2021
Annual Report

Delta Agricultural Credit Association

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Delta Agricultural Credit Association

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Delta Agricultural Credit Association

(dollars in thousands)

As of December 31	**2021**	2020	2019	2018	2017
Condensed Statement of Condition Data					
Loans	**$ 34,118**	$ 40,507	$ 42,477	$ 48,988	$ 49,709
Allowance for loan losses	**46**	76	104	104	105
Net loans	**34,072**	40,431	42,373	48,884	49,604
Investment in AgriBank, FCB	**1,327**	1,300	1,300	1,196	1,196
Other assets	**1,327**	1,733	1,356	1,467	1,433
Total assets	**$ 36,726**	$ 43,464	$ 45,029	$ 51,547	$ 52,233
Obligations with maturities of one year or less	**$ 26,735**	$ 33,383	$ 35,146	$ 41,976	$ 41,446
Total liabilities	**26,735**	33,383	35,146	41,976	41,446
Protected members' equity	**7**	7	7	7	12
Capital stock and participation certificates	**145**	150	155	158	1,857
Unallocated surplus	**9,839**	9,924	9,721	9,406	8,918
Total members' equity	**9,991**	10,081	9,883	9,571	10,787
Total liabilities and members' equity	**$ 36,726**	$ 43,464	$ 45,029	$ 51,547	$ 52,233

For the year ended December 31	**2021**	2020	2019	2018	2017
Condensed Statement of Income Data					
Net interest income	**$ 1,457**	$ 1,650	$ 1,622	$ 1,844	$ 1,929
Reversal of loan losses	**(30)**	--	--	--	--
Other expenses, net	**1,572**	1,312	1,207	1,186	1,113
Net (loss) income	**$ (85)**	$ 338	$ 415	$ 658	$ 816
Key Financial Ratios					
For the Year					
Return on average assets	**(0.2%)**	0.7%	0.8%	1.2%	1.5%
Return on average members' equity	**(0.8%)**	3.4%	4.2%	6.4%	7.8%
Net interest income as a percentage of average earning assets	**3.7%**	3.7%	3.3%	3.5%	3.6%
Net charge-offs as a percentage of average loans	**--**	0.1%	--	0.0%	--
At Year End					
Members' equity as a percentage of total assets	**27.2%**	23.2%	21.9%	18.6%	20.7%
Allowance for loan losses as a percentage of loans	**0.1%**	0.2%	0.2%	0.2%	0.2%
Common equity tier 1 ratio	**29.6%**	26.8%	24.8%	21.2%	20.0%
Tier 1 capital ratio	**29.6%**	26.8%	24.8%	21.2%	20.0%
Total capital ratio	**29.9%**	27.0%	25.1%	21.5%	20.3%
Permanent capital ratio	**30.6%**	27.3%	25.2%	21.4%	24.3%
Tier 1 leverage ratio	**22.1%**	18.9%	18.0%	15.1%	14.6%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$ 135**	$ 100	$ 170	$ 81	$ 140

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delta Agricultural Credit Association

The following commentary reviews the consolidated financial condition and consolidated results of operations of Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

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

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

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

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports, contact us at:

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Length and severity of an epidemic or pandemic
- Economic fluctuations in the agricultural, international, rural and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Changes in our assumptions for determining the allowance for loan losses and fair value measurements
- Industry outlooks for agricultural conditions
- Changes in interest rate indices utilized in our lending

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many restrictions have been lifted across the U.S. While the emergence of COVID-19 variants may negatively impact economic conditions, the overall economy continues to recover, and the outlook is positive for many sectors, including agriculture.

The extent to which the COVID-19 pandemic continues to impact the Association will depend on future developments that are highly uncertain and cannot be predicted. However, we have weathered the significant challenges presented to date. Our business continuity response has allowed us to continue to serve our mission.

AGRICULTURAL AND ECONOMIC CONDITIONS

The Association's territory is located in rural southeast Arkansas. Crop and poultry production are the primary agricultural enterprises that influence our portfolio. The current Farm Bill will provide support for local crop enterprises when market forces do not provide sustainability. Coronavirus Food Assistance Program (CFAP) payments and other government support has helped sustain many sectors of agriculture during the COVID-19 pandemic. The new risk for our area is inflation. It has affected most areas of our economy; however, higher prices for most producers have been able to offset this dilemma.

Profitability for 2021 field crops was above average. Production costs for the 2021 crop were not inflated to a great degree. Relatively stable production costs, along with a boost in commodity prices during the 2021 harvest, allowed most crop producers to enjoy greater than normal cash flow margins. In 2021, field crop producers ended with better earnings than projected. Association management is projecting strong earnings from all field crops in 2022.

The crop land rents, which are primarily share rents, are stable. The predominant share is one quarter of all crops and government payments, or that equivalent, in cash rent. Although there is intermittent economic pressure in crop production, crop rents are still attractive to both land owners and investors (the majority of the farmland buyers).

Non-farm income has seen the greatest economic impact from the COVID-19 pandemic situation. A very small portion of our portfolio relies on non-farm income for repayment, and that portion has not significantly impacted our portfolio volumes.

Poultry production continues to show profitable margins. New grower contracts and new poultry facility construction has surfaced after several years of decline. This enterprise is a significant part of our loan portfolio.

Beef cattle prices are adequate in comparison to the cost of production, and the prices provide for profitability for the average producer. Pine timber is the predominant forest product for our region. Due to an abundance of pine timber inventory, stumpage prices remain low. Although these enterprises are not a significant part of our portfolio, they are integral to the economy of our territory.

