,880)
Patronage distributions:				
Cash			(2,808,643)	(2,808,643)
Allocated retained earnings				0
Other (rounding)			1	1
Balance at December 31, 2020	\$ 481,320	\$ 22,380,647	\$ 41,025,436	\$ 63,887,403
Net Income/Comprehensive income		1,923,103	4,234,703	6,157,806
Stock issued	182,370			182,370
Stock retired	(159,425)			(159,425)
Patronage distributions:				
Cash			(3,706,035)	(3,706,035)
Allocated retained earnings				0
Other (rounding)				0
Balance at December 31, 2021	\$ 504,265	\$ 24,303,750	\$ 41,554,104	\$ 66,362,119

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

Idaho AgCredit
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31			
CASH FLOWS FROM OPERATING ACTIVITIES:	2021	2020	2019
Net income	\$ 6,157,806	\$ 5,637,640	\$ 4,855,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	102,443	94,890	109,940
Provision for (reversal of) loan losses and reserves	(110,542)	35,293	389,508
Other, net	(5,536)	0	(2,205)
Change in assets and liabilities:			
(Increase)/Decrease in CoBank stock patronage receivable	(316,236)	(99,534)	65,757
(Increase)/Decrease in deferred tax asset, net	97,000	69,000	(92,000)
(Increase)/Decrease in accrued interest receivable	236,663	325,031	(42,706)
(Increase)/Decrease in prepaid benefits asset	(443,968)	(426,155)	(166,876)
(Increase)/Decrease in other assets	63,702	(118,605)	94,271
Increase/(Decrease) in accrued interest payable	(38,473)	(159,605)	(11,111)
Increase/(Decrease) in accrued benefits liability	0	0	0
Increase/(Decrease) in other liabilities	185,728	48,883	82,633
Net cash provided by/(used in) operating activities	5,928,587	5,406,838	5,282,322
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase)/Decrease in loans, net	(26,286,575)	(25,710,108)	5,200,110
Purchases of premises and equipment	(30,000)	(94,072)	(303,305)
Proceeds from sales of premises and equipment	5,536	0	2,205
(Increases) in CoBank stock	0	(3,343)	(9,782)
Recoveries of loans charged off	48,637	0	0
Proceeds from sales of other property owned	0	0	0
Net cash provided by/(used in) investing activities	(26,262,402)	(25,807,523)	4,889,228
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment of)/draw on note payable to CoBank	20,229,690	21,541,970	(9,607,595)
Increase/(Decrease) in advance conditional payments	3,303,442	3,226,589	1,280,756
Capital stock and participation certificates retired	(159,425)	(145,880)	(154,970)
Capital stock and participation certificates issued	182,370	193,440	161,280
Cash patronage distributions paid	(2,812,480)	(2,884,334)	(2,355,234)
Net cash provided by/(used in) financing activities	20,743,597	21,931,785	(10,675,763)
Net (decrease)/increase in cash	409,782	1,531,100	(504,213)
Cash at beginning of year	2,984,233	1,453,133	1,957,346
Cash at end of year	\$ 3,394,015	\$ 2,984,233	\$ 1,453,133
SUPPLEMENTAL CASH INFORMATION:			
Cash paid/(received) during the year for:			
Interest	\$ 4,658,352	\$ 5,728,186	\$ 6,954,175
Income taxes	166,898	176,337	172,829
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Stock Patronage from CoBank	\$ 0	\$ 3,343	\$ 9,782
Financed sales of other property owned	0	0	0
Loans transferred to other property owned	0	0	0
Net charge-offs/(recoveries)	(48,637)	0	0
Premises and equipment acquired under capital leases	0	0	0
Patronage distributions payable	3,702,198	2,808,643	2,884,335
Changes in unrealized losses/gains in other comprehensive income	0	0	0

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

Idaho AgCredit
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

- A. **Organization:** Idaho AgCredit, ACA and its subsidiaries Idaho AgCredit, PCA and Idaho AgCredit, FFLCA, (collectively "Association") are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the Idaho counties of Bannock, Bear Lake, Blaine, Bingham, Bonneville, Butte, Camas, Caribou, Cassia, Clark, Custer, Franklin, Fremont, Gooding, Jefferson, Jerome, Lemhi, Lincoln, Madison, Minidoka, Oneida, Power, Teton, Twin Falls, and that part of Owyhee County commencing at the southwest corner of Twin Falls County, Idaho, thence west along the north boundary line of the state of Nevada, to the southwest corner of Section Thirty-four, Township Sixteen South, Range Seven East, Boise Meridian, thence north to the northwest corner of Section Three, Township Ten South, Range Seven East, Boise Meridian, thence east to the boundary line of Twin Falls County, Idaho, thence south to the point of beginning; and in the state of Wyoming, all of Teton county and that portion of Lincoln county north of the forty-second parallel.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned Banks and Associations which 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 (Farm Credit Act). At December 31, 2021, the System was composed of three Farm Credit Banks, one Agricultural Credit Bank and 67 associations.

CoBank, ACB (funding bank or the "Bank"), its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations and to CoBank. The CoBank District consists of CoBank, 20 Agricultural Credit Associations (ACA) which each have two wholly owned subsidiaries (a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA)) and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and 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 institutions to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) 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 System-wide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. 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% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments or such other percentage of the aggregate obligations as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

- B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, advance conditional payment accounts and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents and farm-related businesses. The Association also serves as an intermediary in offering credit life insurance and crop insurance.

Upon request, stockholders of the Association will be provided with a CoBank Annual Report to Stockholders, which includes the combined financial statements of the Bank and its related Associations. The Association's financial condition may be impacted by factors that affect the Bank. The CoBank Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. The CoBank Annual Report also identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Corporation. In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis. The CoBank Annual Report to Stockholders is available free of charge as described in the Business Overview section of Management's Discussion and Analysis.

Idaho AgCredit
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires Association management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes as applicable.

The consolidated financial statements include the accounts of Idaho AgCredit, ACA and its wholly owned subsidiaries, Idaho AgCredit, PCA and Idaho AgCredit, FLCA and reflect the investments in, and allocated earnings of, the service organizations in which CoBank and Associations have partial ownership interests in for the years ended December 31, 2021, 2020 and 2019. All significant inter-company transactions have been eliminated in consolidation. Recently issued accounting pronouncements follow.

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. The relief related to TDRs under the CARES Act was extended by the Consolidated Appropriations Act, 2021 (CAA), which was signed into law on December 27, 2020. Under the CAA, such relief will continue until the earlier of (1) 60 days after the date the COVID-19 national emergency comes to an end or (2) January 1, 2022. The Association adopted this relief for qualifying loan modifications.

In March 2020, the Financial Accounting Standards Board (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 the 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 January 2021, the FASB issued ASU 2021-01, “Reference Rate Reform (Topic 848): Scope.” The update allows certain derivative instruments to be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the optional amendments on a full retrospective basis from March 12, 2020 to December 31, 2022. 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 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 October 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming 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 its financial condition and its results of operations.

Below is a summary of our significant accounting policies.

A. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loan origination fees and direct loan origination costs are expensed as incurred. This treatment does not result in a material difference versus capitalizing such costs where the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that principal and interest will not 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

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by the loan contract 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 is collected or otherwise discharged in full.

A restructured loan constitutes a troubled debt restructuring 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 trouble debt restructuring is an impaired loan.

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

When loans are in nonaccrual status, loan payments are generally applied against the recorded nonaccrual balance. A nonaccrual loan may, at times, be maintained on a cash basis. As a cash basis nonaccrual loan, the recognition of interest income from cash payments received is allowed when the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest is 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. In cases where a borrower experiences financial difficulties and the Association makes certain monetary concessions to the borrower through modifications to the contractual term of the loan, the loan is classified as a troubled debt restructuring. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The Association purchases loan and lease participations from other 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 entities to reduce risk and comply with established lending limits. When loans are sold, the sale terms comply with requirements under ASC 860 "Transfers and Servicing".

The Association uses a two-dimensional loan rating model based on 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 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 and estimable losses inherent in the loan portfolio. The allowance is increased through provision for loan losses and loan recoveries and is decreased through reversals of provisions for loan losses and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty, imprecision and variability. Changes in the agricultural economy and environment and their impact on borrower repayment capacity will cause various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following macroeconomic factors in determining and supporting the level of allowance for loan losses: the concentration of lending in

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agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

The allowance for loan losses includes components for loans individually evaluated for impairment, loans collectively evaluated for impairment and loans acquired with deteriorated credit quality. 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, 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 as previously discussed.

The amount of current loan balance is used for calculating the allowance for loan losses. In addition to the allowance calculated using the customer's probability of default and expected loss given default ratings, a portion is calculated to reflect management's estimate of additional allowance required by other factors considered in determining the allowance for loan losses. A summary of these amounts as of December 31 are as follows.

