

2021 ANNUAL REPORT

# STRENGTH. EXPERTISE. VALUE.



\$ **2.4** BILLION  
in Loans

\$ **524.2** MILLION  
in Members'  
Equity

\$ **51.2** MILLION  
in Net  
Income

\$ **20.5** MILLION  
in Cash-Back  
Dividends  
(Estimated)

### Financial Highlights

	2021	2020	2019
Loans	\$2.4 billion	\$2.3 billion	\$2.0 billion
Members' Equity	\$524.2 million	\$493.2 million	\$479.9 million
Net Income	\$51.2 million	\$45.6 million	\$45.6 million
Cash-Back Dividends	\$20.5 million (estimated)	\$23.6 million (estimated)	\$17.7 million (estimated)

# WORKING TO GROW YOUR SUCCESS.

## THE POWER OF OWNERSHIP WORKS HERE

**A commitment to return at least 1% of a customer's eligible daily loan balance resulted in a total 2021 cash-back dividend of \$20.5 million.**

Your Board of Directors has fulfilled its commitment to pay a dividend equal to at least 100 basis points – a full 1% – in each of the past three years. A special second payout in June 2021 meant 1.25% of our 2020 net earnings went back to eligible farmers and ranchers.

**“From a business standpoint, the dividend check really factors into our bottom line. When we make decisions about this loan at this interest rate, we take into account the dividend. And when we are looking at competitive interest rates among other lenders, that's a factor.”**

– Doug & Lara Shoup

## GROWING THE NEXT GENERATION

**Total loan volume for young, beginning and small producers reached \$526 million, up from \$489 million in 2020.**

While most of our 2,790 young, beginning and small producers meet conventional loan standards, AgStart and the Development Fund help support those who otherwise might not have access to the credit needed to start and grow their business.

AgStart loan volume grew 8.4% in 2021 to \$52 million, and loan volume in the Development Fund stood at \$440 thousand.

**“For new and beginning farmers such as myself, it's important to have a hand up. And sometimes you don't always get that from a relative. Sometimes you have to just roll up your sleeves and do it yourself. And to be able to work with a lending institution that understands that and is willing to take a risk on you, that's important, that piece for a beginning farmer to have access to cash to put in the crops they need to get in the ground to do it right is important. And with the Development Fund that's been a huge part of my business and not only on the farming business but also my sales business as well.”**

– Andy & Kandy Kwapnioski





## INVESTING IN YOUR FINANCIAL SUCCESS

**Frontier Farm Credit hosted 57 in-person and virtual educational programs for customers.**

Frontier Farm Credit invests in educational programs to help equip customers with the financial and risk management knowledge they need to grow their success.

**“More than being a financial institution, Farm Credit offers programs, like GrowingOn®, that help us evaluate our business and our family life in terms of balancing multiple careers both on and off the farm. They put tools in our toolbox so we can continue to be successful down the road.”**

– Brian & Kara Lee

## FARMLEND® DELIVERS FINANCING OPTION

**With an average of 30,000 visits each month, FarmLend.com has become an important online tool for potential ag real estate borrowers.**

Launched in 2020 in association with Farm Credit Services of America, FarmLend marries the convenience of online lending with the expertise of our financial officers. Available anytime and from anywhere, the FarmLend real estate application can be completed in less than seven minutes.

**“Using the online FarmLend calculator gave me the tools I needed to calculate what I could afford to pay for the property, which in turn made me feel comfortable about the whole purchase from start to finish. ... Once I was with my local office, I was able to work, face to face, hands on with the local rep who helped me the rest of the way to closing on my property.”**

– Mitch Montag



## Financial Information

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## “Every day we strive to provide value to our customers’ operations with products, programs and expertise tailored to agriculture.”

– Mark Jensen, President and CEO

Despite its challenges with weather events and supply chain issues, 2021 was a profitable year for much of agriculture – and for your financial cooperative. Unprecedented commodity prices and government assistance tied to the COVID-19 pandemic led to strong profitability for producers on the whole. Our customer-owners have rebuilt working capital following years of compression created by tight margins, added acres, updated equipment and generally moved their operations forward based on their specific needs and goals.

Frontier Farm Credit’s 2021 annual report reflects these gains. Lending activity was up last year for real estate as well as equipment financed through AgDirect®. Rural 1<sup>st</sup>® benefited from continued low interest rates that increased demand for country homes. And an uptick in crop insurance sales reflected both the benefits of Frontier Farm Credit’s proprietary tool for choosing the right policy and evolving products that provide additional protection.

At Frontier Farm Credit, we often talk about building financial strength in good times to fulfill our mission of serving rural communities and agriculture in tough times. In an environment of rising production costs and continued volatility and uncertainty, we have been deliberate about leveraging our financial strength to meet the needs of producers today, while also furthering our investments in the future of agriculture and your cooperative. For example:

- Financial acumen is as important as strong production skills in the increasingly volatile and complex ag industry. We continue to expand our customer education program to share the expertise and insights needed to manage today’s agricultural operations.
- The rollout last year of specialized services for young, beginning and small producers brings additional support to the next generation.
- FarmLend, our online financing application, continued to grow in its second year, offering a convenient and secure option for initiating a loan and connecting with our experts.

Every day we strive to provide value to our customers’ operations with products, programs and expertise tailored to agriculture. Our cash-back dividend program provides an additional value, one that comes with doing business with your financial cooperative.

Since 2004, we have returned more than \$158 million in annual cash-back dividends as part of our commitment to share our financial success directly with farmers and ranchers. Last year, we paid a special second 2020 cash-back dividend on the general pool for a total return of 1.25% on eligible average balances. That is the power of ownership.

Our cooperative-business model means your financial team at Frontier Farm Credit is working for your success. As we move into 2022, focus turns to putting the profitability of the past couple years to work, and it is important to be talking to your advisors, including at Frontier Farm Credit. Decisions made today will shape tomorrow’s bottom line.

Your cooperative has the financial strength and expertise to support you through these volatile and uncertain times. It’s part of the value we deliver. I thank you for doing business with Frontier Farm Credit.



**Mark Jensen**  
President and CEO

**“Frontier Farm Credit has spent decades building financial strength, and profitability in 2021 contributes to the mission of serving agriculture.”**

– Shane Tiffany, 2021 Board Chair

As farmers and ranchers, we each have our own financial and risk management objectives. Yet we share the same need for a strong, reliable lender. Your Board of Directors is committed to ensuring Frontier Farm Credit is that lender.

Frontier Farm Credit has spent decades building financial strength, and profitability in 2021 contributes to the mission of serving agriculture. In the board room, our focus is on using this financial strength for the benefit of customer-owners, as well as the rural communities in which they live.

Annual cash-back dividends are the most tangible example of this. The \$158 million returned to farmers and ranchers since 2004 is an impressive figure. But more significant to eligible customer-owners is their share of Frontier Farm Credit’s net earnings. It is at the farm and ranch level where cash-back dividends impact our operations, families and local communities. Your Board is committed to Frontier Farm Credit’s patronage program. You can count on it.

A strong cooperative also looks out for the financial interest of its customer-owners. In the past couple years, Frontier Farm Credit has proactively refinanced thousands of loans at historically low interest rates. This work has locked in years of savings for customer-owners and comes at a time when we are all looking for ways to manage rising costs.

Going forward, your Board and cooperative will continue to invest in digital tools and services that make it easier to do business with Frontier Farm Credit, expand educational opportunities for producers, and give customer-owners the information they need to make informed decisions for their businesses.

Agriculture is changing – faster than at any point in our careers. Frontier Farm Credit is investing in the products and services that meet the needs of agriculture today and tomorrow.

On behalf of your Board, I thank you for choosing Frontier Farm Credit as your lender.



**Shane Tiffany**  
2021 Board Chair

## Frontier Farm Credit, ACA Directors

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**Kathy Brick** / Overland Park, Kansas

An appointed Director, Brick has a background in finance, accounting, internal controls, risk management, regulatory compliance, strategic planning and process improvement. She consults through Kathy Brick, LLC, and serves as managing director of Prairie View Holdings, LLC, a family farming operation in Missouri. She previously served as a certified public accountant and as the chief financial officer of a wholesale financial institution. She was appointed to the Frontier Farm Credit Board in 2014; her current term ends March 31, 2024.



**Bill Miller** / Council Grove, Kansas

Miller is president of ABCD2 Cattle Co., LLC, a cattle feeding business, and co-owner of Miller Ranch, where he and his wife run commercial Angus cows. Additionally, he provides communications consulting to U.S. Premium Beef, LLC, where he previously served as vice president of communications. Miller is a member of the CoBank Nominating Committee, the CoBank District Farm Credit Council, the Morris County Hospital Board and the Council Grove High School Mentoring Board. He was elected to the Frontier Farm Credit Board in 2006; his current term ends March 31, 2023.



**Lee Mueller** / Hiawatha, Kansas

Mueller is president of Laus Creek Farm, Inc., and raises corn and soybeans. He also owns Laus Creek Trucking, LLC. He serves on the Highland Community College Precision Ag Department Advisory Committee and as a trustee for the Hiawatha Community Foundation. Mueller was elected to the Frontier Farm Credit Board in 2015; his current term ends March 31, 2024.



**Shane Tiffany** / Allen, Kansas

Tiffany is president of Tiffany Cattle Co., Inc., a custom cattle feeding operation, Tiffany Holdings, LLC, an agricultural land holding company, Tiffany Enterprises, LLC, a real estate investment company, and Medicine Man Pharms, LLC, a farming operation. He is also vice president of Tiffany Family Farms, LLC, a farming operation, and has a minority ownership interest in OWNX, LLC, a gold and silver investment company, and Elevate Ag, LLC, an agricultural company that produces biological stimulants. He is a member of the KLA Cattle Feeders Council Executive Committee and an elder of High View Church. Tiffany was elected to the Frontier Farm Credit Board in 2017; his current term ends March 31, 2022.



**Frontier Farm Credit, ACA**  
**Consolidated Five-Year Summary of Selected Financial Data**  
(Dollars in thousands)

	2021	2020	2019	2018	2017
<b>Balance Sheet Data</b>					
Loans	\$2,409,596	\$2,254,539	\$2,042,932	\$1,979,557	\$1,919,313
Less allowance for loan losses	4,000	9,800	9,600	8,800	6,100
Net loans	2,405,596	2,244,739	2,033,332	1,970,757	1,913,213
Investment in CoBank, ACB	70,099	70,069	65,069	64,015	63,816
Investment in AgDirect, LLP	7,712	5,792	4,420	4,201	4,696
Other property owned	–	–	–	279	279
Other assets	74,556	63,999	72,504	75,800	72,880
Total assets	\$2,557,963	\$2,384,599	\$2,175,325	\$2,115,052	\$2,054,884
Obligations with maturities of one year or less	\$ 40,289	\$ 36,537	\$ 37,456	\$ 26,990	\$ 24,032
Obligations with maturities greater than one year	1,993,483	1,854,847	1,657,977	1,636,637	1,610,787
Total liabilities	2,033,772	1,891,384	1,695,433	1,663,627	1,634,819
At-risk capital stock	9,351	8,959	8,532	8,258	7,675
Less capital stock receivable (Note 8)	(9,351)	(8,959)	–	–	–
Accumulated other comprehensive loss	–	–	–	(193)	(246)
Retained earnings	524,191	493,215	471,360	443,360	412,636
Total members' equity	524,191	493,215	479,892	451,425	420,065
Total liabilities and members' equity	\$2,557,963	\$2,384,599	\$2,175,325	\$2,115,052	\$2,054,884
<b>Statement of Income Data</b>					
Net interest income	\$59,189	\$55,132	\$55,329	\$53,975	\$52,249
(Reversal of) provision for credit losses	(6,299)	1,325	833	3,157	466
Noninterest income	21,474	17,908	13,262	15,336	12,994
Noninterest expense	35,770	26,140	22,170	19,773	21,227
Provision for income taxes	15	–	–	17	–
Net income	\$51,177	\$45,575	\$45,588	\$46,364	\$43,550
Comprehensive income	\$51,177	\$45,575	\$45,781	\$46,417	\$43,602
<b>Key Financial Ratios</b>					
For the year					
Return on average assets	2.13%	2.04%	2.17%	2.28%	2.18%
Return on average total members' equity	9.92%	9.30%	9.66%	10.52%	10.76%
Net interest income as a percentage of average earning assets	2.60%	2.60%	2.81%	2.82%	2.78%
Net (recoveries)/charge-offs as a percentage of average loans	(0.02)%	0.04%	–	0.02%	0.10%
At year-end					
Members' equity as a percentage of total assets	20.49%	20.68%	22.06%	21.34%	20.44%
Allowance for loan losses as a percentage of total loans	0.17%	0.43%	0.47%	0.44%	0.32%
Capital ratios:					
Permanent capital ratio	17.35%	17.37%	18.61%	17.66%	16.65%
Common equity Tier 1 ratio	17.32%	17.30%	18.52%	17.58%	16.57%
Tier 1 capital ratio	17.32%	17.30%	18.52%	17.58%	16.57%
Total capital ratio	17.51%	17.79%	18.95%	18.00%	17.00%
Tier 1 leverage ratio	19.16%	19.16%	20.27%	19.23%	17.97%
<b>Other</b>					
Cash patronage distribution payable to members	\$20,500	\$23,600	\$17,700	\$15,700	\$11,500

## Frontier Farm Credit, ACA

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

The following commentary reviews the consolidated financial condition and consolidated results of operations of Frontier Farm Credit, ACA (Frontier Farm Credit) and its subsidiaries, Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA, and provides additional specific information. The accompanying consolidated financial statements and notes to the consolidated financial statements also contain important information about our financial condition and results of operations.

The Farm Credit System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 65 customer-owned cooperative lending institutions (Associations). The Farm Credit System serves all 50 states, Washington, D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the Farm Credit System serves – the American farmer and rancher.

CoBank, ACB, a Farm Credit System bank, its affiliated Associations and AgVantis are collectively referred to as the District. Frontier Farm Credit is one of the affiliated Associations in the District.

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System. The Farm Credit System Insurance Corporation administers the Farm Credit Insurance Fund. The Insurance Fund ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value and for other specified purposes.

To request a free copy of our annual or quarterly reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905, via email to [\\$sr@frontierfarmcredit.com](mailto:$sr@frontierfarmcredit.com) or view them on our website, [frontierfarmcredit.com](http://frontierfarmcredit.com). The annual report is available on our website no later than 75 days after the end of the calendar year, and shareholders are provided a copy of the report no later than 90 days after the end of the calendar year. The quarterly reports are available on our website no later than 40 days after the end of each calendar quarter.

## Forward-Looking Information

This annual report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as “anticipate,” “believe,” “estimate,” “may,” “expect,” “intend,” “outlook” and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties that may be beyond our control.

These risks and uncertainties include, but are not limited to:

- political (including trade and environmental policies), legal, regulatory, financial markets, economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, international, rural and farm-related business sectors;
- unfavorable weather, disease and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income;
- changes in United States government support of the agricultural industry (including government support payments) and the Farm Credit System as a government-sponsored enterprise (GSE), as well as investor and rating-agency reactions to events involving the United States government, other GSEs and other financial institutions;
- actions taken by the Federal Reserve System in implementing monetary policy;
- credit, interest rate and liquidity risks inherent in our lending activities;
- changes in our assumptions for determining the allowance for loan losses and fair value measurements;
- industry outlooks for agricultural conditions;
- changes in interest rate benchmarks utilized in our lending;
- length and severity of an epidemic or pandemic;
- cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers;
- disruptive technologies impacting the banking and financial services industries or implemented by our competitors that negatively impact our ability to compete in the marketplace.

## Commodity Review and Outlook

The COVID-19 pandemic remained a primary factor affecting global markets in 2021. Early in the year, the COVID-19 vaccine became more widely available and as inoculation rates increased, community restrictions eased. Greater consumer demand followed and remained strong through the end of 2021. However, supply inventories lagged, employers struggled with labor shortages in a strong jobs market and supply-chain disruptions persisted. As a result, prices for many goods and services increased, heightening inflation within the United States economy. Global economies continue to reopen and confront inflationary concerns, and monetary policy will be a topic monitored into 2022.

United States agriculture was among the sectors that experienced robust demand. At the same time, supplies tightened in key commodities. China and the ethanol industry helped drive demand for grain as drought impacted production in South America. As expected, market prices responded favorably. For grain producers, this meant strong basis levels and margins for most of 2021.

## Frontier Farm Credit, ACA

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

United States net farm income was forecast to increase 23.2 percent in 2021 to \$116.8 billion, the highest level since 2013 and more than 24.0 percent above its 20-year average when adjusted for inflation. Driving the largest increase in net farm income was cash receipts from the sale of agricultural commodities. Nationally, cash receipts were expected to increase 17.8 percent from 2020 to \$427.3 billion. Total crop receipts were expected to increase 17.9 percent from 2020 due to higher receipts from corn, soybeans and wheat. On the livestock side, total product receipts were expected to increase 17.7 percent, with increases in receipts for broilers, cattle/calves and hogs.