The overall local field crops, livestock, poultry and timber economies remain sustainable. The effects of the COVID-19 pandemic has not weakened our regional commerce. Our borrowers continue to have a sustainable economic environment.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $34.1 million at December 31, 2021, a decrease of $6.4 million from December 31, 2020.

Components of Loans

(in thousands)

As of December 31	**2021**	2020	2019
Accrual loans:			
Real estate mortgage	**$ 23,803**	$ 27,142	$ 28,678
Production and intermediate-term	**10,315**	13,365	13,776
Agribusiness	**--**	--	23
Total loans	**$ 34,118**	$ 40,507	$ 42,477

The decrease in total loans from December 31, 2020, was primarily due to repayments and minimal new growth in both the real estate mortgage and production and intermediate-term portfolios. We are limiting originations of new loans due to our proposed plan for liquidation and dissolution.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

We offer variable, fixed, and adjustable interest rate loan programs to our borrowers**.** We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve certain counties in Arkansas. Approximately 96.0% of our total loan portfolio was in Drew, Ashley, Bradley, Chicot, Desha, and Lincoln counties at December 31, 2021.

Agricultural Concentrations

As of December 31	**2021**	2020	2019
Poultry and eggs	**40.7%**	40.0%	40.9%
Cash grains	**32.4%**	36.3%	33.5%
Forestry	**5.7%**	5.7%	5.4%
Farm supplies	**5.6%**	7.1%	6.8%
Beef	**5.5%**	5.4%	6.4%
Other	**10.1%**	5.5%	7.0%
Total	**100.0%**	100.0%	100.0%

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

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2020. Adversely classified loans increased to 2.5% of the portfolio at December 31, 2021, from 1.3% of the portfolio at December 31, 2020. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2021, $16.3 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of December 31	**2021**	2020	2019
Loans:			
Nonaccrual	**$ --**	$ --	$ --
Accruing restructured	**286**	373	320
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**286**	373	320
Other property owned	**--**	445	--
Total risk assets	**$ 286**	$ 818	$ 320
Total risk loans as a percentage of total loans	**0.8%**	0.9%	0.7%
Nonaccrual loans as a percentage of total loans	**--**	--	--
Current nonaccrual loans as a percentage of total nonaccrual loans	**--**	--	--
Total delinquencies as a percentage of total loans	**--**	0.2%	--

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2020, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The accruing restructured loan balance consists of one loan in the production and intermediate-term loan category. The decrease in the loan balance was due to a pay down on the loan during the second quarter of 2021.

The decrease in other property owned was due to the sale of the property in the fourth quarter of 2021.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of December 31	**2021**	2020	2019
Allowance as a percentage of:			
Loans	**0.1%**	0.2%	0.2%
Total risk loans	**16.1%**	20.4%	32.5%
Net charge-offs as a percentage of average loans	**--**	0.1%	--
Adverse assets to capital and allowance for loan losses	**8.5%**	9.6%	23.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2021.

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Net (loss) income	**$ (85)**	$ 338	$ 415
Return on average assets	**(0.2%)**	0.7%	0.8%
Return on average members' equity	**(0.8%)**	3.4%	4.2%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net (Loss) Income

	For the year ended December 31			(Decrease) increase in net (loss) income	
(in thousands)	**2021**	2020	2019	**2021 vs 2020**	2020 vs 2019
Net interest income	**$ 1,457**	$ 1,650	$ 1,622	**$ (193)**	$ 28
Reversal of loan losses	**(30)**	--	--	**30**	--
Non-interest income	**250**	253	266	**(3)**	(13)
Non-interest expense	**1,820**	1,565	1,471	**(255)**	(94)
Provision for income taxes	**2**	--	2	**(2)**	2
Net (loss) income	**$ (85)**	$ 338	$ 415	**$ (423)**	$ (77)

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2021 vs 2020**	2020 vs 2019
Changes in volume	**$ (157)**	$ (135)
Changes in interest rates	**(38)**	165
Changes in nonaccrual income and other	**2**	(2)
Net change	**$ (193)**	$ 28

Net interest margin (net interest income as a percentage of average earning assets) was 3.7%, 3.7%, and 3.3% in 2021, 2020, and 2019, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Reversal of Loan Losses

The change in the reversal of loan losses was related to our estimate of losses in our portfolio for the applicable years. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Salaries and employee benefits	**$ 926**	$ 900	$ 865
Other operating expense:			
Purchased and vendor services	**736**	489	418
Communications	**18**	16	20
Occupancy and equipment	**25**	28	34
Advertising and promotion	**9**	20	26
Examination	**22**	24	23
Farm Credit System insurance	**26**	20	21
Other	**33**	55	64
Other non-interest expense	**25**	13	--
Total non-interest expense	**$ 1,820**	$ 1,565	$ 1,471
Operating rate	**4.5%**	3.5%	3.0%

Purchased and Vendor Services: The increase in purchased and vendor services expense is primarily due to higher consulting fees related to the Association's ongoing activities for a proposed plan for liquidation and dissolution.

Occupancy and Equipment, Advertising and Promotion, and Other: The decrease in occupancy and equipment, advertising and promotion, and other operating expenses was primarily related to the Association's efforts to reduce expenses as ongoing activities continue related to a proposed plan for liquidation and dissolution.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by FCSIC on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for all of 2021, compared to a premium rate of 8 basis points for the first half of 2020 and 11 basis points for the second half of 2020. The FCSIC has announced premiums will be 16 basis points for 2022. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Other non-interest expense: The increase in other non-interest expense is due to expenses incurred related to other property owned.

