



2021 Annual Report

MISSION

The Farm Credit System Insurance Corporation, a government-controlled, independent entity, shall

- protect investors in insured Farm Credit System obligations and taxpayers through sound administration of the Farm Credit Insurance Fund,
- exercise its authorities to minimize Insurance Fund loss, and
- help ensure the future of a permanent system for delivery of credit to agricultural borrowers.





June 30, 2022

Dear Mr. President and Madam Speaker:

The Farm Credit System Insurance Corporation is pleased to submit its annual report for calendar year 2021. This report highlights our role as the independent federal government-controlled corporation established to insure the timely payment of principal and interest to investors in insured Farm Credit System debt securities.

The balance in the Farm Credit Insurance Fund as of December 31, 2021, was \$6.0 billion. In 2021, we earned \$460.8 million in insurance premiums from Farm Credit System banks and \$48.9 million in investment income. In 2022, we expect to incur \$4.7 million in operating costs.

FCSIC is proud of the role we play in supporting the safety and soundness of the Farm Credit System, and we are committed to faithfully fulfilling our mission.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffery S. Hall", is written over a light blue rectangular background.

Jeffery S. Hall
Chairman

The President of the United States Senate
The Speaker of the United States House of Representatives

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MESSAGE FROM THE CHAIRMAN

I am pleased to present the 2021 Annual Report of the Farm Credit System Insurance Corporation. It is gratifying to note that, for the 32nd consecutive year since we began issuing financial statements, our independent public auditor has issued unmodified or unqualified opinions on those statements. The enclosed opinion letter indicates that the financial statements of the Farm Credit Insurance Fund, of which we are stewards, are fairly and accurately presented and FCSIC maintained effective internal control over financial reporting.

FCSIC's net income for 2021 was \$505.5 million, compared with \$316.0 million for the previous year. The Insurance Fund balance as of December 31, 2021, was \$6.0 billion, compared with \$5.5 billion at year-end 2020 (see Table 1).

Revenue from insurance premiums paid by Farm Credit System banks was \$460.8 million for 2021, compared with \$255.4 million for 2020. Interest income for 2021 totaled \$48.9 million, compared with \$64.6 million in 2020.

In accordance with the requirements of the Federal Managers' Financial Integrity Act of 1982, management conducts an annual assessment of FCSIC's internal controls. The 2021 assessment found that, in the reviewed areas, internal controls comply with the standards prescribed by the U.S. Government Accountability Office and provide reasonable assurance that program objectives are being met.

We will continue to carry out our mission and work in 2022 to achieve our strategic goals and objectives. We are mindful of our public trust and will ensure that investors, Congress, the Farm Credit System, and other regulatory agencies receive timely and accurate information on issues concerning the Insurance Fund.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffery S. Hall".

Jeffery S. Hall

BOARD OF DIRECTORS

The Farm Credit System Insurance Corporation is managed by a three-member board of directors comprising the same three individuals who make up the Farm Credit Administration (FCA) board. However, the same member may not serve as chairman of both entities. FCA is the independent federal agency responsible for the regulation and examination of the Farm Credit System (System), a nationwide network of financial cooperatives that lend to agriculture and rural America.

Currently, the two members of the board of directors are Chairman Jeffery S. Hall and Glen R. Smith. Mr. Hall is serving a term that expired on October 13, 2018. Mr. Smith is serving a term that expired on May 21, 2022. One position remains vacant.



JEFFERY S. HALL



Jeffery S. Hall is chairman of the board of directors of FCSIC. He was elected to this position on November 29, 2016. Mr. Hall has served on the FCSIC board and on the FCA board since his appointment by President Barack Obama on March 17, 2015. He is serving a term that expired on October 13, 2018.

Before coming to FCSIC and FCA, Mr. Hall was president of The Capstone Group, an association management and consulting firm that he cofounded in 2009. From 2001 to 2009, he was the state executive director for the U.S. Department of Agriculture's (USDA's) Farm Service Agency in Kentucky. In that role, he was responsible for farm program and farm loan program delivery and compliance.

From 1994 to 2001, Mr. Hall served as assistant to the dean of the University of Kentucky, College of Agriculture, advising the dean on state and federal legislative activities and managing a statewide economic development initiative called Ag-Project 2000.

Mr. Hall also served as a senior staff member in the office of U.S. Senator Mitch McConnell from 1988 to 1994. During that time, he was the legislative assistant for agriculture, accountable for internal and external issue management.

Before joining Senator McConnell's staff, Mr. Hall served on the staff of the Kentucky Farm Bureau Federation. Over his 30-year career in agriculture, he has held leadership positions in the following nonprofits: the Kentucky Agricultural Council, the Agribusiness Industry Network, the Louisville Agricultural Club, the Kentucky Agricultural Water Quality Authority, and the Governor's Commission on Family Farms.

Mr. Hall was raised on a family farm in southern Indiana, which has been in his family for more than 200 years. He is currently a partner in the farm with his mother and sister. Mr. Hall received a Bachelor of Science degree from Purdue University.

GLEN R. SMITH



Glen R. Smith was appointed to the Farm Credit System Insurance Corporation board of directors and Farm Credit Administration board by President Donald Trump on December 8, 2017. Mr. Smith is serving a term that expired on May 21, 2022.

Mr. Smith is a native of Atlantic, Iowa, where he was raised on a diversified crop and livestock farm. His farm experience started at a very early age, after his father was involved in a disabling farm accident. He graduated from Iowa State University in 1979 with a Bachelor of Science in agricultural business and accepted a position with Doane Agricultural Services as state manager of the company's farm real estate division.

In 1982, Mr. Smith and his wife, Fauzan, moved back to his hometown and started farming and developing his ag service business. Today, their family farm, Smith Generation Farms Inc., has grown to encompass about 2,000 acres devoted to corn, soybeans, hay, and a small beef cow herd.

Mr. Smith is founder and co-owner of Smith Land Service Co., an ag service company that specializes in farm management, land appraisal, and farmland brokerage, serving about 30 Iowa counties. From 2001 to 2016, he was also co-owner and manager of S&K Land Co., an entity involved in the acquisition, improvement, and exchange of Iowa farmland. Mr. Smith has served on numerous community, church, and professional boards. He was elected to the Atlantic Community School Board of Education on which he served for nine years.

In 1990, he earned the title of Accredited Rural Appraiser from the American Society of Farm Managers and Rural Appraisers. In 2000, he served as president of the Iowa chapter of that organization. He is a lifelong member of the Farm Bureau, Iowa Corn Growers Association, Iowa Soybean Association, and Iowa Cattlemen's Association.

The Smiths have four grown children and five grandchildren. Three of their children are involved in production agriculture. Their son Peter has assumed managerial responsibilities for both the family farm and business.

2021 — YEAR IN REVIEW

FCSIC Operations During the Pandemic

Because of the COVID-19 pandemic, in March 2020, FCSIC began operating 100% remotely, with all employees working from home. We initially thought this status would last 60 to 90 days; instead, we remained in maximum telework status throughout 2021. FCSIC's very small staff means that ensuring that all of employees are protected from undue risk is vital to being able to fulfill our mission. FCSIC is committed to the health and safety of our employees and we will continue to operate in a manner that does not create undue risks for our staff as we transition back to in-office operations in 2022.

Working remotely, we continued to fulfill our mission and complete all necessary tasks, maintaining our business model of operating efficiently with a small core staff and outsourcing support services from government and private-sector contractors. In 2021, we accomplished the following:

- Kept our operating costs below budget, totaling \$4.2 million, up slightly from \$4.1 million in 2020.
- Earned enough in interest income from investments to cover annual operations during the first five weeks of 2021.
- Insured repayment of \$353 billion at the end of 2021, up from \$323 billion in 2020 (a 9.4% annual increase and up from \$53 billion when we became operational in January 1993).
- Managed an insurance fund of approximately \$6.0 billion at the end of 2021, up from \$5.5 billion in 2020 (and up from \$488 million in January 1993).
- Kept FCSIC's staff small, growing from 9 employees in 1993 to only 11 in 2021, despite the significant growth in insured debt and the Insurance Fund.
- Kept our operating costs very low as a percentage of average assets, at about 7 basis points in 2021, unchanged from 2020.
- Welcomed a new Chief Risk Officer, John Simonson, who brings over 30 years of experience in finance, risk management and resolution planning to FCSIC.
- Implemented a new Governance, Risk and Compliance (GRC) software tool to further automate processes and enhance internal controls.
- Maintained readiness to provide liquidity assistance to, and act as receiver or conservator for, a System institution.
- Received an unqualified or unmodified opinion on our financial statements for the 32nd consecutive year. Our external auditor also issued an opinion stating that FCSIC maintained effective internal control over financial reporting.
- Furthered our operational efficiency in vital services by entering into a new four-year Interagency Agreement with FCA and renewed our contract with the Bureau of Fiscal Services Administrative Resource Center.

Collaboration with Other Federal Agencies

In addition to leveraging public and private sector resources to support our operations, we maintain productive dialogue with a number of other federal agencies to support our mission. During 2021, we worked closely with the Farm Credit Administration on joint issues of concern, including climate risk, cyber risk, liquidity, and capital. We strengthened our relationship with the Federal Deposit Insurance Corporation (FDIC) to provide support and training for receivership and conservatorship readiness. We also maintained contact with the National Credit Union Administration (NCUA) on resolution issues and with both the FDIC and NCUA on best practices for administration of our Insurance Fund. We also interacted with representatives from the Federal Housing Finance Agency, the Federal Reserve, and the Office of Comptroller of the Currency to discuss risk issues of joint concern. We value and appreciate the support we receive from our federal counterparts.



Table 1

Selected Financial Statistics for the Farm Credit System Insurance Corporation

(Dollars in Millions)

BALANCE SHEET	2021	2020	2019
Total assets	\$ 5,960.5	\$ 5,454.9	\$ 5,201.5
Total liabilities	0.7	0.6	0.5
Insurance Fund			
Allocated insurance reserves accounts	0.0	0.0	62.7
Unallocated Insurance Fund	5,959.8	5,454.3	5,138.3
OPERATIONS			
Revenues	509.7	320.0	317.1
Operating expenses	4.1	4.0	3.9
Net income	\$ 505.5	\$ 316.0	\$ 313.2



THE FARM CREDIT SYSTEM

Structure and Funding

The Farm Credit System is a network of federally chartered, cooperative lending institutions owned by the agricultural and rural customers it serves, including farmers, ranchers, producers and harvesters of aquatic products, agricultural cooperatives, and farm-related businesses. As of December 31, 2021, the System had 4 banks and 67 associations. Each association has its own chartered territory and is affiliated with one of the four banks. See Table 2 for the combined financial statistics for the banks and associations.

Table 2

Combined Farm Credit System Statistics

(Dollars in Billions)

	2021	2020	2019
Insured debt outstanding ¹	\$ 353.4	\$ 323.0	\$ 294.4
Real estate mortgage loans	164.5	147.6	132.2
Production and intermediate-term loans	62.6	58.0	56.1
Agribusiness loans:			
Processing and marketing	34.3	31.9	28.2
Loans to cooperatives	21.3	20.0	17.8
Farm-related business	5.1	4.5	4.1
Rural infrastructure loans:			
Power	23.6	22.1	19.4
Communication	10.3	9.7	7.9
Water/Waste water	3.1	2.7	2.4
Rural residential real estate loans	6.9	6.9	7.4
Agricultural export finance loans	7.1	6.9	6.7
Lease receivables	4.2	4.3	3.9
Loans to other financing institutions	1.0	0.9	0.9
Cash and investments	80.8	74.2	68.3
Net income	6.8	6.0	5.4
Nonperforming loans as a percentage of total loans	0.5 %	0.6 %	0.8 %

Source: Federal Farm Credit Banks Funding Corporation

1. Insured debt outstanding is based on System institution call report information and reflects the book value of insured debt outstanding plus accrued interest as of December 31, 2021, 2020, and 2019. (Book value excludes fair-value adjustments.)

Associations receive funding from their affiliated bank and lend directly to their owner-borrowers, providing a consistent and reliable source of agricultural and rural credit throughout the United States, including the Commonwealth of Puerto Rico. One of the System banks (CoBank) also has nationwide authority to make retail loans to cooperatives and other eligible entities.

The banks obtain funds for their operations primarily through the sale of consolidated Systemwide debt securities. The banks own and use the Federal Farm Credit Banks Funding Corporation (Funding Corporation) to issue Systemwide debt securities in the capital markets. As the fiscal agent for the banks, the Funding Corporation partners with a select group of dealers to market and distribute the securities to investors throughout the world.