	2021	2020	2019
Allowance evaluated collectively	\$ 654,125	\$ 707,888	\$ 680,208
Allowance evaluated individually	269,163	275,654	292,585
Allowance evaluated by management estimate	600,000	600,000	600,000
Total Allowance	\$ 1,523,288	\$ 1,583,542	\$ 1,572,793

- B. **Cash:** Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At December 31, 2021, 2020 and 2019, the carrying value of the Association's cash adjusted for outstanding checks and deposits in transit totaled \$3,394,015, \$2,984,233 and \$1,453,133. Bank balances totaled \$4,790,689, \$3,090,457 and \$1,621,692 respectively. Of these bank balances, only \$250,000 was covered by standard federal depository insurance. The daily balance of depository accounts varies throughout the year since the Association must wait for deposited funds to become collected funds before it can use the funds to reduce its note payable to CoBank.
- C. **Investment in CoBank:** The Association's required investment in CoBank is in the form of Class A Stock. The minimum required investment is 4.00% of the prior five year's average direct loan volume. The investment in CoBank is composed of patronage based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 8.00% of the prior ten-year average of such participations sold to CoBank.
- D. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The useful life for buildings is 39 years and ranges from 3 to 10 years for furniture, equipment and automobiles. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed and improvements above certain thresholds are capitalized. The institution purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to noninterest expense. Nominal costs associated with designing software configuration, installation, coding programs and testing systems as part of ongoing operational activities are included in noninterest expense. Material costs associated with designing software configuration, installation, coding programs and testing systems, if applicable, would be capitalized and amortized in accordance with accounting guidelines. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- E. **Other Assets and Other Liabilities:** Other assets are composed primarily of accounts receivable, prepaid expenses, and investment in Farm Credit institutions other than CoBank. Significant components of other liabilities primarily include accounts payable and employee benefits.
- F. **Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advance conditional payments are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in liabilities. Restricted advance conditional payments are primarily associated with mortgage loans, while non-restricted advance conditional payments are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Advance conditional payments are not insured. Interest is generally paid by the Association on advance conditional payments.
- G. **Employee Benefit Plans:** Substantially all employees of the Association participate in the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan). Some former employees participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan). The Defined Benefit Plan is a noncontributory plan, and benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding to the Defined Benefit Plan. The Defined Benefit Plan was closed to employees hired after December 31, 1997.

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The Defined Contribution Plan has two components. Employees may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan and Salary Deferral Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundations Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. The authoritative accounting guidance requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

- H. **Patronage Distribution from CoBank:** Patronage distributions from CoBank are accrued by the Association in the year earned.
- I. **Income Taxes:** As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a 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, are subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state or local laws.

The Association elected 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 distributions. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association 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% probability), based on management's estimate, the deferred tax assets 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.

Deferred income taxes have not been recorded by the Association on approximately \$7,344,200 of stock patronage distributions received from the Bank prior to January 1, 1993, the adoption date of accounting guidance on income taxes. Association management's intent is to permanently invest these and other undistributed earnings in the Bank, or if converted to cash, to pass through any such earnings to Association borrowers through qualified patronage allocations.

CoBank changed its direct note average investment requirement from one year to five years and eliminated excess stock for 2022. The stock retirement from CoBank to be received in March 2022 as a result of this change is \$1,726,792. Idaho AgCredit, ACA's patronage dividends declared at year end 2021 includes this amount to be passed through to Association borrowers, which will reduce the remaining stock patronage distributions prior to January 1, 1993 from \$7,344,200 to \$5,617,408. For income tax purposes, Idaho AgCredit ACA has elected to reflect both the income from patronage retirement as well as the patronage distribution deduction of \$1,726,792 in 2021.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Deferred income taxes have not been provided on approximately \$2,119,080 of patronage refunds distributed to the taxable PCA by U.S. AgBank, FCB after December 31, 1992 and prior to December 2011 or on additional distributions on December 31, 2011 of \$755,815 to the taxable PCA and \$668,105 to the tax exempt FLCA. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the Bank's participations purchased program. The Association has \$53,087 in accumulated stock distributions to the tax exempt FLCA and \$5,179 in accumulated stock distributions to the taxable PCA allocated from this program.

In 1995, the Idaho State Tax Commission made a declaratory ruling for Northwest Farm Credit Services ACA, indicating that it was not subject to Idaho income taxes. However, in 2013 the Idaho State Tax Commission revoked this ruling on a prospective basis. In 2014 the Association received a ruling that its ACA and PCA entities are taxable and that taxes would be due on a prospective basis beginning with the 2013 tax year. The FLCA entity is exempt from federal and other income taxes as provided in the Farm Credit Act.

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- J. **Other Comprehensive Income/Loss:** Other comprehensive income/(loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/loss refers to the balance of these transactions.
- K. **Fair Value Measurement:** Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Association did not have any significant assets or liabilities on the Consolidated Statements of Financial Condition measured at fair value.
- 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 a 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.
- M. **Regulatory Capital:** The Association is regulated by the FCA. Failure to meet minimum capital requirements can initiate certain mandatory and/or discretionary actions by the FCA that could have a direct material effect on the Association's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines that involve quantitative measures of the Association's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Association's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors. Regulations prohibit extending the total credit to one borrower or group of related borrowers in excess of 15% of permanent capital and policies further limit the maximum credit available based on various risk factors. Management believes the Association meets all capital adequacy requirements to which it is subject as of December 31, 2021.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows as of December 31.

	2021	2020	2019
Real estate mortgage	\$ 219,630,216	\$ 200,010,999	\$ 172,849,056
Production and intermediate-term	103,949,119	96,714,053	105,286,151
Agribusiness	12,263,818	11,830,430	8,335,044
Rural residential real estate	0	0	0
Rural infrastructure	2,623,783	3,624,879	0
Total loans	\$ 338,466,936	\$ 312,180,361	\$ 286,470,251

The Association makes variable, capped variable, fixed, adjustable, prime-based, SOFR and London Interbank Offered Rate (LIBOR)-based rate loans to borrowers. Substantially all of the Association's fixed and capped variable rate loans are funded through CoBank to match the pricing, maturity and option characteristics of loans to borrowers. A small portfolio of primarily LIBOR indexed loans are not match-funded. The Board has established guidance for pricing all loans, and can change variable rates as necessary. As of December 31, the Association had the following loan volume by interest rate program.

	2021	2020	2019
Variable	\$ 94,488,700	\$ 100,804,576	\$ 113,866,850
LIBOR	2,053,223	2,824,136	879,733
Fixed	240,582,147	207,169,114	170,167,289
Other (capped variable, adjustable, prime)	1,342,866	1,382,535	1,556,379
Total loans	\$ 338,466,936	\$ 312,180,361	\$ 286,470,251

The Association purchases or sells loan participations with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding all participations purchased and sold as of December 31, 2021.

	Other Farm Credit Institutions	
	Purchased	Sold
Real estate mortgage	\$ 41,715,205	\$ 17,290,137
Production and intermediate term	1,599,391	6,234,881
Agribusiness	6,090,223	0
Rural infrastructure	2,623,783	0
Total	\$ 52,028,602	\$ 23,525,018

The Association currently has no loans to cooperatives and no water/waste water, mission-related, agricultural export, or lease receivable loans. All of the Association's participation loans are with other Farm Credit Institutions.

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A significant source of liquidity for the Association is the repayment and maturities of loans. The following table presents the contractual maturity distribution of loans by type at December 31, 2021 and indicates that approximately 15.0% of loans had maturities of one year or less.

	Due in 1 year or less	Due after 1 through 5 years	Due after 5 years	Total
Real estate mortgage	\$ 921,086	\$ 7,614,873	\$ 211,094,257	\$ 219,630,216
Production & intermediate-term	47,816,821	49,892,229	6,240,071	103,949,121
Agribusiness	1,880,671	3,703,312	6,679,833	12,263,816
Rural infrastructure	0	1,552,354	1,071,429	2,623,783
Total Loans	\$ 50,618,578	\$ 62,762,768	\$ 225,085,590	\$ 338,466,936

The Association's concentration of credit risk in various agricultural commodities is shown in the following table as of December 31.