Provision for Income Taxes

The change in provision for income taxes was related to a true-up from our 2020 tax return. Patronage distributions to members reduced our tax liability in 2020 and 2019. Additional disclosure is included in Note 7 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2021, we had $13.8 million available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue in the future, including through any liquidation and dissolution time period. Our other source of lendable funds is from equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Average balance	**$ 31,864**	$ 37,065	$ 40,648
Average interest rate	**1.4%**	1.9%	2.8%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-bank Offer Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. ICE Benchmark Administration (the entity responsible for calculating LIBOR) ceased the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and has announced it intends to cease publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. It is widely anticipated that the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, including LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Furthermore, as AgriBank has shifted their funding, with no remaining LIBOR-indexed bonds as of December 31, 2021, we may see an increase to our basis risk. With limited exceptions in accordance with FCA guidance, we have ceased issuing new loans indexed to LIBOR, somewhat mitigating this basis risk.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

CAPITAL ADEQUACY

Total members' equity was $10.0 million, $10.1 million, and $9.9 million at December 31, 2021, 2020, and 2019, respectively. Total members' equity decreased $90 thousand from December 31, 2020, primarily due to the net loss for the year.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

As of December 31	**2021**	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**29.6%**	26.8%	24.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**29.6%**	26.8%	24.8%	6.0%	2.5%	8.5%
Total capital ratio	**29.9%**	27.0%	25.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**30.6%**	27.3%	25.2%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**22.1%**	18.9%	18.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.8%**	18.7%	17.7%	1.5%	N/A	1.5%

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

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements and off-balance sheet commitments are discussed in Note 10 the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum common equity tier 1 (CET1) target. This target allows us to maintain a capital base adequate to sustain our current operations until our dissolution is complete. Our optimum CET1 target is 10.0%, as defined in our 2021 capital plan. Given our proposed plan for liquidation and dissolution, we did not develop a capital plan for 2022.

We typically accrue patronage distributions according to a prescribed formula approved by the Board of Directors. However, we did not accrue a patronage distribution as of December 31, 2021, due to our net loss for the year, as well the potential liquidation and dissolution process being pursued by the Association.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2022.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 5 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium during 2021 or 2019. However, we were subject to a risk premium totaling 8 basis points in the second quarter of 2020 and 6 basis points in the third quarter of 2020 triggered by declines in our risk score. Our risk score subsequently improved such that we were able to earn back the risk premium charge the same year. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

As of December 31, 2021, we purchased certain business services from AgriBank. We plan to continue purchasing these services until our proposed plan for liquidation and dissolution is complete. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, and insurance services from AgriBank. These services are now purchased from SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, and insurance services. We plan to continue purchasing these services until our proposed plan for liquidation and dissolution is complete. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation, of which we are a partial owner. As of December 31, 2021, and 2020, our investment in SunStream was $15 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. We plan to continue purchasing these services until our proposed plan for liquidation and dissolution is complete. As of December 31, 2021, 2020, and 2019, our investment in Foundations was $7 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

OTHER MATTERS

Governance

On July 1, 2021, Delta's board of directors approved a preliminary resolution to proceed with a plan to voluntarily liquidate and dissolve the Association (the Plan). The board of directors has determined that it is in the best interests of Delta to voluntarily dissolve. In order for liquidation and dissolution to occur, the Plan must be approved by the FCA and a majority of the Association's voting stockholders voting, in person or by written proxy, at a duly authorized stockholders meeting. AgriBank must approve certain aspects of the Plan. Delta has commenced activities associated with obtaining such approvals over the upcoming months; however, the ultimate timing is uncertain and subject to multiple considerations.

REPORT OF MANAGEMENT

Delta Agricultural Credit Association

We prepare the Consolidated Financial Statements of Delta Agricultural Credit Association (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

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

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

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

Mike Norris
Chairperson of the Board and Audit Committee
Delta Agricultural Credit Association

Mark W. Kaufman
Chief Executive Officer
Delta Agricultural Credit Association

Mary Ann Johnson
Chief Financial Officer
Delta Agricultural Credit Association

March 9, 2022

REPORT OF AUDIT COMMITTEE

Delta Agricultural Credit Association

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Delta Agricultural Credit Association (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

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

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

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

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2021.

Mike Norris

Mike Norris
Chairperson of the Board and Audit Committee
Delta Agricultural Credit Association

Members of the Audit Committee are:
Bruce Bond
C. Randall Cox
Lathan Hairston
Joe Mencer
John Mitchell

March 9, 2022

Report of Independent Auditors

To the Board of Directors of Delta Agricultural Credit Association,

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 12 to the consolidated financial statements, on January 7, 2022, the Association executed an agreement to sell its loan portfolio. This agreement is a primary element of a voluntary plan for liquidation and dissolution that was submitted for regulatory approval on January 10, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 9, 2022

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F: (612) 373 7160, www.pwc.com

CONSOLIDATED STATEMENTS OF CONDITION

Delta Agricultural Credit Association

(in thousands)

As of December 31		2021		2020		2019
ASSETS						
Loans	**$**	**34,118**	$	40,507	$	42,477
Allowance for loan losses		**46**		76		104
Net loans		**34,072**		40,431		42,373
Investment in AgriBank, FCB		**1,327**		1,300		1,300
Accrued interest receivable		**505**		604		781
Other property owned		**--**		445		--
Other assets		**822**		684		575
Total assets	**$**	**36,726**	$	43,464	$	45,029
LIABILITIES						
Note payable to AgriBank, FCB	**$**	**26,117**	$	32,933	$	34,665
Accrued interest payable		**106**		133		254
Patronage distribution payable		**--**		135		100
Other liabilities		**512**		182		127
Total liabilities		**26,735**		33,383		35,146
Contingencies and commitments (Note 10)						
MEMBERS' EQUITY						
Protected members' equity		**7**		7		7
Capital stock and participation certificates		**145**		150		155
Unallocated surplus		**9,839**		9,924		9,721
Total members' equity		**9,991**		10,081		9,883
Total liabilities and members' equity	**$**	**36,726**	$	43,464	$	45,029