Systemwide debt securities are the general unsecured joint and several obligations of the banks. Systemwide debt securities are not obligations of and are not guaranteed by the U.S. government. In addition, Systemwide debt securities are not the direct obligations of the System associations and, as a result, the capital of the associations may not be available to support principal and interest payments on Systemwide debt securities.

Investor Protection

Investors provide the funds that the System lends to agriculture and rural America. FCSIC's primary purpose, as defined by the Farm Credit Act, is to insure the timely payment of principal and interest on Systemwide debt securities purchased by these investors.

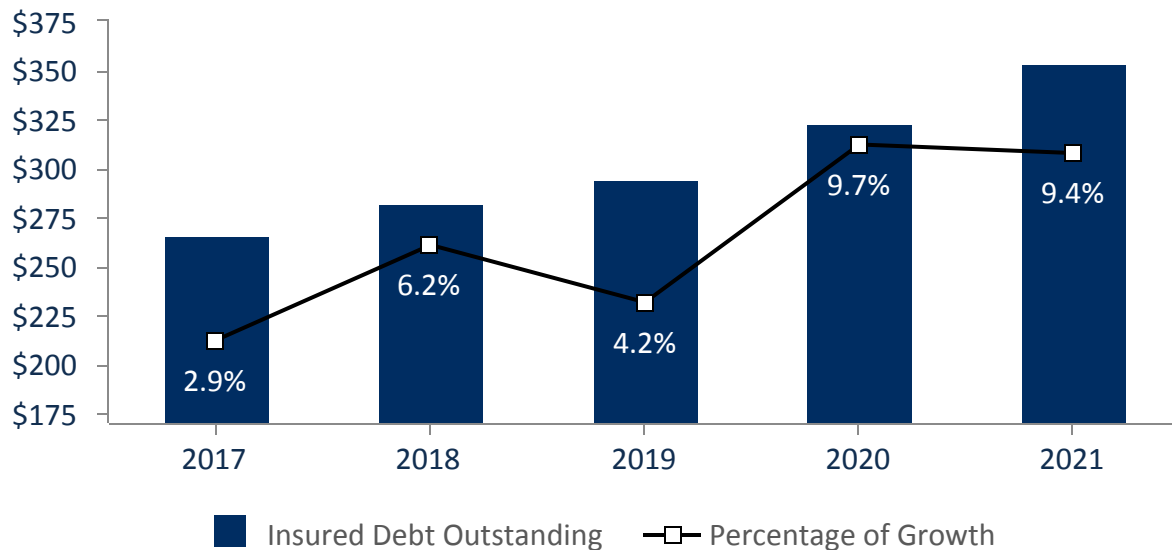
Regulatory Oversight

FCA is responsible for the examination, supervision, and regulation of each System institution. It is an independent agency in the executive branch of the U.S. government and derives its authorities from the Farm Credit Act. These authorities include examination and enforcement authorities similar to those of commercial bank regulators. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCSIC, FCA, and the System.

Insured Obligations

FCSIC insures Systemwide and consolidated bonds, notes, and other obligations issued by System banks through the Funding Corporation under section 4.2(c) or (d) of the Farm Credit Act. Figure 1 shows that insured debt outstanding increased by 9.4% in 2021 to \$353.4 billion, compared with an increase of 9.7% in 2020.

Figure 1
Insured Debt Outstanding:
Growth Averaged 6.5% Over the Past Five Years
 (Dollars in Billions)



Note: Insured debt outstanding, which is based on the call report information provided by System institutions, reflects the book value of insured debt outstanding, plus accrued interest. (Book value excludes fair-value adjustments.)

Farm Credit System Capital

The primary source of funds to repay insured Systemwide debt securities is the System's borrowers. Each borrower must have a minimum net worth, and in most cases, collateral posted to secure the loan. The borrower makes payments on the loan to the lending bank or association, the lending association in turn makes payments on its loan to the lending bank, and the banks ultimately repay Systemwide debt securities.

All the banks and associations currently exceed their minimum regulatory capital requirements as protection and support for the repayment of the outstanding insured debt. If a bank were unable to repay its portion of an insured Systemwide debt obligation, FCSIC would use the Insurance Fund to make the payment on its behalf. If the assets in the Insurance Fund were exhausted, the Farm Credit Act's provisions for joint and several liability would be triggered, requiring the other System banks to repay the defaulting bank's portion of the debt.

As Figure 2 shows, the amount of System bank capital plus the balance in the Insurance Fund increased 25.9% from \$23.2 billion at year-end 2017 to \$29.2 billion at year-end 2021. Bank capital plus the amount in the Insurance Fund as a percentage of insured debt outstanding has fluctuated in the range of 8.3% to 8.8% over the past five years, with bank capital plus the amount in the Insurance Fund as a percentage of insured debt equaling 8.3% as of year-end

2021 (see Figure 3). Without the Insurance Fund, bank capital as a percentage of insured debt was 6.6% at year-end 2021 and 7.0% at year-end 2020.

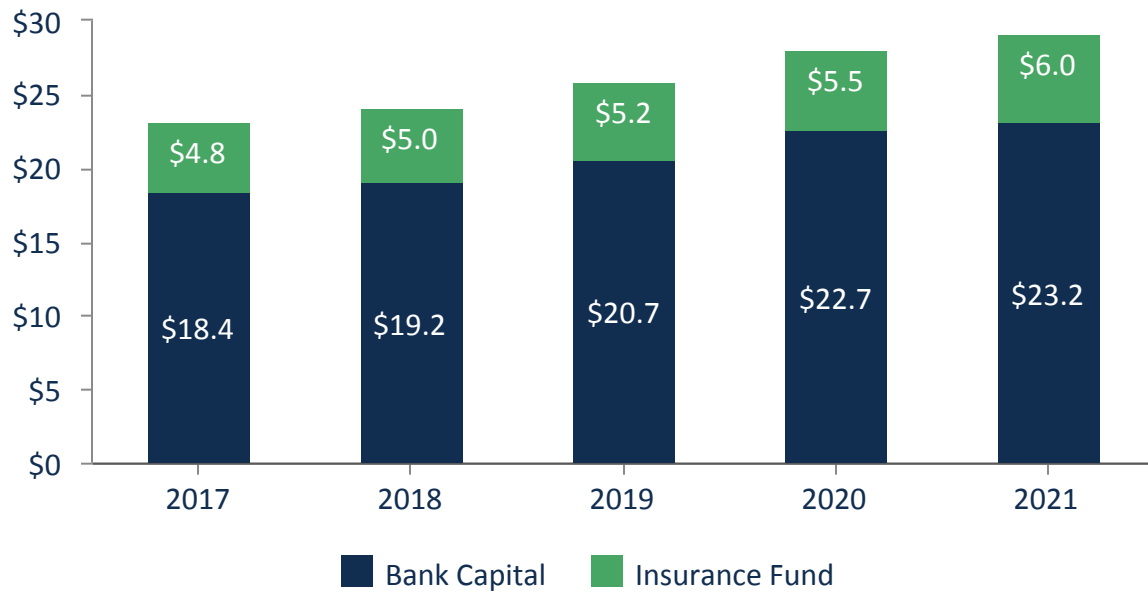
Overall, the financial performance and condition of the System on a consolidated basis remains strong, although some institutions continue to experience stress from credit deterioration in certain agricultural sectors. (See trends in the Financial Institution Rating System [FIRS] in the “Risk Management” section.)



A bank’s credit exposure to borrowing associations is partially mitigated by the associations’ capital levels. Increases in System associations’ capital levels, the result of higher retention levels of association net incomes, further reduce credit risk.

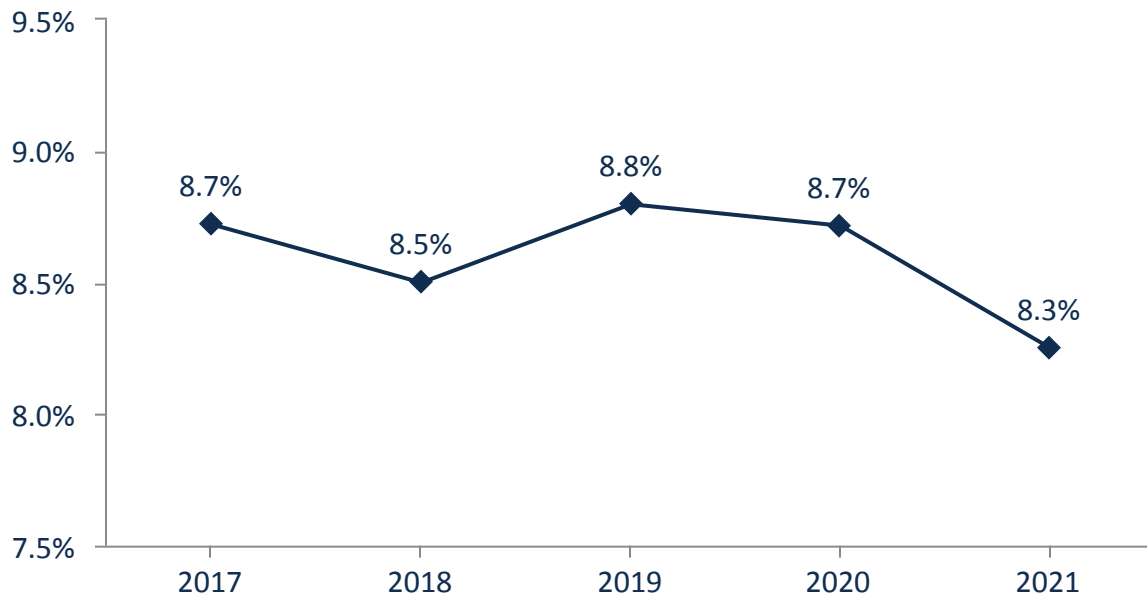
As Figure 4 shows, from 2017 to 2021, combined association capital increased \$10.0 billion — an annual average increase of approximately 6.0%. The associations continue to collectively achieve solid earnings and preserve capital. Since 2018, association capital as a percentage of total association assets has declined, as association asset growth has outpaced association capital growth. However, all associations were well capitalized at the end of 2021, with association capital as a percentage of total association assets equaling 18.1% (see Figure 5).

Figure 2
Bank Capital Plus Insurance Fund
 (Dollars in Billions)



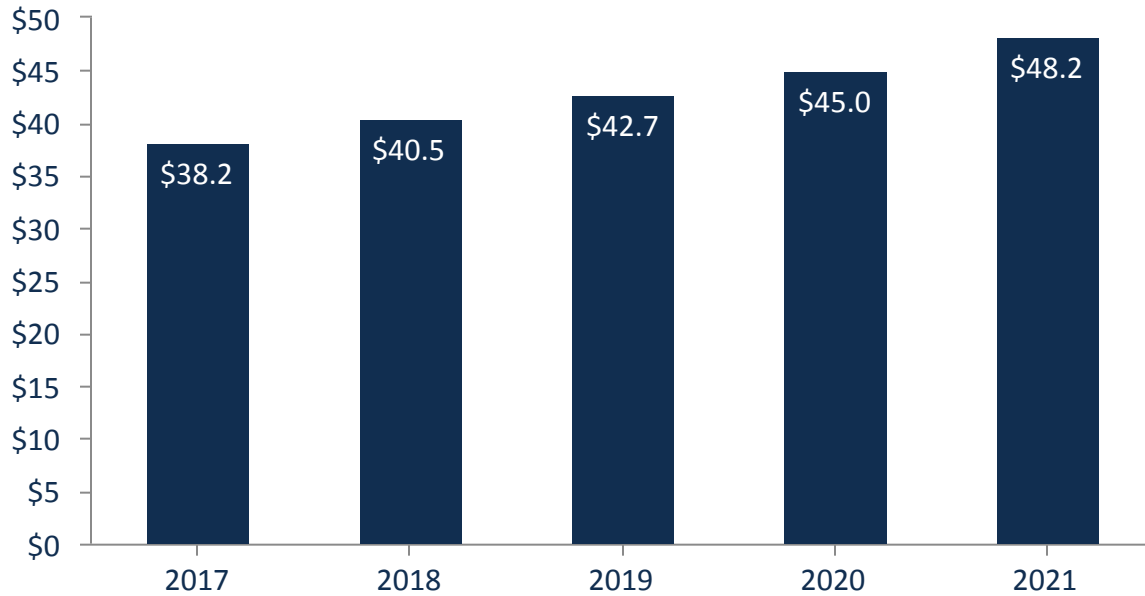
Source: Federal Farm Credit Banks Funding Corporation