The average December monthly prices received by farmers and ranchers for the past five years are reflected in the table below:

Commodity	Averages for the Month of December:				
	2021	2020	2019	2018	2017
Corn	\$5.47	\$3.97	\$3.71	\$3.54	\$3.23
Soybeans	\$12.50	\$10.50	\$8.70	\$8.57	\$9.30
Wheat	\$8.58	\$5.43	\$4.64	\$5.28	\$4.51
Beef cattle (all)	\$137.00	\$108.00	\$118.00	\$117.00	\$118.00
Hogs (all)	\$56.50	\$49.10	\$47.30	\$43.40	\$48.60

We monitor, compile and report real estate sales information for the 41 counties in our territory in eastern Kansas. We also value seven benchmark farms in eastern Kansas that are updated each January and July.

For 2021, the benchmark values indicated an overall average increase of 13.4 percent with the past six months indicating an average increase of 7.6 percent. Strong commodity prices, low interest rates, government payments and increased demand from varying types of buyers has created optimism for the ag real estate market.

**Crops:** National average yields were up by 5.6 bushels to 177.6 bushels per acre, resulting in a record-high national average yield. In Kansas, corn yields averaged 139.0 bushels per acre, the highest since 2016, which resulted in the third-highest corn crop for the state at 750.6 million bushels.

The overall United States corn crop in 2021 was projected at more than 15.1 billion bushels. If realized, this would be 6.3 percent above 2020 bushels and the second-largest corn crop in United States history. However, ending stocks remain below their 10-year average due to robust export levels and strong ethanol demand. Total corn use for the 2021–22 marketing year was expected to be slightly higher than 2020–21, the previous high for total corn use.

Entering 2021, beginning stocks for soybeans were tight, exports hit record levels and South America was in a drought. Like corn, soybeans were profitable. United States producers responded to these market signals and planted 87.2 million acres of soybeans, exceeding the 10-year average planting level by about 6 million acres. Timely rains throughout the Midwest during the growing season resulted in the nation's second-highest average soybean yield of 51.4 bushels per acre.

Kansas producers harvested 4.8 million acres, the second-highest number of harvested soybean acres on record for the state. However, the average yield was 39.5 bushels per acre, about 2.7 bushels below the state's five-year average. Total soybean production in Kansas was 189.6 million bushels, down 2.6 percent from 2020.

Soybean exports remain strong and United States processors are crushing soybeans at record highs. In October 2021, United States processors crushed 197 million bushels of soybeans, nearly 0.5 million bushels higher than the record established in October 2020.

United States wheat producers planted 46.7 million acres, up 5.0 percent from 2020 but 4.5 million acres below the 10-year average for planted wheat acres. United States wheat production declined for a third straight year, ending at 1.7 billion bushels, which was down about 10.0 percent from 2020 and the lowest level for all-wheat production since 2002.

Drought, mainly in spring wheat areas in the northern Plains and Pacific Northwest, impacted average all-wheat yields, which were at their lowest level since 2015 at 44.3 bushels per acre. Meanwhile, Kansas winter wheat production year-over-year rose 29.4 percent to 364.0 million bushels with an average per-acre yield of 52.0 bushels on 7.0 million harvested acres. This equaled the second-highest per-acre yield on record for Kansas and represented a 12.0 percent increase in harvested acres compared to 2020.

Nationally, ending stocks of all-wheat were projected at 628.0 million bushels, with a stocks-to-use ratio of 32.0 percent, the lowest since 2013–14. Low inventories for wheat pushed the all-wheat price to over \$7 per bushel, causing wheat receipts to increase \$2.2 billion, or 25.0 percent, from 2020.

**Beef:** On the protein side, cattle and swine producers saw gains in product cash receipts from 2020 to 2021. Cash receipts from cattle and calves were expected to increase \$8.3 billion, or 13.2 percent, from 2020 due to higher prices and quantities sold. Fed steer prices averaged about \$111 per hundredweight in the first month of 2021 and closed out the year at an average of \$138.50 per hundredweight.

Continuing strength in beef demand, tight cattle supplies and rising inflation put upward pressure on both cattle and retail beef prices in 2021. The index for beef was up 20.9 percent from November 2020. Even with persistently high retail prices for beef, consumers appeared willing and able to purchase a relatively high quantity of beef at retail stores. Per capita beef consumption for 2021 was expected to hit 59.1 pounds, up from 58.4 pounds in 2020.

The value of United States beef exports hit record highs in 2021. Compared to 2020, United States beef shipments to China soared. China was the third-largest export destination in 2021, up from seventh in 2020 and nearly surpassing combined shipments to Mexico and Canada, which are the fourth- and fifth-largest destinations for United States beef. Through November 2021, United States beef exports to China were 312.0 percent higher than for all of 2020. South Korea's aggregate beef imports from the United States through November also were at their highest levels, surpassing the same period in 2020 by 18.0 percent.

## Frontier Farm Credit, ACA

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

**Pork:** Tight supplies and strong demand strengthened prices and profitability for swine producers in 2021. Cash receipts were expected to reach \$7.7 billion, an increase of 40.1 percent compared to 2020.

The December U.S. Department of Agriculture Quarterly Hogs and Pigs report reflected smaller supplies with market hog inventory at 68 million head, down 4.0 percent from 2020. Additionally, breeding inventory was 6.18 million head, up slightly from 2020 but down from the previous quarter's September 2021 report. Although inventory was low at year-end, sow productivity from September and November 2021 was strong; pigs per litter rose 1.3 percent to 11.19, the largest increase since December through February of 2019.

The hog market faced supply problems from a lack of workers at processing facilities, high feed costs, reduced inventories and increased disease pressures, mainly from Porcine Reproductive and Respiratory Syndrome. Lower hog inventories were expected to decrease United States pork production to 27.7 billion pounds, a decline of about 2.0 percent from 2020. The overall market environment through the summer months of 2021 allowed for larger margins. Those values fell sharply in the last half of 2021 due to lower prices. However, United States pork producers benefited from consumer demand and the return of the food service industry.

Exports of United States pork were elevated through November and held strength historically despite an expected overall decline of 2.2 percent from 2020. Domestic production in China has increased following a devastating outbreak of African swine fever, and exports to the country declined 42.0 percent through November. Exports to Mexico, however, were up 33.0 percent. China likely will further taper exports if producers there successfully rebuild their domestic hog herd.

The U.S. Department of Agriculture projects the 2021 average live price for 51.0–52.0 percent lean hogs at \$67.29 per hundredweight, up 56.0 percent from 2020. While higher feed costs trimmed returns for hog producers in 2021, estimated returns were positive due to higher prices.

**Ethanol:** Corn use for ethanol is expected to be 5.33 billion bushels for the 2021–2022 marketing year, up 297 million bushels from the previous marketing year. After ethanol prices dropped in 2020 due to the pandemic-induced collapse in blending demand, gasoline consumption rebounded significantly in 2021 as the United States economy reopened and consumers began to travel more openly. Ethanol prices began 2021 trading at approximately \$1.30 per gallon with prices increasing to over \$3 per gallon by the end of the year. Profit margins for ethanol plants began to increase considerably in September as the 2021 corn crop was harvested while at the same time the demand for ethanol rose. According to Iowa State University, returns over operating costs averaged \$0.43 per gallon in 2021 compared to \$0.12 per gallon in 2020. Since 2008, this level of return would be the second-most-profitable year for ethanol plants, behind 2014.

As the United States enters its third year of the COVID-19 pandemic, the virus will continue to influence market volatility. While historically low interest rates and high consumer demand with the reopening of the United States economy helped shape 2021, the focus in 2022 is on the Federal Reserve and how it will manage rising inflation through the end of its bond purchasing program and interest rate policy.

Refer to the Other Matters, COVID-19 section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report for further analysis.

## Loan Portfolio

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Our loan volume experienced another year of solid growth and increased \$155.1 million, or 6.9 percent, in 2021. The majority of the loan volume increase came from long-term agricultural mortgage loans. Our loan portfolio consists primarily of agricultural real estate loans, production operating loans, intermediate term installment loans and credit facilities to agricultural businesses. A high percentage of real estate loan installments are due in the December-to-March period. Most operating loans mature and are refinanced after the fall harvest and before spring planting. Operating loan volume tends to peak late in the fall, decline toward January and trend upward during the remainder of the year. Equipment loans generally have annual installments that correlate to customer commodity sales.



## Frontier Farm Credit, ACA

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

The following table summarizes our loan portfolio by major category (includes related accrued interest receivable, amounts are in thousands):

	December 31,					
	2021		2020		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	\$1,492,106	61.3%	\$1,327,584	58.2%	\$1,153,489	55.7%
Production and intermediate term	556,111	22.8	549,947	24.1	559,357	27.0
Agribusiness loans to:						
Cooperatives	58,885	2.4	55,322	2.4	49,246	2.4
Processing and marketing	162,958	6.7	175,554	7.7	152,862	7.4
Farm-related business	32,603	1.3	32,474	1.4	15,544	0.8
Communication	42,411	1.7	39,033	1.7	33,041	1.6
Energy loans	21,771	0.9	17,375	0.8	12,634	0.6
Water/Wastewater	3,846	0.2	1,614	0.1	1,072	–
Rural residential real estate	59,760	2.5	75,539	3.3	88,570	4.3
Agricultural export finance	5,602	0.2	6,573	0.3	5,606	0.2
Total loans	<b>\$2,436,053</b>	<b>100.0%</b>	<b>\$2,281,015</b>	<b>100.0%</b>	<b>\$2,071,421</b>	<b>100.0%</b>

We have no single customer or group of related customers who comprises more than 10.0 percent of our volume or who would have a material effect if they no longer did business with us. Counties with more than 5.0 percent of total loan volume include Douglas with 5.73 percent.

	December 31,		
	2021	2020	2019
Grain	37.5%	35.6%	34.7%
Cow-calf	16.3	15.9	15.7
Beef feedlot	10.3	10.9	10.8
Landlords/investors	9.7	9.1	9.0
Dairy	2.9	2.7	3.2
Swine	2.7	3.3	3.4
Farm supply	2.0	2.5	2.5
Forest products	1.5	1.7	1.7
General livestock	1.4	1.2	1.5
Meat/proteins processing	0.9	1.1	1.3
Renewable fuels	0.4	0.6	0.9
Poultry	0.4	0.6	0.7
Other	14.0	14.8	14.6
Total	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs and other circumstances.

A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. All risk loans are considered to be impaired loans. Risk loans include nonaccrual loans, formally restructured loans, and loans that are 90 days or more past due and still accruing interest.

The following table summarizes risk asset and delinquency information (amounts are in thousands):

	December 31,		
	2021	2020	2019
Risk loans:			
Nonaccrual	\$5,108	\$11,612	\$14,515
Restructured	58	63	728
90 days past due still accruing interest*	–	–	–
Total risk loans	<b>5,166</b>	11,675	15,243
Other property owned, net	–	–	–
Total risk assets	<b>\$5,166</b>	\$11,675	\$15,243
Risk loans as a percentage of total loans	<b>0.21%</b>	0.51%	0.74%
Nonaccrual loans as a percentage of total loans	<b>0.21%</b>	0.51%	0.70%
Current nonaccrual loans as a percentage of total nonaccrual loans	<b>91.4%</b>	51.6%	51.5%
Total delinquencies as a percentage of total loans	<b>0.13%</b>	0.37%	0.48%

\*Accruing loans include accrued interest receivable.

## Frontier Farm Credit, ACA

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

Total risk loans have decreased since the end of 2020. The decrease in nonaccrual loans is primarily due to accounts in nearly all industries including the grain, cow/calf, swine and landlords/investors industries. There was a slight decrease in restructured loans and no change in loans 90 days past due still accruing interest. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

Our adversely classified assets decreased during 2021, ending the year at 1.52 percent of the portfolio compared to 3.65 percent of the portfolio at December 31, 2020, and 6.58 percent at December 31, 2019. Adversely classified assets are assets that we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan-loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	December 31,		
	2021	2020	2019
Allowance as a percentage of:			
Total loans	0.17%	0.43%	0.47%
Nonaccrual loans	78.31%	84.40%	66.14%
Total risk loans	77.43%	83.94%	62.98%
Net (recoveries)/charge-offs as a percentage of average loans	(0.02)%	0.04%	-
Adverse assets to risk funds*	8.26%	19.55%	32.59%

\*Risk funds include permanent capital and allowance for loan losses.

In our opinion, the allowance for loan losses at December 31, 2021, is adequate to provide for probable and estimable losses in the loan portfolio.

## Results of Operations

The following table provides profitability information:

	December 31,		
	2021	2020	2019
Net income (in thousands)	\$51,177	\$45,575	\$45,588
Return on average assets	2.13%	2.04%	2.17%
Return on average members' equity	9.92%	9.30%	9.66%

Changes to our return on average assets and return on average members' equity are related directly to the changes in assets discussed in the "Loan Portfolio" section, and the changes in members' equity are discussed in the "Members' Equity" section.

Major components of the changes in net income for 2021, 2020 and 2019 are outlined in the following table (in thousands):

	December 31,		
	2021	2020	2019
Net income prior year	\$45,575	\$45,588	\$46,364
Increase (decrease) in net income attributable to changes in:			
Net interest income	4,057	(197)	1,354
Provision for credit losses	7,624	(492)	2,324
Noninterest income	3,566	4,646	(2,074)
Noninterest expense	(9,630)	(3,970)	(2,397)
Provision for income taxes, net	(15)	-	17
Net income for the year	\$51,177	\$45,575	\$45,588

The effects on net interest income from changes in average volumes and rates are presented in the following table (in thousands):

	2021 vs. 2020	2020 vs. 2019
Change in volume	\$4,143	\$4,075
Change in rates	20	(4,363)
Change in nonaccrual income	(106)	91
Net change	\$4,057	\$ (197)

The average lending rate was 3.59 percent for 2021 compared to 4.05 percent for 2020 and 4.98 percent for 2019. The average cost of debt was 1.34 percent for 2021 compared to 1.83 percent for 2020 and 2.74 for 2019. The net interest margin was 2.60 percent in 2021 compared to 2.60 percent in 2020 and 2.81 percent in 2019.

## Frontier Farm Credit, ACA

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

Net interest income included income on nonaccrual loans that totaled \$50 thousand in 2021, \$156 thousand in 2020 and \$65 thousand in 2019. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior charge-offs have been recovered.

We recorded \$6.3 million (reversal of) provision for credit losses for 2021 compared to a \$1.3 million provision for credit losses for 2020 and \$0.8 million for 2019. This was due to overall credit quality improvement and incorporating a change in our estimated collateral values for agricultural real estate. Credit quality improved primarily in the grain, cow/calf, beef feedlot and poultry portfolios. The provision for credit losses includes the provision for loan losses and the provision for unfunded lending commitments.

The reserve for unfunded lending commitments balance at December 31, 2021, was \$1.0 million compared to \$1.1 million in 2020 and \$800 thousand in 2019. The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursement and likelihood of losses given disbursement were utilized in determining this contingency.

We recorded net recoveries of charge-offs of \$399 thousand in 2021 (0.02 percent of average loans). We recorded net charge-offs of \$825 thousand in 2020 (0.04 percent of average loans). We recorded net recoveries of charge-offs of \$67 thousand in 2019 (0.00 percent of average loans).

The increase in noninterest income is primarily due to Rural 1<sup>st</sup> program fees along with increased CoBank, ACB patronage, which are more fully described under "Rural 1<sup>st</sup>" and "CoBank, ACB Patronage Income" later in this section of the annual report.

The increase in noninterest expense is primarily due to the sharing of expenses with Farm Credit Services of America (FCSAmerica) as part of the strategic alliance. It is also due to the insurance fund premium, which is primarily impacted by Farm Credit System growth and was 0.16 percent for all of 2021, compared to a premium rate of 0.08 percent for the first half of 2020 and 0.11 percent for the second half of 2020. The Farm Credit System Insurance Corporation has announced premiums will remain at 0.16 percent for 2022. The Farm Credit System Insurance Corporation Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

## Patronage Program

Our Board adopted a patronage program for eligible customers in 2021. The patronage program has been in place for nearly two decades. The 2021 program is based on each customer's average daily balance of eligible loans outstanding during the year. The patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as a cash-back dividend. We recorded an estimated patronage liability of \$20.5 million in December 2021 to be paid in 2022.

The 2020 and 2019 patronage programs were also based on each customer's average daily balance of eligible loans outstanding during the year. We recorded a patronage liability of \$23.6 million in December 2020 and \$17.7 million in 2019.

Our Board also has adopted a patronage program for 2022. The 2022 patronage program will once again be based on each customer's average daily balance of eligible loans outstanding during 2022 to be paid in 2023.

## CoBank, ACB Patronage Income

We receive patronage from CoBank, ACB at the discretion of CoBank, ACB's Board of Directors. Patronage is paid in cash and stock.

We received patronage income based on the average balance of our note payable to CoBank, ACB. We recorded patronage income of \$10.0 million in 2021 compared to \$7.6 million in 2020 and \$6.5 million in 2019. Changes in our note payable to CoBank, ACB caused the variance in the patronage income amounts.