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31		2021		2020		2019
Interest income	**$**	**1,908**	$	2,340	$	2,741
Interest expense		**451**		690		1,119
Net interest income		**1,457**		1,650		1,622
Reversal of loan losses		**(30)**		--		--
Net interest income after reversal of loan losses		**1,487**		1,650		1,622
Non-interest income						
Patronage income		**201**		231		239
Financially related services income		**1**		1		2
Fee income		**48**		14		15
Other non-interest income		**--**		7		10
Total non-interest income		**250**		253		266
Non-interest expense						
Salaries and employee benefits		**926**		900		865
Other operating expense		**869**		652		606
Other non-interest expense		**25**		13		--
Total non-interest expense		**1,820**		1,565		1,471
(Loss) income before income taxes		**(83)**		338		417
Provision for income taxes		**2**		--		2
Net (loss) income	**$**	**(85)**	$	338	$	415

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Delta Agricultural Credit Association

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2018	$ 7	$ 158	$ 9,406	$ 9,571
Net income	--	--	415	415
Unallocated surplus designated for patronage distributions	--	--	(100)	(100)
Capital stock and participation certificates issued	--	8	--	8
Capital stock and participation certificates retired	--	(11)	--	(11)
Balance as of December 31, 2019	7	155	9,721	9,883
Net income	--	--	338	338
Unallocated surplus designated for patronage distributions	--	--	(135)	(135)
Capital stock and participation certificates issued	--	12	--	12
Capital stock and participation certificates retired	--	(17)	--	(17)
Balance as of December 31, 2020	7	150	9,924	10,081
Net loss	**--**	**--**	**(85)**	**(85)**
Capital stock and participation certificates issued	**--**	**6**	**--**	**6**
Capital stock and participation certificates retired	**--**	**(11)**	**--**	**(11)**
Balance as of December 31, 2021	**$ 7**	**$ 145**	**$ 9,839**	**$ 9,991**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Delta Agricultural Credit Association

(in thousands)

For the year ended December 31	**2021**	2020	2019
Cash flows from operating activities			
Net (loss) income	**$ (85)**	$ 338	$ 415
Depreciation on premises and equipment	**6**	7	6
Reversal of loan losses	**(30)**	--	--
Stock patronage received from AgriBank, FCB	**(27)**	--	(105)
Loss on other property owned, net	**4**	1	--
Changes in operating assets and liabilities:			
Decrease in accrued interest receivable	**99**	145	141
Increase in other assets	**(145)**	(89)	(31)
Decrease in accrued interest payable	**(27)**	(121)	(75)
Increase in other liabilities	**330**	55	40
Net cash provided by operating activities	**125**	336	391
Cash flows from investing activities			
Decrease in loans, net	**6,386**	1,526	6,512
Redemptions of investment in AgriBank, FCB, net	**--**	--	1
Purchases of investment in other Farm Credit Institutions, net	**--**	(15)	--
Proceeds from sales of other property owned	**441**	--	--
Sales (purchases) of premises and equipment, net	**1**	(12)	(7)
Net cash provided by investing activities	**6,828**	1,499	6,506
Cash flows from financing activities			
Decrease in note payable to AgriBank, FCB, net	**(6,816)**	(1,732)	(6,725)
Patronage distributions paid	**(135)**	(100)	(170)
Capital stock and participation certificates retired, net	**(2)**	(3)	(2)
Net cash used in financing activities	**(6,953)**	(1,835)	(6,897)
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$ 6**	$ 11	$ 6
Stock applied against loan principal	**9**	13	7
Interest transferred to loans	**--**	32	2
Loans transferred to other property owned	**--**	447	--
Supplemental information			
Interest paid	**$ 478**	$ 811	$ 1,194
Taxes paid, net	**2**	--	2

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Delta Agricultural Credit Association

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 65 borrower-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2022, the District consisted of 13 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

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

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

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

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

Delta Agricultural Credit Association (the Association) and its subsidiaries, Delta Agricultural Credit Association, FLCA and Delta Agricultural Credit Association, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Ashley, Bradley, Chicot, Desha, Drew, and part of Lincoln in the state of Arkansas

On July 1, 2021, Delta's board of directors approved a preliminary resolution to proceed with a plan to voluntarily liquidate and dissolve the Association (the Plan). The board of directors has determined that it is in the best interests of Delta to voluntarily dissolve. In order for liquidation and dissolution to occur, the Plan must be approved by the FCA and a majority of the Association's voting stockholders voting, in person or by written proxy, at a duly authorized stockholders meeting. AgriBank must approve certain aspects of the Plan. Delta has commenced activities associated with obtaining such approvals over the upcoming months; however, the ultimate timing is uncertain and subject to multiple considerations.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life insurance to borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Delta Agricultural Credit Association and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income.

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year should be charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments.