(dollars in thousands) Commodity	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
Potatoes	\$ 43,324	12.8%	\$ 42,769	13.7%	\$ 42,971	15.0%
Grain (wheat, malt and feed barley)	62,955	18.6%	46,827	15.0%	44,116	15.4%
Cash rent	34,524	10.2%	29,033	9.3%	29,793	10.4%
Beef cattle	41,631	12.3%	36,525	11.7%	32,371	11.3%
Hay	36,893	10.9%	31,218	10.0%	28,361	9.9%
Milk and dairy cattle	29,108	8.6%	28,721	9.2%	25,209	8.8%
Sugar beets	16,246	4.8%	15,609	5.0%	13,464	4.7%
Outside income (mostly wages)	18,616	5.5%	13,112	4.2%	8,308	2.9%
Other	55,170	16.3%	68,366	21.9%	61,877	21.6%
Total	\$ 338,467	100.0%	\$ 312,180	100.0%	\$ 286,470	100.0%

While the percentages shown in the previous table represent the relative amounts of the Association's potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's loans are collateralized. Accordingly, the Association's exposure to credit loss associated with lending activities is considerably less than the recorded balances.

Approximately 80% of the Association's loans outstanding balance is attributable to 130 borrowers. Due to the size of their loans, the loss of any of these borrowers or the failure of any of these borrowers to perform would adversely affect the portfolio and the Association's future operating results.

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, machinery and equipment and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed or enhanced 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 loan to value ratios in excess of the regulatory maximum.

The Association has obtained credit enhancements by entering into Standby Commitment to Purchase Agreements (Agreements) with the Federal Agricultural Mortgage Corporation (Farmer Mac), covering loans with principal balance outstanding of \$8,489,744, \$8,895,536 and \$9,276,204 at December 31, 2021, 2020 and 2019. Under the Agreements, Farmer Mac agrees to purchase loans from the Association in the event of default (typically four months past due), subject to certain conditions, thereby mitigating the risk of loss from covered loans. In return, the Association pays Farmer Mac commitment fees based on the outstanding balance of loans covered by the Agreements. Such fees, totaling \$34,365, \$35,963 and \$37,581 for 2021, 2020 and 2019 are reflected in noninterest expense.

In addition to Farmer Mac, credit enhancements with federal government agencies of \$26,493,877, \$26,667,139 and \$22,390,660 were outstanding at year ends 2021, 2020 and 2019.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill signed into law on March 27, 2020, in response to the economic fallout of the Covid-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Administration should all criteria be met. Included in commercial loans at year end 2021 are \$83,897 and at year end 2020 are \$1,064,924 of loans granted under the PPP. These loans are fully guaranteed by the Small Business Administration, and these loan amounts are also included in the totals for the credit enhancements with federal government agencies above.

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that

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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 Uniform Loan Classification system as a percentage of total loans and related accrued interest receivable by loan type as of December 31.

	2021	2020	2019
Real estate mortgage			
Acceptable	98.1%	97.0%	97.1%
OAEM	1.3%	1.8%	1.4%
Substandard	0.6%	1.2%	1.5%
Doubtful	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%
Production and intermediate term			
Acceptable	96.2%	96.2%	96.8%
OAEM	2.3%	2.5%	2.0%
Substandard	1.2%	1.0%	0.9%
Doubtful	0.3%	0.3%	0.3%
	100.0%	100.0%	100.0%
Agribusiness			
Acceptable	100.0%	93.9%	100.0%
OAEM	0.0%	6.1%	0.0%
Substandard	0.0%	0.0%	0.0%
Doubtful	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%
Rural infrastructure			
Acceptable	100.0%	100.0%	100.0%
OAEM	0.0%	0.0%	0.0%
Substandard	0.0%	0.0%	0.0%
Doubtful	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%
Total loans			
Acceptable	97.7%	96.7%	97.1%
OAEM	1.5%	2.2%	1.6%
Substandard	0.7%	1.0%	1.2%
Doubtful	0.1%	0.1%	0.1%
	100.0%	100.0%	100.0%

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 including accrued interest as of December 31.

Nonaccrual loans:	2021	2020	2019
Current as to principal and interest	\$ 616,215	\$ 466,615	\$ 668,280
Past due	0	370,787	1,511,282
Total nonaccrual loans	616,215	837,402	2,179,562
Impaired accrual loans:			
90 days or more past due	0	0	0
Total impaired accrual loans	0	0	0
Total impaired loans	\$ 616,215	\$ 837,402	\$ 2,179,562

There were no loans classified as accruing restructured or accruing loans 90 days or more past due for the years presented. There were no material commitments to lend additional funds to debtors whose loans were classified as impaired for the years presented.

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High risk assets consist of impaired loans and other property owned. The following table presents these in a more detailed manner than the previous table. These nonperforming assets (including related accrued interest) as of December 31 are as follows:

	2021	2020	2019
<u>Nonaccrual loans:</u>			
Real estate mortgage	\$ 183,960	\$ 2,000	\$ 576,175
Production and Intermediate term	432,255	835,402	1,603,387
Total nonaccrual loans	616,215	837,402	2,179,562
<u>Accruing restructured loans:</u>			
Total accruing restructured loans	0	0	0
<u>Accruing loans 90 days or more past due:</u>			
Total accruing loans 90 days or more past due	0	0	0
Total impaired loans	616,215	837,402	2,179,562
Other property owned	0	0	0
Total high risk assets	\$ 616,215	\$ 837,402	\$ 2,179,562

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Additional impaired loan information is as follows:

Impaired Loans	At December 31			For Year Ended December 31	
	Recorded Investment	Contractual Principal Balance	Related Specific Allowance	Average Impaired Loans	Interest Income Recognized
2021					
<u>With a Related Allowance</u>					
Production and intermediate term	\$ 291,453	\$ 312,378	\$ 269,163	\$ 297,303	\$ 0
Total	\$ 291,453	\$ 312,378	\$ 269,163	\$ 297,303	\$ 0
<u>With No Related Allowance</u>					
Real estate mortgage	\$ 183,959	\$ 191,275	\$ 0	\$ 172,836	\$ 0
Production and intermediate term	140,803	150,778	0	201,197	178,427
Agribusiness	0	0	0	0	0
Total	\$ 324,762	\$ 342,053	\$ 0	\$ 374,033	\$ 178,427
<u>Total Impaired Loans:</u>					
Real estate mortgage	\$ 183,959	\$ 191,275	\$ 0	\$ 172,836	\$ 0
Production and intermediate term	432,256	463,156	269,163	498,500	178,427
Agribusiness	0	0	0	0	0
Total	\$ 616,215	\$ 654,431	\$ 269,163	\$ 671,336	\$ 178,427
2020					
<u>With a Related Allowance</u>					
Production and intermediate term	\$ 302,253	\$ 312,378	\$ 275,654	\$ 304,780	\$ 0
Total	\$ 302,253	\$ 312,378	\$ 275,654	\$ 304,780	\$ 0
<u>With No Related Allowance</u>					
Real estate mortgage	\$ 2,000	\$ 72,522	\$ 0	\$ 335,230	\$ 55,431
Production and intermediate term	533,149	708,450	0	1,150,888	40,299
Agribusiness	0	0	0	0	0
Total	\$ 535,149	\$ 780,972	\$ 0	\$ 1,486,118	\$ 95,730
<u>Total Impaired Loans:</u>					
Real estate mortgage	\$ 2,000	\$ 72,522	\$ 0	\$ 335,230	\$ 55,431
Production and intermediate term	835,402	1,020,828	275,654	1,455,668	40,299
Agribusiness	0	0	0	0	0
Total	\$ 837,402	\$ 1,093,350	\$ 275,654	\$ 1,790,898	\$ 95,730
2019					
<u>With a Related Allowance</u>					
Production and intermediate term	\$ 309,184	\$ 312,378	\$ 292,585	\$ 585,594	\$ 0
Total	\$ 309,184	\$ 312,378	\$ 292,585	\$ 585,594	\$ 0
<u>With No Related Allowance</u>					
Real estate mortgage	\$ 576,175	\$ 643,777	\$ 0	\$ 517,629	\$ 0
Production and intermediate term	1,294,203	1,475,803	0	1,865,813	0
Agribusiness	0	0	0	0	0
Total	\$ 1,870,378	\$ 2,119,580	\$ 0	\$ 2,383,442	\$ 0
<u>Total Impaired Loans:</u>					
Real estate mortgage	\$ 576,175	\$ 643,777	\$ 0	\$ 517,629	\$ 0
Production and intermediate term	1,603,387	1,788,181	292,585	2,451,407	0
Agribusiness	0	0	0	0	0
Total	\$ 2,179,562	\$ 2,431,958	\$ 292,585	\$ 2,969,036	\$ 0

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2, Summary of Significant Accounting Policies. The following table presents interest income recognized on impaired loans for the year ended December 31.

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	2021	2020	2019
Interest income recognized on nonaccrual loans	\$ 250,792	\$ 95,735	\$ 0
Interest income on impaired accrual loans	0	964	0
Interest income recognized on impaired loans	\$ 250,792	\$ 96,699	\$ 0

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans follows for the year ended December 31.