Figure 3
Bank Capital Plus Insurance Fund as Percentage of Insured Debt



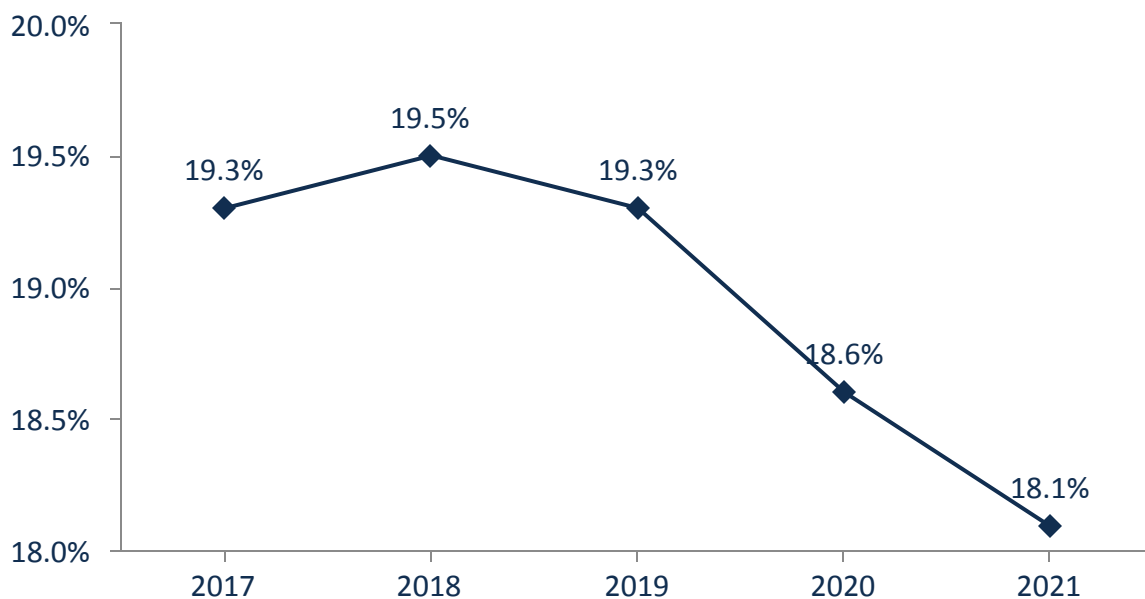
Source: Federal Farm Credit Banks Funding Corporation

Figure 4
Combined Association Capital
(Dollars in Billions)



Source: Federal Farm Credit Banks Funding Corporation

Figure 5
Combined Association Capital as Percentage of Total Association Assets



Source: Federal Farm Credit Banks Funding Corporation

Risk Management Tools

Farm Credit System banks use risk management tools to protect investors. One tool is the Contractual Interbank Performance Agreement (CIPA). All System banks have entered into this agreement, which measures the financial condition and performance of each bank by using ratios that consider bank capital, asset quality, earnings, interest rate risk, and liquidity. The CIPA contains triggers that financially penalize banks that do not meet performance standards.

The System banks and the Funding Corporation have also entered into the Market Access Agreement. The Market Access Agreement establishes conditions for each bank's continued participation in the debt market. If a bank fails to meet agreed-upon performance measures, it may be restricted from issuing debt. The performance criteria used under the Market Access Agreement are the CIPA scores and the bank's tier 1 leverage and total capital ratios.

The Farm Credit Administration's liquidity regulation requires the banks to effectively manage liquidity risk and maintain a three-tiered liquidity reserve to better withstand a liquidity crisis. Each System bank is authorized to hold eligible investments in an amount not to exceed 35% of its total outstanding loans for the purposes of maintaining a liquidity reserve, managing short-term surplus funds, and managing interest rate risk.

The liquidity reserve must always consist of readily marketable instruments that are sufficient to fund at least 90 days of the principal portion of on-balance-sheet maturing obligations. The liquidity reserve must consist of

- level 1 instruments to cover the principal portion of each bank's on-balance-sheet maturing obligations for the first 15 days,
- level 1 and 2 instruments sufficient to cover days 16 to 30, and
- level 1, 2, and 3 instruments to cover days 31 to 90.

Level 1 instruments include cash, overnight money market investments, obligations of U.S. government agencies with a final remaining maturity of 3 years or less, non-System government-sponsored enterprise (GSE) senior debt securities that mature within 60 days, and diversified investment funds composed exclusively of level 1 instruments.

Level 2 instruments include obligations of U.S. government agencies with a final remaining maturity of more than 3 years, mortgage-backed securities that are fully guaranteed by a U.S. government agency as to the timely repayment of principal and interest, and diversified investment funds composed exclusively of level 1 and 2 instruments.

Level 3 instruments include non-System GSE senior debt securities with maturities exceeding 60 days, mortgage-backed securities that are fully guaranteed by a GSE as to the timely repayment of principal and interest, money market instruments maturing within 90 days, and diversified investment funds composed exclusively of level 1, 2, and 3 instruments. All four System banks exceeded these requirements in 2021.

INSURANCE FUND MANAGEMENT

The Insurance Fund and the Secure Base Amount

The Farm Credit Insurance Fund is FCSIC's equity; it is the difference between total assets and total liabilities, including insurance obligations. The Insurance Fund is composed of an unallocated insurance fund (the portion of the Insurance Fund for which no specific use has been designated) and an allocated insurance fund (the portion of the Insurance Fund that has been transferred to the allocated insurance reserves accounts).

The Farm Credit Act established the secure base amount as 2% of the aggregate outstanding insured obligations (adjusted to exclude 90% of federal government-guaranteed loans and investments and 80% of state government-guaranteed loans and investments). Table 3 shows how the secure base amount is calculated. The Farm Credit Act also gives FCSIC the sole discretion to choose another percentage that we determine to be actuarially sound to maintain the Insurance Fund, considering the risk of insuring outstanding debt obligations.

FCSIC's premiums are set with the goal of reaching and maintaining the 2% secure base amount. However, if growth of insured debt is greater than forecast when premium accrual rates are established (or the Fund is used for some authorized purpose), the Insurance Fund will end the year below the secure base amount, and FCSIC will need to collect additional premiums in the following year to make up the shortfall. If growth of insured debt is less than forecasted when premium accrual rates are set, then the Insurance Fund may end the year above the secure base amount.

If the Insurance Fund exceeds the secure base amount at the end of any calendar year, FCSIC allocates the excess amounts, minus budgeted annual operating expenses and insurance obligations, to the AIRAs established by Congress for the benefit of the System banks.

Once FCSIC determines that the allocation is appropriate and that the funds in the allocated insurance reserves accounts (AIRAs) are not otherwise needed, FCSIC may pay the amounts in the AIRAs to the accountholders in accordance with the formula specified in the Farm Credit Act.

Table 3
Calculation of Secure Base Amount
(Dollars in Millions)

	12/31/2021	12/31/2020
Total principal and interest of debt outstanding	\$ 353,382	\$ 322,992
Less:		
90% federal government-guaranteed loans	(7,789)	(8,520)
80% state government-guaranteed loans	(17)	(21)
90% federal government-guaranteed investments	(44,918)	(32,429)
80% state government-guaranteed investments	0	0
Total deduction	(52,724)	(40,970)
Adjusted insured debt	300,658	282,022
Secure base amount (2%)	6,013	5,640
Unallocated and allocated Insurance Fund balance	5,960	5,454
Unallocated and allocated Insurance Fund as a percentage of adjusted insured debt	1.98%	1.93%

Both total Insurance Fund and total assets increased by 9.3% to \$5.96 billion in 2021 (see Figure 6). Insured debt outstanding grew \$30.4 billion in 2021 (9.4%). Because of the significant growth in insured debt, the Insurance Fund finished 2021 at 1.98%, which was \$53 million below the secure base amount (see Figure 7). Consequently, no funds were transferred to the AIRAs. The Insurance Fund finished 2020 at 1.93%, \$186 million below the secure base amount.

Figure 6
Insurance Fund Balances
 (Dollars in Billions)

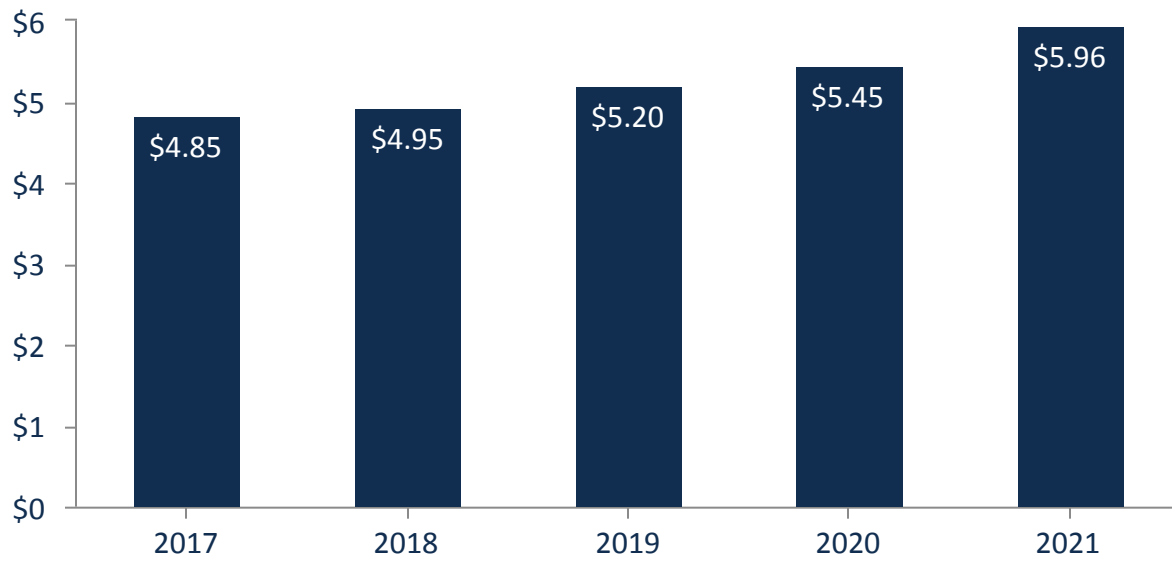
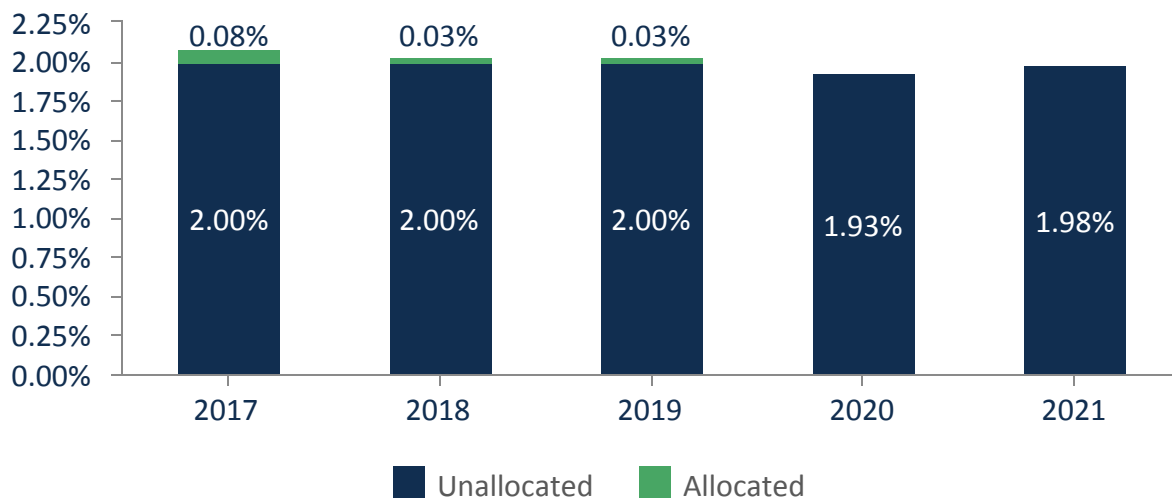


Figure 7
Insurance Fund Relative to 2% Secure Base Amount



Premiums

In setting premiums, FCSIC board's objective is to achieve and maintain the statutory secure base amount of 2% in the Insurance Fund. The board reviews premium assessment rates as often as necessary but at least semiannually. The review focuses on the current level of the Insurance Fund and the amount of money and time needed to reach the secure base amount based on expected growth in Systemwide insured obligations. The review also examines the risk that the Insurance Fund will need to be used in the 12 months following the review and includes an analysis of the condition of the System, the health of the agricultural economy, and risks in the financial environment.