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

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

Allowance for Loan Losses: The allowance for loan losses is our best estimate of the amount of losses on loans inherent in our portfolio as of the date of the financial statements. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Loans in our portfolio that are considered impaired are assessed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by assessing risk loans individually and all other loans by combining them into groups of loans sharing similar risk characteristics. For loans that are not individually assessed for impairment, an allowance is recorded for probable and estimable credit losses as of the financial statement date, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

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

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Other non-interest expense" in the Consolidated Statements of Income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Other non-interest income" or "Other non-interest expense", respectively, in the Consolidated Statements of Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Income and improvements are capitalized.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Any reserve for unfunded lending commitments is based on management’s best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve would be recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss would be recorded in “Provision for credit losses” in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2021, 2020, or 2019.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

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

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

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

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

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and as of the date of this report, have determined no other standards are applicable to our business through any potential liquidation and dissolution date. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 “Reference Rate Reform, Topic 848.” In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We have not yet started the implementation process for this standard as we expect our planned liquidation and dissolution to be complete before the required adoption date.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)		**2021**			2020			2019	
As of December 31		Amount	%		Amount	%		Amount	%
Real estate mortgage	**$**	**23,803**	**69.8%**	$	27,142	67.0%	$	28,678	67.5%
Production and intermediate-term		**10,315**	**30.2%**		13,365	33.0%		13,776	32.4%
Agribusiness		**--**	**--**		--	--		23	0.1%
Total	**$**	**34,118**	**100.0%**	$	40,507	100.0%	$	42,477	100.0%

Portfolio Concentrations

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2021, volume plus commitments to our ten largest borrowers totaled an amount equal to 26.3% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Sold

(in thousands)	Other Farm Credit Institutions Total Participations Sold					
As of December 31		**2021**		2020		2019
Real estate mortgage	**$**	**(701)**	$	(772)	$	(921)
Production and intermediate-term		**(3,352)**		(3,076)		(3,999)
Total	**$**	**(4,053)**	$	(3,848)	$	(4,920)

We did not have any participation interests purchased as of December 31, 2021, 2020, or 2019.

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

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

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2021	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 23,264**	**96.3%**	**$ 435**	**1.8%**	**$ 457**	**1.9%**	**$ 24,156**	**100.0%**
Production and intermediate-term	**9,616**	**91.9%**	**452**	**4.3%**	**399**	**3.8%**	**10,467**	**100.0%**
Agribusiness	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Total	**$ 32,880**	**94.9%**	**$ 887**	**2.6%**	**$ 856**	**2.5%**	**$ 34,623**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 27,015	98.0%	$ 460	1.7%	$ 83	0.3%	$ 27,558	100.0%
Production and intermediate-term	11,963	88.3%	1,142	8.4%	448	3.3%	13,553	100.0%
Agribusiness	--	--	--	--	--	--	--	--
Total	$ 38,978	94.8%	$ 1,602	3.9%	$ 531	1.3%	$ 41,111	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2019	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 27,212	93.1%	$ 985	3.4%	$ 1,018	3.5%	$ 29,215	100.0%
Production and intermediate-term	11,555	82.4%	1,107	7.9%	1,357	9.7%	14,019	100.0%
Agribusiness	24	100.0%	--	--	--	--	24	100.0%
Total	$ 38,791	89.7%	$ 2,092	4.8%	$ 2,375	5.5%	$ 43,258	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2021**	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	**$ --**	**$ --**	**$ 24,156**	**$ 24,156**
Production and intermediate-term	**--**	**--**	**10,467**	**10,467**
Agribusiness	**--**	**--**	**--**	**--**
Total	**$ --**	**$ --**	**$ 34,623**	**$ 34,623**

As of December 31, 2020	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$ 98	$ 98	$ 27,460	$ 27,558
Production and intermediate-term	--	--	13,553	13,553
Agribusiness	--	--	--	--
Total	$ 98	$ 98	$ 41,013	$ 41,111

As of December 31, 2019	30-89 Days Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$ --	$ --	$ 29,215	$ 29,215
Production and intermediate-term	--	--	14,019	14,019
Agribusiness	--	--	24	24
Total	$ --	$ --	$ 43,258	$ 43,258

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at December 31, 2021, 2020, or 2019.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	$ --	$ --	$ --
Past due	--	--	--
Total nonaccrual loans	--	--	--
Accruing restructured loans	286	373	320
Accruing loans 90 days or more past due	--	--	--
Total risk loans	$ 286	$ 373	$ 320
Volume with specific allowance	$ --	$ --	$ --
Volume without specific allowance	286	373	320
Total risk loans	$ 286	$ 373	$ 320
Total specific allowance	$ --	$ --	$ --

For the year ended December 31	2021	2020	2019
Income on accrual risk loans	$ 19	$ 26	$ 20
Reversal on nonaccrual loans	--	(2)	--
Total income on risk loans	$ 19	$ 24	$ 20
Average risk loans	$ 312	$ 688	$ 327

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

	As of December 31, 2021			For the year ended December 31, 2021	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	--	--	--	--
Total	$ --	$ --	$ --	$ --	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	286	286	--	312	19
Total	$ 286	$ 286	$ --	$ 312	$ 19
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	286	286	--	312	19
Total	$ 286	$ 286	$ --	$ 312	$ 19

	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	--	--	--	--
Total	$ --	$ --	$ --	$ --	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ 253	$ --
Production and intermediate-term	373	392	--	435	24
Total	$ 373	$ 392	$ --	$ 688	$ 24
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ 253	$ --
Production and intermediate-term	373	392	--	435	24
Total	$ 373	$ 392	$ --	$ 688	$ 24

	As of December 31, 2019			For the year ended December 31, 2019	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	--	--	--	--
Total	$ --	$ --	$ --	$ --	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	320	326	--	327	20
Total	$ 320	$ 326	$ --	$ 327	$ 20
Total impaired loans:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	320	326	--	327	20
Total	$ 320	$ 326	$ --	$ 327	$ 20

[1]The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

[2]Unpaid principal balance represents the contractual principal balance of the loan.

We had no commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2021.