	2021	2020	2019
Interest income which would have been recognized under the original loan terms	\$ 40,141	\$ 109,565	\$ 188,536
Less: interest income recognized	250,792	95,735	0
Foregone (additional nonaccrual) interest income	\$ (210,651)	\$ 13,830	\$ 188,536

The following table provides an age analysis of past due loans (including accrued interest) as of December 31.

(Dollars in Thousands)	30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or <30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment >90 Days and Accruing
	2021	\$ 242	\$ 0	\$ 242	\$ 222,487	\$ 222,729	\$ 0	\$ 0	\$ 0
Real estate mortgage	\$ 242	\$ 0	\$ 242	\$ 222,487	\$ 222,729	\$ 0	\$ 0	\$ 0	\$ 0
Production and intermediate term	91	0	91	104,919	105,010	0	0	0	0
Agribusiness	0	0	0	12,424	12,424	0	0	0	0
Rural infrastructure	0	0	0	2,644	2,644	0	0	0	0
Total	\$ 333	\$ 0	\$ 333	\$ 342,474	\$ 342,807	\$ 0	\$ 0	\$ 0	\$ 0
<hr/>									
2020									
Real estate mortgage	\$ 702	\$ 0	\$ 702	\$ 202,730	\$ 203,432	\$ 0	\$ 0	\$ 0	\$ 0
Production and intermediate term	174	371	545	97,135	97,680	0	0	0	0
Agribusiness	0	0	0	11,997	11,997	0	0	0	0
Rural infrastructure	0	0	0	3,648	3,648	0	0	0	0
Total	\$ 876	\$ 371	\$ 1,247	\$ 315,510	\$ 316,757	\$ 0	\$ 0	\$ 0	\$ 0
<hr/>									
2019									
Real estate mortgage	\$ 0	\$ 468	\$ 468	\$ 175,753	\$ 176,221	\$ 0	\$ 0	\$ 0	\$ 0
Production and intermediate term	462	1,043	1,505	105,256	106,761	0	0	0	0
Agribusiness	61	0	61	8,329	8,390	0	0	0	0
Rural infrastructure	0	0	0	0	0	0	0	0	0
Total	\$ 523	\$ 1,511	\$ 2,034	\$ 289,338	\$ 291,372	\$ 0	\$ 0	\$ 0	\$ 0

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

A restructuring of a debt constitutes a troubled debt restructuring 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. The Association had no troubled debt restructurings that occurred during the years 2021, 2020 or 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Prior year End Balance	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)		Ending Balance
				()	
2021						
Real estate mortgage	\$ 589,497	\$ 0	\$ 0	\$ (32,395)	\$ 557,102	
Production and intermediate-term	947,231	0	48,637	(80,018)	915,850	
Agribusiness	37,036	0	0	(1,957)	35,079	
Rural infrastructure	9,778	0	0	5,479	15,257	
Total	\$ 1,583,542	\$ 0	\$ 48,637	\$ (108,891)	\$ 1,523,288	
2020						
Real estate mortgage	\$ 554,147	\$ 0	\$ 0	\$ 35,350	\$ 589,497	
Production and intermediate-term	997,319	0	0	(50,088)	947,231	
Agribusiness	21,327	0	0	15,709	37,036	
Rural infrastructure	0	0	0	9,778	9,778	
Total	\$ 1,572,793	\$ 0	\$ 0	\$ 10,749	\$ 1,583,542	
2019						
Real estate mortgage	\$ 545,968	\$ 0	\$ 0	\$ 8,179	\$ 554,147	
Production and intermediate-term	623,434	0	0	373,885	997,319	
Agribusiness	24,072	0	0	(2,745)	21,327	
Rural infrastructure	0	0	0	0	0	
Total	\$ 1,193,474	\$ 0	\$ 0	\$ 379,319	\$ 1,572,793	
Recorded Investments in Allowance for Credit Losses						
Individually evaluated for impairment Collectively evaluated for impairment						
2021						
Real estate mortgage	\$ 0	\$ 557,102	\$ 183,960	\$ 222,544,385		
Production and intermediate-term	269,163	646,687	432,255	104,577,742		
Agribusiness	0	35,079	0	12,423,877		
Rural infrastructure	0	15,257	0	2,644,393		
Total	\$ 269,163	\$ 1,254,125	\$ 616,215	\$ 342,190,397		
2020						
Real estate mortgage	\$ 0	\$ 589,497	\$ 2,000	\$ 203,429,750		
Production and intermediate-term	275,654	671,577	835,402	96,844,620		
Agribusiness	0	37,036	0	11,996,901		
Rural infrastructure	0	9,778	0	3,648,026		
Total	\$ 275,654	\$ 1,307,888	\$ 837,402	\$ 315,919,297		
2019						
Real estate mortgage	\$ 0	\$ 554,147	\$ 576,175	\$ 175,644,709		
Production and intermediate-term	292,585	704,734	1,603,387	105,157,267		
Agribusiness	0	21,327	0	8,390,084		
Rural infrastructure	0	0	0	0		
Total	\$ 292,585	\$ 1,280,208	\$ 2,179,562	\$ 289,192,060		

The Association maintains a separate reserve for losses on loan commitments, which is included as a separate line item in liabilities on the Consolidated Statements of Financial Condition. The related provision for the reserve for loss on loan commitments is included as part of the provision for loan losses and reserves on the Consolidated Statements of Comprehensive Income. A summary of changes in the reserve follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2021	2020	2019
Reserve balance at beginning of year	\$ 62,883	\$ 52,127	\$ 41,938
Provision (reversal of provision)	(1,651)	10,756	10,189
Reserve balance at end of year	\$ 61,232	\$ 62,883	\$ 52,127

NOTE 4 – INVESTMENT IN COBANK

At December 31, 2021, the Association's investment in CoBank is in the form of Class A stock with a par value of \$100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4.00% of the Association's prior five-year average direct loan balance. The requirement for capitalizing patronage-based participation loans sold to CoBank is 8.00% of the Association's prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75% cash and 25% Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate. The Association owned approximately .27% of the outstanding common stock of CoBank at December 31, 2021.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31.

	2021	2020	2019
Land	\$ 112,360	\$ 112,360	\$ 112,360
Buildings and improvements	1,796,315	1,796,315	1,796,315
Furniture and equipment	406,173	422,424	414,968
Automobiles	315,356	326,065	239,722
	\$ 2,630,204	\$ 2,657,164	\$ 2,563,365
Less: accumulated depreciation	1,345,223	1,299,740	1,205,124
Total	\$ 1,284,981	\$ 1,357,424	\$ 1,358,241

As of year ends 2021, 2020 and 2019, the Association has no premise or equipment leases.

NOTE 6 – OTHER PROPERTY OWNED

There was no other property owned (property acquired through loan collection activities) in 2021, 2020 or 2019 and therefore no impact on the Consolidated Statements of Comprehensive Income for these periods.

NOTE 7 – OTHER ASSETS AND OTHER LIABILITIES

A summary of other assets follows.

	2021	2020	2019
Patronage receivable (CoBank)	\$ 1,352,000	\$ 1,042,000	\$ 944,000
Patronage receivable (Other)	13,837	7,601	6,067
Accounts receivable (Other)	10,920	8,200	10,400
Prepaid expenses	300	300	300
Prepaid taxes	50,419	120,317	13,040
Investments in FCS Institutions	156,052	152,575	139,046
Other	1	1	0
Total	\$ 1,583,529	\$ 1,330,994	\$ 1,112,853

A summary of other liabilities follows.

	2021	2020	2019
Taxes payable	\$ 0	\$ 0	\$ 337
Accrued salaries and benefits	502,347	469,405	413,855
FCSIC insurance premium payable	350,000	197,000	183,000
Accounts payable	6,337	3,639	13,092
Other	0	2,911	0
Total	\$ 858,684	\$ 672,955	\$ 610,284

NOTE 8 – NOTES PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets to CoBank and is governed by a General Financing Agreement (GFA), which provides a variable line-of-credit subject to the lesser of a line of credit limit or a borrowing base

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calculation. At December 31, 2021, \$278.0 million had been drawn against the credit limit of \$295 million, compared to \$257.8 million against the credit limit of \$275 million at December 31, 2020 and \$236.4 million drawn against the borrowing base of \$280.7 million at December 31, 2019. The GFA and promissory note are subject to periodic renewals in the normal course of business. The GFA matures on May 31, 2023. Management expects renewal of the GFA at that time. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2021. Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the GFA. The weighted average interest rate was 1.72%, 2.30% and 2.85% for the years ended December 31, 2021, 2020 and 2019.