The Farm Credit Act requires premium assessments to be 20 basis points on adjusted insured debt outstanding unless they are reduced by the board of directors. There is a risk surcharge of up to 10 basis points on nonaccrual loans and on other-than-temporarily impaired investments. In addition, the Farm Credit Act reduces the total insured debt on which premiums are assessed and requires premiums to be based on outstanding insured debt obligations adjusted downward by 90% of federal government-guaranteed loans and investments and by 80% of state government-guaranteed loans and investments.

The unallocated Insurance Fund began 2021 at 1.93% of the secure base amount. The board of directors set premium accrual rates at its January 28, 2021 meeting at 16 basis points on average adjusted insured debt and continued the assessment of the surcharge of 10 basis points on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments. The board of directors reviewed premiums at its June 17, 2021 meeting and voted to maintain the premium accrual rate on average adjusted insured debt at 16 basis points and continued the assessment of the surcharge of 10 basis points on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments for the second half of 2021. The most important determinants in setting premium accrual rates are the Insurance Fund balance and prospects for Systemwide debt growth during the year.

During 2021, insured debt outstanding increased by 9.4%. The Insurance Fund finished 2021 below the 2% secure base level, at 1.98% of adjusted insured obligations or \$53 million below the target level.

Revenues and Expenses

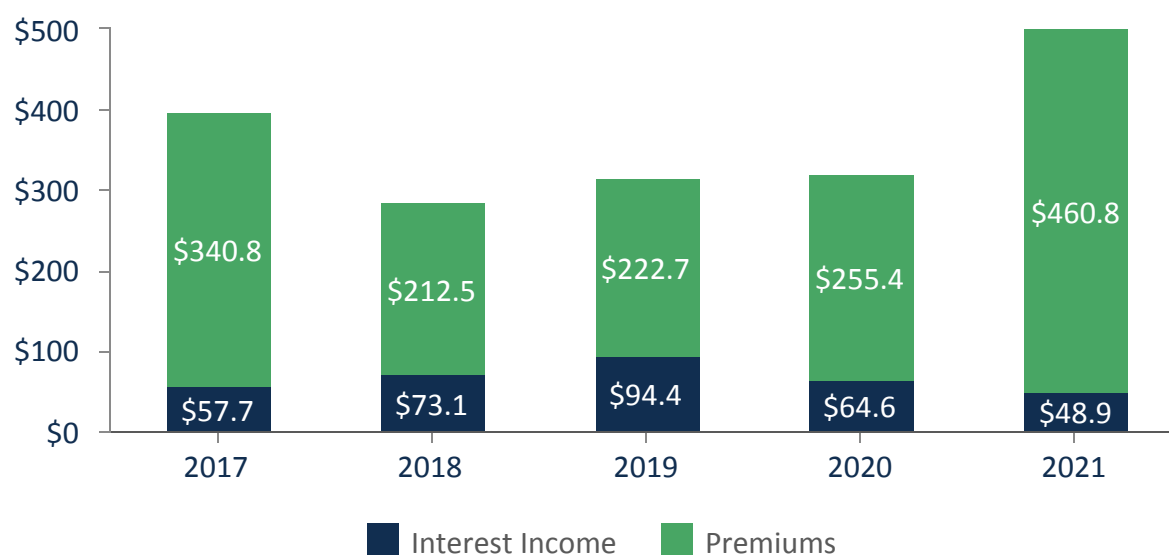
FCSIC operates with no annually appropriated funds. We collect insurance premiums from each Farm Credit System bank. These premiums and the income from our investment portfolio provide the funds necessary to fulfill our mission.

Our revenues increased by 59.3% to \$509.7 million in 2021 from \$320.0 million in 2020 (see Figure 8). Interest income decreased 24.4% in 2021 to \$48.9 million from \$64.6 million in 2020.

Figure 8

FCSIC Revenues

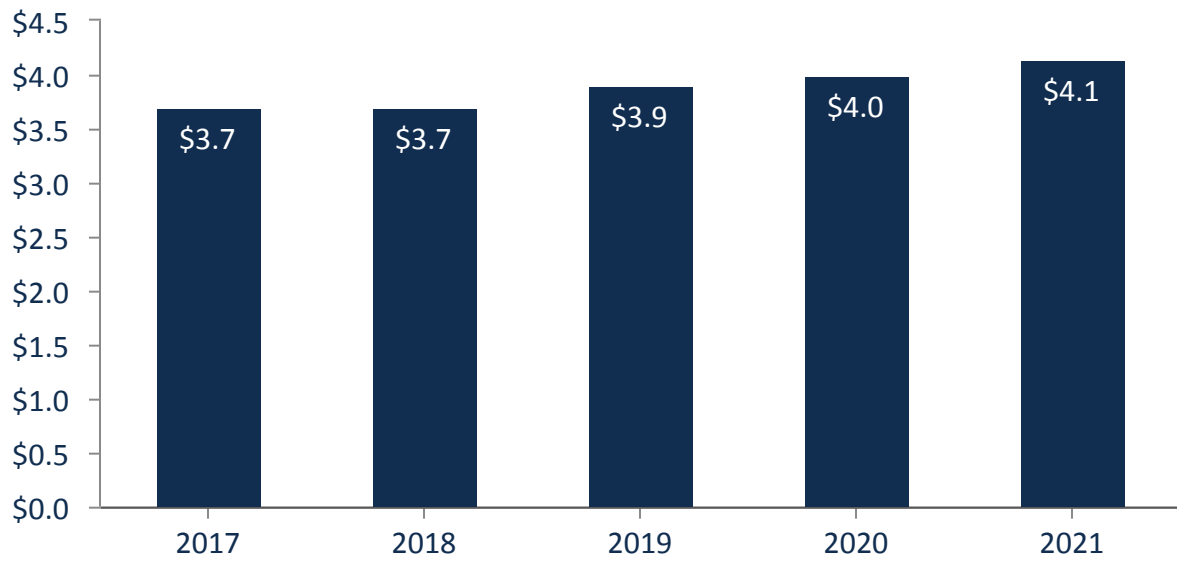
(Dollars in Millions)



To avoid duplication of effort and to minimize costs, we operate with a small core staff and use private- and public-sector contractors to leverage our efforts. The board of directors and management adopted this model as a cost-effective and efficient way to use available expertise, services, and resources to accomplish our mission.

Our operating costs as a percentage of total assets represented 7 basis points for 2021, unchanged from 2020. Costs for staff salaries, rent, and miscellaneous expenses were \$3.3 million of the \$4.1 million total for the year (see Figure 9). The remaining expenses of \$0.8 million were for contracted services.

Figure 9
FCSIC Operating Expenses
(Dollars in Millions)



INVESTMENTS

FCSIC's investments increased from \$4.5 billion as of year-end 2020 to \$5.5 billion as of year-end 2021 (see Figure 10). The increase occurred due to investment of premiums collected and amounts previously held in the overnight investment account. At December 31, 2021, we held only \$1.9 million in the overnight investment account, compared to \$664.3 million at December 31, 2020. The funds in the overnight investment account are classified as "cash and cash equivalents."

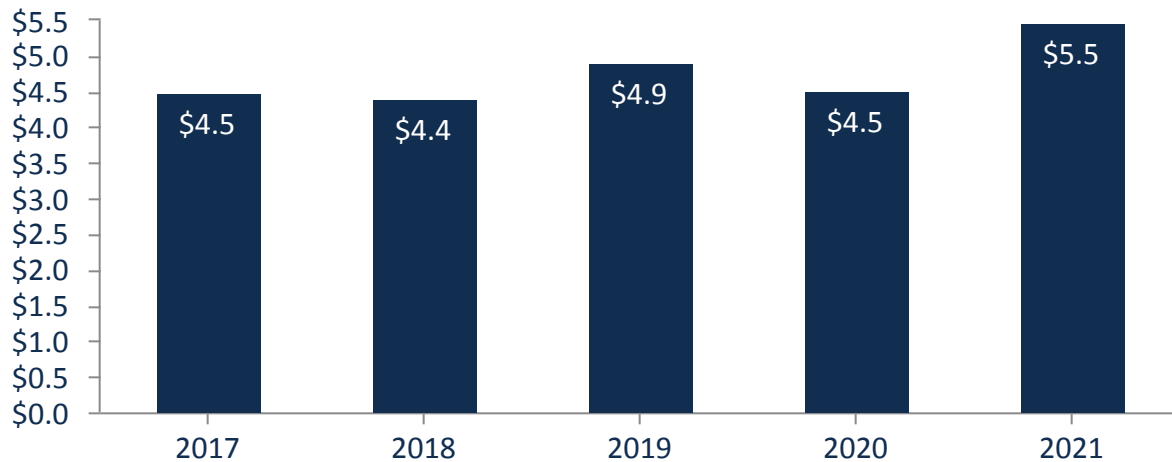
Our primary investment objective is to ensure adequate liquidity of the Insurance Fund to meet our mission. Our secondary objective is to optimize the rate of return on our investment portfolio. Funds are invested in U.S. Treasury securities in accordance with the Farm Credit Act and our investment policy.

We use several benchmarks to enhance our ability to assess portfolio performance. The FCSIC Policy Statement Concerning Investments prohibits trading for capital gains purposes. In 2021, the average FCSIC investment portfolio yield was 0.91%, down from 1.26% in 2020. The average yield for our primary benchmarks ranged from 0.16% to 0.92%.

In 2020, the board of directors revised FCSIC's policy statement to implement a short-duration investment strategy to minimize loss exposure in the event FCSIC needed to make disbursements to meet its statutory obligations. Under the revised policy, at least 40% of the portfolio must consist of Treasury securities with remaining maturities of two years or less, and Treasury securities with maturities of between five and ten years must not exceed 20% of the portfolio. FCSIC does not purchase Treasury securities with maturities that exceed ten years.

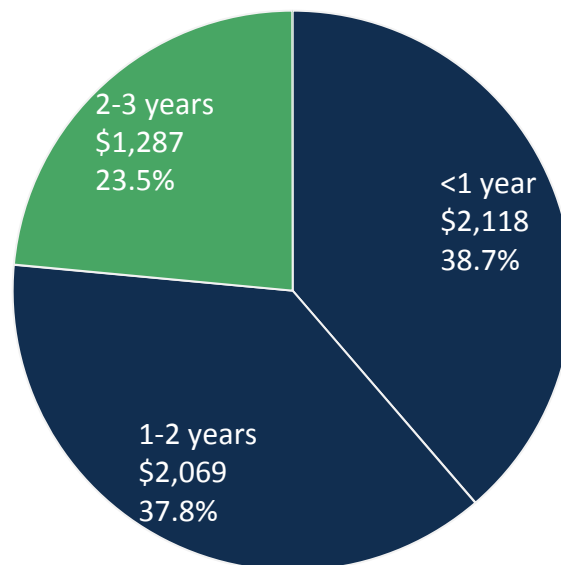
The weighted-average maturity of the portfolio at year-end was 1.35 years. The composition of the investment portfolio as of December 31, 2021, is shown in Figure 11.

Figure 10
FCSIC Investments
 (Dollars in Billions)



Note: Total investments reflected on this chart do not include overnight investments classified as “cash and cash equivalents” on the balance sheet.

Figure 11
Investment Portfolio by Maturity as of December 31, 2021
 (Dollars in Millions)



Maximum investment ≥ 5 years =
 20% of investment portfolio

Minimum investment ≤ 2 years =
 40% of investment portfolio

Note: Total investments reflected in this chart include overnight investments classified as “cash and cash equivalents” on the balance sheet.

RISK MANAGEMENT

FCSIC's Risk Profile

FCSIC's primary purpose is to insure the timely payment of principal and interest on Systemwide debt securities. The System banks, through the jointly owned Federal Farm Credit Banks Funding Corporation, issue Systemwide debt securities, insured by FCSIC, to fulfill their mission. Anything impairing the System banks' ability to repay their insured debt constitutes an insurance risk. To carry out our mission, FCSIC monitors conditions in the farm, rural, domestic, and global economies that affect the System's ability to repay insured debt obligations.