## Frontier Farm Credit, ACA

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

### Funding and Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with CoBank, ACB. As of December 31, 2021, we had a \$2.2 billion revolving line of credit with CoBank, ACB. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System, and as we are a stockholder of CoBank, ACB, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

As described in Note 7 to the consolidated financial statements, "Notes Payable," this line of credit is governed by a General Financing Agreement and is collateralized by a pledge of substantially all our assets and is also subject to regulatory borrowing limits. The line of credit will be renegotiated periodically. We expect this line of credit to be sufficient to fund our operations. The note payable related to this line of credit reprices monthly. Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

At December 31, 2021, the direct loan average balance was \$1.9 billion, compared to \$1.7 billion at the end of 2020 and \$1.6 billion at the end of 2019.

The interest rate risk inherent in our loan portfolio is substantially mitigated through this funding relationship. CoBank, ACB manages interest rate risk through its direct loan pricing and asset/liability management processes. The direct loan pricing mechanism simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to customers. The primary risks we manage include pipeline risk and basis risk. Pipeline risk occurs when we commit a fixed interest rate to a customer in advance of the loan's closing date and is effectively mitigated through the use of rate-lock agreements. Basis risk occurs when the interest rate on a loan reprices according to one index, while the debt supporting that loan reprices according to another index.

However, we maintain some exposure to interest rates, including London Interbank Offered Rate (LIBOR) and Secured Overnight Financing Rate (SOFR), primarily from loans to customers that may not have a component of our line of credit with an exact repricing attribute. Regulators in the United States and worldwide have expressed their expectation that LIBOR referenced contracts are not booked after December 31, 2021. Guidance does allow for limited exceptions for LIBOR transactions in 2022, and we do anticipate limited LIBOR volume booking in 2022. While many factors can impact our net interest income, we expect that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

We provide financing to eligible customers with various interest rate programs. New loans are priced with consideration given to local competitive conditions, the cost of debt that will be incurred to fund the loan, the individual risk elements of the loan and profit objectives. Interest on real estate loans is generally paid in full annually, while interest on agricultural production loans is generally paid in full at the annual renewal date of the loan.

We offer variable-rate loan products that include variable-rate loans repriced at our discretion, as dictated by market conditions, and market-indexed variable-rate loans that provide customers with the option of indexing their interest rate to external market indices such as LIBOR, SOFR or the prime rate.

We also offer fixed-rate operating loans for up to 14.99 months, fixed-rate installment loans for up to 10 years and fixed-rate mortgage loans in yearly increments from five to 35 years.

Additionally, we offer real estate adjustable-rate loans that are indexed to one-, three- or five-year United States Department of the Treasury rates. The loans reprice at one-, three- or five-year intervals at a rate equal to the corresponding United States Department of the Treasury rate plus a contractual spread. The one-, three- or five-year adjustable-rate loans are generally subject to periodic caps ranging from 2.0–2.50 percent with a 6.0 percent life cap. The cost of debt supporting these loans is capped accordingly.

We also offer a prepayment-restricted loan product. This is a fixed-rate product with a prepayment penalty provision if prepayments are made during the initial three, five or seven years of the loan term. For agreeing to restricted prepayments, the customer receives a reduced interest rate that remains in effect for the entire loan term.

A breakdown of the loan portfolio by rate type, as a percentage of total volume at December 31, is shown in the following table:

	December 31,		
	2021	2020	2019
Variable rate	37.4%	40.4%	40.9%
Fixed rate	62.5	59.4	58.7
Adjustable rate	0.1	0.2	0.4
	100.0%	100.0%	100.0%

### Members' Equity

Our equity structure is described in Note 8 to the consolidated financial statements, "Members' Equity." Members' equity increased to \$524.2 million at December 31, 2021, compared to \$493.2 million at December 31, 2020, and \$479.9 million at December 31, 2019. The increase in 2021 was due to net income recorded in 2021, less patronage accrued.

Members' equity as a percentage of total assets decreased to 20.5 percent at December 31, 2021, compared to 20.7 percent at December 31, 2020, and 22.1 percent at December 31, 2019.

In January 2020, we implemented the Farm Credit Administration's exclusion of at-risk capital stock that is financed with a noninterest-bearing obligation from Tier 1/Tier 2 regulatory capital. The impact of the change on our regulatory capital ratios was immaterial. Additionally, the balance sheet treatment of the noninterest-bearing receivable was reclassified to contra equity in the amount of \$8.5 million. This change did not have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.



## Frontier Farm Credit, ACA

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

The Farm Credit Administration regulations require us to maintain minimums for our common equity Tier 1, Tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of Tier 1 leverage and unallocated retained earnings and equivalents (UREE) leverage.

	As of December 31,			Regulatory Minimums	Minimums With Buffers
	2021	2020	2019		
Risk-adjusted ratios:					
Common equity Tier 1	<b>17.32%</b>	17.30%	18.52%	<b>4.5%</b>	<b>7.0%*</b>
Tier 1 capital	<b>17.32%</b>	17.30%	18.52%	<b>6.0%</b>	<b>8.5%*</b>
Total capital	<b>17.51%</b>	17.79%	18.95%	<b>8.0%</b>	<b>10.5%*</b>
Permanent capital	<b>17.35%</b>	17.37%	18.61%	<b>7.0%</b>	<b>7.0%</b>
Non-risk-adjusted ratios:					
Tier 1 leverage	<b>19.16%</b>	19.16%	20.27%	<b>4.0%</b>	<b>5.0%*</b>
UREE leverage	<b>21.13%</b>	21.03%	21.87%	<b>1.5%</b>	<b>1.5%</b>

*\*The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums was phased in over three years under the Farm Credit Administration capital requirements. The phase-in period ended December 31, 2019.*

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses, which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional discussion of regulatory ratios and members' equity information is included in Note 8 to the consolidated financial statements, "Members' Equity," and off-balance sheet commitments are discussed in Note 12, "Commitments and Contingencies."

## Relationship with CoBank, ACB

We borrow from CoBank, ACB to fund our lending operations in accordance with the Farm Credit Act of 1971, as amended. Approval from CoBank, ACB is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7 to the consolidated financial statements, "Notes Payable," governs this lending relationship. The interest rate may be periodically adjusted by CoBank, ACB based on the terms and conditions of the General Financing Agreement.

At December 31, 2021, our investment in CoBank, ACB is in the form of Class A stock with a par value of \$100 per share.

We receive patronage income based on the annual average daily balance of our note payable to CoBank, ACB. CoBank, ACB's Board of Directors sets the patronage rates.

Due to the nature of our financial relationship with CoBank, ACB, the financial condition and results of operations of CoBank, ACB materially impact our stockholders' investments in Frontier Farm Credit. To request a free copy of the combined CoBank, ACB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to [\\$sr@frontierfarmcredit.com](mailto:$sr@frontierfarmcredit.com). You may also obtain copies by accessing CoBank, ACB's website, [cobank.com](http://cobank.com). Annual reports are available no later than 75 days after the end of the calendar year, and quarterly reports are available no later than 40 days after the end of each calendar quarter.

## Frontier Farm Credit, ACA

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

## Relationship With Farm Credit Services of America, ACA

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We continue to be in a strategic alliance with FCSAmerica, designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

We exist as separate Associations while integrating our day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2021, pretax net income was shared on fixed percentages of 6.3 and 93.7 percent for Frontier Farm Credit and FCSAmerica, respectively. For the year ending December 31, 2021, Frontier Farm Credit recorded \$26.1 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to incurred expenses by FCSAmerica for Frontier Farm Credit associated expenses. The net operating expenses recorded by Frontier Farm Credit were \$17.2 million for the year ended December 31, 2020, and \$14.4 million for the year ended December 31, 2019. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Comprehensive Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Comprehensive Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has \$2.6 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has \$37.4 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

## AgDirect®, LLP

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We participate in the AgDirect® trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was \$7.7 million at December 31, 2021, \$5.8 million at December 31, 2020, and \$4.4 million at December 31, 2019. The LLP is an unincorporated business entity.

## SunStream Business Services

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We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing these services from SunStream. The services include tax-reporting services. For further discussion on our relationship with SunStream see Note 11, "Related Party Transactions."

## Farm Credit Foundations

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We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. For further discussion on our relationship with Farm Credit Foundations see Note 11, "Related Party Transactions."

## Frontier Farm Credit, ACA

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

### Rural 1<sup>st</sup>®

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In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1<sup>st</sup>®. Rural 1<sup>st</sup> is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1<sup>st</sup>. For further discussion on our relationship with Rural 1<sup>st</sup> see Note 11, "Related Party Transactions."

### Farm Credit Leasing Services Corporation

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We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise. For further discussion on our relationship with Farm Credit Leasing Services Corporation see Note 11, "Related Party Transactions."

### Rural Business Investment Companies

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We and other Farm Credit System institutions are among the limited partners invested in four Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Certain commitments may have an option to extend under specific circumstances. For further discussion see Note 12, "Commitments and Contingencies."

### Other Matters – COVID-19

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We have not seen a material adverse impact from the COVID-19 pandemic. As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the United States. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture.

The United States government instituted various programs in support of the COVID-19 economic recovery in early 2020 and early 2021. These programs made available for small businesses approximately \$813.5 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration. Since the program's inception, we have successfully processed \$16.2 million in PPP loans for customers with production and intermediate term loans. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans. To date, \$15.5 million has been forgiven.

Despite volatility and uncertainty in the market, we have weathered the significant challenges presented by the current operating environment and our operations are fully functioning. Our business continuity response has allowed us to continue to serve our customers, and the remote work environment has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely or limited staff.

We do not anticipate deterioration in overall credit quality levels, and delinquency and provision expense levels are projected to be stable.

## Frontier Farm Credit, ACA Report of Management

We prepare the consolidated financial statements of Frontier Farm Credit, ACA (Association) and are responsible for their integrity and objectivity, including amounts that must be necessarily based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also consider internal controls to the extent necessary to design audit procedures that comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness, as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consult regularly with us and meet periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

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



Mark Jensen  
President and CEO  
March 2, 2022



Craig P. Kinnison  
Executive Vice President – CFO  
March 2, 2022



Shane Tiffany  
Chairperson, Board of Directors  
March 2, 2022



## Frontier Farm Credit, ACA Report on Internal Control Over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2021. In making the assessment, management used the 2013 framework in Internal Control – Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

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



Mark Jensen  
President and CEO  
March 2, 2022



Craig P. Kinnison  
Executive Vice President – CFO  
March 2, 2022

## Frontier Farm Credit, ACA Report of Audit Committee

The consolidated financial statements of Frontier Farm Credit, ACA (Association) were prepared under the oversight of the Audit Committee. The Audit Committee is composed of four individuals from the Association Board of Directors. In 2021, the Audit Committee met four times. The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent 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 Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue its report based on its audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2021, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statements on Auditing Standards AU-C 260, "The Auditor's Communication With Those Charged With Governance," and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors includes the audited consolidated financial statements in the annual report for the year ended December 31, 2021.



Kathy Brick  
Chair, Audit Committee  
Frontier Farm Credit, ACA  
March 2, 2022

#### Audit Committee Members:

Bill Miller  
Lee Mueller  
Shane Tiffany



## Report of Independent Auditors

To the Board of Directors of Frontier Farm Credit, ACA,

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Consolidated Financial Statements**

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

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

### **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2021 Annual Report, but does not include the consolidated financial statements and our auditors’ report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*PricewaterhouseCoopers LLP*

**Frontier Farm Credit, ACA**  
**Consolidated Balance Sheets**  
(Dollars in thousands)

	December 31,		
	2021	2020	2019
<b>Assets</b>			
Loans	<b>\$2,409,596</b>	\$2,254,539	\$2,042,932
Less allowance for loan losses	<b>4,000</b>	9,800	9,600
Net loans	<b>2,405,596</b>	2,244,739	2,033,332
Accrued interest receivable	<b>26,457</b>	26,476	28,489
Investment in CoBank, ACB	<b>70,099</b>	70,069	65,069
Investment in AgDirect, LLP	<b>7,712</b>	5,792	4,420
Premises and equipment, net	<b>20,227</b>	20,126	20,345
Prepaid benefit expense	<b>6,390</b>	4,691	3,584
Other assets	<b>21,482</b>	12,706	20,086
Total assets	<b>\$2,557,963</b>	\$2,384,599	\$2,175,325
<b>Liabilities</b>			
Notes payable to CoBank, ACB	<b>\$1,993,483</b>	\$1,854,847	\$1,657,977
Accrued interest payable	<b>2,157</b>	2,318	3,537
Patronage payable	<b>20,500</b>	23,600	17,700
Reserve for unfunded lending commitments	<b>1,000</b>	1,100	800
Accrued benefits liability	<b>209</b>	228	250
Other liabilities	<b>16,423</b>	9,291	15,169
Total liabilities	<b>2,033,772</b>	1,891,384	1,695,433
Commitments and contingencies (Note 12)			
<b>Members' Equity</b>			
At-risk capital:			
Class B common stock	<b>9,151</b>	8,746	8,299
Class C common stock	<b>200</b>	213	233
Less capital stock receivable (Note 8)	<b>(9,351)</b>	(8,959)	-
Retained earnings	<b>524,191</b>	493,215	471,360
Total members' equity	<b>524,191</b>	493,215	479,892
Total liabilities and members' equity	<b>\$2,557,963</b>	\$2,384,599	\$2,175,325

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



**Frontier Farm Credit, ACA**  
**Consolidated Statements of Comprehensive Income**  
(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
<b>Net Interest Income</b>			
Interest income	\$84,064	\$87,216	\$99,537
Interest expense	24,875	32,084	44,208
Net interest income	59,189	55,132	55,329
(Reversal of) provision for credit losses	(6,299)	1,325	833
Net interest income after (reversal of) provision for credit losses	65,488	53,807	54,496
<b>Noninterest Income</b>			
Patronage income from CoBank, ACB	9,968	7,584	6,470
Loan fees	4,188	4,535	1,322
Insurance services	3,655	2,859	2,712
FCSIC insurance refund	-	454	490
Mineral income	1,226	827	1,232
Other noninterest income	2,437	1,649	1,036
Total noninterest income	21,474	17,908	13,262
<b>Noninterest Expense</b>			
Salaries and employee benefits	19,954	19,898	16,651
Occupancy and equipment expense	3,426	2,863	2,283
Insurance fund premiums	2,852	1,570	1,382
Other operating expenses	9,385	1,733	1,854
Other noninterest expense	153	76	-
Total noninterest expense	35,770	26,140	22,170
Income before income taxes	51,192	45,575	45,588
Provision for income taxes	15	-	-
Net income	\$51,177	\$45,575	\$45,588
<b>Comprehensive Income</b>			
Actuarial gain in retirement obligation	-	-	10
Amortization of retirement costs	-	-	183
Total comprehensive income	\$51,177	\$45,575	\$45,781

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

Frontier Farm Credit, ACA

**Consolidated Statements of Changes in Members' Equity**

(Dollars in thousands)

	Accumulated Other Comprehensive Income (Loss)	At-Risk Capital		Total Members' Equity
		Capital Stock	Retained Earnings	
<b>Balance at December 31, 2018</b>	\$ (193)	\$8,258	\$443,360	\$451,425
Net income			45,588	45,588
Patronage distribution accrued			(17,700)	(17,700)
Patronage accrual adjustment			112	112
Change in other comprehensive income	193			193
Capital stock:				
Issued		1,119		1,119
Retired		(845)		(845)
<b>Balance at December 31, 2019</b>	–	8,532	471,360	479,892
Net income			45,575	45,575
Patronage distribution accrued			(23,600)	(23,600)
Patronage accrual adjustment			(120)	(120)
Capital stock:				
Capital stock and participation certificates issued		1,272		1,272
Capital stock and participation certificates retired		(845)		(845)
Capital stock and participation certificates receivable, net		(8,959)		(8,959)
<b>Balance at December 31, 2020</b>	–	–	493,215	493,215
Net income			51,177	51,177
Patronage distribution accrued			(20,500)	(20,500)
Patronage accrual adjustment			299	299
Capital stock:				
Capital stock and participation certificates issued		1,154		1,154
Capital stock and participation certificates retired		(762)		(762)
Capital stock and participation certificates receivable, net		(392)		(392)
<b>Balance at December 31, 2021</b>	\$ –	\$ –	\$524,191	\$524,191

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

**Frontier Farm Credit, ACA**  
**Consolidated Statements of Cash Flows**  
(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
<b>Cash Flows from Operating Activities:</b>			
Net income	\$51,177	\$45,575	\$45,588
Adjustments to reconcile net income to net cash provided by operating activities:			
(Reversal of) provision for credit losses	(6,299)	1,325	833
Loss (gain) on sales of other property owned	1	-	(15)
Gain on sales of premises and equipment	(35)	(19)	(65)
Depreciation on premises and equipment	841	781	764
Decrease (increase) in accrued interest receivable	19	2,013	(1,483)
Decrease in accrued interest payable	(161)	(1,219)	(247)
Increase in prepaid benefit expense	(1,699)	(1,107)	(1,288)
(Increase) decrease in other assets	(7,266)	(863)	5,510
Decrease in accrued benefits liability	(19)	(22)	(95)
Increase (decrease) in other liabilities	7,132	(5,878)	8,901
Total adjustments	(7,486)	(4,989)	12,815
Net cash provided by operating activities	43,691	40,586	58,403
<b>Cash Flows from Investing Activities:</b>			
Increase in loans, net	(154,998)	(212,432)	(63,308)
Increase in investment in CoBank, ACB	(30)	(5,000)	(1,054)
Increase in investment in AgDirect, LLP	(1,920)	(1,372)	(219)
Purchases of premises and equipment, net	(942)	(562)	(207)
Purchases of investment in RBICs	(1,510)	(289)	-
Proceeds from sales of other property owned	339	-	294
Proceeds from sales of premises and equipment	35	19	65
Net cash used in investing activities	(159,026)	(219,636)	(64,429)
<b>Cash Flows from Financing Activities:</b>			
Increase in notes payable, net	138,636	196,870	21,340
At-risk capital stock issued	-	-	1,119
At-risk capital stock retired	-	-	(845)
Patronage paid in cash	(23,301)	(17,820)	(15,588)
Net cash provided by financing activities	115,335	179,050	6,026
Net increase (decrease) in cash	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	\$ -	\$ -	\$ -
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities:</b>			
Cash patronage distribution declared	\$20,500	\$23,600	\$17,700
Change in accumulated other comprehensive income	\$ -	\$ -	\$193
<b>Supplemental Cash Flow Information:</b>			
Interest paid on notes payable	\$25,035	\$33,303	\$44,455
Income taxes paid (net of refunds)	\$ -	\$ -	\$(235)

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

# Frontier Farm Credit, ACA

## Notes to Consolidated Financial Statements

### Note 1 – Organization and Operations

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#### Farm Credit System and District

##### Farm Credit System Lending Institutions

The Farm Credit System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 65 customer-owned cooperative lending institutions (Associations). The Farm Credit System serves all 50 states, Washington, D.C., and Puerto Rico. This network of financial cooperatives is owned and operated by the rural customers the Farm Credit System serves – the American farmer and rancher.