The Association has the opportunity to commit loanable funds with CoBank under a variety of programs at either fixed or variable rates for specified timeframes. Participants in the program receive a credit on the committed funds balance classified as a reduction of interest expense. These committed loanable funds are netted against the note payable to CoBank. There were no committed loanable funds as of December 31, 2021, 2020 or 2019.

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. We maintain a \$500,000 line of credit with a commercial bank but did not borrow on that line of credit in 2021, 2020 or 2019. CoBank, consistent with FCA regulations, has 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, the Association's notes payable are within the specified limitations.

NOTE 9 – SHAREHOLDERS' EQUITY

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

- A. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act, each borrower is required to invest in the Association as a condition of borrowing. The borrower normally acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal of the related loan obligation. The Association has a first lien on the stock or participation certificates owned by its borrowers. At the discretion of the Board of Directors, 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 stock or participation certificates.

Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00% of the amount of the loan to 8.00% of the loan. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. The Association's current stock requirement of the lesser of one thousand dollars or 2.00% of the borrower's combined loan volume did not change during any of the years presented.

- B. **Regulatory Capitalization Requirements and Restrictions:** The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. Effective January 1, 2017, regulatory capital requirements for Banks and Associations were adopted. These requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital (aka Total Regulatory 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-adjusted assets are calculated differently than in the past. The following sets forth the regulatory capital ratio requirements and ratios at December 31:

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Ratio	Numerator	Denominator	2021	2020	2019	Minimum with Buffer	Minimum
Common Equity Tier 1 (CET1 Capital)	Unallocated retained earnings (URE) and common cooperative equities (qualifying capital stock and allocated equity) ¹	Risk-weighted assets	15.56%	16.46%	16.93%	7.00%	4.50%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	15.56%	16.46%	16.93%	8.50%	6.00%
Total Regulatory Capital	Tier 1 Capital, allowance for loan losses ² , other common cooperative equities ³ , and term preferred stock and subordinated debt ⁴	Risk-weighted assets	16.02%	16.98%	17.49%	10.50%	8.00%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	15.57%	16.20%	16.84%	5.00%	4.00%
Unallocated Retained Earnings and URE Equivalents (UREE Leverage)	URE and URE Equivalents	Total assets	15.42%	16.05%	16.69%	1.50%	1.50%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt subject to certain limits	Risk-weighted assets	15.96%	17.21%	17.72%	7.00%	7.00%

¹ Equities subject to a minimum redemption or revolvement period of 7 or more years

² Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments

³ Equities subject to a minimum redemption or revolvement period of 5 or more, but less than 7 years

⁴ Equities subject to a minimum redemption or revolvement period of 5 or more years

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 Association ratios meet FCA requirements for all years presented. The Association is unaware of any reason it might be under any regulatory restrictions to retire stock or distribute earnings during the fiscal year subsequent to the fiscal year just ended.

The Association has a formal written Capital Adequacy Plan which has the following objectives:

- Maintain adequate Association capital to meet all regulatory and System requirements;
- Provide protection against risks inherent in the Association's operations;
- Provide sufficient capital for future asset growth;
- Allow the Association to operate profitably over the long-term;
- Maintain a competitive market position; and
- Increase Association surplus, thereby reducing the reliance on borrower stock for capitalization needs.

Further information regarding the Capital Adequacy Plan is included under the heading of Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

- C. **Description of Equities:** Each owner of class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

At December 31, 2021, the Association had the following classes of equity outstanding, all at par value of \$5.00 per share/unit, and all at risk.

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Class	Number of Shares	Voting	Protected
A - common stock	0	no	no
C - common stock	98,133	yes	no
F - participation certificates	2,720	no	no

Although the Association is authorized by its bylaws to issue other classes of stock as listed below, no shares are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to those discussed above.

Class	Number of Shares	Voting	Protected
C - preferred stock	0	no	no
D - stock	0	no	yes
E - participation certificates	0	no	yes
Assistance preferred stock	0	no	no

As discussed above in this note under the section titled Regulatory Capitalizations Requirements and Restrictions, if capital ratios fall below the total requirements, equity redemptions are prohibited without FCA approval. The Association is currently not prohibited from retiring capital stock and presently foresees no realistic situation why retirement would be prohibited in the future. All distributions to the holders of any class of stock or participation certificate shall be made pro-rata in proportion to the number of shares or units of such class of stock or participation certificate held.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above as follows: First, to the holders of class C preferred stock until an amount equal to the aggregate par value of all shares of said Stock then issued and outstanding has been distributed to such holders; Second, to the holders of class A common stock, class C common stock, Participation Certificates, and Class D Stock, pro-rata, in proportion to the number of shares or units of each such class of Stock then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders; Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; and Fifth, any remaining assets of the Association after such distributions shall be distributed to past and present Patrons on a patronage basis, to the extent practical. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of equities. Any assets remaining after such distribution will be distributed to past and present Patrons on a patronage basis, to the extent practical.

- D. Patronage and/or Dividends:** Consistent with the Association's bylaws and Subchapter T of the Internal Revenue Code, the Association adopted a patronage program beginning in 2007. At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. For 2021, the Association allocated 98.7% of its patronage sourced net income to its patrons. That portion of patronage-sourced net income not distributed in cash is also allocated to patrons. Allocated, but not distributed patronage refunds, are included in the unallocated retained earnings account. Such allocations may provide a future basis for a distribution of capital. In accordance with Internal Revenue Service requirements, each customer is sent a nonqualified written notice of allocation for patronage sourced net income which is not distributed as cash. A portion of patronage sourced income may be ineligible for cash distribution or noncash allocation to patrons in accordance with the terms of the patronage program and such amounts are also added to unallocated retained earnings. The Board of Directors considers unallocated retained earnings from both patronage sourced and non-patronage sourced earnings to be permanently invested in the Association. As such, there is no current plan to revoke or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted.

NOTE 10 – PATRONAGE DISTRIBUTIONS FROM FARM CREDIT INSTITUTIONS.

Patronage income recognized from Farm Credit institutions to the Association follows for the year ended December 31.

	2021	2020	2019
CoBank	\$ 1,351,115	\$ 1,042,299	\$ 944,285
Other	102,161	144,914	100,177
Total	<u>\$ 1,453,276</u>	<u>\$ 1,187,213</u>	<u>\$ 1,044,462</u>

Patronage distributed from CoBank was in cash and stock. The amount earned in 2021 was accrued and will be paid by CoBank in March 2022. The amount earned and accrued in 2020 was paid by CoBank in March of 2021. The amount earned in 2019 was paid by CoBank in March 2020. Most patronage from other Farm Credit institutions was accrued and paid in cash in the year it was declared, although a small amount was accrued in the year shown and was or will be paid in cash in the following year.

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NOTE 11 – INCOME TAXES

The provision for/(benefit from) income taxes follows for the year ended December 31.

	2021	2020	2019
Current federal tax provision	\$ 51,602	\$ 53,466	\$ 137,891
Current state tax provision	18,296	15,257	48,837
Deferred federal tax provision(benefit)	71,000	50,000	(67,000)
Deferred state tax provision(benefit)	26,000	19,000	(25,000)
Provision for income taxes	\$ 166,898	\$ 137,723	\$ 94,728

The provision for/(benefit from) income taxes 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 year ended December 31.

	2021	2020	2019
Federal tax at statutory rate	\$ 1,328,188	\$ 1,212,826	\$ 1,039,467
State tax, net	86,866	54,463	38,333
Effect of non-taxable FLCA subsidiary	(994,744)	(997,159)	(901,765)
Patronage distributions to borrowers	(200,463)	(103,390)	(80,240)
Other, net	(52,949)	(29,017)	(1,067)
Provision for income taxes	\$ 166,898	\$ 137,723	\$ 94,728

Deferred tax assets and liabilities result from the following as of December 31.

	2021	2020	2019
Deferred income tax assets			
Allowance for loan losses	\$ 260,000	\$ 279,000	\$ 284,000
Nonaccrual loan interest	8,000	39,000	37,000
Pension expense	16,000	19,000	20,000
Gross deferred tax asset	\$ 284,000	\$ 337,000	\$ 341,000
Less: valuation allowance	(33,000)	(36,000)	(37,000)
Gross def. tax assets, net valuation allowance	\$ 251,000	\$ 301,000	\$ 304,000
Deferred income tax liabilities			
Pensions	(201,000)	(165,000)	(93,000)
Depreciation	(5,000)	(11,000)	(15,000)
Other	(110,000)	(93,000)	(95,000)
Gross deferred tax liability	\$ (316,000)	\$ (269,000)	\$ (203,000)
Net deferred tax asset (liability)	\$ (65,000)	\$ 32,000	\$ 101,000

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws. The Association recorded a valuation allowance of \$33,000 during 2021, \$36,000 during 2020 and \$37,000 during 2019. The Association will continue to evaluate the likely realization of these deferred tax assets and adjust the valuation allowance accordingly.