FCSIC's Insurance Fund is exposed to a variety of risks, some inherent in insuring financial institutions and others specific to the System. Examples of specific events that could increase risk to the Insurance Fund include the following:

- Material reduction in System bank capital
- Material adverse change in the System banks' ability to access debt markets
- Catastrophic operational failure at a System institution related to a control deficiency or cybersecurity breach
- Inadequate governance at a System institution, such as a failed business strategy or mismanagement of the organization
- Significant, rapid, or unexpected credit deterioration resulting from adversity in the agricultural sector

Major categories of risk monitored by FCSIC include the following:

Credit risk — the risk of default on a debt that may arise from a borrower failing to make required payments. Credit risk includes consideration of loan concentrations and other broad elements of System institution portfolios. FCSIC primarily focuses on credit risk issues affecting the underlying agricultural borrowers' ability to repay their debts to individual System institutions. These risks include the following:

- Changes in farmland values
- Price volatility for agricultural commodities
- Changes in government support programs for agricultural producers
- Changes in supply and demand for U.S. agricultural products
- Changes in international trade and the value of the U.S. dollar
- Changes in production costs
- Changes in the domestic economy that affect incomes from off-farm jobs
- Climate, weather, and other environmental conditions
- Availability of agricultural workers

Liquidity risk — the risk that an institution may be unable to meet short-term financial demands without unacceptable losses. The System relies on its ability to regularly issue new debt obligations, in part to pay maturing obligations. The System banks also hold liquidity

investments that are available if needed. A significant disruption in the System banks' ability to issue new debt obligations or sell liquidity investments would impair their ability to repay insured obligations. As further discussed on page 31, FCSIC has procedures in place to provide liquidity assistance to System banks if external market circumstances make it likely that the banks will be unable to pay maturing insured obligations.

Interest rate risk — the risk that changes in interest rates may reduce the value of assets with a consequent negative impact on operating results and financial condition.

Operational risk — the prospect of losses resulting from inadequate or failed procedures, controls, systems, or policies, including employee errors, systems failures, or fraud or other unauthorized activity. Operational risk also includes inadequate defenses against cyberthreats.

Strategic risk — the risk that a failed business strategy, decision, or series of decisions leads to losses.

Structural risk — the risk related to the design of the Farm Credit System. For example, as a lender to a single industry (agriculture), the System has a built-in concentration risk. Also, any changes to the System's fundamental organization, such as an alteration in the supervisory relationship between System banks and associations, or diminution of the two layers of loss absorbing capital, may create risk to the Insurance Fund.

Reputational risk — the risk resulting from events that affect the reputation of the System or the agriculture industry. Such events may affect the System's funding costs depending on market reaction.

Political risk — the risk of loss of support from federal and state governments. This includes any change in government support for government-sponsored enterprises.

The Risk Environment in 2021

The global economy experienced a robust recovery in 2021 despite the persistence of COVID-19. Substantial fiscal support in advanced economies spurred strong demand for goods in the first half of the year. However, longer-than-expected supply chain disruptions and shipping backlogs continued through the last half of the year. Raw material and supply shortages, along with higher energy prices, pushed inflation to multiyear highs. The scale of the global inflation shock took most forecasters and central banks by surprise. A shift to global monetary policy normalization is underway in 2022.

U.S. real gross domestic product increased 5.7% in 2021, the strongest level of annual growth in almost four decades. Personal consumption expenditures increased by 7.9%, with most of the increase coming from goods consumption. Gross private domestic investment increased by 9.8% as residential investment soared and businesses spent heavily on equipment and intellectual property products to further automate production. The trade deficit continued to widen as the U.S. economy grew more rapidly than that of most other countries.

The U.S. government provided further fiscal support to the economy in early 2021 to mitigate the effects of COVID-19. The Federal Reserve held the federal funds rate near zero throughout 2021 and continued to purchase Treasury and agency mortgage-backed securities to support the economic recovery. However, in view of persistent inflation, the Federal Reserve began phasing out asset purchases in November and accelerated the pace of this phaseout in December.

The U.S. labor market continued to heal throughout the year. The unemployment rate dropped from 6.7% at the end of 2020 to 3.9% at the end of 2021. As the labor market improved, labor shortages developed in many industries that contributed to slowdowns in production, tighter supplies, and higher prices.

Inflation rapidly picked up as the initial wave of COVID-19 ebbed and consumers ventured out more in the spring and early summer of 2021. The year-over-year increase in the consumer price index steadily climbed, reaching 7.0% by the end of 2021. Treasury yields remained low throughout most of 2021 but began to rise in October as the Federal Reserve gave clear signals that it would begin tapering asset purchases before the end of the year.

The U.S. agricultural sector performed remarkably well in 2021. In its February 2022 report, the U.S. Department of Agriculture (USDA) estimated that 2021 net farm income increased for the third consecutive year despite a substantial decline in direct government payments from the previous year. The USDA estimated that cash receipts from crop and livestock sales increased by nearly 19% in 2021, offsetting an increase of 10% in cash expenses.

Higher cash receipts were primarily driven by high global commodity prices and record levels of U.S. exports. Higher expenses were the result of global supply chain disruptions and inflationary impacts on fuel, natural gas, fertilizers, and other agricultural inputs. Sector wide farm financial stress in 2021 was low compared to historical levels, though some individual operations experienced stress. Farmland values remained strong in 2021 in view of high commodity prices and historically low interest rates.

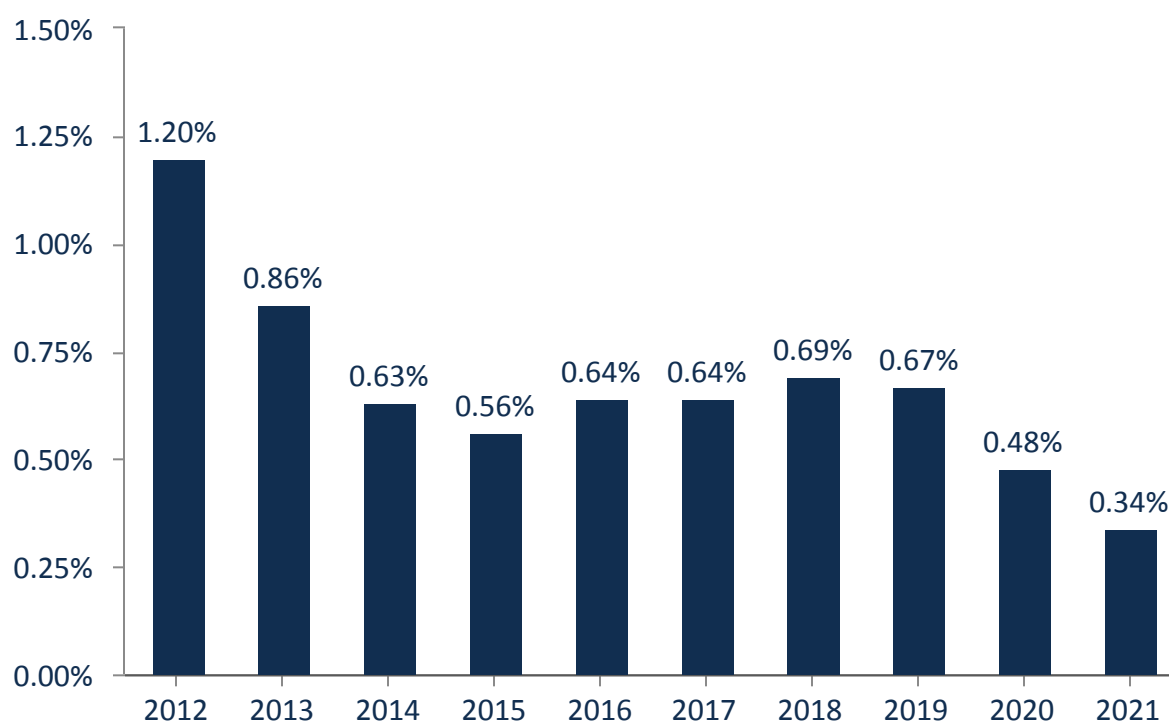
The System reported net income of \$6.8 billion for 2021, up 13.2% from \$6.0 billion in 2020. The net interest margin was 2.46% for both 2020 and 2021. The net interest rate spread was 2.33% for 2021 compared with 2.26% in 2020. This increase in the net interest rate spread is attributable to a decrease in debt costs.

The System's loan volume increased \$28.4 billion or 9.0% to \$343.9 billion at year-end 2021 compared with \$315.5 billion at the end of 2020. The growth was primarily due to increased real estate mortgages, production and intermediate-term, power, and agribusiness loans.

System credit quality remained generally stable in 2021. Nonaccrual loans decreased \$328 million, or 21.8%, to \$1.2 billion at December 31, 2021. The decrease was primarily due to the repayment of real estate mortgage and production and intermediate-term loans. The ratio of nonaccrual loans to total loans outstanding was 0.34% at December 31, 2021, compared with 0.48% at December 31, 2020 (see Figure 12).

Figure 12

Nonaccrual Loans as a Percentage of Total Loans Outstanding



Source: Federal Farm Credit Banks Funding Corporation

The allowance for loan losses was \$1.6 billion at December 31, 2021, a decrease of \$164 million, or 9.1%, below the \$1.8 billion at December 31, 2020. The allowance for loan losses represents the aggregate of each System entity's individual evaluation of its allowance for loan losses requirements. Managements' evaluations consider factors that include loan loss experience, portfolio quality, and loan portfolio composition, collateral value, current agricultural production, and economic conditions. Although aggregated for the System's combined financial statements, the allowance of each entity is specific to that institution and is not available to absorb losses at other System entities.

The System continued to have reliable access to the debt markets to support its mission. Investor demand for Systemwide insured debt securities remained favorable across all products throughout 2021. The System is a government-sponsored enterprise that continues to benefit from broad access to domestic and global capital markets, providing a dependable source of competitively priced debt.

FCA's capital rule for banks and associations is comparable to the Basel III standardized approach adopted by the federal banking regulatory agencies. FCA's regulatory minimums include a 4.5% common equity tier 1 risk-based capital ratio, a 6.0% tier 1 risk-based capital ratio, an 8.0% total risk-based capital ratio, and a 4.0% tier 1 leverage ratio, of which at least 1.5% must be composed of unallocated retained earnings (URE) and URE equivalents. The risk-

based capital ratios also include a 2.5% common equity tier 1 capital conservation buffer. The tier 1 leverage ratio includes a 1.0% leverage buffer. As of December 31, 2021, all System institutions exceeded the regulatory minimum and buffer requirements.

FCA authorizes each System bank to hold eligible investments in an amount not to exceed 35% of its total outstanding loans for the purposes of maintaining a liquidity reserve, managing short-term funds, and managing interest rate risk. The liquidity reserve must consist of marketable investments that are sufficient to fund 90 days of on-balance-sheet maturing obligations. The System banks reported a combined \$77.5 billion in cash and available-for-sale investments with a liquidity position of 180 days at year-end 2021 compared with 171 days at year-end 2020.

The System banks are further required to maintain a three-tiered liquidity reserve, consisting of level 1 instruments to cover each bank's maturing obligations for the first 15 days; level 1 and 2 instruments sufficient to cover days 16 to 30; and level 1, 2, and 3 instruments to cover days 31 to 90. All four System banks exceeded these requirements in 2021.

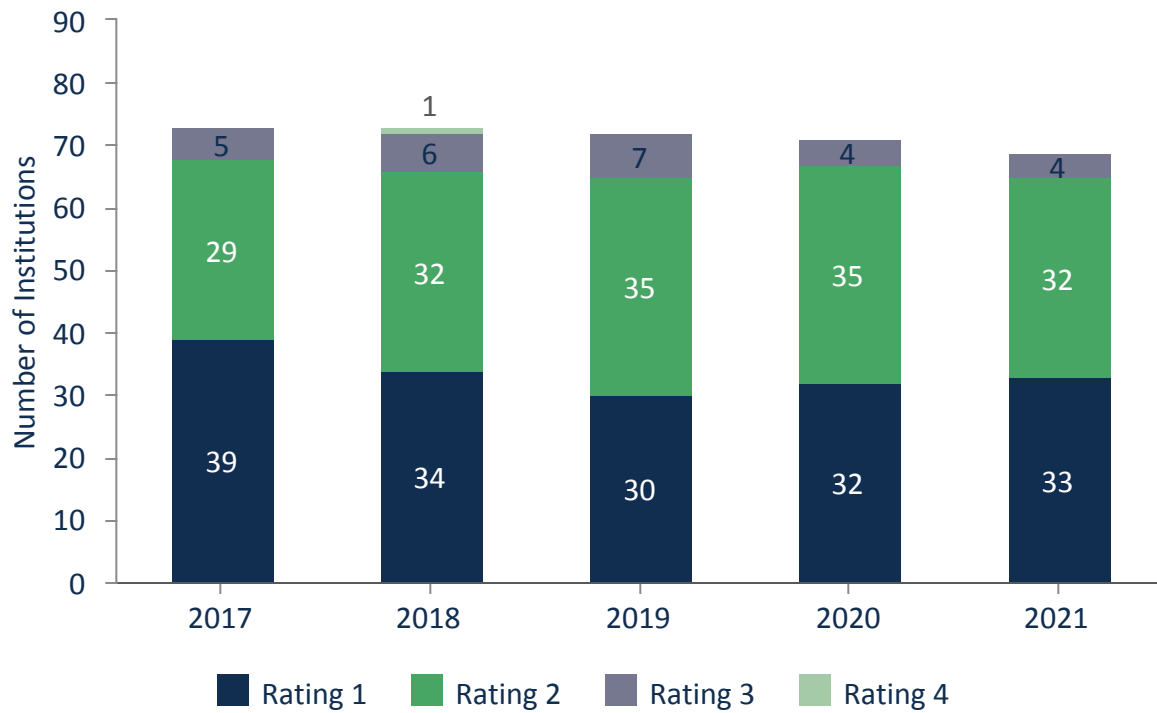
The System banks have established contingency funding plans to provide for events that could impede access to the debt markets. The System banks also regularly perform credit and liquidity stress testing to determine their ability to withstand severe market events while continuing to fulfill their mission.