Troubled Debt Restructurings (TDRs)

Included within our loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

There were no TDRs that occurred during the years ended December 31, 2021, 2020, or 2019. Additionally, there were no TDRs that defaulted during the years ended December 31, 2021, 2020, or 2019, in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the production and intermediate-term loan category totaled $286 thousand, $373 thousand, and $320 thousand, all of which were in accrual status at December 31, 2021, 2020, and 2019, respectively.

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	**2021**	2020	2019
Balance at beginning of year	**$ 76**	$ 104	$ 104
Reversal of loan losses	**(30)**	--	--
Loan charge-offs	**--**	(28)	--
Balance at end of year	**$ 46**	$ 76	$ 104

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2020	**$ 37**	**$ 39**	**$ --**	**$ 76**
Reversal of loan losses	**(5)**	**(25)**	**--**	**(30)**
Loan recoveries	**--**	**--**	**--**	**--**
Loan charge-offs	**--**	**--**	**--**	**--**
Balance as of December 31, 2021	**$ 32**	**$ 14**	**$ --**	**$ 46**
Ending balance: individually evaluated for impairment	**$ --**	**$ --**	**$ --**	**$ --**
Ending balance: collectively evaluated for impairment	**$ 32**	**$ 14**	**$ --**	**$ 46**
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2021	**$ 24,156**	**$ 10,467**	**$ --**	**$ 34,623**
Ending balance: individually evaluated for impairment	**$ --**	**$ 286**	**$ --**	**$ 286**
Ending balance: collectively evaluated for impairment	**$ 24,156**	**$ 10,181**	**$ --**	**$ 34,337**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2019	$ 53	$ 51	$ --	$ 104
Provision for (reversal of) loan losses	12	(12)	--	--
Loan recoveries	--	--	--	--
Loan charge-offs	(28)	--	--	(28)
Balance as of December 31, 2020	$ 37	$ 39	$ --	$ 76
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 37	$ 39	$ --	$ 76
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2020	$ 27,558	$ 13,553	$ --	$ 41,111
Ending balance: individually evaluated for impairment	$ --	$ 373	$ --	$ 373
Ending balance: collectively evaluated for impairment	$ 27,558	$ 13,180	$ --	$ 40,738

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Total
Allowance for loan losses:				
Balance as of December 31, 2018	$ 69	$ 35	$ --	$ 104
(Reversal of) provision for loan losses	(16)	16	--	--
Loan recoveries	--	--	--	--
Loan charge-offs	--	--	--	--
Balance as of December 31, 2019	$ 53	$ 51	$ --	$ 104
Ending balance: individually evaluated for impairment	$ --	$ --	$ --	$ --
Ending balance: collectively evaluated for impairment	$ 53	$ 51	$ --	$ 104
Recorded investment in loans outstanding:				
Ending balance as of December 31, 2019	$ 29,215	$ 14,019	$ 24	$ 43,258
Ending balance: individually evaluated for impairment	$ --	$ 320	$ --	$ 320
Ending balance: collectively evaluated for impairment	$ 29,215	$ 13,699	$ 24	$ 42,938

The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

Other Property Owned

Other property owned is real and personal property acquired through foreclosure or deed in lieu of foreclosure. Other property owned was $445 thousand at December 31, 2020. There was no other property owned at December 31, 2021, or 2019.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at the Bank by distributing all available Bank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 5: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31	**2021**	2020	2019
Line of credit	**$ 40,000**	$ 60,000	$ 60,000
Outstanding principal under the line of credit	**26,117**	32,933	34,665
Interest rate	**1.5%**	1.4%	2.6%

Our note payable is scheduled to mature on May 31, 2022. We intend to renegotiate the note payable no later than the maturity date and as necessary, though any liquidation and dissolution time period.

We were not subject to a risk premium during 2021 or 2019. However, we were subject to a risk premium totaling 8 basis points in the second quarter of 2020 and 6 basis points in the third quarter of 2020 triggered by declines in our risk score. Our risk score subsequently improved such that we were able to earn back the risk premium charge in the same year.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2021, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If we were to be unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2021**	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**29.6%**	26.8%	24.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**29.6%**	26.8%	24.8%	6.0%	2.5%	8.5%
Total capital ratio	**29.9%**	27.0%	25.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**30.6%**	27.3%	25.2%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**22.1%**	18.9%	18.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.8%**	18.7%	17.7%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

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

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

Description of Equities

The following represents information regarding classes and number of shares of stock outstanding. All shares are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2021**	2020	2019
Class A common stock (protected)	**1,435**	1,435	1,435
Class B common stock (at-risk)	**79**	79	79
Class C common stock (at-risk)	**29,007**	30,121	31,106

Under our bylaws, we are also authorized to issue Class D and Class E common stock, Series 2 participation certificates, and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed first, pro rata to holders of Class F preferred stock, and second pro rata to all holders of common stock and participation certificates.

In the event of impairment, losses will be absorbed first, pro rata by holders of all classes of common stock and participation certificates and then pro rata by holders of Class F preferred stock. However, protected stock will be retired at par value regardless of impairment.