The Association has no uncertain tax positions to be recognized as of December 31, 2021, 2020 or 2019. The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. The Association accounts for income taxes in accordance with ASC 740, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions are more-likely-than-not of being sustained upon examination by the applicable tax authority, based on the technical merits of the tax position, and then measuring the tax benefit that is more-likely-than-not to be realized. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current reporting period. The tax years that remain open for federal and major state income tax jurisdictions are 2018 and forward.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Certain former employees participate in the Eleventh Retirement Plan, a multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers eligible employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be

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borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, an individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

The defined benefit pension plan reflects an unfunded liability totaling \$7.8 million at December 31, 2021. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the plan was \$298.8 million at December 31, 2021, \$318.4 million at December 31, 2020 and \$299.3 million at December 31, 2019. The fair value of the plan assets was \$291.1 million at December 31, 2021, \$271.7 million at December 31, 2020 and \$228.4 million at December 31, 2019. The amount of the pension benefits funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Total plan expense for participating employers was \$1.3 million in 2021, \$1.3 million in 2020 and \$3.6 million in 2019. The Association's allocated share of plan expenses included in salaries and employee benefits was (\$54,578) in 2021, (\$8,705) in 2020 and \$48,164 in 2019. Participating employers contributed \$23.0 million in 2021, \$23.0 million in 2020 and \$16.0 million in 2019 to the plan. The Association's allocated share of these pension contributions was \$389,390 in 2021, \$417,450 in 2020 and \$215,040 in 2019. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the pension plan during 2022 is \$23.0 million. The Association's allocated share of these pension contributions is expected to be \$396,750. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits expense (primarily health care benefits and life insurance) included in salaries and employee benefits were \$3,871 for 2021, \$2,681 for 2020 and \$3,052 for 2019. These expenses are equal to the Association's cash contributions for each year.

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to the Contribution Plan and Salary Deferral Plan were \$231,377 for 2021, \$212,674 for 2020 and \$190,300 for 2019.

NOTE 13 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and senior officers must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within a year. If not, the director or senior officer must resign from the Board or employment. Loan information to related parties for the years ended December 31 is shown below.

	2021	2020	2019
Beginning Balance	\$ 16,284,123	\$ 17,210,337	\$ 16,834,124
Advances	11,493,207	13,222,116	13,200,709
Repayments	(12,896,556)	(14,148,330)	(12,824,496)
Ending Balance	\$ 14,880,774	\$ 16,284,123	\$ 17,210,337
Participations Sold	(4,229,092)	(4,184,127)	(5,620,588)
Net Ending Balance	\$ 10,651,682	\$ 12,099,996	\$ 11,589,749

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In the opinion of management, none of these loans outstanding to officers and directors at December 31, 2021, involved more than a normal risk of collectability.

The Association also has business relationships with other System entities for insurance, technology and benefit services. The Association paid \$9,720 in 2021, \$9,720 in 2020 and \$9,720 in 2019 to AgVantis for technology services. The Association paid \$15,480 in 2021, \$15,498 in 2020 and \$15,519 in 2019 to CoBank for operational services. The Association paid \$79,607 in 2021, \$71,365 in 2020 and \$66,412 in 2019 to Farm Credit Foundations for human resource services.

NOTE 14 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated 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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, commitments to extend credit outstanding were \$77.7 million in 2021, \$75.0 million in 2020 and \$65.6 million in 2019.

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 Statements of Financial Condition 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.

The Association maintains an unsecured line of credit with its depository bank for \$500,000 as part of its depository relationship and as a secondary source of local funds. This line of credit was not used in 2021, 2020 or 2019.

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

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

	2021				Total
	First	Second	Third	Fourth	
Net Interest Income	\$ 2,207	\$ 2,181	\$ 2,279	\$ 2,288	\$ 8,955
(Provision for) or Reversal of losses	134	(65)	18	24	111
Noninterest expense, net	(708)	(529)	(829)	(842)	(2,908)
Net income/(loss)	\$ 1,633	\$ 1,587	\$ 1,468	\$ 1,470	\$ 6,158
2020					
Net Interest Income	\$ 1,896	\$ 1,951	\$ 2,131	\$ 2,195	\$ 8,173
(Provision for) or Reversal of losses	12	(35)	(15)	3	(35)
Noninterest expense, net	(732)	(459)	(768)	(541)	(2,500)
Net income/(loss)	\$ 1,176	\$ 1,457	\$ 1,348	\$ 1,657	\$ 5,638
2019					
Net Interest Income	\$ 1,978	\$ 2,024	\$ 2,139	\$ 2,047	\$ 8,188
(Provision for) or Reversal of losses	(11)	(114)	(252)	(13)	(390)
Noninterest expense, net	(739)	(721)	(711)	(772)	(2,943)
Net income/(loss)	\$ 1,228	\$ 1,189	\$ 1,176	\$ 1,262	\$ 4,855

NOTE 17 – PATRONAGE PROGRAM

Under Section 840 of the Association's bylaws, the Board has adopted an obligating resolution to pay patronage to patrons with voting stock or nonvoting participation certificates with eligible patronage business on the basis of average daily principal or contractual balance of each Patronage Transaction (account) during the period for which the distribution is calculated. The distribution shall not exceed the net income that was earned on the Patronage Transaction, or if the Patronage Transaction is participated, shall not exceed the net income that would have been earned if the Patronage Transaction was not participated.

Patronage is solely based on current year eligibility, and in no event will any patron whose account in a prior year was ineligible

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receive any patronage amount for a prior period once the account returns to eligible patronage status. "Patronage Business" encompasses the following transactions (each a "Patronage Transaction"): (i) loan accounts originated by the Association with an outstanding principal balance during the year and (ii) loan account participations acquired by the Association under a participation contract that specifically provides for the payment of patronage. Net earnings from transactions that are not Patronage Business shall constitute non-patronage earnings and shall not be available for distribution. Patronage Business shall not include accounts specified in advance as not eligible for patronage due to special pricing and/or risk factors and for which the borrower has waived patronage, sales contracts, fee-based services, related services and insurance sales, and secondary market activities.

Patronage distributions may be in the form of cash, qualified written notices of allocation and/or nonqualified written notices of allocation. Patronage paid in cash will not include any amount which the Board has determined is required to be retained in accordance with meeting capital adequacy requirements necessary for sound financial management and future planning, and any retained earnings may be either allocated or unallocated to patrons.

NOTE 18 – SUBSEQUENT EVENTS

The Audit Committee approved the report on February 16, 2022 subject to management's review of subsequent events through the report release date. Association management has evaluated subsequent events through February 16, 2022, which is the date the financial statements were available to be issued, and no material subsequent events were identified.

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DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

Disclosure Information Section

This section is required as per Farm Credit Administration requirements. See Independent Auditor's Report with respect to supplemental information.

Description of Business

The Association's territory served, persons eligible to borrow, types of lending activities engaged in and financial services offered and related Farm Credit organizations are described in Note 1, Organization and Operations. The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics and concentrations of assets, if any, are described in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Unincorporated Business Entities

The Association did not have any Unincorporated Business Entities for the years shown in the consolidated financial statements.

Description of Property

The Association has the following properties:

<u>Description</u>	<u>Location</u>	<u>Ownership</u>
Blackfoot Branch and Headquarters	188 W Judicial, Blackfoot, ID 83221	Owned
American Falls Branch	2883 Hwy 39, American Falls, ID 83211	Owned
Rexburg Branch	1586 N 2 E, Rexburg, ID 83440	Owned
Twin Falls Loan Office	1096 Eastland Drive N, Suite 100A, Twin Falls, ID 83301	Owned

Enforcement Actions and Legal Proceedings

The status of any regulatory enforcement actions is described in Note 14, Regulatory Enforcement Matters, and the status of legal actions pending against the Association are described in Note 15, Commitments and Contingencies.

Description of Capital Structure

The Association's capital structure is described in Note 9, Shareholders' Equity.

Description of Liabilities

The Association's liabilities are described in Note 7, Other Assets and Other Liabilities, Note 8, Notes Payable to CoBank and Note 15, Commitments and Contingencies.

Selected Financial Data

Selected financial data for the five years ended December 31, 2021 is described in the Five-Year Summary of Selected Consolidated Financial Data.

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations section provides required disclosures about the Association's consolidated financial condition and operations.