CoBank, ACB, its affiliated Associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank, ACB 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. As of January 1, 2022, the CoBank District consisted of CoBank, ACB; 20 Agricultural Credit Associations (ACA), each of which have two wholly owned subsidiaries; a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA); and AgVantis.

Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans, and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments, including mission-related investments.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses. Additionally, Associations can participate with other lenders in loans to similar entities. Similar entities are parties who are not eligible for a loan from a Farm Credit System lending institution but have operations that are functionally similar to the activities of eligible borrowers.

##### Farm Credit System Regulator

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System banks and Associations. We are examined by the Farm Credit Administration, and certain Association actions are subject to the prior approval of the Farm Credit Administration and/or CoBank, ACB.

#### Farm Credit System Insurance Fund

The Farm Credit System Insurance Corporation administers the Farm Credit System Insurance Fund. The Farm Credit System Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the Farm Credit System Insurance Corporation, the Farm Credit System Insurance Fund also is available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Farm Credit System Insurance Corporation. Each Farm Credit System bank is required to pay premiums into the Farm Credit System Insurance Fund until the assets in the Farm Credit System Insurance Fund equal 2.0 percent of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments.

This percentage of aggregate obligations can be changed by the Farm Credit System Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities, which are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. CoBank, ACB, in turn, assesses premiums to its affiliated Associations each year based on similar factors.

#### Association

Frontier Farm Credit, ACA (ACA) and its subsidiaries, Frontier Farm Credit, FLCA (FLCA) and Frontier Farm Credit, PCA (PCA), collectively referred to as Frontier Farm Credit, are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Allen, Anderson, Atchison, Bourbon, Brown, Chase, Chautauqua, Cherokee, Clay, Coffey, Crawford, Dickinson, Doniphan, Douglas, Elk, Franklin, Geary, Greenwood, Jackson, Jefferson, Johnson, Labette, Leavenworth, Linn, Lyon, Marion, Marshall, Miami, Montgomery, Morris, Nemaha, Neosho, Osage, Pottawatomie, Riley, Shawnee, Wabaunsee, Washington, Wilson, Woodson and Wyandotte in the state of Kansas. We borrow from CoBank, ACB and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options in collaboration with Farm Credit Leasing Services and CoBank, ACB. The PCA makes short-term and intermediate-term loans for agricultural production or operating purposes and provides lease financing options in collaboration with Farm Credit Leasing Services and CoBank, ACB. We offer risk management services, including crop insurance and crop hail insurance, for borrowers and those eligible to borrow.

## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

#### Relationship With Farm Credit Services of America, ACA

We continue to be in a strategic alliance with FCSAmerica, designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

We exist as separate Associations while integrating our day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2021, pretax net income was shared on fixed percentages of 6.3 and 93.7 percent for Frontier Farm Credit and FCSAmerica, respectively. For the year ending December 31, 2021, Frontier Farm Credit recorded \$26.1 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to incurred expenses by FCSAmerica for Frontier Farm Credit associated expenses. The net operating expenses recorded by Frontier Farm Credit were \$17.2 million for the year ended December 31, 2020, and \$14.4 million for the year ended December 31, 2019. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Comprehensive Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Comprehensive Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has \$2.6 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has \$37.4 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

#### Relationship with Rural 1<sup>st</sup>

In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1<sup>st</sup>. Rural 1<sup>st</sup> is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1<sup>st</sup>. During 2021, we received \$1.6 million in noninterest income for these originations. During 2020, we received \$978 thousand in noninterest income for these originations. During 2019, we received \$147 thousand in noninterest income for these originations.

#### Relationship with Farm Credit Leasing Services Corporation

We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

#### Note 2 – Summary of Significant Accounting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation. The consolidated financial statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent), Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries), collectively referred to as Frontier Farm Credit. All material intercompany transactions and balances have been eliminated in consolidation.



## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

The following are our significant accounting policies:

### Loans

Mortgage loan terms range from five to 35 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original terms of 10 years or less.

Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based on the daily principal amount outstanding.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection), or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse accrued interest, if accrued in the current year. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession is generally granted to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower, and may include interest rate reductions, term extensions, payment deferrals or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans. There may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered troubled debt restructurings.

Loans are charged off at the time they are determined to be uncollectible.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets or participating interests has been surrendered and that the conditions have been met to be accounted for as a sale.

### Allowance for Loan Losses and Reserve for Unfunded Lending Commitments

The allowance for loan losses is an estimate of incurred losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- changes in credit risk classifications,
- changes in collateral values,
- changes in risk concentrations, and
- changes in economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing interest.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate six-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded as "(Reversal of) provision for credit losses" on the Consolidated Statements of Comprehensive Income, charge-offs and recoveries.

The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursement and likelihood of losses given disbursement were utilized in determining this contingency. Changes in the reserve for unfunded commitments consist of provision activity, recorded as "(Reversal of) provision for credit losses" on the Consolidated Statements of Comprehensive Income.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Investment in CoBank, ACB

Our required investment in CoBank, ACB is in the form of Class A stock. The minimum required investment is 4.0 percent of the prior five-year average direct loan volume. The investment in CoBank, ACB is comprised of patronage-based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank, ACB is 8.0 percent of the prior 10-year average of such participations sold to CoBank, ACB.

### Investment in AgDirect, LLP

Accounting for our investment in AgDirect, LLP is on a cost basis.

### Other Property Owned

We record other property owned, consisting of real and personal property acquired through a collection action, at fair value, less estimated selling costs at the time of acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates of the fair value, less estimated selling costs, are reported as adjustments to the carrying amount of the asset, provided that the adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations, carrying value adjustments and realized gains or losses on sales are included in the "Other noninterest income" or "Other noninterest expense" on the Consolidated Statements of Comprehensive Income.

### Investment in Rural Business Investment Companies

The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold noncontrolling interests, are accounted for under the equity method. The investments are included in "Other assets" on the Consolidated Balance Sheets. The investments are assessed for impairment. If impairment exists, losses are included in "Other noninterest expense," net on the Consolidated Statements of Comprehensive Income in the year of impairment.

### Premises and Equipment

The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets, which are normally five to 40 years for buildings and improvements, and three to 10 years for furniture and equipment. Gains and losses on premises and equipment dispositions are reflected in current-year income or expense. Maintenance and repairs are included in operating expense and improvements are capitalized.

### Leases

We operate under an agreement with CoBank, ACB through which we purchase a participation in loans made by CoBank, ACB to Farm Credit Leasing Services to fund capital markets leases, agricultural equipment leases and agricultural facilities leases that we originate. Under provisions of this agreement, Farm Credit Leasing Services typically participates 50.0 percent funding for these leases to CoBank, ACB, and CoBank, ACB participates a similar amount to us. Lease participations purchased under this agreement are included in "Loans" on the Consolidated Balance Sheets.

### Advance Conditional Payments

We are authorized under the Farm Credit Act to accept advance conditional payments from customers. We net the advance conditional payments against the customer's related loan balance to the extent the real estate customer's loan balance exceeds the advance payments. The amount of commercial advance conditional payments accepted cannot exceed the commitment amount of the customer's note. We classify commercial advance conditional payments as "Other liabilities" on the Consolidated Balance Sheets because the limit on commercial advance conditional payments is based on note commitments. We pay interest on advance conditional payments and they are not insured.

### Employee Benefit Plans

Our employees participate in a defined contribution plan and/or pension plan. Benefit plans are described in Note 9, "Employee Benefit Plans." The costs of the defined contribution plan are funded as accrued. Additionally, we provide a retiree health care benefit to retired employees who met specific age and service requirements.

### Income Taxes

The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Patronage Program

We accrue an estimated patronage payable after it is declared by the Board of Directors, normally in December of each year. After year-end eligible average daily balances are calculated, we record a patronage accrual adjustment in the year of payment. We pay the accrued patronage before September 15 of each subsequent year. Cash patronage distributions are referred to as cash-back dividends.

### Statement of Cash Flows

For purposes of reporting cash flow, cash includes cash on hand and on deposit at commercial banks.

### Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions.

### Other Comprehensive Income

Other comprehensive income refers to revenue, expenses, gains and losses that under generally accepted accounting principles are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income refers to the balance of these transactions. We record other comprehensive income associated with the liability under the Pension Restoration Plan. Since 2019, we no longer have any obligations under this plan.

### Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" describes three levels of inputs that may be used to measure fair value.

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2:** Observable inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly;
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and
- inputs derived principally from, or corroborated by, observable market data by correlation or other means.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We currently have no material financial statement items required to be accounted for with the consolidated financial statements at fair value on a recurring basis.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other Farm Credit System institutions.

Standard and Effective Date	Description	Financial Statement Impact
<p>In March 2020, the Financial Accounting Standards Board issued ASU 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the Financial Accounting Standards Board issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.</p>	<p>The guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.</p>	<p>During March 2021, we adopted the applicable provisions of this standard as it relates to the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows and financial statement disclosures.</p>
<p>In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 “Measurement of Credit Losses on Financial Instruments.” The guidance was originally effective for non–United States Securities and Exchange Commission filers for our first quarter of 2021. In November 2019, the Financial Accounting Standards Board issued ASU 2019-10, which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.</p>	<p>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 also would be recorded through an allowance for credit losses.</p>	<p>We expect to adopt the standard as of January 1, 2023. We have substantially completed development and validation of our model to estimate credit losses for our loan portfolio. Processes and internal controls related to the model and the estimation of credit losses for loans have been substantially designed. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.</p>

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

**Note 3 – Loans and Allowance for Loan Losses**

Loans, including participations purchased and nonaccruals, consisted of the following (in thousands):

	<b>December 31,</b>					
	<b>2021</b>		<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Long-term agricultural mortgage	<b>\$1,473,033</b>	<b>61.2%</b>	\$1,308,499	58.0%	\$1,135,499	55.6%
Production and intermediate term	<b>549,707</b>	<b>22.8</b>	543,668	24.1	549,801	26.9
Agribusiness	<b>253,649</b>	<b>10.5</b>	262,591	11.7	216,970	10.6
Rural infrastructure	<b>67,958</b>	<b>2.8</b>	57,964	2.6	46,671	2.3
Rural residential real estate	<b>59,653</b>	<b>2.5</b>	75,250	3.3	88,395	4.3
Agricultural export finance	<b>5,596</b>	<b>0.2</b>	6,567	0.3	5,596	0.3
Total loans	<b>\$2,409,596</b>	<b>100.0%</b>	\$2,254,539	100.0%	\$2,042,932	100.0%

We have concentrations with individual borrowers within various agricultural commodities that could cause them to be similarly impacted by economic conditions. At December 31, 2021, loans outstanding plus commitments to our 10 largest borrowers, net of participations sold, totaled an amount equal to 32.2 percent of members' equity. No single borrower's loans outstanding plus commitments exceed 5.0 percent of members' equity.

While the amounts represent our maximum potential credit risk related to recorded loan principal, a substantial portion of our lending activities is collateralized, which reduces our exposure to credit loss associated with lending activity. We include an estimate of our credit risk exposure in determining the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral held varies by loan type but typically includes agricultural real estate, equipment, crop inventory and livestock. Long-term real estate loans are secured by a first lien on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85.0 percent of the property's appraised value (97.0 percent if guaranteed by a government agency). However, internal lending procedures require a more conservative loan-to-value ratio, which results in an average loan-to-value ratio in the real estate portfolio of less than 50.0 percent of current market values.



## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

We may purchase or sell participation interests with other parties to diversify risk, manage loan volume or comply with the limitations of the Farm Credit Administration regulations or the General Financing Agreement with CoBank, ACB. The following table presents information regarding participations purchased and sold (participations purchased do not include syndications; amounts are in thousands):

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
<b>As of December 31, 2021</b>						
Long-term agricultural mortgage	\$ 60,432	\$ 46,302	\$ -	\$ -	\$ 60,432	\$ 46,302
Production and intermediate term	237,834	87,956	-	-	237,834	87,956
Agribusiness	251,840	28,940	-	-	251,840	28,940
Rural infrastructure	67,958	-	-	-	67,958	-
Agricultural export finance	5,596	-	-	-	5,596	-
Total	<b>\$623,660</b>	<b>\$163,198</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$623,660</b>	<b>\$163,198</b>
<b>As of December 31, 2020</b>						
Long-term agricultural mortgage	\$ 80,463	\$ 38,605	\$ -	\$ -	\$ 80,463	\$ 38,605
Production and intermediate term	212,693	51,736	-	-	212,693	51,736
Agribusiness	258,686	42,450	3,497	-	262,183	42,450
Rural infrastructure	57,964	-	-	-	57,964	-
Agricultural export finance	6,567	-	-	-	6,567	-
Total	<b>\$616,373</b>	<b>\$132,791</b>	<b>\$ 3,497</b>	<b>\$ -</b>	<b>\$619,870</b>	<b>\$132,791</b>
<b>As of December 31, 2019</b>						
Long-term agricultural mortgage	\$ 55,420	\$ 28,534	\$ -	\$ -	\$ 55,420	\$ 28,534
Production and intermediate term	219,995	68,597	-	-	219,995	68,597
Agribusiness	223,642	33,224	22,314	-	245,956	33,224
Rural infrastructure	46,671	-	-	-	46,671	-
Agricultural export finance	5,596	-	-	-	5,596	-
Total	<b>\$551,324</b>	<b>\$130,355</b>	<b>\$22,314</b>	<b>\$ -</b>	<b>\$573,638</b>	<b>\$130,355</b>

Participations purchased increased \$3.8 million in 2021, while participations sold increased \$30.4 million. The increases in both purchased and sold are primarily due to activity in the production and intermediate-term portfolio.

## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

Risk loans (accruing loans include accrued interest receivable) 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 concerning the recorded investment in risk loans (in thousands):

	December 31,		
	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	\$4,670	\$ 5,987	\$ 7,472
Past due	438	5,625	7,043
Total nonaccrual loans	<u>5,108</u>	11,612	14,515
Impaired accrual loans:			
Restructured	58	63	728
90 days or more past due	-	-	-
Total risk loans	<u>\$5,166</u>	\$11,675	\$15,243

Total risk loans have decreased since the end of 2020. The decrease in nonaccrual loans is primarily due to accounts in nearly all industries including the grain, cow/calf, swine and landlords/investors industries. There was a decrease in past due nonaccrual loans and restructured loans. Loans 90 days or more past due still accruing interest continued to be zero. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, risk loans as a percentage of total loans remain at acceptable levels.

At December 31, 2021, there were \$16 thousand in commitments to lend additional funds to customers whose loans were at risk.