Figure 13 shows a summary of composite year-end FIRS ratings for System banks and associations. Institutions with performance-related issues continued to receive greater examination scrutiny and supervisory attention from FCA.



Figure 13

FIRS Composite Year-End Ratings for Banks and Associations of the Farm Credit System



Source: FCA

Note: 2021 FIRS ratings shown for 69 FCS institutions is proforma for association mergers that closed 1/1/22.

FINANCIAL ASSISTANCE AND RESOLUTIONS

FCSIC has statutory authority to provide “stand-alone assistance” to a System bank or association for any of the following reasons:

- To prevent the placing of the institution in receivership
- To restore the institution to “normal operations”
- To reduce the risk to FCSIC posed by the institution when “severe financial conditions” threaten the stability of the banks

FCSIC may also provide assistance to facilitate mergers or consolidations.

At present, no assistance agreements are outstanding. If a System institution needs financial assistance, FCSIC must ensure that the proposed assistance is the least costly means for resolving the institution’s problems; by law, FCSIC cannot provide financial assistance if the cost of liquidation is lower than the cost of providing assistance.

FCSIC has a \$10 billion line of credit with the Federal Financing Bank, that can be accessed when exigent market circumstances make it extremely doubtful that the System banks will be able to pay maturing debt obligations that we insure. This liquidity backstop allows us to provide more assistance to System banks than is otherwise available from the Insurance Fund alone.

FCSIC has procedures in place in the event System banks require liquidity assistance because severe financial conditions threaten the banks’ ability to repay maturing insured debt. The procedures implement FCSIC’s Policy Statement Concerning Assistance. Along with the procedures, we developed a model assistance agreement, drafted necessary forms related to valuation of collateral and liquidity reserves, and entered into a collateral pledge agreement with each bank and a collateral custodian. We review the procedures annually to evaluate if changes are needed.

When appointed by FCA, FCSIC has the statutory responsibility to serve as receiver or conservator for System banks and associations. As conservator, we will operate the institution as a going concern. Upon appointment as receiver, we will take possession of a System institution to settle its business operations, collect the debts owed to it, liquidate its property and assets, pay its creditors, and distribute any remaining proceeds to stockholders.

The Agriculture Improvement Act of 2018 (2018 Farm Bill) clarified and updated FCSIC’s statutory authorities to act as receiver or conservator for a System institution. Congress stated its intent in the 2018 Farm Bill Conference Report that FCSIC’s authorities be “functionally equivalent to the parallel authorities of the Federal Deposit Insurance Corporation.” The 2018 Farm Bill also provided new authority for FCSIC to create and FCA to charter, a System bridge bank, which is an important tool for resolving a failed bank.

Currently there are no active receiverships or conservatorships in the System.

We use contractors on an as-needed basis so that we can continue to operate with a small core staff while also maintaining our readiness to act as receiver or conservator. These contractors provide knowledgeable and readily available staff resources while allowing us to contain costs during periods of limited or no activity.

Our staff also maintains contact with the resolution staff of the Federal Deposit Insurance Corporation and the National Credit Union Administration to stay informed about best practices and exchange information concerning receivership management.

We have board-approved policies that provide guidance related to resolution activities, including appraisal of real estate securing nonperforming assets, insurance of assets that come under our control, and environmental hazards assessments of real estate securing nonperforming assets. The FCSIC board must review and approve policy statements every five years.



Farm Credit System Insurance Corporation

Audited Financial Statements
For the Years Ended December 31, 2021 and 2020

Farm Credit System Insurance Corporation

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Independent Auditor's Report

Board of Directors
Farm Credit System Insurance Corporation
McLean, VA 22102

Report on the Audit of the Financial Statements and Internal Control over Financials Reporting

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the financial statements of the Farm Credit System Insurance Corporation (FCSIC), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of income and expenses and changes in Insurance Fund and cash flows for the years then ended, and the related notes to the financial statements.

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

We have also audited FCSIC's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Farm Credit System Insurance Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting sections of our report. We are required to be independent of the Farm Credit System Insurance Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for designing, implementing, and maintaining effective internal control over financial reporting and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

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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 FCISC's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FCSIC'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 financial statement audit.

Auditor's Responsibilities for Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.



In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting 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 entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment 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.

Report on Compliance and Other Matters Based on an Audit of Financial Statements

As part of obtaining reasonable assurance about whether the Farm Credit System Insurance Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BDO USA, LLP

McLean, Virginia
February 15, 2022

Farm Credit System Insurance Corporation

Statements of Financial Condition

(Dollars in thousands)

December 31,	2021	2020
Assets		
Cash and cash equivalents	\$ 4,940	\$ 664,600
Investments in U.S. Treasury obligations	5,471,826	4,512,618
Premiums receivable	460,503	255,365
Accrued interest receivable	23,187	22,295
General property, plant, equipment, and software, net	6	25
Total Assets	\$ 5,960,462	\$ 5,454,903
Liabilities and Insurance Fund		
Liabilities		
Accounts payable and accrued expenses	\$ 694	\$ 649
Total Liabilities	694	649
Insurance Fund		
Unallocated Insurance Fund	5,959,768	5,454,254
Total Insurance Fund	5,959,768	5,454,254
Total Liabilities and Insurance Fund	\$ 5,960,462	\$ 5,454,903

See accompanying notes to the financial statements.

Farm Credit System Insurance Corporation

Statements of Income and Expenses and Changes in Insurance Fund

(Dollars in thousands)

<i>Year-ended December 31,</i>	2021	2020
Income		
Premiums	\$ 460,770	\$ 255,365
Interest income	48,894	64,650
Total Income	509,664	320,015
Expenses		
Administrative operating expenses	4,150	4,058
Total Expenses	4,150	4,058
Net income	505,514	315,957
Insurance Fund - beginning of year	5,454,254	5,201,011
Payments to AIRAs' account holders	-	(62,714)
Insurance Fund - end of year	\$ 5,959,768	\$ 5,454,254

See accompanying notes to the financial statements.

Farm Credit System Insurance Corporation

Statements of Cash Flows

(Dollars in thousands)

<i>Year-ended December 31,</i>	2021	2020
Cash flows from operating activities		
Net income	\$ 505,514	\$ 315,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19	19
Net amortization and accretion of investments	54,040	11,012
Increase in premiums receivable	(205,138)	(32,689)
Increase in accrued interest receivable	(892)	(117)
Increase in accounts payable and accrued expenses	45	119
Net cash provided by operating activities	353,588	294,301
Cash flows from investing activities		
Payments for purchase of U.S. Treasury obligations	(3,740,265)	(1,866,956)
Proceeds from maturity of U.S. Treasury obligations	2,727,017	2,196,561
Net cash (used in) provided by investing activities	(1,013,248)	329,605
Cash flows from financing activity		
Payment to AIRAs accountholders	-	(62,714)
Net cash used in financing activity	-	(62,714)
Net change in cash and cash equivalents	(659,660)	561,192
Cash and cash equivalents, beginning of year	664,600	103,408
Cash and cash equivalents, end of year	\$ 4,940	\$ 664,600

See accompanying notes to the financial statements.

Farm Credit System Insurance Corporation

Notes to the Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Farm Credit Insurance Fund (Insurance Fund): Statutory Framework

The Agricultural Credit Act of 1987 established the Farm Credit System Insurance Corporation (the Corporation or FCSIC) for the purpose of insuring the timely payment of principal and interest on notes, bonds, debentures, and other obligations issued under subsection (c) or (d) of section 4.2 of the Farm Credit Act of 1971, as amended (the Farm Credit Act). Each bank in the Farm Credit System (System) participating in insured obligations is an insured System bank. At December 31, 2021 there were four insured System banks and 67 direct lender associations, down from four insured System banks and 68 direct lender associations at December 31, 2020.

The Corporation is managed by a board of directors consisting of the same individuals as the Farm Credit Administration (FCA) board except that the chairman of the FCA board may not serve as the chairman of the Corporation's board of directors.

The Corporation must spend amounts in the Insurance Fund necessary to insure the timely payment of interest and principal on insured obligations. The Corporation, in its sole discretion, is authorized to expend amounts to provide financial assistance to System banks and direct lender associations. The Corporation may also act as receiver or conservator of a System bank or association. In addition, FCSIC has the authority to create, and the Farm Credit Administration to charter, a System bridge bank, to assist with resolving a failed bank.

As of December 31, 2021, the System banks reported amounts totaling \$353 billion of insured obligations compared to \$323 billion as of December 31, 2020.

If the Corporation does not have sufficient funds to ensure payment on insured obligations, System banks will be required to make payments under joint and several liability, as required by section 4.4 (a)(2) of the Farm Credit Act. The insurance provided by the Insurance Fund is limited to the resources in the Insurance Fund. System obligations are not guaranteed by the U.S. government.

Under section 5.63 of the Farm Credit Act, the Corporation is exempt from all Federal, state, and local taxes with the exception of real property taxes.

Note 2: Basis of Accounting

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP) and, as such, the financial statements have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include investments in U.S. Treasury obligations with original maturities of 90 days or less. At December 31, 2021, the Corporation held \$1.9 million in overnight Treasury certificates maturing on January 3, 2021, with an interest rate of 0.06 percent, and approximately \$3.0 million in cash. At December 31, 2020, the Corporation held \$664.3 million in overnight Treasury certificates maturing on January 4, 2021, with an interest rate of 0.06 percent, and \$309.7 thousand in cash.

Farm Credit System Insurance Corporation

Notes to the Financial Statements

Investments in U.S. Treasury Obligations

Section 5.62 of the Farm Credit Act requires that funds of the Corporation, not otherwise employed, shall be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. The Corporation has classified its investments as held-to-maturity in accordance with Financial Accounting Standards Board Accounting Standards Codification 320, *Investments - Debt and Equity Securities* and carries them at amortized cost. Amortization of premium and accretion of discount on investments has been computed under the interest method since 2002. Fair value of investments is estimated based on quoted market prices for those or similar instruments.

Premium Receivable - Concentration of Credit Risk

The Farm Credit Act requires that the System banks pay premiums to FCSIC. The premium receivable balance consists of amounts due from the four System banks and as such is exposed to risks due to concentration. Historically, FCSIC has not experienced any losses related to the premium receivable balance. FCSIC performs a quarterly analysis related to estimating an allowance for premium receivable which continues to indicate that no allowance is warranted.

Liability for Estimated Insurance Obligations

The liability for estimated insurance obligations is the present value of estimated probable insurance payments to be made in the future based on the Corporation's analysis of economic conditions of insured System banks.

The insured System banks' primary lending markets are borrowers engaged in farming, ranching, and producing or harvesting of aquatic products, and their cooperatives. Financial weaknesses in these market segments and the effect of general market conditions on the System's borrowers could adversely affect the banks' financial condition and profitability. Insured System banks also face risks from changing interest rate environments and the need to maintain ongoing access to financial markets. Adverse changes in the financial condition and profitability of insured System banks resulting from increased levels of credit, financial, or other risks could occur in the future which would require a liability for estimated insurance obligations to be recorded.

The Corporation actively monitors the creditworthiness and financial condition of the insured System banks. Management is not aware of any events or circumstances at this time which would require a liability for estimated insurance obligations to be recorded at December 31, 2021.