All classes of stock are transferable to other customers who are eligible to hold such class of stock as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We did not accrue a patronage distribution as of December 31, 2021. We accrued patronage distributions of $135 thousand, and $100 thousand at December 31, 2020, and 2019, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

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

NOTE 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Current:			
Federal	**$ 2**	$ --	$ 2
State	**--**	--	--
Total current	**$ 2**	$ --	$ 2
Deferred:			
Federal	**$ 6**	$ 3	$ 8
State	**--**	--	--
Decrease in valuation allowance	**(6)**	(3)	(8)
Total deferred	**--**	--	--
Provision for income taxes	**$ 2**	$ --	$ 2
Effective tax rate	**(2.4%)**	0.0%	0.5%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands) For the year ended December 31	2021	2020	2019
Federal tax at statutory rates	**$ (17)**	$ 71	$ 88
State tax, net	**--**	1	1
Patronage distributions	**--**	(28)	(21)
Effect of non-taxable entity	**16**	(38)	(63)
Decrease in valuation allowance	**(6)**	(3)	(8)
Other	**9**	(3)	5
Provision for income taxes	**$ 2**	$ --	$ 2

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands) As of December 31	2021	2020	2019
Allowance for loan losses	**$ 13**	$ 13	$ 13
Postretirement benefit accrual	**15**	15	16
Other assets	**--**	1	3
Other liabilities	**(5)**	--	--
Total deferred tax assets	**23**	29	32
Valuation allowance	**(23)**	(29)	(32)
Deferred tax assets	**$ --**	$ --	$ --
Gross deferred tax assets	**$ 28**	$ 29	$ 32
Gross deferred tax liabilities	**$ (5)**	$ --	$ --

A valuation allowance for the deferred tax assets was necessary at December 31, 2021, 2020, and 2019, because we determined that the deferred tax asset was not completely realizable due to our minimal current tax liability over the past several years, caused primarily by the patronage program.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank through any potential liquidation and dissolution date. With respect to the AgriBank stock distributed in 2002, the Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under our patronage program. Our total permanent investment in AgriBank is $1.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $5.4 million as it is our intent to permanently maintain this equity in the FLCA until any potential liquidation and dissolution date.

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

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2021 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, upon our dissolution, we will stop participating in the plan and have agreed to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands) As of December 31	**2021**	2020	2019
Unfunded liability	**$ 46,421**	$ 169,640	$ 220,794
Projected benefit obligation	**1,500,238**	1,563,421	1,421,126
Fair value of plan assets	**1,453,817**	1,393,781	1,200,332
Accumulated benefit obligation	**1,384,554**	1,426,270	1,298,942
For the year ended December 31	**2021**	2020	2019
Total plan expense	**$ 28,048**	$ 42,785	$ 36,636
Our allocated share of plan expenses	**75**	97	78
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**203**	190	169

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Income. Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets, directly impacting pension costs. The change in accounting principle did not have a material impact on the financial statements.

Benefits paid to participants in the District were $88.6 million in 2021. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2022 is $90.0 million. Our allocated share of these pension contributions is expected to be $204 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $36 thousand in 2021, 2020, and 2019. These expenses were equal to our cash contributions for each year.

NOTE 9: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2021, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands) As of December 31	2021	2020	2019
Total related party loans	**$ 1,879**	$ 2,446	$ 2,800

For the year ended December 31	2021	2020	2019
Advances to related parties	**$ 5,152**	$ 6,523	$ 5,353
Repayments by related parties	**4,819**	6,903	7,240

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As discussed in Note 5, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Income was paid to AgriBank.

Total patronage from AgriBank was $186 thousand, $218 thousand, and $234 thousand in 2021, 2020, and 2019, respectively. Patronage income for 2021 and 2019 was paid in cash and AgriBank stock. Patronage income for 2020 was paid in cash.

Refer to Note 4 for stock investment in AgriBank information.

As of December 31, 2021, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, and insurance services from AgriBank. These services are now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands) As of December 31	2021	2020	2019
Investment in AgriBank	**$ 1,327**	$ 1,300	$ 1,300
Investment in SunStream	**15**	15	--
Investment in Foundations	**7**	7	7

For the year ended December 31	2021	2020	2019
AgriBank District purchased services	**$ 241**	$ 199	$ 177

NOTE 10: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

We have commitments to extend credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. At December 31, 2021, we had commitments to extend credit of $8.5 million.

Commitments to extend credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management’s credit evaluation of the borrower.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2021, 2020, or 2019.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Valuation Techniques

Other Property Owned: The fair value of other property owned was $463 thousand at December 31, 2021, which was valued using Level 3 inputs. This represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3. We held no other property owned as of December 31, 2021, or 2019.

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 9, 2022, which is the date the Consolidated Financial Statements were available to be issued.

On January 7, 2022, we executed an agreement to sell our loan portfolio to another District association. This agreement is a primary element of a voluntary plan for liquidation and dissolution that we submitted to the FCA on January 10, 2022. This plan for liquidation and dissolution is subject to multiple approvals, including approval by FCA and a majority of our voting stockholders.

There have been no other material subsequent events that would require recognition in our 2021 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Delta Agricultural Credit Association
(Unaudited)

Description of Business

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

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Dermott, AR	Owned	Headquarters
Monticello, AR	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2021.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 5, 6, 7, 8, and 10 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management’s Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Board of Directors as of December 31, 2021, including business experience during the last five years

Name	Principal occupation and other business affiliations
Bruce Bond **Board Service Began:** 2014 **Current Term Expires:** March 2023	**Principal occupation:** Self-employed cotton and grain farmer **Other business affiliations:** Director: Lake Village Seed and Tire, a farm supply store Director: Crooked Bayou Watershed, drainage management Director: Eudora Western Drainage District, drainage management
C. Randall Cox **Vice Chairperson** **Board Service Began:** 1997 **Current Term Expires:** March 2024	**Principal occupation:** Retired cotton and grain farmer
Lathan Hairston **Outside Director** **Board Service Began:** 2020 **Current Term Expires:** October 2023	**Principal occupation:** Self-employed livestock farmer Retired Certified Public Accountant (CPA) **Other business affiliations:** Director: Bradley County Medical Center, Hospital