Interest income is recognized and cash payments are applied on nonaccrual loans as described in Note 2, "Summary of Significant Accounting Policies." The following table sets forth interest income recognized on risk loans (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Interest income recognized on nonaccrual loans	\$ 50	\$156	\$ 65
Interest income recognized on risk accrual loans	<u>51</u>	213	85
Interest income recognized on risk loans	<u>\$101</u>	\$369	\$150

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

Risk assets are as follows (accruing volume includes accrued interest receivable; amounts are in thousands):

	<b>December 31,</b>		
	<b>2021</b>	2020	2019
<b>Nonaccrual loans:</b>			
Long-term agricultural mortgage	<b>\$3,478</b>	\$ 6,752	\$ 9,125
Production and intermediate term	<b>700</b>	2,965	1,923
Agribusiness	<b>811</b>	390	2,519
Rural residential real estate	<b>119</b>	1,505	948
Total nonaccrual loans	<b>\$5,108</b>	\$11,612	\$14,515
<b>Accruing restructured loans:</b>			
Long-term agricultural mortgage	<b>\$58</b>	\$63	\$728
Total accruing restructured loans	<b>\$58</b>	\$63	\$728
<b>Accruing loans 90 days or more past due:</b>			
Total accruing loans 90 days or more past due	<b>\$ -</b>	\$ -	\$ -
Total risk loans	<b>5,166</b>	11,675	15,243
Other property owned	<b>-</b>	-	-
Total risk assets	<b>\$5,166</b>	\$11,675	\$15,243

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2021			For the Period Ended December 31, 2021	
	Recorded Investment <sup>(1)</sup>	Unpaid Principal Balance <sup>(2)</sup>	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	\$ -	\$ -	\$ -	\$ -	\$(2)
Agribusiness	603	654	368	55	-
Total	<u>\$603</u>	<u>\$654</u>	<u>\$368</u>	<u>\$55</u>	<u>\$(2)</u>
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	\$3,536	\$4,986	\$ -	\$ 6,789	\$ 28
Production and intermediate term	700	2,149	-	3,636	57
Agribusiness	208	967	-	1,023	-
Rural residential real estate	119	132	-	359	18
Total	<u>\$4,563</u>	<u>\$8,234</u>	<u>\$ -</u>	<u>\$11,807</u>	<u>\$103</u>
Total impaired loans:					
Long-term agricultural mortgage	\$3,536	\$4,986	\$ -	\$ 6,789	\$ 28
Production and intermediate term	700	2,149	-	3,636	55
Agribusiness	811	1,621	368	1,078	-
Rural residential real estate	119	132	-	359	18
Total	<u>\$5,166</u>	<u>\$8,888</u>	<u>\$368</u>	<u>\$11,862</u>	<u>\$101</u>

<sup>(1)</sup> The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.

<sup>(2)</sup> Unpaid principal balance represents the contractual principal balance of the loan.

Frontier Farm Credit, ACA  
Notes to Consolidated Financial Statements

	As of December 31, 2020			For the Period Ended December 31, 2020	
	Recorded Investment <sup>(1)</sup>	Unpaid Principal Balance <sup>(2)</sup>	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Long-term agricultural mortgage	\$ 644	\$ 644	\$431	\$ 484	\$ (5)
Production and intermediate term	661	668	182	244	(13)
Agribusiness	–	–	–	1,151	149
Total	\$1,305	\$1,312	\$613	\$1,879	\$131
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	\$ 6,171	\$ 7,487	\$ –	\$ 9,388	\$ 80
Production and intermediate term	2,304	4,682	–	5,034	147
Agribusiness	390	1,098	–	1,876	(1)
Rural infrastructure	–	–	–	2	–
Rural residential real estate	1,505	1,538	–	1,159	12
Total	\$10,370	\$14,805	\$ –	\$17,459	\$238
Total impaired loans:					
Long-term agricultural mortgage	\$ 6,815	\$ 8,131	\$431	\$ 9,872	\$ 75
Production and intermediate term	2,965	5,350	182	5,278	134
Agribusiness	390	1,098	–	3,027	148
Rural infrastructure	–	–	–	2	–
Rural residential real estate	1,505	1,538	–	1,159	12
Total	\$11,675	\$16,117	\$613	\$19,338	\$369

<sup>(1)</sup> The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.

<sup>(2)</sup> Unpaid principal balance represents the contractual principal balance of the loan.

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

	As of December 31, 2019			For the Period Ended December 31, 2019	
	Recorded Investment <sup>(1)</sup>	Unpaid Principal Balance <sup>(2)</sup>	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	\$ 133	\$ 143	\$ 29	\$ 57	\$-
Agribusiness	1,666	1,749	885	1,763	5
Total	\$1,799	\$1,892	\$914	\$1,820	\$5
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	\$ 9,853	\$10,749	\$ -	\$ 8,677	\$ 24
Production and intermediate term	1,790	4,116	-	5,265	116
Agribusiness	853	1,764	-	1,839	3
Rural residential real estate	948	963	-	440	2
Total	\$13,444	\$17,592	\$ -	\$16,221	\$145
Total impaired loans:					
Long-term agricultural mortgage	\$ 9,853	\$10,749	\$ -	\$ 8,677	\$ 24
Production and intermediate term	1,923	4,259	29	5,322	116
Agribusiness	2,519	3,513	885	3,602	8
Rural residential real estate	948	963	-	440	2
Total	\$15,243	\$19,484	\$914	\$18,041	\$150

<sup>(1)</sup> The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.

<sup>(2)</sup> Unpaid principal balance represents the contractual principal balance of the loan.



## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Classification System as a percentage of total loans and related accrued interest receivable by loan type (in thousands):

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
<b>As of December 31, 2021</b>							
Long-term agricultural mortgage	\$1,442,318	96.66%	\$31,984	2.15%	\$17,804	1.19%	\$1,492,106
Production and intermediate term	518,619	93.26%	26,299	4.73%	11,193	2.01%	556,111
Agribusiness	233,121	91.62%	13,705	5.39%	7,620	2.99%	254,446
Rural infrastructure	68,028	100.00%	–	–	–	–	68,028
Rural residential real estate	58,773	98.35%	505	0.84%	482	0.81%	59,760
Agricultural export finance	5,602	100.00%	–	–	–	–	5,602
Total	\$2,326,461	95.50%	\$72,493	2.98%	\$37,099	1.52%	\$2,436,053
<b>As of December 31, 2020</b>							
Long-term agricultural mortgage	\$1,214,053	91.45%	\$ 55,962	4.21%	\$57,569	4.34%	\$1,327,584
Production and intermediate term	482,857	87.80%	47,999	8.73%	19,091	3.47%	549,947
Agribusiness	234,520	89.05%	25,029	9.51%	3,801	1.44%	263,350
Rural infrastructure	57,134	98.47%	888	1.53%	–	–	58,022
Rural residential real estate	71,499	94.65%	1,147	1.52%	2,893	3.83%	75,539
Agricultural export finance	6,573	100.00%	–	–	–	–	6,573
Total	\$2,066,636	90.60%	\$131,025	5.75%	\$83,354	3.65%	\$2,281,015
<b>As of December 31, 2019</b>							
Long-term agricultural mortgage	\$1,024,353	88.81%	\$47,344	4.10%	\$ 81,792	7.09%	\$1,153,489
Production and intermediate term	472,391	84.45%	38,594	6.90%	48,372	8.65%	559,357
Agribusiness	209,737	96.36%	4,564	2.10%	3,351	1.54%	217,652
Rural infrastructure	43,824	93.75%	2,923	6.25%	–	–	46,747
Rural residential real estate	84,243	95.11%	1,478	1.67%	2,849	3.22%	88,570
Agricultural export finance	5,606	100.00%	–	–	–	–	5,606
Total	\$1,840,154	88.84%	\$94,903	4.58%	\$136,364	6.58%	\$2,071,421

Our adversely classified assets decreased during 2021, ending the year at 1.52 percent of the portfolio compared to 3.65 percent of the portfolio at December 31, 2020. One credit quality indicator we utilize is the Farm Credit Administration Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

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

We had no loans categorized as loss at December 31, 2021, 2020 or 2019.

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

The following table provides an aging analysis of past due loans by loan type (accruing volume includes accrued interest receivable; amounts are in thousands):

	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
<b>As of December 31, 2021</b>						
Long-term agricultural mortgage	\$1,231	\$ –	\$1,231	\$1,490,875	\$1,492,106	\$ –
Production and intermediate term	1,379	438	1,817	554,294	556,111	–
Agribusiness	239	–	239	254,207	254,446	–
Rural infrastructure	–	–	–	68,028	68,028	–
Rural residential real estate	–	–	–	59,760	59,760	–
Agricultural export finance	–	–	–	5,602	5,602	–
Total	\$2,849	\$438	\$3,287	\$2,432,766	\$2,436,053	\$ –
<b>As of December 31, 2020</b>						
Long-term agricultural mortgage	\$1,123	\$1,596	\$2,719	\$1,324,865	\$1,327,584	\$ –
Production and intermediate term	2,918	1,787	4,705	545,242	549,947	–
Agribusiness	–	2	2	263,348	263,350	–
Rural infrastructure	–	–	–	58,022	58,022	–
Rural residential real estate	–	1,039	1,039	74,500	75,539	–
Agricultural export finance	–	–	–	6,573	6,573	–
Total	\$4,041	\$4,424	\$8,465	\$2,272,550	\$2,281,015	\$ –
<b>As of December 31, 2019</b>						
Long-term agricultural mortgage	\$3,699	\$2,282	\$ 5,981	\$1,147,508	\$1,153,489	\$ –
Production and intermediate term	1,334	1,427	2,761	556,596	559,357	–
Agribusiness	8	518	526	217,126	217,652	–
Rural infrastructure	–	–	–	46,747	46,747	–
Rural residential real estate	–	751	751	87,819	88,570	–
Agricultural export finance	–	–	–	5,606	5,606	–
Total	\$5,041	\$4,978	\$10,019	\$2,061,402	\$2,071,421	\$ –

## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

A restructuring of a loan 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. Concessions vary by program and borrower, 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. As a restructured loan constitutes a troubled debt restructuring, these loans are included within our risk loans. All risk loans are analyzed within our allowance for loan losses.

The following table presents information regarding troubled debt restructurings that occurred during the year ended December 31 (in thousands):

	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
<b>2021</b>		
Total	\$ -	\$ -
<b>2020</b>		
Total	\$ -	\$ -
<b>2019</b>		
Long-term agricultural mortgage	\$649	\$652
Agribusiness	123	123
Total	\$772	\$775

Premodification represents the outstanding recorded investment just prior to restructuring, and postmodification represents the outstanding recorded investment immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous direct write-down of the investment.

We had no troubled debt restructurings that occurred within the previous 12 months and for which there was a subsequent payment default during the respective reporting period.

There were no additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at December 31, 2021.

#### Troubled Debt Restructurings Outstanding (in thousands) as of December 31:

	2021	2020	2019
Accrual status:			
Long-term agricultural mortgage	\$58	\$63	\$728
Total TDRs in accrual status	\$58	\$63	\$728
Nonaccrual status:			
Long-term agricultural mortgage	\$ -	\$ 645	\$1,768
Production and intermediate term	28	221	216
Agribusiness	811	388	553
Rural infrastructure	-	-	1,440
Rural residential real estate	-	-	282
Total TDRs in nonaccrual status	\$839	\$1,254	\$4,259
Total TDRs:			
Long-term agricultural mortgage	\$ 58	\$ 708	\$2,496
Production and intermediate term	28	221	216
Agribusiness	811	388	553
Rural infrastructure	-	-	1,440
Rural residential real estate	-	-	282
Total TDRs	\$897	\$1,317	\$4,987

The "(Reversal of) provision for credit losses" on the Consolidated Statements of Comprehensive Income includes a provision for loan losses and a provision for unfunded lending commitments.

A summary of changes in the allowance for loan losses and reserve for unfunded lending commitments follows (in thousands):

	December 31,		
Allowance for Loan Losses	2021	2020	2019
Balance at beginning of year	\$9,800	\$9,600	\$8,800
(Reversal of) provision for loan losses	(6,199)	1,025	733
Loans charged off	(245)	(1,428)	(336)
Recoveries	644	603	403
Balance at end of year	\$4,000	\$9,800	\$9,600

	December 31,		
Reserve for Unfunded Lending Commitments	2021	2020	2019
Balance at beginning of year	\$1,100	\$ 800	\$700
(Reversal of) provision for unfunded lending commitments	(100)	300	100
Balance at end of year	\$1,000	\$1,100	\$800

**Frontier Farm Credit, ACA**  
**Notes to Consolidated Financial Statements**

A summary of changes in the allowance for loan losses and period-end recorded investments in loans by loan type is as follows (in thousands):

	Balance at December 31, 2020	Loan Recoveries	Loan Charge-Offs	Provision for (Reversal of) Loan Losses	Balance at December 31, 2021
Long-term agricultural mortgage	\$6,552	\$ 85	\$ (45)	\$(5,079)	\$1,513
Production and intermediate term	1,755	485	(182)	(990)	1,068
Agribusiness	1,007	15	-	178	1,200
Rural infrastructure	242	-	-	(114)	128
Rural residential real estate	239	59	(18)	(193)	87
Agricultural export finance	5	-	-	(1)	4
Total	\$9,800	\$644	\$(245)	\$(6,199)	\$4,000

	Balance at December 31, 2019	Loan Recoveries	Loan Charge-Offs	Provision for (Reversal of) Loan Losses	Balance at December 31, 2020
Long-term agricultural mortgage	\$5,643	\$ 57	\$ (90)	\$ 942	\$6,552
Production and intermediate term	1,916	326	(852)	365	1,755
Agribusiness	1,709	220	(431)	(491)	1,007
Rural infrastructure	147	-	-	95	242
Rural residential real estate	181	-	(55)	113	239
Agricultural export finance	4	-	-	1	5
Total	\$9,600	\$603	\$(1,428)	\$1,025	\$9,800

	Balance at December 31, 2018	Loan Recoveries	Loan Charge-Offs	Provision for (Reversal of) Loan Losses	Balance at December 31, 2019
Long-term agricultural mortgage	\$4,808	\$ 13	\$ (46)	\$868	\$5,643
Production and intermediate term	2,037	214	(290)	(45)	1,916
Agribusiness	1,645	176	-	(112)	1,709
Rural infrastructure	131	-	-	16	147
Rural residential real estate	172	-	-	9	181
Agricultural export finance	7	-	-	(3)	4
Total	\$8,800	\$403	\$(336)	\$733	\$9,600

Adversely classified assets are assets that we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

## Frontier Farm Credit, ACA

## Notes to Consolidated Financial Statements

	Allowance for Credit Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	\$ –	\$1,513	\$3,536	\$1,488,570
Production and intermediate term	–	1,068	700	555,411
Agribusiness	368	832	811	253,635
Rural infrastructure	–	128	–	68,028
Rural residential real estate	–	87	119	59,641
Agricultural export finance	–	4	–	5,602
Total	\$368	\$3,632	\$5,166	\$2,430,887

	Allowance for Credit Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	\$431	\$6,121	\$ 6,815	\$1,320,769
Production and intermediate term	182	1,573	2,965	546,982
Agribusiness	–	1,007	390	262,960
Rural infrastructure	–	242	–	58,022
Rural residential real estate	–	239	1,505	74,034
Agricultural export finance	–	5	–	6,573
Total	\$613	\$9,187	\$11,675	\$2,269,340

	Allowance for Credit Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	\$ –	\$5,643	\$ 9,853	\$1,143,636
Production and intermediate term	29	1,887	1,923	557,434
Agribusiness	885	824	2,519	215,133
Rural infrastructure	–	147	–	46,747
Rural residential real estate	–	181	948	87,622
Agricultural export finance	–	4	–	5,606
Total	\$914	\$8,686	\$15,243	\$2,056,178

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Note 4 – Investment in CoBank, ACB

We are required to invest in the capital stock of CoBank, ACB as a condition for maintaining a readily available source of funds. The minimum required investment is 4.0 percent of our prior five-year average direct loan volume. The investment in CoBank, ACB is comprised of patronage-based stock and purchased stock. The requirement for capitalizing our patronage-based participation loans sold to CoBank, ACB is 8.0 percent of our prior 10-year average balance of such participations sold to CoBank, ACB. Under the current CoBank, ACB capital plan applicable to such participations sold, patronage from CoBank, ACB related to these participations sold is paid 75.0 percent cash and 25.0 percent Class A stock. The capital plan is evaluated annually by CoBank ACB's Board of Directors and management and is subject to change.

At December 31, 2021, our investment in CoBank, ACB is in the form of Class A stock with a par value of \$100 per share.

CoBank, ACB may require the holders of its equities to subscribe for additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act regulations. In making such a capital call, CoBank, ACB shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The balance of our investment in CoBank, ACB was \$70.1 million at December 31, 2021.

### Note 5 – Investment in AgDirect, LLP

We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was \$7.7 million at December 31, 2021, \$5.8 million at December 31, 2020, and \$4.4 million at December 31, 2019. The LLP is an unincorporated business entity.

### Note 6 – Premises and Equipment

Premises and equipment consisted of the following (in thousands):

	December 31,		
	2021	2020	2019
Land, buildings and improvements	\$26,414	\$25,471	\$24,909
Furniture and equipment	930	993	1,027
	<b>27,344</b>	26,464	25,936
Less accumulated depreciation	7,117	6,338	5,591
Premises and equipment, net	<b>\$20,227</b>	\$20,126	\$20,345

### Note 7 – Notes Payable

Our notes payable to CoBank, ACB represents borrowings in the form of a line of credit to fund our net assets. This notes payable is collateralized by a pledge of substantially all our assets and is governed by a General Financing Agreement. CoBank, ACB has established a revolving line of credit of \$2.2 billion effective June 1, 2021. The General Financing Agreement and promissory note are subject to periodic renewals in the normal course of business. The General Financing Agreement matures on May 31, 2022, and we expect renewal at that time. We were in compliance with the terms and conditions of the General Financing Agreement as of December 31, 2021.