Premiums

Annual premiums are recorded as revenue during the 12-month calendar year period on which the premiums are based. All premiums are required to be paid to FCSIC on or before January 31st of the year subsequent to the year in which they are earned.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount

Farm Credit System Insurance Corporation

Notes to the Financial Statements

of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3: Investments in U.S. Treasury Obligations

In addition to the amounts referenced in Note 2, Cash and Cash Equivalents, at December 31, 2021 and 2020, investments in U.S. Treasury obligations, which are carried at amortized cost, consisted of the following:

<i>(Dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2021				
U.S. Treasury obligations	\$ 5,471,826	\$ 27,397	\$ (14,336)	\$ 5,484,887
December 31, 2020				
U.S. Treasury obligations	\$ 4,512,618	\$ 75,569	\$ (183)	\$ 4,588,004

The amortized cost and estimated fair value of U.S. Treasury obligations at December 31, 2021, by contractual maturity, are shown below:

<i>(Dollars in thousands)</i>	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 2,115,940	\$ 2,119,377
Due after one year through five years	3,355,886	3,365,510
	\$ 5,471,826	\$ 5,484,887

The Corporation follows GAAP for measuring, reporting, and disclosing fair value. These standards apply to all assets and liabilities that are measured, reported, and/or disclosed on a fair value basis. The fair value of FCSIC's investments in U.S. Treasury obligations are estimated based on quoted market prices for those instruments.

Note 4: Premiums, the Secure Base Amount and Excess Insurance Fund Balances

Each System bank which issues insured obligations under subsection (c) or (d) of section 4.2 of the Farm Credit Act is an insured System bank and is required to pay premiums to the Corporation.

The Farm Credit Act sets a secure base amount (SBA) for the Insurance Fund to achieve. The statutory SBA is equivalent to 2 percent of the aggregate outstanding insured obligations of all insured System banks (adjusted downward by a percentage of the guaranteed portions of principal outstanding on certain government-guaranteed loans and investments) or such other percentage as determined by the Corporation in its sole discretion to be actuarially sound to maintain in the Insurance Fund taking into account the risk of insuring outstanding insured obligations.

The Farm Credit Act requires FCSIC to assess premiums based on each bank's pro rata share of insured debt (rather than on individual loans). FCSIC may collect from 0 to 20 basis points annually

Farm Credit System Insurance Corporation

Notes to the Financial Statements

on adjusted insured debt outstanding. The Farm Credit Act also authorizes a risk surcharge of up to 10 basis points on nonaccrual loans and on other-than-temporarily impaired investments. The Farm Credit Act reduces the total insured debt on which premiums are assessed by 90 percent of Federal government-guaranteed loans and investments and 80 percent of state government-guaranteed loans and investments and deducts similar percentages of such guaranteed loans and investments when calculating the secure base amount (SBA).

Insurance premium rates are reviewed semiannually. For 2021, the board of directors set premium accrual rates at its January 28, 2021 meeting at 16 basis points on average adjusted insured debt and continued the assessment of the 10 basis point surcharge on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments. The board of directors again reviewed premiums at its June 17, 2021 meeting and voted to maintain the premium accrual rate on average adjusted insured debt at 16 basis points and continued the assessment of the 10 basis point surcharge on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments for the remainder of 2021. In 2021, outstanding insured obligations increased by \$30.4 billion (9.4 percent). At December 31, 2021, the total Insurance Fund was 1.98 percent of adjusted insured obligations.

For 2020, the board of directors set premium accrual rates at its January 30, 2020 meeting at 8 basis points on average adjusted insured debt and continued the assessment of the 10 basis point surcharge on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments. The board of directors again reviewed premiums at its June 25, 2020 meeting and voted to increase the premium accrual rate on average adjusted insured debt to 11 basis points and continued the assessment of the 10 basis point surcharge on the average principal balance outstanding for nonaccrual loans and other-than-temporarily impaired investments for the remainder of 2020. In 2020, outstanding insured obligations increased by \$28.6 billion (9.7 percent). At December 31, 2020, the total Insurance Fund was 1.93 percent of adjusted insured obligations.

The Farm Credit Act requires if, at the end of any calendar year, the aggregate of the amounts in the Insurance Fund exceed the SBA, the Corporation is required to allocate to the Allocated Insurance Reserves Accounts (AIRAs) any excess balances less the amount that the Corporation, in its sole discretion, determines to be the sum of the estimated operating expenses and estimated insurance obligations of the Corporation for the immediately succeeding calendar year.

The total Insurance Fund did not exceed the 2 percent SBA at December 31, 2021 or 2020, and there were no allocations to the AIRAs for the Farm Credit System banks.

The AIRAs' balances are recorded as part of the Insurance Fund until approved for payment by the Corporation's board of directors. AIRAs' balances may be used to absorb any insurance losses and claims. Furthermore, the board of directors has discretion to limit or restrict the AIRAs' payments.

Farm Credit System Insurance Corporation

Notes to the Financial Statements

Note 5: Operating Lease

The Corporation is committed under a ten-year lease with the FCS Building Association for office space expiring on November 30, 2025. The Corporation recorded lease expense (including operating cost assessments) of \$154 thousand and \$150 thousand for 2021 and 2020, respectively. The following is a schedule by year of the future minimum lease payments required under this lease as of December 31, 2021:

*Years ending December 31,
(Dollars in thousands)*

2022	\$	155
2023		158
2024		161
2025		150
		<hr/>
		\$ 624

Note 6: Line of Credit

On September 24, 2013, the Corporation entered into an agreement with the Federal Financing Bank (the FFB), a United States government corporation subject to the supervision and direction of the U.S. Treasury. Pursuant to this agreement, the FFB may advance funds to the Corporation when exigent market circumstances make it extremely doubtful that insured System banks will be able to pay maturing debt obligations. The Corporation will in turn use the funds advanced by the FFB to provide assistance to the System banks until market conditions improve. The agreement provides for a short-term revolving credit facility of up to \$10 billion, renewable annually and terminating on September 30, 2022, unless otherwise further extended.

Under the agreement, each provision of funds by the FFB is subject to certain terms and conditions. The interest rate for each advance will be established by the FFB at the time the respective advance is made. Each advance cannot have a maturity date longer than twelve months and the maturity date cannot be later than the final termination date of the agreement.

The Corporation paid no commitment fee to secure this line of credit. There were no amounts drawn on this line of credit during 2021 and 2020.

Note 7: Retirement Plan

All permanent Corporation employees are covered by the Federal Employees Retirement System (FERS). The Corporation's contribution was 17.3 percent of base pay for the first nine months of 2021 and 18.4 percent for the last three months of 2021. The Corporation's contribution was 16.0 percent of base pay for the first nine months of 2020 and 17.3 percent for the last three months of 2020. In addition, the Corporation automatically contributes 1 percent of base pay to the employee's Thrift Savings Plan account, matches the first 3 percent contributed by the employee, and matches one-half of the next 2 percent contributed by the employee. In 2015, the Corporation began a 401K plan for employees. The Corporation automatically contributes 1 percent of base pay to the employee's 401K account and matches the first 2 percent contributed by the employee. Retirement plan expenses amounted to \$507 thousand in 2021 and \$489 thousand in 2020.

Farm Credit System Insurance Corporation

Notes to the Financial Statements

Note 8: Related Parties

The Corporation purchases services from FCA under an Interagency Agreement, including examination and administrative support services. The intention of the parties as stated in the agreement is that specified rates and fees will reimburse the party providing services for all reasonable costs associated with provision of the services. The Corporation purchased services for 2021 which totaled \$358 thousand, compared with \$379 thousand for 2020.

The Corporation may also provide services to the FCA under an Interagency Agreement; however, the Corporation provided no services and recognized no revenue for 2021 and 2020. At December 31, 2021 and 2020, the Corporation did not have any receivables from the FCA.

Note 9: Risk and Uncertainties Related to COVID-19

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The effect of the COVID-19 pandemic on the overall financial performance of the System has been limited. The financial performance of the System was strong during 2021 and the overall credit quality of its customers remained strong. Consequently, the impact of the COVID-19 pandemic on the Insurance Fund has also been limited and the likelihood of a loss to the Insurance Fund related to the COVID-19 pandemic appears remote in the near-term.

For 2022, the extent to which the COVID-19 pandemic impacts the System, including the insured System banks, depends on future developments that remain highly uncertain and cannot be predicted. Any impact on the System could impact the Insurance Fund. Management will continue to actively monitor the financial condition of the System.

Note 10: Subsequent Events

FCSIC evaluated subsequent events from the date of the statement of financial condition through February 15, 2022, the date at which FCSIC's financial statements were issued. No material subsequent events were identified for either recognition or disclosure.



Management's Report on Internal Control Over Financial Reporting

The Farm Credit System Insurance Corporation's (FCSIC) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America and that receipts and expenditures of FCSIC are being made only in accordance with authorizations of FCSIC management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of FCSIC's assets that could have a material effect on our financial statements.

Management of FCSIC is responsible for designing, implementing, and maintaining effective internal control over financial reporting. Management assessed the effectiveness of FCSIC's internal control over financial reporting as of December 31, 2021 using the criteria established in the *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management concluded that, as of December 31, 2021, FCSIC's internal control over financial reporting is effective, based on the COSO criteria.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment 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.

HOWARD RUBIN

Digitally signed by HOWARD
RUBIN
Date: 2022.02.15 14:11:22 -05'00'

Howard I. Rubin
Chief Operating Officer

**ANDREW
GRIMALDI**

Digitally signed by
ANDREW GRIMALDI
Date: 2022.02.15 08:48:59
-05'00'

Andrew J. Grimaldi
Chief Financial Officer

LYNN POWALSKI

Digitally signed by LYNN
POWALSKI
Date: 2022.02.15 14:05:22 -05'00'

Lynn M. Powalski
General Counsel

SIMONSONJ

Digitally signed by SIMONSONJ
Date: 2022.02.15 12:14:59 -05'00'

John F. Simonson
Chief Risk Officer

February 15, 2022

MANAGEMENT ASSURANCES

March 1, 2022

The management of the Farm Credit System Insurance Corporation is responsible for managing risk and maintaining effective internal control to meet the objectives of sections two and four of the Federal Managers' Financial Integrity Act (FMFIA).

FCSIC is an independent U.S. government-controlled corporation. Our primary purpose is to insure the timely payment of principal and interest on insured debt obligations issued on behalf of System banks.

The System is a nationwide government-sponsored enterprise of cooperative lending institutions owned by the agricultural and rural customers it serves. By protecting investors, we help maintain a dependable source of funds for the farmers, ranchers, and other borrowers of the System.

FCSIC actively monitors and manages insurance risk to minimize the Farm Credit Insurance Fund's exposure to potential losses. When appointed by the Farm Credit Administration, we also serve as receiver or conservator of any System bank or association.

Our management has completed an assessment of the effectiveness of FCSIC's enterprise risk management and internal control systems in effect during 2021 in accordance with guidelines provided by the Office of Management and Budget (OMB) in consultation with the comptroller general (OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control). The objective of these controls and systems is to provide reasonable assurance that

- obligations and costs comply with applicable laws;
- assets are safeguarded against waste, fraud, unauthorized use, and mismanagement;
- revenues and expenditures applicable to our operations are recorded and accounted for properly; and
- financial and statistical reports are reliable, complete, and timely.

On the basis of established guidelines and the assessment performed, we can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of December 31, 2021.

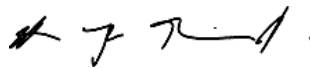
In addition, as stated in the accompanying report, FCSIC's independent auditor, BDO USA, LLP (BDO), indicated that the financial statements of the Farm Credit Insurance Fund as of December 31, 2021, of which we are stewards, are fairly presented in all material respects. BDO also conducted testing on the effectiveness of FCSIC's internal control over financial reporting and issued an opinion that it was effective in all material aspects.



Jeffery S. Hall
Chairman



Howard I. Rubin
Chief Operating Officer



Andrew J. Grimaldi
Chief Financial Officer



Lynn M. Powalski
General Counsel



John F. Simonson
Chief Risk Officer

COMPLIANCE WITH THE FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT IMPROVEMENTS ACT OF 2015

FCSIC has authority under section 5.65(c) of the Farm Credit Act (12 U.S.C. 2277a-14) to impose civil money penalties against a Farm Credit System bank that willfully fails or refuses to file any certified statement or pay any required premium.

In addition, section 5.65(d) of the Farm Credit Act provides that, except with the prior written consent of FCA, it shall be unlawful for any person convicted of any criminal offense involving dishonesty or a breach of trust to serve as a director, officer, or employee of any System institution and authorizes FCSIC to recover penalties for a willful violation of this prohibition. Sections 5.65(c) and (d) provide for a penalty of not more than \$100 for each day during which the violation continues.

The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the 2015 Act) amended the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note) to provide for regular evaluation of civil penalties and required every applicable federal agency to adopt, through an interim final rule, a one-time “catch up” adjustment to be effective no later than August 1, 2016, and annual adjustments thereafter.