Governance

Board of Directors

We are governed by a seven member board that provides direction and oversees our management. Of these directors, five are elected by the shareholders and two are appointed by the elected directors. Our Board of Directors represents the interests of our shareholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates and compensates the chief executive officer;
- approves the strategic plan, capital plan, financial plan and the annual operating budget;
- oversees the lending operations;
- directs management on significant issues; and
- oversees the financial reporting process, communications with shareholders and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in our interest. All our directors are independent from the perspective that none of our management or staff serve as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

Directors who are borrowers have a vested interest in ensuring our Association remains strong and successful. However, our borrowing relationship could be viewed as having the potential to compromise the independence of a director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis and reporting on our loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

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Audit Committee

The Audit Committee reports to the Board of Directors. The Audit Committee is composed of all members of the Board. During 2021, ten meetings were held. The Audit Committee responsibilities generally include, but are not limited to:

- the oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the consolidated financial statements;
- the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls or auditing matters; and
- oversight of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing services.

Compensation Committee

The Compensation Committee is responsible for the oversight of employee and director compensation. The Compensation Committee is composed of all members of the Board. The Committee annually reviews, evaluates and approves the compensation policies, programs and plans for senior officers and employees including benefits programs and applicable compensation disclosures.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we are striving to implement steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics for our President/CEO, Chief Financial Officer and Chief Credit Officer;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- "plain English" disclosures;
- oversight of management's review of the internal controls over financial reporting;
- officer certification of accuracy and completeness of the consolidated financial statements; and
- information disclosure through our website.

Directors and Senior Officers

The following represents certain information regarding the directors and senior officers of the reporting entity.

Senior and Other Officers

Marc Fonnesbeck, President and Chief Executive Officer since June 16, 2015 and also Chief Credit Officer until January 1, 2017. Previously served as Senior Vice President and Chief Credit Officer since January 1, 2012, Vice President and Branch Manager since June 1, 2006, Assistant Vice President and Branch Manager since April 1998, and prior to that as Branch Manager. He has been employed by the Association since January 1994.

Jim Chase, Secretary and Chief Financial Officer since May 16, 2006. Previously served as Assistant Vice President and Data Systems Administrator since January 2005, and prior to that as Assistant Vice President and Assistant Branch Manager. He has been employed by the Association since January 1991.

Adam C. Jensen, Executive Vice President and Chief Credit Officer since January 1, 2021. Previously served as Vice President and Chief Credit Officer since January 1, 2017, Vice President since January 1, 2015 and Assistant Vice President and Branch Manager since March 15, 2007. He has been employed by the Association since March 2007.

Kirk Powell, Vice President of Capital Markets since January 1, 2021. Previously served as Assistant Vice President and Branch Manager since March 1, 2012. He has been employed by the Association since October 1998 and was previously employed by the Association from 1990 to 1992.

Katie Wallace, Vice President of Human Resources since January 1, 2021. Previously served as Assistant Vice President and Branch Manager since January 1, 2019, Branch Manager since December 1, 2014, Assistant Branch Manager since January 1, 2014, as Loan Officer since June 1, 2007 and as Operations Assistant since March 16, 2006. She has been employed by the Association since March 2006.

Dana Wood, Vice President of Operations since January 1, 2021. Previously served as Assistant Vice President and Branch Manager since January 1, 2019, Branch Manager since January 1, 2015, and Loan Officer since July 14, 2008. He has been employed by the Association since July 2008.

Ryan Funk, Vice President and Chief Information Officer since January 1, 2021. Previously served as Chief Information Officer since July 1, 2016 and IT Administrator and Programmer since June 2003. He has been employed by the Association since June 2003.

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Board of Directors

Ken Black, Chairman, Burley, Idaho. Elected term expires in 2022. Engaged in ranching and cattle feeding. He has been an Association member since 1993 and served as a board member since March 2013. He previously served as a board member from 1999 to 2011. Business interests in which he serves on the board of directors or as a senior officer include: Black Livestock LLC, (Manager and member) a farming and ranching entity; West Cassia Soil Conservation District Committee (director).

Twain S. Hayden, Vice Chairman, Arbon, Idaho. Also serves as Chairman of the Compensation Committee and as IT Coordinator. Elected term expires in 2022. Engaged in farming. He has been an Association member since 1982 and a board member since March 3, 2004. Business interests in which he serves on the board of directors or as a senior officer include: a partner in Mid Crystal Farms, a Partnership whose principal business is farming.

Scott R. Giltner, Jerome, Idaho. Appointed term expires in 2021. Engaged in dairy farming and trucking. He has been an Association member since 1996 and a board member since November 14, 2007. Business interests in which he serves on the board of directors or as a senior officer include: Giltner Trucking, LLC, (Secretary, Treasurer and member) a short haul trucking company; Giltner Milk Transportation, LLC (President and member) a long haul trucking company; GMT Logistics, LLC, (President and member) a truck brokerage company; C7 Farms, LLC, (member) dairy and farming; Pittock & Sons Dairy, LLC, (member) dairy and farming; and CJATZ Leasing, LLC, (President and member) a truck leasing company.

Ryan Mathews, Blackfoot, Idaho. Also serves as Vice Chairman of the Audit Committee and as the board's designated financial expert. Appointed term expires in 2024. He has been a board member since March 17, 2021. He is a partner and director of assurance services for the accounting firm of Cooper Norman and is not involved in agricultural production. He has a bachelor's degree in accounting and a Master of Accountancy degree.

Wendy Pratt, Blackfoot, Idaho. Also serves as Training Coordinator. Elected term expires in 2023. Engaged in farming and ranching. Has been an Association member since 1999 and a board member since March 15, 2017. She serves as Secretary/Treasurer of the Eastern Idaho Grazing Association, Idaho Soil and Water Conservation Commission (Commissioner), and Central Bingham Soil Conservation District (supervisor).

Bruce Ricks, Sugar City, Idaho. Also serves as Vice Chairman of the Compensation Committee. Elected term expires in 2024. Engaged in farming. He has been an Association member since 1982 and a board member since March 4, 2015. Business interests in which he serves on the board of directors or as a senior officer include: BR Ricks Farms, Inc.; Teton Island Canal Board (member) and North Fork Protection Association (member).

Dennis W. Snarr, Idaho Falls, Idaho. Also serves as Chairman of the Audit Committee. Elected term expires in 2023. Engaged in farming and ranching. He has been an Association member since 1980 and a board member since March 9, 2011. Business interests in which he serves on the board of directors or as a senior officer include: Dean Snarr & Son, LLC (Manager and member) a farm operating entity; Snarr Family Management, LLC, (Manager and member), a real estate holding company; and Gold Emblem Produce, Inc. (director).

Mike Virtue, Blackfoot, Idaho. Served on the board as the Audit Committee Chairman and designated financial expert from March 12, 2009 until March 17, 2021. Served as mayor of Blackfoot from 2006 until January 2014. Previously held auditing and accounting positions with Idaho State University and Idaho National Laboratory contractors.

Director Compensation

Association board members were paid \$450 per day for board meetings and certain official acts and were paid between \$100 and \$200 per day for certain meetings, activities and phone calls as compensation for services rendered, which totaled \$36,800 in 2021. In addition to cash compensation, directors are reimbursed for direct travel and training expenses incurred. Aggregated reimbursements to directors for travel, subsistence and other related expenses were \$16,175 in 2021, \$6,052 in 2020 and \$16,983 in 2019. De minimis amounts or gifts to directors, if any, are not included in compensation. A copy of the expense reimbursement policy is available to shareholders upon written request. Honoraria for each director in 2021 was as follows:

Idaho AgCredit Board Member	Days Served at Board Meetings	Days Served at Other Official Acts	Days served at Other Acts	Total Honoraria
Ken Black, Chairman	11	1	3	\$ 5,900
Twain S. Hayden, Vice Chairman	10	0	2	\$ 4,900
Scott Giltner	10	0	1	\$ 4,700
Ryan Mathews	7	0	0	\$ 3,150
Wendy Pratt	9	0	6	\$ 5,150
Bruce Ricks	10	0	1	\$ 4,700
Dennis W. Snarr	11	0	9	\$ 6,750
Mike Virtue	3	0	1	\$ 1,550
Total	71	1	23	\$ 36,800

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Transactions with Senior Officers and Directors and/or their Immediate Families

There were no transactions other than loans to directors or their immediate families and no transactions with senior officers other than employment. The reporting entity's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from the consolidated financial statements, Note 13, Related Party Transactions.

Senior Officer Compensation

The Compensation Committee of the board of directors follows a comprehensive compensation philosophy where the objectives of the Compensation Plans (Plans) are to:

- Provide market based compensation through base salary, and annual and long-term incentive components that will allow the Association to attract, motivate and retain superior executive talent;
- Place a portion of total compensation for the executive at risk and contingent upon the Association remaining sound financially and meeting established performance goals; and
- Ensure that long-term financial stability of the Association is emphasized over short-term results and decisions.