Substantially all borrower loans are match-funded with CoBank, ACB. Payments and disbursements are made on the notes payable to CoBank, ACB on the same basis as we collect payments from and disburse on borrower loans. The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. The weighted average interest rate was 1.34 percent for the year ended December 2021, compared to 1.83 percent for the year ended December 31, 2020, and 2.74 percent for the year ended December 31, 2019.



## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

The consolidated notes payable balance is presented in the following table (in thousands):

	December 31,		
	2021	2020	2019
Notes payable to CoBank, ACB	<b>\$1,993,483</b>	\$1,854,847	\$1,657,977

Under the Farm Credit Act, we are obligated to borrow only from CoBank, ACB unless CoBank, ACB approves borrowing from other funding sources. CoBank, ACB, consistent with Farm Credit Administration regulations, has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2021, we were within the specified limitations.

#### Note 8 – Members' Equity

A description of our capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities follows.

#### Capital Stock

In accordance with the Farm Credit Act, as amended, each borrower is required to invest in us as a condition of obtaining a loan. Our capitalization bylaws require a customer to invest in capital stock equal to \$1 thousand or 2.0 percent of the amount of the loan, whichever is less. Our Board of Directors may increase the amount of investment, if necessary, to meet capital needs. Under the current Board of Directors-approved program, the stock requirement for loan customers is generally \$1 thousand, and stock is issued to each loan co-maker (includes primary borrower and any co-borrowers; does not include guarantors). Non-loan customers purchasing financially related services from the Association continue to purchase one \$5 share of stock.

The member acquires ownership of capital stock or participation certificates at the time the loan is made. Loan co-makers who do not currently own stock will acquire stock when a new loan is originated or a loan-servicing action takes place. Members are not currently required to make a cash investment to acquire capital stock or participation certificates. However, their obligation to pay for the capital stock or participation certificates is maintained as an interest-free obligation and will only be due in the unlikely event that the Association does not meet regulatory capital requirements.

The capital stock and participation certificates are at-risk investments as described in our capital bylaws. We retain a first lien on common stock or participation certificates owned by our members. Stock is retired in accordance with our bylaws. Members are responsible for payment of the cash investment upon demand by us.

Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for capital stock and participation certificates for us, along with other Farm Credit Associations. The capital stock and participation certificates are included within members' equity on the Consolidated Balance Sheets with a contra line item titled "Less capital stock receivable" for the same amount. This change had no impact on the capital stock or participation certificates owned by our members, as members retained all rights afforded to them by the Farm Credit Act. In addition, this change had no material impact on our capital ratios.

#### Regulatory Capitalization Requirements and Restrictions

	As of December 31,			Regulatory Minimums	Minimums With Buffers
	2021	2020	2019		
Risk-adjusted ratios:					
Common equity Tier 1	<b>17.32%</b>	17.30%	18.52%	<b>4.5%</b>	<b>7.0%*</b>
Tier 1 capital	<b>17.32%</b>	17.30%	18.52%	<b>6.0%</b>	<b>8.5%*</b>
Total capital	<b>17.51%</b>	17.79%	18.95%	<b>8.0%</b>	<b>10.5%*</b>
Permanent capital	<b>17.35%</b>	17.37%	18.61%	<b>7.0%</b>	<b>7.0%</b>
Non-risk-adjusted ratios:					
Tier 1 leverage	<b>19.16%</b>	19.16%	20.27%	<b>4.0%</b>	<b>5.0%*</b>
UREE leverage	<b>21.13%</b>	21.03%	21.87%	<b>1.5%</b>	<b>1.5%</b>

*\*The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums was phased in over three years under the Farm Credit Administration capital requirements. The phase-in period ended December 31, 2019.*

Risk-adjusted assets has been defined by the Farm Credit Administration regulations as the statement of condition assets and off-balance sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

Risk-adjusted assets is calculated differently for the permanent capital ratio compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with Farm Credit Administration regulations and are calculated as follows (not all items may be applicable to our Association):

- Common equity Tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory-required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity Tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is Tier 1 capital plus other required member stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by permanent capital ratio risk-adjusted assets.
- Tier 1 leverage ratio is Tier 1 capital, including regulatory deductions, divided by average assets, less regulatory deductions subject to Tier 1 capital.
- Unallocated retained earnings and equivalents (UREE) leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement, less certain regulatory-required deductions including the amount of allocated investments in other System institutions, divided by average assets, less regulatory deductions subject to Tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior Farm Credit Administration approval.

## Description of Equities

The following table presents information regarding the classes and number of shares of stock outstanding as of December 31. All shares are at-risk and have a par or stated value of \$5 per share.

	Shares Outstanding as of December 31,		
	2021	2020	2019
Class B common stock	<b>1,830,218</b>	1,749,215	1,659,957
Class C common stock	<b>40,063</b>	42,558	46,545

Our bylaws authorize us to issue an unlimited number of shares of Class B common stock and Class C common stock with a par or face value of \$5 per share.

Class B common stock is voting and is issued solely to a farmer, rancher, or producer or harvester of aquatic products. Class C common stock has no voting rights and is issued to customers to capitalize rural home and farm-related business loans or to become eligible for financial services. Class B common stock and Class C common stock may be retired at the discretion of the Board of Directors, at book value not to exceed par, provided we meet minimum capital adequacy standards under Farm Credit Administration regulations.

Subject to our policies, Class B and Class C common stock are transferable to any person eligible to hold the respective class of stock. Class B common stock and Class C common stock cannot be transferred when we do not meet capital adequacy standards under Farm Credit Administration regulations.

At any time within two years after the loan of a customer is repaid in full, any voting stock held by the customer is converted to nonvoting stock. The nonvoting stock may be converted back to voting stock if the owner of the stock borrows additional funds.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

As determined by the Board of Directors, we may declare dividends in stock, cash or any combination, provided we meet capital adequacy standards under Farm Credit Administration regulations and no stock is impaired. Losses that result in impairment of stock and participation certificates will be allocated ratably to stock and participation certificates. In the event we would liquidate or dissolve, any assets remaining after payment or retirement of all liabilities would be distributed to the holders of stock in the following order of priority:

- first, to the holders of common stock and participation certificates, equally and pro rata in proportion to the number of shares or units of common stock and participation certificates issued and outstanding, until an amount equal to the aggregate par value of all common stock and participation certificates has been distributed;
- second, to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed; and
- third, any remaining assets would be distributed among current and former stockholders in the proportion that the aggregate patronage of each stockholder bears to the total patronage of all current and former stockholders, to the extent practicable and as determined by the Board unless otherwise provided by law.

### Patronage Distributions

For 2021, the Board of Directors declared cash patronage distributions based on each customer's average daily balance of eligible loans outstanding during the year. Our patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as a cash-back dividend. We accrued \$20.5 million in December 2021 to be paid in 2022. In 2020, we accrued a total of \$23.6 million and \$17.7 million in 2019.

We are prohibited from distributing earnings on a patronage basis to the extent that they would reduce our permanent capital ratio below the Farm Credit Administration's minimum permanent capital adequacy requirements. We do not foresee any events that would result in this prohibition in 2022.

### Note 9 – Employee Benefit Plans

We participate in the benefits plans administered by Farm Credit Foundations, a service corporation for Farm Credit System entities. The Farm Credit Foundations Plan Sponsor and Trust Committees provide governance and oversight for the benefit plans. The governance committees are either elected or appointed representatives (senior officers or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administration functions. The Association has a senior officer who serves on each committee.

Under the alliance agreement described in Note 1, "Organization and Operations," the 2021 benefits expense of \$61.2 million was shared between the Association and FCSAmerica on a 6.3 percent and 93.7 percent basis, respectively, which excluded any Frontier Farm Credit pension plans expense in excess of the Association's retirement programs. Additionally, the Association's net pension plans expense was \$1.4 million for 2021. The employee benefits expense is included in the "Salaries and employee benefits" on the Consolidated Statements of Comprehensive Income.

### Defined Contribution Plan

The Association participates in the Farm Credit Foundations 401(k)/Defined Contribution Plan for benefits-eligible employees. The plan is a qualified plan up to the limits provided under the Internal Revenue Code.

For employees who do not participate in the Qualified Pension Plan, Frontier Farm Credit matches the employee's contributions dollar for dollar up to a maximum of 6.0 percent of the employee's compensation on both pretax and post-tax contributions. Additionally, our Association contributes a fixed 3.0 percent of the employee's compensation to the plan.

For employees who participate in the Qualified Pension Plan, the Association matches the employee's contributions dollar for dollar up to 2.0 percent of the employee's compensation and 50.0 percent of the employee's contributions above 2.0 percent and up to and including 6.0 percent of the employee's compensation, on both pretax and post-tax contributions.

### Nonqualified Deferred Compensation Plan

The Farm Credit Foundations Nonqualified Deferred Compensation Plan serves two purposes. The plan provides for employer-matching or fixed contributions that exceed the Internal Revenue Code limits of the Defined Contribution Plan. Additionally, eligible employees may defer a portion of their base salary, variable pay and other compensation into this plan. Under the plan, eligible participants include the Chief Executive Officer and other employees who meet certain compensation thresholds as determined by the Internal Revenue Code.

## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Pre-409A Frozen Nonqualified Deferred Compensation Plan

We also participate in the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purposes as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions are made to the plan.

### Qualified Pension Plan

We participate in the Ninth Farm Credit District Pension Plan; a multiemployer plan is a 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 (ERISA), as amended. 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. The plan is noncontributory and covers eligible employees hired prior to January 1, 2007. As a multiemployer plan, the assets, liabilities and costs of the plan are not segregated by participating employers. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Because of the multiemployer nature of the plan, any 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 plan reflects an unfunded liability totaling \$5.4 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 and fair value of the multiemployer plan assets as of December 31 follows (in millions):

	2021	2020	2019
Projected benefit obligation	\$347.3	\$359.9	\$333.7
Fair value of plan assets	\$341.9	\$302.5	\$252.5

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 participating 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. Costs and contributions for the multiemployer plan as of December 31 follow (in millions):

	2021	2020	2019
Total plan expenses for all participating employers	\$13.7	\$19.5	\$6.8
Association's allocated share of plan expenses included in "Salaries and employee benefits"	\$1.4	\$2.0	\$0.9
Total plan contributions for all participating employees	\$30.0	\$30.0	\$20.0
Association's allocated share of plan contributions	\$3.1	\$3.1	\$2.0

While the plan is a governmental plan and is not subject to minimum funding requirements, the participating 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 plans during 2022 is \$30 million. The Association's allocated share of these pension contributions is expected to be \$3.2 million. 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.

### Nonqualified Pension Restoration Plan

We participate in the Ninth District Pension Restoration Plan that is a nonqualified, unfunded retirement plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain former highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the Qualified Pension Plan.

The Association's share of the plan had no unfunded liability at December 31, 2021. The funding status reflects the net fair value of the plan's assets and the projected benefit obligation at the date of these consolidated financial statements. The plan is not funded so the fair value of plan assets is zero.

## Frontier Farm Credit, ACA

### Notes to 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 data based on assumed future compensation levels. The Association's projected benefit obligation of the plan was \$0 as of December 31, 2021, 2020 and 2019.

The plan expenses included in "Salaries and employee benefits" was \$0 in 2021 and 2020, and \$193 thousand in 2019. See the Consolidated Statements of Comprehensive Income and Changes in Members' Equity for the impact of net actuarial gains or losses. Assumptions utilized for the plan were consistent with the Qualified Pension Plan. Benefits payouts are expected to continue to be zero.

#### Retiree Health Care

The Association participates in the Farm Credit Foundations Retiree Medical Plan. The plan benefits are available to retired employees who met specific age and service requirements. Employees hired January 1, 2002, or later are not eligible for the subsidy. The anticipated costs of these benefits were accrued during the period of the employee's active service. The related expense is not considered material to our financial position.

#### Note 10 – Income Taxes

Our provision for income taxes follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	\$ 15	\$ –	\$ –
State	–	–	–
Total current	\$ 15	\$ –	\$ –
Deferred:			
Federal	\$617	\$(31)	\$269
State	272	(11)	106
(Decrease) increase in valuation allowance	(889)	42	(375)
Total deferred	\$ –	\$ –	\$ –
Total provision for income taxes	\$ 15	\$ –	\$ –

The following table calculates the differences between the provision for income taxes and income taxes at the statutory rates (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Federal tax at statutory rate	\$10,750	\$9,571	\$9,573
State tax, net	60	(7)	(5)
Tax effect of:			
Exempt FLCA earnings	(10,523)	(9,179)	(8,767)
Deferred tax valuation allowance	(889)	42	(375)
Patronage distribution	–	(417)	(825)
Other	617	(10)	399
Provision for income taxes	\$ 15	\$ –	\$ –

The following table provides the components of deferred tax assets and liabilities (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Allowance for loan losses	\$212	\$318	\$398
Nonaccrual loan interest	17	54	93
CoBank, ACB patronage allocations	(507)	(430)	(398)
Prepaid pension expense	–	734	513
Net operating loss	171	196	237
Other assets	107	–	–
Short-term incentive	–	17	4
Deferred tax asset	–	889	847
Deferred tax asset valuation allowance	–	(889)	(847)
Net deferred tax asset	\$–	\$–	\$–

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions regarding future taxable earnings, including the amount of nonpatronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

Deferred tax assets were fully offset by a valuation allowance for all years presented. We will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

Our effective tax rate was 0.03 percent for the year ending 2021 and 0.00 percent for the years ending 2020 and 2019.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2021. Additionally, we believe we are no longer subject to income tax examinations for years prior to 2018.



## Frontier Farm Credit, ACA

# Notes to Consolidated Financial Statements

### Note 11 – Related Party Transactions

In the ordinary course of business, we may enter into loan transactions with our directors, senior officers, their immediate family members and other organizations with whom such persons may be associated. These transactions may be subject to special approval requirements contained in the Farm Credit Administration regulations and/or our policy, and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons. The related parties can be different each year-end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. In our opinion, loans outstanding to directors and senior officers at December 31, 2021, did not involve more than a normal risk of collectability.

Loan information to related parties for the years ended December 31 is shown below (in thousands):

Related Party Loans and Leases	As of December 31,		
	2021	2020	2019
Total related party loans and leases	<b>\$18,357</b>	\$15,335	\$16,832

Related Party Loans and Leases	For the year ended December 31,		
	2021	2020	2019
New and advances on loans and leases	<b>\$22,682</b>	\$9,345	\$13,067
Repayments and other	<b>\$19,660</b>	\$10,842	\$10,891

We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing these services from SunStream. The services include tax-reporting services. The total cost of services we purchased from AgriBank, FCB and subsequently SunStream was \$16 thousand, \$12 thousand and \$13 thousand in 2021, 2020 and 2019, respectively.

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. Our investment was \$21 thousand for all years presented. The total cost of services purchased from Farm Credit Foundations was \$92 thousand in 2021, \$85 thousand in 2020 and \$97 thousand in 2019.

As discussed in Note 7, "Notes Payable," we borrow from CoBank, ACB in the form of a line of credit to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to CoBank, ACB. Total patronage earned from CoBank, ACB was \$10.0 million, \$7.6 million and \$6.5 million in 2021, 2020 and 2019, respectively.

In 2019, we entered into an agreement with Farm Credit Mid-America to offer home lending through Rural 1<sup>st</sup>. Rural 1<sup>st</sup> is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1<sup>st</sup>. During 2021, we received \$1.6 million in noninterest income for these originations. In 2020, we received \$978 thousand in noninterest income for these originations. In 2019, we received \$147 thousand in noninterest income for these originations.

We have an agreement with Farm Credit Leasing Services Corporation, a Farm Credit System service corporation, that specializes in leasing products and provides industry expertise. Leases are originated and serviced by Farm Credit Leasing Services Corporation, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

### Note 12 – Commitments and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities, such as commitments to extend credit to satisfy the financing needs of our customers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements, which are not reflected in the consolidated financial statements. Commitments to extend credit are agreements to lend to a customer 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. Since some of the commitments may expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis using the same credit policies as for on-balance sheet financial instruments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the counterparty. Collateral held upon exercise of commitments varies but may include accounts receivable, inventory, property, plant and equipment, and agricultural real estate. We had remaining commitments for additional borrowing at December 31, 2021, of approximately \$734 million, approximately \$645 million at December 31, 2020, and approximately \$535 million at December 31, 2019.

We also participate in standby letters of credit to satisfy the financing needs of customers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2021, \$6.2 million of standby letters of credit were outstanding, \$5.9 million at December 31, 2020, and \$4.6 million at December 31, 2019. Outstanding standby letters of credit have expiration dates ranging to 2033. The maximum potential amount of future payments we are required to make under the guarantees is equal to the total amount of the letters of credit outstanding.