On February 10, 2021, FCSIC published a final rule making the annual adjustment required by the 2015 Act that increased our civil money penalties to not more than \$217 for each day during which a violation continues (86 Fed. Reg. 8854). On January 13, 2022, we published a final rule making the required annual adjustment that increased our civil money penalties to not more than \$231 for each day during which a violation continues (87 Fed. Reg. 2032).



PERFORMANCE MANAGEMENT PROGRAM

FCSIC's mandate is to insure the timely payment of principal and interest on insured Farm Credit System debt securities and to serve as receiver or conservator when appointed by the Farm Credit Administration board. To fulfill our mandate, we have three fundamental program goals:

- Manage the Insurance Fund to protect investors
- Monitor, evaluate, and report insurance risk
- Maintain the capability to manage assistance requests, receiverships, and conservatorships

We have implemented performance measures to help us evaluate the effectiveness of these goals. It is important to note that some of these measures use management estimates that may be affected by the performance and condition of System institutions. Also, unforeseen events may have a material effect on performance measures over time.

Performance Measures

1. Manage the Farm Credit Insurance Fund to maintain the secure base amount to provide protection for investors and taxpayers against identified risks

We adjust insurance premium assessments when appropriate and manage assets to optimize investment returns to build and maintain the Insurance Fund at the statutory 2% secure base amount. At the same time, we must maintain appropriate liquidity to carry out our mission.

We assess the effectiveness of our performance in achieving this goal through the following:

- Reviewing semiannually the need for adjustments to insurance premium assessments
- Measuring investment performance by comparing the portfolio's average yield with peer investment funds that have similar investment parameters for quality and maturity
- Comparing the level of the Insurance Fund every month with the secure base amount and reporting the results to the board of directors

Our ability to maintain the Insurance Fund at the secure base amount may be affected by events beyond our control, such as insurance losses.

2. Monitor, evaluate, and report risks that could generate losses to the Insurance Fund

We measure progress toward this program goal by how promptly we detect emerging problems and how effectively we minimize insurance losses. We use financial indicators to monitor conditions and trends, and we analyze and report data before losses become likely. In periods when there are insurance claims or the probability of claims, the ratio of estimated losses to actual losses helps measure our ability to assess prospective loss exposure.

As guidance, our management uses criteria specified in our policy statement on allowance for Insurance Fund loss and in the Financial Accounting Standards Board's Accounting Standards Topic 450, Contingencies. Timely evaluation of the Insurance Fund's risk exposure is critical to preserving the Insurance Fund's solvency. We use FCA reports of examination to evaluate risks to the Insurance Fund. When necessary, we independently examine and require information from System institutions.

3. Maintain the capability to manage assistance requests, receiverships, and conservatorships

FCSIC has statutory authority to provide financial assistance to System institutions, including loans. Any assistance agreement is subject to the board's approval. We have a policy statement on assistance, and we have adopted procedures for providing assistance in a liquidity crisis. We measure effectiveness by periodically testing our procedures and updating our policy statement so that we remain ready to provide financial assistance in a timely and cost-effective manner.

We are required to serve as receiver or conservator of System banks and associations when appointed by FCA. This program goal requires us to maintain readiness through periodic staff training and evaluation of support capabilities. We must ensure that we have the resources we need to manage receiverships or conservatorships in case the need arises.

We use the following measures to determine the effectiveness of our receivership operations:

- Timeliness of initial processing of all claims (Processing should occur within a period of time warranted by the size and complexity of each case.)
- The ratio of operating costs to total assets
- The ratio of actual asset recovery returns to net realizable asset values

We did not have any assistance requests and were not appointed as a receiver or conservator in 2021.

Strategic Goals and Objectives

The Government Performance and Results Act of 1993, as amended, requires all federal government organizations to report on the results of program performance. Performance results are included in regular reports to the board of directors and in our annual report. Information for each of the three major program areas is presented in Table 4.

Table 4

Strategic Goals and Objectives by Program Area

FCSIC's Mission	Program Areas	Strategic Goals	Strategic Objectives	For More Information
<p>Protect investors in insured Farm Credit System obligations and taxpayers through sound administration of the Insurance Fund.</p> <p>Exercise its authorities to minimize Insurance Fund loss.</p> <p>Help ensure the future of a permanent system for delivery of credit to agricultural borrowers.</p>	Insurance Fund management	Manage the Insurance Fund to maintain the secure base amount to provide protection for investors and taxpayers against identified risks.	<ol style="list-style-type: none"> 1. Manage the Insurance Fund to ensure adequate liquidity while optimizing investment returns and ensuring premium collections and refunds reflect anticipated changes in adjusted insured debt levels and potential insurance claims. 2. Use actuarial tools to evaluate the adequacy of investor protections and risk exposures to the Insurance Fund. 3. Ensure that System banks have adequate temporary liquidity in situations where external market factors make normal debt market access extremely doubtful. 4. Communicate accurate and easily understood information about the insurance program to the public, insured investors, and System institutions. 	See pages 17 - 22 for 2021 results
	Risk management	Monitor, evaluate, and report risks that could generate losses to the Insurance Fund.	<ol style="list-style-type: none"> 1. Use analytical models and other risk management tools and processes to identify and respond to potential risks to the Insurance Fund. Conduct trend analysis on the System's growth, funding needs, condition, and performance. Regularly report to the board of directors on identified risk exposures. 2. Monitor conditions in the agricultural and financial sectors that may affect insurance risk and integrate the results into the process for setting annual insurance premium rates. 	See pages 25 -30 for 2021 results
	Receivership / conservatorship	Effectively manage assistance requests, receiverships, and conservatorships.	<ol style="list-style-type: none"> 1. Subject to the provisions of the Farm Credit Act, including the least-cost test, provide assistance when appropriate to a troubled System bank or association. 2. Ensure receiverships and conservatorships are managed to fulfill the purposes of the Farm Credit Act and protect creditors and are terminated in an orderly and timely manner. 	See pages 31 - 32 for 2021 results

GLOSSARY

Farm Credit Act — The Farm Credit Act of 1971, as amended, (12 U.S.C. 2001 et seq.) is the statute under which the Farm Credit System, FCSIC, and the Farm Credit Administration operate.

Farm Credit Administration — FCA was established in 1933 to regulate the System. It is governed by a three-member presidentially appointed board. To ensure the safety and soundness of the System, FCA examines and supervises System institutions and develops regulations to govern them.

Federal Farm Credit Banks Funding Corporation — Based in Jersey City, New Jersey, the Funding Corporation manages the sale of Systemwide debt securities to finance the loans made by System institutions. It uses a network of bond dealers to market the System's securities.

Financial Institution Rating System (FIRS) — The FIRS is similar to the Uniform Financial Institutions Rating System used by other federal banking regulators except that the FIRS reflects the nondepository nature of System institutions. The FIRS provides a general framework for assimilating and evaluating all significant financial, asset quality, and management factors to assign a composite rating to each System institution. The ratings are described below.

Rating 1 — Institutions in this group are basically sound in every respect; any negative findings or comments are of a minor nature and are anticipated to be resolved in the normal course of business. Such institutions are well managed, resistant to external economic and financial disturbances, and more capable of withstanding the uncertainties of business conditions than institutions with lower ratings. Each institution in this category exhibits the best performance and risk management practices for its size, complexity, and risk profile. These institutions give no cause for regulatory concern.

Rating 2 — Institutions in this group are fundamentally sound but may reflect modest weaknesses correctable in the normal course of business. Because the nature and severity of deficiencies are not material, such institutions are stable and able to withstand business fluctuations. Overall risk management practices are satisfactory for the size, complexity, and risk profile of each institution in this group. While areas of weakness could develop into conditions of greater concern, regulatory response is limited to the extent that minor adjustments are resolved in the normal course of business, and operations continue in a satisfactory manner.

Rating 3 — Institutions in this category exhibit a combination of financial, management, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to asset quality or financial condition, these institutions may be vulnerable to the onset of adverse business conditions and could easily deteriorate if weaknesses are not corrected. Institutions that are in significant noncompliance with laws and regulations may also be given this rating. Risk management practices are less than satisfactory for the size, complexity, and risk profile

of each institution in this group. Institutions in this category generally give cause for regulatory concern and require more than normal supervision to address deficiencies. Overall strength and financial capacity, however, still make failure only a remote possibility if corrective actions are taken.

Rating 4 — Institutions in this group have an immoderate number of serious financial or operating weaknesses. Serious problems or unsafe and unsound conditions exist that are not being satisfactorily addressed or resolved. Unless effective actions are taken to correct these conditions, they are likely to impair future viability or constitute a threat to the interests of investors, borrowers, and stockholders. Risk management practices are generally unacceptable for the size, complexity, and risk profile of each institution in this group. A potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close regulatory attention, financial surveillance, and a definitive plan for corrective action.

Rating 5 — This category is reserved for institutions with an extremely high, immediate, or near-term probability of failure. The number and severity of weaknesses or unsafe and unsound conditions are so critical as to require urgent external financial assistance. Risk management practices are inadequate for the size, complexity, and risk profile of each institution in this group. In the absence of decisive corrective measures, these institutions will likely require liquidation or some form of emergency assistance, merger, or acquisition.

Government-sponsored enterprise (GSE) — A GSE is typically a federally chartered corporation created by Congress that is privately owned, designed to provide a source of credit nationwide, and limited to servicing one economic sector. Each GSE has a public or social purpose. GSEs are usually created because the private markets did not satisfy a purpose that Congress deems worthy either to fill a credit gap or to enhance competitive behavior in the loan market. Each is given certain features or benefits (called GSE attributes) to allow it to overcome the barriers that prevented purely private markets from developing. The System is the oldest financial GSE.



ACRONYMS AND ABBREVIATIONS

AIRAs	allocated insurance reserves accounts
CIPA	Contractual Interbank Performance Agreement
Farm Credit Act	Farm Credit Act of 1971, as amended
FCA	Farm Credit Administration
FCSIC	Farm Credit System Insurance Corporation
FIRS	Financial Institution Rating System
Funding Corporation	Federal Farm Credit Banks Funding Corporation
GSE	government-sponsored enterprise
OMB	Office of Management and Budget
System	Farm Credit System
URE	unallocated retained earnings
USDA	United States Department of Agriculture



CORPORATE STAFF

Howard I. Rubin	Chief Operating Officer
Andrew J. Grimaldi	Chief Financial Officer
Lynn M. Powalski	General Counsel
John F. Simonson	Chief Risk Officer
Wade Wynn	Chief Investment Officer and Senior Risk Analyst
Gregory Smith	Asset Assurance Manager
Tanya Renica	Senior Accountant
Mark Bowen	Accountant
Matthew Morgan	Financial Analyst
Barbara Loggins	Senior Administrative Specialist
Molly Sproles	Administrative Management Assistant

CONTACT INFORMATION

Farm Credit System Insurance Corporation
1501 Farm Credit Drive
McLean, VA 22102
Voice: (703) 883-4380
Fax: (703) 790-9088
www.fcsic.gov

BANKS INSURED BY FCSIC

To obtain copies of quarterly and annual reports of a Farm Credit System bank and its affiliated associations, please contact the bank directly. The mailing addresses, website addresses, and telephone numbers of all four System banks are provided below.

AgFirst Farm Credit Bank
P.O. Box 1499
Columbia, SC 29202-1499
(800) 845-1745
www.agfirst.com

AgriBank
30 E. 7th Street, Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800
www.agribank.com

CoBank
P.O. Box 5110
Denver, CO 80217-5110
(800) 542-8072
www.cobank.com

Farm Credit Bank of Texas
P.O. Box 202590
Austin, TX 78720-2590
(512) 465-0400
www.farmcreditbank.com

Note: Information contained on these websites is not incorporated by reference into this annual report, and you should not consider information contained on these websites to be part of this annual report.

ADDITIONAL INFORMATION

To obtain Farm Credit System quarterly and annual information statements, contact the Federal Farm Credit Banks Funding Corporation at the following address:

Federal Farm Credit Banks Funding Corporation
101 Hudson Street, Suite 3505
Jersey City, NJ 07302
(201) 200-8064
info@farmcreditfunding.com

These documents are also available on the Funding Corporation's website at www.farmcreditfunding.com.

To obtain copies of the Farm Credit Administration's Annual Report and the FCA Annual Performance and Accountability Report, contact FCA at the following address:

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102
(703) 883-4056

These documents are also available on the FCA website at www.fca.gov.

Farm Credit System Insurance Corporation

1501 Farm Credit Drive
McLean, VA 22102

Voice: 703-883-4380

Fax: 703-790-9088

www.fcsic