The Plans were designed to:

- Reward successful business year results through an Annual Incentive Plan;
- Foster long-term financial stability through competitive benefits and incentives; and
- Significantly contribute to the retention of the CEO and other Senior Officers.

The Compensation Committee annually reviews market information related to the level and mix of salaries, benefits, and incentive plans for the CEO and other Senior Officers. The CEO participated in an Executive Incentive Plan, which included an Annual Incentive Plan component. The Compensation Committee considers an Executive Incentive Plan on an annual basis. Due to the cooperative business structure of the Association, the Plans do not contain stock-based compensation components.

Compensation earned by our President and CEO and aggregate compensation with other senior officers and highly compensated employees for the years ended December 31, 2021 is disclosed in the accompanying table. Our current Board policy regarding reimbursements for travel, subsistence and other related expenses states that all employees, including senior officers, shall be reimbursed for actual reasonable travel and related expenses that are necessary and that support our business interests. A copy of our policy is available to shareholders upon request.

Summary Compensation Table 1 (dollars in thousands)

No. in Group 2	Year	Salary 3	Annual Incentive Compensation 3	Long-Term Incentive Compensation 3	Change in Pension Value 4	Deferred/Perquisites 5	Other 6	Total
President and CEO Marc Fonnesbeck								
1	2021	\$ 177	\$ 31	\$ 0	\$ 0	\$ 8	\$ 23	\$ 239
1	2020	170	35	0	0	8	21	234
1	2018	158	23	0	0	6	18	205
5 Aggregate senior officers and highly compensated employees (including CEO)								
5	2021	\$ 692	\$ 123	\$ 0	\$ 0	\$ 34	\$ 79	\$ 928
5	2020	666	116	0	0	26	73	881
5	2018	615	79	0	0	24	64	745

1. Disclosure of the total compensation paid during 2021 to any designated senior officer or highly compensated employee is available to our shareholders upon request. Compensation amounts do not include earnings on nonqualified deferred compensation, as such earnings are not considered above-market or preferential.

2. The senior officers and highly compensated employees included above are those officers defined by FCA regulations Section 619.9310 and Section 620.6. The Association has three senior officers including the President.

3. Salary represents the base salary amounts including any base salary increases during the year. Annual incentive compensation amounts represent incentive and vacation accrual payout amounts earned in the reported fiscal year, some of which are paid during the current fiscal year and some of which are paid in the first quarter of the subsequent year. The Association did not have a Long-Term Incentive for any of the years shown. All salary and incentive amounts include all amounts earned during the year, regardless of whether a portion of such compensation was paid in the following year or was deferred pursuant to the Farm Credit Foundations Defined Contribution/401(k) Plan (401(k) Plan).

In addition to base salary, substantially all employees and executives could earn additional compensation under the Association's incentive plans, which are plans tied to the overall business performance and to the employee's performance. The incentive plans were based on the fiscal year and were designed to motivate employees and executives to exceed annual performance targets established by the Board of Directors. Performance targets were established for the following factors: Earnings, Operating Efficiency, Asset Quality, and Service Quality. In addition, the plans included provisions for the Board to

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evaluate the Association's performance in other important but subjective areas of operations through a discretionary rating component.

4. There were no active participants in the Pension Plan at the end of 2021, 2020 or 2019.
5. The Deferred/Perquisites Compensation amounts are primarily composed of certain travel benefits, wellness benefits, company contributions to benefit plans, taxable group term life insurance premiums, and long-term disability premiums.
6. Other amounts include the Association's base and matching contributions to the 401(k) Plan.

Some amounts have been rounded up or down so that the total amounts are accurate.

Pension Benefits, Pension Plan Overview and Valuation

There were no active employees in the 11th Farm Credit District Employee's Retirement Plan (Pension Plan) in 2021, 2020 or 2019. The plan for former employees is described in Note 12, Employee Benefit Plans.

401(k) Plan

Substantially all employees participate in the 401(k) Plan. The Association's 401(k) Plan is a defined contribution plan available to all employees on the same basis by eligible retirement plan, as described in Note 12, Employee Benefit Plans. Employees eligible under the defined contribution plan received defined contributions up to 9% with a 6% or more employee contribution. Employees vest in Association contributions at a rate of 25% per year until 100% vested for current and future Association contributions. Employees are always 100% vested in their own contributions.

Incentive Compensation Programs

The general employee incentive plan included all employees hired before April 1, 2021 (except as described below) and still employed as of the end of 2021 except for the CEO. The first part of this plan included a 5% of salary incentive for making the ROA goal of 1.25%, maintaining a Contractual Interbank Performance Agreement (CIPA) score high enough to avoid cost of funds penalties, and maintaining credit quality of at least 90% Acceptable and OEM. Employees hired after April 1, 2021 were eligible for this first incentive on a pro-rata basis. Additionally, this plan provided for an incentive pool which is paid out 25% equally among all employees and 75% pro-rata based on salary paid during the year. That incentive pool included a percentage for an overall increase in average volume, all new mortgage loans and all new commercial loans to borrowers who had not borrowed during the preceding plan year. Payout of this additional incentive also had to meet the same plan requirements as the 5% incentive payout. The maximum combined incentive under these plans is capped at 15%. The Board determined in its October 2021 meeting that the Association would meet the plan requirements and approved payout of 5% to eligible employees prior to 2021 year end. The Association met the plan requirements and the payout of additional incentive amounts earned (included in 2021 expenses) will be in 2022.

The loan officer incentive plan included all loan officers and specifically excluded the CEO, CCO, CFO and other employees. Incentives included a percentage earned for average new commercial volume and new mortgage note volume up to a maximum per customer. The plan included reduction of future incentives under the plan for any loans which do not maintain adequate credit quality. The plan provides for controlled quality growth and has dollar limits per customer, but total incentives possible are not capped. Payouts under the loan officer incentive plan were made prior to 2021 year end.

The CEO incentive plan included a 5% of salary payout for making the same plan requirements as required in the general employee incentive plan. The CEO incentive plan also included additional incentives for meeting volume and credit quality goals. The maximum combined incentive under these plans is capped at 15%. The 5% incentive was paid out at the same time as the general employee incentive plan 5% incentive. The CEO met the plan requirements and goals and the payout of this additional incentive (included in 2021 expenses) will be in 2022.

Payments under all incentive plans are made only if plan requirements are met, and payment of the incentive would not cause the Association earnings to fall short of the earnings goal. If the Board can determine, prior to year end, that plan requirements will be met, it can approve a partial payout of the incentive, with the remaining amount payable after year end figures can be affirmed. Some of these incentives may require FCA approval if capital ratios fall below certain regulatory requirements as described in Note 9, Shareholders' Equity.

Employee or Director Involvement in Certain Legal Proceedings

There were no matters required to be disclosed in this section which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings.

Consolidated Financial Statements

The consolidated financial statements, together with the report thereon of Wipfli LLP and the Report of Management are incorporated herein by reference.

Relationship with Independent Public Accountants

There has been no change in the firm contracted as independent public accountants and there have been no material

Idaho AgCredit

DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

disagreements on any matters of accounting principle or financial statement disclosures during the period.

Whistleblower Notices

Idaho AgCredit has established a whistleblower program to encourage reporting by any employee, customer or member of the public about any improper accounting or other activity to the Association's Audit Committee. Details about the whistleblower program and contact information for making whistleblower complaints are listed on the Association website at www.idahoagcredit.com.

Borrower Privacy

The Association holds the financial and other personal information of its customers in strict confidence. Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without the borrower's consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer information to others only in these situations:

- We may give it to another Farm Credit institution with whom our customer does business.
- We can be a credit reference for our customers with other lenders and provide information to a credit bureau or other consumer reporting agency.
- We can provide information in certain types of legal or law enforcement proceedings.
- We may provide information to auditors for the purpose of confirming loan balances and terms.
- FCA and other third-party examiners may review loan files during regular examinations of our association.
- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the state agency that licenses appraisers when required. We will first remove as much personal information from the appraisal report as possible.

CoBank, ACB Financial Data

The shareholders' investment in the Association is materially affected by the financial condition and the results of operation of the CoBank. The CoBank quarterly and annual reports are available on CoBank's web site, www.cobank.com, or may be obtained at no charge by contacting Idaho AgCredit, 188 W Judicial, PO Box 985, Blackfoot, Idaho 83221 or calling (208)785-1510.

Association Financial Data

The Association's quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. Shareholders are provided a copy of the annual report within 90 days after year end. The reports may be obtained free of charge on the Association's website, www.IdahoAgCredit.com, or upon request. We are located at 188 W Judicial, PO Box 985, Blackfoot, ID 83221 or may be contacted by calling (208)785-1510.