## Frontier Farm Credit, ACA

### Notes to Consolidated Financial Statements

We and other Farm Credit System institutions are among the limited partners invested in four Rural Business Investment Companies (RBICs). Our total current commitment is \$11 million with varying commitment end dates through December 2031. Certain commitments may have an option to extend under specific circumstances. At December 31, 2021, we had funded \$1.8 million of the total current commitment of \$11 million. Our funded total was \$289 thousand at December 31, 2020. The investments were evaluated for impairment. No impairments were recognized on these investments during 2021 or 2020.

In the normal course of business, we may be subject to a variety of legal matters that may result in contingencies. Actions are pending against us in which claims for money damages are asserted. In our opinion, based on current information, the ultimate liability, if any, would not have a material impact on our financial position.

#### Note 13 – Fair Value Measurement

The Financial Accounting Standards Board guidance on “Fair Value Measurements” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Note 2, “Summary of Significant Accounting Policies,” for a more complete description of the three input levels.

We do not have any material assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. The following tables provide information on assets measured at fair value on a nonrecurring basis (in thousands):

As of December 31, 2021	Fair Value Measurement			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$272	\$272
Other property owned	\$ -	\$ -	\$ -	\$ -

As of December 31, 2020	Fair Value Measurement			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$923	\$923
Other property owned	\$ -	\$ -	\$ -	\$ -

As of December 31, 2019	Fair Value Measurement			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$1,099	\$1,099
Other property owned	\$ -	\$ -	\$ -	\$ -

The amount of loans in the previous tables represents the fair value of certain loans that were evaluated for impairment based on the estimated appraised value of the underlying collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on our knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the carrying value of the loan, a specific reserve is established.

The amount of other property owned represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

#### Note 14 – Subsequent Events

We have evaluated subsequent events through March 2, 2022, which is the date the consolidated financial statements were available to be issued, and have determined that there are no other events requiring disclosure.

**Frontier Farm Credit, ACA**  
**Disclosure Information**  
**Required by Farm Credit Administration Regulations (Unaudited)**

**Description of Business**

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General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this annual report.

The description of significant business developments, if any, is incorporated herein by reference from the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this annual report.

**Description of Property**

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Our corporate office is located in Manhattan, Kansas, and is owned. The locations of our retail offices are incorporated herein by reference to the last page of this annual report to stockholders. All retail office locations are owned. No facility construction projects were undertaken in 2021.

**Legal Proceedings**

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Information required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, “Commitments and Contingencies,” included in this annual report to stockholders.

**Description of Capital Structure**

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Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, “Members’ Equity,” included in this annual report to stockholders.

**Description of Liabilities**

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The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the consolidated financial statements, “Notes Payable,” included in this annual report to stockholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, “Commitments and Contingencies,” included in this annual report to stockholders.

**Member Privacy**

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The Farm Credit Administration regulations protect members’ nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association to our members not normally contained in published reports or press releases.

**Customer Privacy**

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Customer privacy is important to us. We hold customer financial and other personal information in strict confidence. We do not sell or trade customers’ personal information to marketing companies or information brokers for their use. By Farm Credit Administration regulations, we are required to provide a list of current stockholders to any stockholder who requests such information for defined purposes. Additional information regarding this Farm Credit Administration rule governing the disclosure of customer information can be obtained by contacting the Farm Credit Administration or our Legal team at PO Box 2409, Omaha, NE 68103-2409.

## Frontier Farm Credit, ACA Disclosure Information Required by Farm Credit Administration Regulations (Unaudited)

### Financial and Supervisory Relationship with the Association's Funding Bank

Information required to be disclosed in this section is incorporated herein by reference from the "Relationship with CoBank, ACB" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and from Note 7 to the consolidated financial statements, "Notes Payable."

### Selected Financial Data

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

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this annual report to stockholders and is required to be disclosed in this section, is incorporated herein by reference.

Compensation information for each director who served in 2021 follows:

Director	Board Days	Other Days	Total 2021 Compensation
Kathy Brick <sup>1</sup>	8.0	15.5	\$68,660
Bill Miller	10.5	14.5	\$64,560
Lee Mueller, Board Vice Chairperson <sup>1</sup>	10.5	26.5	\$81,800
Shane Tiffany, Board Chairperson	10.5	32.0	\$85,100
		<b>Total Compensation</b>	<b>\$300,120</b>

<sup>1</sup> Denotes chairperson of a Frontier Farm Credit and Farm Credit Services of America subcommittee as of December 31, 2021.

All directors serve as members of the Board committees (Audit, Business Risk, Governance and Human Capital). No additional compensation is paid for service on a Board committee. Total compensation is rounded to the nearest dollar and includes retainers and all per diems paid in 2021.

### Directors and Compensation of Directors

The listing of directors, term of office, business experience during the past five years, principal occupation and employment during the past five years, and any other business interests, which are required to be disclosed in this section, are incorporated herein by reference from the "Frontier Farm Credit, ACA Directors" section in this annual report to stockholders.

Our bylaws permit compensation of directors for service on the Board. Compensation is provided for attendance at meetings, special assignments, training and development, and travel time associated with these responsibilities. The per diem rate for 2021 was \$600. The monthly director retainer for January 1, 2021, through April 30, 2021, was \$4,090. Beginning May 1, 2021, the monthly retainer for a director was \$4,150. Additional monthly compensation paid for leadership positions included:

- Board Chairperson – \$830
- Board Vice Chairperson – \$620
- Chairperson of a coordinating committee subcommittee who is not a Board Chairperson or Vice Chairperson – \$410
- Chairperson of a coordinating committee subcommittee who is also the Chairperson or Vice Chairperson of the Board – \$210

**Frontier Farm Credit, ACA**  
**Disclosure Information**  
**Required by Farm Credit Administration Regulations (Unaudited)**  
**Compensation of CEO and Senior Officers**

The CEO and senior officers as of December 31, 2021, are shown below. The CEO and senior officers provide joint management for Frontier Farm Credit (Association) and Farm Credit Services of America (FCSAmerica).

<b>Name</b>	<b>Current Position</b>	<b>Date Started in Current Position</b>	<b>Previous Position(s) During Past Five Years</b>
Mark Jensen	President and CEO	November 2017	Senior Vice President – Chief Risk Officer
Scott Binder	Executive Vice President – Chief Operating Officer	January 2020	President and CEO, FCC Services
Robert Campbell	Senior Vice President – Business Development	January 2020	Senior Vice President
Wes Chambers	Senior Vice President – Business Development	March 2020	Regional Vice President – Business Development; Regional Vice President
Scott Coziahr	Executive Vice President – General Counsel	January 2020	Senior Vice President – General Counsel
Jason Edleman	Senior Vice President – Business Development	March 2020	Regional Vice President – Business Development; Regional Vice President
Shane Frahm	Senior Vice President – Agribusiness Capital	February 2017	Vice President – Agribusiness Credit
Chad Gent	Senior Vice President – Retail Credit	January 2017	Vice President – Retail Credit
Marshall Hansen	Senior Vice President – Agribusiness Capital	January 2020	Senior Vice President – Agribusiness Finance
David Hoyt	Senior Vice President – Treasury	March 2020	Vice President – Finance and Treasurer
Anthony Jesina	Senior Vice President – Insurance	January 2020	Senior Vice President – Related Services
Kenneth Keegan	Executive Vice President – Business Development	November 2017	Executive Vice President
Dallas Kime	Senior Vice President – Retail Commercial Lending	January 2020	Vice President – Retail Commercial Lending
Craig Kinnison	Executive Vice President – Chief Financial Officer	January 2020	Senior Vice President – Chief Financial Officer
Jim Knuth	Senior Vice President – Business Development	January 2020	Senior Vice President
Timothy Koch	Executive Vice President – Chief Credit Officer	January 2020	Senior Vice President – Chief Credit Officer; Senior Vice President – Specialized Lending
Brian Legried	Senior Vice President – AgDirect	April 2017	Vice President – Refined Fuels Sales & Energy Services, CHS Inc.
Duane Maciejewski	Senior Vice President – Emerging Markets	February 2020	Senior Vice President – Specialized Lending; Senior Vice President – AgDirect
Gary Mazour	Senior Vice President – Agribusiness Capital Credit	February 2017	Vice President – Capital Markets
Krista McDonald	Executive Vice President – Chief Strategy Officer	January 2020	Vice President – Sales Enablement; Vice President – Innovation and Strategy
Narayanan Nair	Senior Vice President – Chief Data Officer	June 2020	Director – Head of Data & Analytics, TD Ameritrade; Director – Product, D3 Banking Technologies; Director – Head of Data Management and Access, Union Pacific Railroad
Hans Nunnink	Senior Vice President – Enterprise Architecture & Principal Technical Architect	January 2021	Vice President & Principal Architect, Ticketmaster; Director & Acting Staff Engineer, American Express
Greg Salton	Senior Vice President – Chief Risk Officer	January 2018	Senior Vice President – Risk Management
Fallon Savage	Senior Vice President – Agribusiness Credit	September 2021	Senior Vice President – Agribusiness Capital; Vice President – Agribusiness Finance Operations
Robert Schmidt	Senior Vice President – Retail	January 2020	Senior Vice President – Business Development; Senior Vice President
Angela Treptow	Senior Vice President – Lending Operations	November 2021	Regional Vice President – Business Development; Regional Vice President
Russell Wagner	Executive Vice President – Chief Information Officer	January 2020	Senior Vice President – Chief Technology Officer
Angie Winegar	Senior Vice President – Centralized Business Solutions	April 2019	Vice President – Consumer Lending

## Frontier Farm Credit, ACA

### Disclosure Information

#### Required by Farm Credit Administration Regulations (Unaudited)

Other business interests of the CEO and senior officers are shown below.

Name	Other Business Interests
Mark Jensen	<ul style="list-style-type: none"> <li>• Board of Directors, Omaha Chamber of Commerce.</li> <li>• Advisory Council, University of Nebraska Clayton Yeutter Institute of International Trade and Finance.</li> </ul>
Scott Binder	<ul style="list-style-type: none"> <li>• Board of Directors and Plan Sponsor Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations.</li> </ul>
Robert Campbell	<ul style="list-style-type: none"> <li>• Board of Directors, Nebraska Farm Bureau Foundation, a non-profit organization promoting an understanding of the vital importance of agriculture in the state of Nebraska.</li> <li>• Advisory Council, University of Nebraska Center for Ag Profitability.</li> <li>• Owner of GrowLeadAchieve LLC, a leadership and business coaching company.</li> </ul>
Wes Chambers	<ul style="list-style-type: none"> <li>• Board of Directors, South Dakota Corn Growers Association, a non-profit organization promoting corn profitability, education and usage.</li> <li>• Board of Directors, South Dakota Ag Foundation, an organization that serves all South Dakota ag organizations, investing in the future of South Dakota agriculture through financial support, development for the future of ag, advocacy and unification throughout the industry, and work on land conservation.</li> </ul>
Scott Coziahr	<ul style="list-style-type: none"> <li>• Managing member of JDI Properties, LLC, a residential real estate management company.</li> </ul>
Jason Edleman	<ul style="list-style-type: none"> <li>• Managing member of JAE Properties, LLC, a real estate management company.</li> <li>• Managing member of Mud Duck, LLC, a real estate management company.</li> <li>• President of Walkers Inc., a retail service business.</li> </ul>
Shane Frahm	<ul style="list-style-type: none"> <li>• Managing member of Frahm Brothers Partnership, a production farming company.</li> <li>• Co-manager of Hollertz Farms, LLC, a production farming company.</li> </ul>
Chad Gent	<ul style="list-style-type: none"> <li>• Managing member of Double Summit, LLC, a real estate tax lien investment company.</li> </ul>
Marshall Hansen	<ul style="list-style-type: none"> <li>• Board member, Nebraska Career Education &amp; Innovation Foundation, an advocate for innovative career education opportunities for Nebraskans.</li> <li>• Director, FarmHouse Fraternity Association Board, a social fraternity committed to the development of young men on the campus of the University of Nebraska-Lincoln since its founding in 1911.</li> </ul>
Kenneth Keegan	<ul style="list-style-type: none"> <li>• Board of Directors, The Durham Museum, a non-profit regional learning and cultural center organization.</li> </ul>
Dallas Kime	<ul style="list-style-type: none"> <li>• President, J.H. Kime and Sons Company, a production ranching company.</li> <li>• President, J.H. Kime &amp; Sons Cattle Co., a production ranching company.</li> </ul>
Craig Kinnison	<ul style="list-style-type: none"> <li>• Trust Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations.</li> <li>• Board member of the Farm Credit System Captive Insurance Company, a provider of insurance coverage to System organizations.</li> <li>• Board of Directors, Food Bank for the Heartland, a non-profit organization that distributes emergency and supplemental food to people in Nebraska and western Iowa.</li> <li>• Board of Directors, Costa Blanca Condominium Owners Association.</li> </ul>
Krista McDonald	<ul style="list-style-type: none"> <li>• Board of Directors, ProPartners Financial (PPF), a provider of credit programs for the direct sellers of crop inputs and seed in the United States. PPF is a collaboration of Farm Credit System institutions.</li> </ul>
Greg Salton	<ul style="list-style-type: none"> <li>• Advisory Council, Kansas State University Center for Risk Management Education and Research.</li> </ul>
Fallon Savage	<ul style="list-style-type: none"> <li>• Board of Directors, Four Points Federal Credit Union, a financial services cooperative offering banking products and services to members.</li> </ul>
Robert Schmidt	<ul style="list-style-type: none"> <li>• Board of Governors, South Dakota State University Foundation, a non-profit organization supporting private funding for the University.</li> </ul>

## Frontier Farm Credit, ACA

# Disclosure Information

### Required by Farm Credit Administration Regulations (Unaudited)

**Compensation Overview:** The Association's compensation programs are market-based and designed to provide competitive compensation, including base salary, incentives and benefits that attract, retain, motivate and reward an engaged and talented workforce while achieving business results aligned with the best interests of our shareholders.

The design and governance of our CEO and senior officer compensation program are consistent with prudent risk management standards and provide total compensation that promotes our mission to ensure a safe, sound and dependable source of credit and related services for agriculture and rural America. The design of the compensation program supports our risk management goals and includes (1) a competitive mix of base salary and variable pay, (2) a pay-for-performance process that allocates individual awards based on individual performance and contributions, (3) a balanced use of variable pay performance measures that are risk-adjusted where appropriate, and (4) a long-term portion of variable pay to align with the strategic direction of the Association.

Compensation for the CEO and senior officers includes base salary, short-term incentive plan opportunity and long-term incentive plan opportunity. Compensation for all other employees includes base salary and short-term incentive plan opportunity. The CEO and senior officers participate in benefit plans generally available to all employees. Under the alliance agreement described in Note 1, "Organization and Operations," the 2021 compensation and benefits expense for the CEO, senior officers, and all Association and FCSAmerica employees was shared between the Association and FCSAmerica on a 6.3 percent and 93.7 percent basis, respectively, excluding any Association pension plan expense in excess of FCSAmerica's retirement programs.

The CEO, Mr. Mark Jensen, does not have an employment agreement. Any CEO employment agreement is at the discretion of the Board of Directors.

**Base Salaries:** Base salaries for all employees, including the CEO and senior officers, are determined based upon position, experience and responsibilities, performance, and market-based compensation data. The CEO base salary is reviewed and approved by the Board of Directors. The Board of Directors approves the merit and market-adjustment pools available for senior officers' base salaries. Employer expense for base salaries is included in "Salaries and employee benefits" on the Consolidated Statements of Comprehensive Income, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

**Short-Term Incentive:** The Board of Directors approves the annual short-term incentive plan, including the performance measures. The 2021 short-term incentive plan performance measures included combined results for the Association and FCSAmerica. The senior officers participate in the annual short-term incentive plan along with other eligible Association employees. Select employees must sign an assignment, nonsolicitation and nondisclosure agreement to participate in the short-term incentive plan. Payouts under the short-term incentive plan are based on financial and business results and credit performance measures, and are approved by the Board of Directors. Payouts are not provided unless specific levels of performance are achieved.

No more than one-half of the short-term incentive-plan award opportunity may be paid in the fourth quarter of the plan year (first award payout), and the remainder of the award payout (final award payout) is paid no later than March 15 after the end of the plan year. The first award payout is based on the results achieved as of September 30 for select performance measures. The final award payout is based upon the year-end results net of the first award payout. The first payout under the 2021 short-term incentive plan occurred in November 2021. The second and final payout occurred in February 2022 and was net of the November 2021 payout.

The CEO's short-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the short-term incentive plan and has historically and for 2021 used the results from the short-term incentive plan to determine the payout amount.

The accrued expense for the annual short-term incentive plan was \$46.3 million plus accrued costs of \$7.6 million for a total of \$53.9 million for 2021, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.



## Frontier Farm Credit, ACA

### Disclosure Information

#### Required by Farm Credit Administration Regulations (Unaudited)

**Long-Term Incentive:** The CEO and senior officers are eligible for long-term senior officer incentive plans. The long-term incentive plans were approved by the Board of Directors to align CEO and senior officer compensation with the strategic business plan and the goals of the Association while providing the opportunity for competitive market-based compensation at a level that will attract, retain and reward key staff for the accomplishment of Association goals. The CEO and senior officers must sign an assignment, nonsolicitation and nondisclosure agreement to participate. The plans are nonqualified performance unit plans that are effective January 1, 2019, through December 31, 2021; January 1, 2020, through December 31, 2022; and January 1, 2021, through December 31, 2023.

The plans have independent performance goals measured over the three-year term of the plans that include core return on assets, customer experience index, employee engagement, adverse assets to risk funds and nonaccrual loans to total classified assets. The results included in the plans were combined results for the Association and FCSAmerica.

The Board of Directors approves the total dollars available for the long-term incentive plans, which are then converted into units. The value of each unit is determined by the results achieved toward the established goals. The CEO has discretion as to the distribution of the units to the senior officers for each three-year plan, which is based on consideration of market compensation and individual contributions and performance. The CEO's long-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the long-term incentive plan and has historically used the results from the long-term senior officer incentive plan to determine the unit value for the payout amount.

Payments are made no later than March 15 after the end of each three-year plan's term. The payout for the 2019–2021 plan occurred in February 2022 and is reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar year 2021. The payouts for the 2017–2019 and 2018–2020 plans were paid in the first quarter of 2020 and the first quarter of 2021, respectively, and are reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar years 2019 and 2020.

A liability and salary and benefits expense of \$6.0 million was recorded in 2021 for the long-term incentive plans. The expense was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

**Frontier Farm Credit, ACA**  
**Disclosure Information**  
**Required by Farm Credit Administration Regulations (Unaudited)**

The following Summary Compensation Table includes compensation paid to the CEO and senior officers during fiscal years 2021, 2020 and 2019.

Name of CEO	Year <sup>(1)</sup>	Salary <sup>(2)</sup>	Short-Term Incentive <sup>(3)</sup>	Long-Term Incentive <sup>(4)</sup>	Deferred <sup>(5)</sup>	Other <sup>(6)</sup>	Total
Mark Jensen, CEO	2021	\$800,000	\$600,000	\$592,875	\$277,278	\$5,761	\$2,275,914
Mark Jensen, CEO	2020	\$700,000	\$525,000	\$519,600	\$237,475	\$15,095	\$1,997,170
Mark Jensen, CEO	2019	\$650,000	\$469,235	\$330,000	\$182,417	\$6,064	\$1,637,716

Aggregate No. of Sr. Officers in Year Excluding CEO <sup>(7)</sup>	Year <sup>(1)</sup>	Salary <sup>(2)</sup>	Short-Term Incentive <sup>(3)</sup>	Long-Term Incentive <sup>(4)</sup>	Deferred <sup>(5)</sup>	Other <sup>(6)</sup>	Total
31	2021	\$7,286,151	\$4,917,914	\$3,598,682	\$1,808,645	\$771,062	\$18,382,454
29	2020	\$6,883,716	\$4,712,596	\$2,968,085	\$1,743,494	\$1,504,136	\$17,812,027
22	2019	\$5,691,726	\$3,737,203	\$2,946,240	\$1,320,750	\$147,238	\$13,843,157

<sup>(1)</sup> The Association paid 6.3 percent, 6.3 percent and 6.4 percent of the compensation expense for 2021, 2020 and 2019, respectively. Farm Credit Services of America paid 93.7 percent, 93.7 percent and 93.6 percent of the compensation expense for 2021, 2020 and 2019, respectively.

<sup>(2)</sup> Salary earned in the fiscal year.

<sup>(3)</sup> Incentive earned in the fiscal year.

<sup>(4)</sup> Incentive earned at the end of the respective three-year, long-term incentive plan. For 2019, the number includes long-term incentive for retired CEO Mr. Doug Stark based upon his employment agreement.

<sup>(5)</sup> Association contributions to the Defined Contribution Plan and Nonqualified Deferred Compensation Plan during the fiscal year.

<sup>(6)</sup> Executive physicals, sign-on bonus, special recognition bonus, retirement gift, severance, taxable moving expense, vacation-leave payout, recognition and referral awards, health and fitness account payouts, health incentives, taxable vehicle use, long-term disability premiums and group life insurance imputed income incurred during the fiscal year. For 2021 and 2020, this number includes severance payouts for executive departure.

<sup>(7)</sup> Employees designated as senior officers during the fiscal year. At year end of 2021 there were 31 senior officers. There were two senior officers who retired in 2020, one senior officer whose position was eliminated in 2021, and one senior officer who left the Association in 2021.

Disclosure of the total compensation paid during 2021 to any senior officer included in the Summary Compensation Table is available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

Details of the benefit plans are described in Note 9 to the consolidated financial statements, "Employee Benefit Plans."

## Frontier Farm Credit, ACA

### Disclosure Information

#### Required by Farm Credit Administration Regulations (Unaudited)

#### Travel, Subsistence and Other Related Expenses

Director and employee reimbursements for travel, subsistence and other related expenses are set forth in the Board's Governance Guidelines and Human Resources Manual. Each provides authority for and control over reimbursement of travel and subsistence expenses for authorized individuals traveling on official business. Copies of the related Governance Guidelines and Human Resources Manual provisions are available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all our directors was \$23 thousand in 2021, \$36 thousand in 2020 and \$77 thousand in 2019.

#### Transactions with Directors, Senior Officers and Employees

Directors and certain employees may obtain loans from us, provided they meet all eligibility requirements and provided that such loans are made on the same terms available to other customers. Approval of CoBank, ACB is required for loans to our directors and employees, and for loans to any customer if a director or employee is to receive more than \$50 thousand of the loan proceeds, has a significant personal interest in the loan or its security, may exercise control over the customer, or guarantees or cosigns a loan in excess of \$50 thousand. Further, directors and employees are required to refrain from taking any part in the consideration or decision on any loan in which they or their relatives have an interest.

Our bylaws and policies require that directors' loans be maintained at a high level of credit quality. Any director whose loan is classified "substandard" must prepare and obtain approval of a plan to improve and upgrade the loan within a specified period of time. For directors, failure to comply with our bylaws and policies would result in the director's position being vacated. Directors whose loans are classified "doubtful" or "loss," or have any portion of a loan charged off, must resign immediately.

The Farm Credit Act and Farm Credit Administration regulations require certain disclosures to stockholders concerning loans to directors and employees, their relatives, organizations with which they are affiliated or entities that they may control. Disclosure is required where such loans were made on terms other than those available to other customers, or where such loans are considered to have more than a normal risk of collectability. None of our loans made to directors or employees, their relatives, affiliated organizations or entities they may control were made on terms other than those available to all customers, nor were any such loans considered to have more than a normal risk of collectability.

Director, senior officer and employee non-loan transactions with us are regulated by our policy.

Concerning property that was mortgaged or pledged as security for Farm Credit System debt within the preceding 12 months, the policy requires that senior officers and employees obtain approval from the Standards of Conduct officer for purchase of the property.

Concerning property acquired within the preceding 12 months in satisfaction of Farm Credit System debt, this policy:

- prohibits lease, purchase or acquisition except through inheritance by senior officers and employees; and
- prohibits lease, purchase or acquisition except through inheritance, public auction or other open competitive bidding process by directors.

The policy does permit directors, senior officers and employees to purchase furniture and equipment owned by us provided that any item having a value of greater than \$5 thousand must be purchased through an open, competitive bidding process.

The Farm Credit Act and Farm Credit Administration regulations also require certain disclosures to stockholders concerning non-loan transactions a director or senior officer, or any of his or her relatives, affiliated organizations or entities he or she may control, has with us. Such disclosure is required if such transactions did not involve competitive bidding, involved amounts in excess of \$5 thousand or provided a special benefit to the director or senior officer. No such transactions took place during 2021.

**Frontier Farm Credit, ACA**  
**Disclosure Information**  
**Required by Farm Credit Administration Regulations (Unaudited)**

**Involvement in Certain Legal Proceedings**

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There were no material legal proceedings or enforcement actions involving Frontier Farm Credit, our directors or senior officers that require disclosure in this section.

**Relationship with Qualified Public Accountant**

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PricewaterhouseCoopers LLP serves as our qualified public accountant. There were no changes in our qualified public accountant since the prior annual report to stockholders, and there were no material disagreements on any matter of accounting principles or financial statement disclosures during this period. Expenses recognized in the 2021 consolidated financial statements for services provided by PricewaterhouseCoopers LLP were approved by the Board Audit Committee and include \$83 thousand for audit services and \$5 thousand for tax-review services.

**Financial Statements**

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The “Consolidated Financial Statements,” “Notes to Consolidated Financial Statements,” “Report of Management,” “Report on Internal Control Over Financial Reporting,” “Report of Audit Committee” and “Report of Independent Auditors” required to be disclosed in this section are incorporated herein by reference from this annual report to stockholders.

**Credit and Services to Young, Beginning and Small Producers**

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We have specific programs in place to serve the credit and related needs of young, beginning and small producers in our territory. Programs focus on providing sound financial services, education and networking opportunities. The definitions of young, beginning and small producers follow:

**Definitions**

- Young – farmer or rancher who is 35 or younger as of the loan transaction date.
- Beginning – farmer or rancher who has 10 years or less of farming, ranching or aquatic experience as of the loan transaction date.
- Small – farmer or rancher who normally generates less than \$250,000 in annual gross sales of agricultural or aquatic products.

**Program Elements**

Our program for serving young, beginning and small producers includes the following:

**Conventional Loans:** Producers 35 or younger, or with 10 years or less of farming or ranching experience, may have sufficient capacity, credit history or financial backing to meet our traditional loan-approval standards.

**AgStart Loans:** Producers 35 or younger, or with 10 years or less of farming or ranching experience, can benefit from modified credit-approval standards to help them gain access to debt capital. It is the goal of the program to help facilitate the financial growth of the customer and graduate participating producers from the AgStart program into conventional product offerings over time.

## Frontier Farm Credit, ACA

### Disclosure Information

#### Required by Farm Credit Administration Regulations (Unaudited)

**Development Fund:** This program assists young, beginning and small producers who are beginning, growing or enhancing an agricultural-based operation by providing them business planning assistance and includes three loan products: Working Capital Loan, Breeding Livestock Loan and Contract Finish Loan. As of December 31, 2021, we had four customers enrolled in the program, with a total commitment of \$440 thousand in Development Fund lending.

**Youth in Agriculture Loans for Breeding Livestock:** The Breeding Livestock Loan program for youth provides loans for terms of one to five years, up to \$10,000, for the purpose of purchasing breeding livestock. These loans require a cosigner of legal age and are approved based on the strength and credit scores of the cosigner.

**Education and Finance Sponsorships:** We provide donations and sponsor state and local FFA activities and conventions, state 4-H activities and conventions, and agricultural leadership programs.

**College Scholarships:** In 2021, we offered \$2,500 scholarships to eight qualified students studying agriculture at Kansas State University. Additionally, we offered the following scholarships to qualified students studying agriculture and related majors at selected educational institutes: \$2,000 scholarships to four students at community colleges; \$2,000 scholarships to eight FFA students in high school.

**Small Producer Financing:** Small producers are served primarily through three loan programs: Rural 1<sup>st</sup> Home Loans, AgDirect and the full line of products and services offered through our retail marketplaces. All of these programs are designed to meet the needs of small producers, part-time farmers or rural residents with a convenient and efficient delivery of financial services. Small producers who also meet the definition of young or beginning are eligible for the young and beginning program.

#### Credit Underwriting Standards

Young and beginning producers who do not meet traditional credit standards are considered under an outreach loan program called AgStart. Through this program, applicants' requests are analyzed and assessed based primarily on character and capacity credit factors. Farm Service Agency guarantees are used as deemed necessary, with additional support provided by our payment of the first \$2,500 of external fees.

As of December 31, 2021, AgStart customers accounted for 377 loans to 224 customers with an outstanding commitment of \$52 million. AgStart loan volume grew by 8.4 percent in 2021.

#### Results and Goals

As of December 31, 2021, we had 2,790 unique young, beginning and small customers, with total loan volume of \$526 million. These include:

- 349 customers who qualify as young, with total loan volume of \$53 million.
- 751 customers who qualify as beginning, with total loan volume of \$137 million.
- 2,611 customers who qualify as small, with total loan volume of \$494 million.

**Young and Beginning Segment:** The 2017 U.S. Department of Agriculture Census of Agriculture reports operators who meet the criteria for young, beginning and small, as well as farms with any operators meeting the criteria, including farms with debt. A significant change to the 2017 Census of Agriculture is the elimination of the "principal operator," making it difficult to compare numbers to previous Census of Agriculture years. In our territory, there are 1,665 farms with debt with a young operator. There are 2,867 farms with debt with a beginning operator. As of December 31, 2021, we had 349 young customers and 751 beginning customers, some of whom are counted in both categories. This equates to a young market share of 21.0 percent and a beginning market share of 26.2 percent. Total loan volume to young and beginning customers was \$158 million.

**Small Producer Segment:** According to 2017 U.S. Department of Agriculture Census of Agriculture data, 25,550 farms representing 89.0 percent of all farms in our territory meet the definition of small (less than \$250,000 in annual gross sales of agricultural products). The 2017 Census of Agriculture includes any operation with farm income in its definition of a farm.

## Frontier Farm Credit, ACA

# Disclosure Information

## Required by Farm Credit Administration Regulations (Unaudited)

	Potential Customers*	Frontier Farm Credit Customers	Market Share***
Young	1,665	349	21.0%
Beginning	2,867	751	26.2%
Small**	5,332	2,611	49.0%

\* 2017 U.S. Department of Agriculture Census of Agriculture data of farms with debt.

\*\* Potential customers in the small category are producers with debt who reported annual gross sales between \$10,000 and \$249,999.

\*\*\* Market share was computed by comparing the number of producers in the young, beginning or small categories maintaining a loan relationship with Frontier Farm Credit to the total number of producers with debt in those categories.

### Young, Beginning and Small Producer New Customer Growth

	2022 Goals	2023 Goals	2024 Goals
Young	49	50	51
Beginning	84	86	89
Small	137	140	143

**Special Program Goal (AgStart):** This program goal will positively affect all three young, beginning and small producer categories. Use of this outreach loan program is seen as a critical component of long-term success in the marketplace.

The Association's goal is to increase AgStart loan commitments by 8.0–12.0 percent annually.

## Related Services

**Young and Beginning Producer Conference:** The annual Side by Side Conference was held in Omaha, Nebraska, on July 28–30, 2021. There were seven customers in attendance from Frontier Farm Credit, who attended in conjunction with Farm Credit Services of America and other Farm Credit System customers. Additionally, monthly webinars were hosted throughout the year on topics tailored to young and beginning producers. These educational programs provide producers with the opportunity to network with one another, learn from speakers, learn more about Frontier Farm Credit and become better-informed business managers.

**Education and Finance Sponsorships:** We awarded \$44,000 in college scholarships for 20 students in 2021. We donated over \$46,800 for state and local FFA and 4-H activities and provided additional funding and resources for young and beginning producer education, leadership programs and community grants.

## Awareness

**Young, Beginning and Small Producer Team:** The Association implemented an enhanced strategy to serve young, beginning and small producers. This strategy includes specialized roles dedicated to directly serving the segment, as well as program management roles that design and implement education and lending programs. A standing cross-functional team continues to guide the ongoing focus of supporting the credit and related needs of young, beginning and small producers.



**Frontier Farm Credit, ACA**  
**Disclosure Information**  
**Required by Farm Credit Administration Regulations (Unaudited)**

**Frontier Farm Credit Retail Office Locations**

1270 N 300 Road  
**Baldwin City, KS 66006**

1808 Road G  
**Emporia, KS 66801**

2219 Natchez Street  
**Hiawatha, KS 66434**

2009 Vanesta Place  
**Manhattan, KS 66503**

835 Pony Express Highway  
**Marysville, KS 66508**

2005 Harding Drive  
**Parsons, KS 67357**



**Agriculture Works Here.® / 800-397-3191 / [frontierfarmcredit.com](http://frontierfarmcredit.com)**

Frontier Farm Credit strives to be environmentally conscious. If you would like to receive an additional copy of our 2021 annual report, please contact us at 1-800-397-3191.

*Agriculture Works Here and GrowingOn are registered trademarks of Farm Credit Services of America and are used with permission.*

*AgDirect is an equipment financing program offered by Farm Credit Services of America and other participating Farm Credit System Institutions with lease financing provided by Farm Credit Leasing Services Corporation.*

*FarmLend® is a registered trademark of Farm Credit Services of America and is used with permission.*

*Rural 1<sup>st</sup>® is a tradename and Rural 1<sup>st</sup>, the Rolling Hills Window icon, Rural Logic, and Closer to What Matters are exclusive trademarks of Farm Credit Mid-America, NMLS ID 407249. Rural 1<sup>st</sup> is also available to consumers within the territories of participating Farm Credit System Associations, including Frontier Farm Credit (NMLS ID 628123).*

*Cash-back dividends are based on eligible loan volume and Association financial results. Prior distributions should not be interpreted as guarantees of future performance.*

*All loans subject to credit approval and eligibility.*



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