Name	Principal occupation and other business affiliations
Joe Mencer **Board Service Began:** 2011 **Current Term Expires:** March 2024	**Principal occupation:** Self-employed cotton and grain farmer **Other business affiliations:** Director: USA Rice Federation, rice promotion Director: Arkansas Rice Federation, rice promotion Director: Arkansas Boll Weevil Eradication Foundation, boll weevil eradication Director: Chicot County Farm Bureau, insurance sales Director: Lake Village Seed and Tire, a farm supply store Director: Chicot County Conservation District, soil and water conservation Director: Agricultural Council of Arkansas, Arkansas agricultural promotions
John Mitchell **Board Service Began:** 2019 **Current Term Expires:** March 2022	**Principal occupation:** Self-employed poultry broiler farmer **Other business affiliations:** Director: Drew County Farm Service Agency, an agency of the United States Department of Agriculture Director: Yorktown Water Association, public water authority
Mike Norris **Chairperson** **Board Service Began:** 2002 **Current Term Expires:** March 2024	**Principal occupation:** Self-employed landlord and livestock farmer

Pursuant to our bylaws, directors are paid a per diem of $125 per day for attendance at board meetings and other special meetings. Directors serving on the loan committee are paid a per diem of $75 per day. Directors are also provided with $100 thousand 24-hour Accidental Death and Dismemberment insurance coverage while traveling on association business. The annual premium cost to us is $20 per director.

Information regarding compensation paid to each director who served during 2021 follows:

	Number of Days Served		Compensation Paid for Service on a Board Committee		Total Compensation Paid in 2021
Name	Board Meetings	Other Official Activities		Name of Committee	
Bruce Bond	5.0	1.0	$ --		$ 750
C. Randall Cox, Vice Chairperson	5.0	7.0	375	Loan	1,250
Lathan Hairston, Outside Director	5.0	0.0	--		625
Joe Mencer	6.0	1.0	--		875
John Mitchell	6.0	1.0	--		875
Mike Norris, Chairperson	6.0	7.0	375	Loan	1,375
					$ 5,750

Senior Officers

Senior Officers as of December 31, 2021, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Mark W. Kaufman	**Business experience:** Chief Executive Officer (CEO) since June 2002
Kerry Hartness	**Business experience:** Chief Credit Officer (CCO) since April 2017 Loan Officer for Delta Agricultural Credit Association from December 2015 to April 2017 **Other business affiliations:** President: Drew County Farm Bureau, involved in insurance sales
Mary Ann Johnson	**Business experience:** Chief Financial Officer (CFO) since January 1990

Senior Officer Compensation

We believe the design and governance of our CEO, senior officers, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

The CEO, senior officers, and highly compensated individuals are compensated with a mix of direct cash and retirement plans generally available to all employees. We do not offer any short-term or long-term incentives to our CEO, senior officers, or highly compensated individuals.

Base Salary: The CEO, senior officers, and highly compensated individuals base salaries reflect the individual's experience and level of responsibility. Base salaries are subject to review and approval by our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the accompanying Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Mark W. Kaufman, CEO	**2021**	**$ 120**	**$ --**	**$ 1**	**$ (40)**	**$ 81**
Mark W. Kaufman, CEO	2020	120	--	1	114	235
Mark W. Kaufman, CEO	2019	118	--	1	169	288
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Four[1]	**2021**	**$ 357**	**$ --**	**$ 1**	**$ 42**	**$ 400**
Four	2020	357	--	1	192	550
Four	2019	340	--	1	61	402

[1]Includes one senior officer who ended employment with the Association, effective December 31, 2021.

The Farm Credit Administration (FCA) Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers and highly compensated individuals included in the above table be available and disclosed to our members upon request.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan, as disclosed in Note 8 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plan. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits increased significantly in 2020 and 2019, primarily due to the decrease in interest rates year over year.

Pension Benefits Attributable to the CEO, Senior Officers, and Highly Compensated Individuals

(dollars in thousands) **2020** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Mark W. Kaufman, CEO	AgriBank District Retirement Plan	**45.2**	**$ 1,157**	**$ --**
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO				
Three	AgriBank District Retirement Plan	**28.2**	**$ 412**	**$ --**

The change in composition of the aggregate senior officers and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 9 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

P.O. Box 750
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

The total directors' travel, subsistence, and other related expenses were $2 thousand, $11 thousand, and $7 thousand in 2021, 2020, and 2019, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2022, or at any time during 2021.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2021 were $75 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel.

Financial Statements

The Report of Management, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Delta Agricultural Credit Association
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

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

Our Demographic Study Revision for farmers, ranchers, and producers of aquatic products is based on our information from the end of fourth quarter 2021. The source of YBS information for the comparison of Young, Beginning, and Small Farmers in our territory is the 2017 United States Department of Agriculture Census and the Chicot County Extension Service. Our portfolio statistics are based on number of loans, while the census data is based on number of farms and/or producers. While the numbers are fairly similar, the difference in methodology should be taken into consideration. In addition, note that our Association includes Ashley, Bradley, Chicot, Desha, Drew, and Lincoln counties. Only 30% of Lincoln County is in our territory.

The total number of Young, Beginning, and Small farmers in our territory was 189 young farmers, 657 beginning farmers, and 292 small farmers. Our Young, Beginning, and Small farmer program consisted of 56 young farmers, which is 29% of the market, 118 beginning farmers, which is 17% of the market, and 117 small farmers, which is 40% of the market in our territory.

There are approximately 30 agricultural lending institution offices in our territory. We make up 7% of the business of these agricultural lending agencies. Our market share of the YBS producers exceeds our physical presence in the community. It is very difficult for a YBS operation to become a viable operation with today's economic, environmental, governmental, and social forces. Efforts have succeeded in creating a larger percentage of YBS numbers in our portfolio than exists in our territory.

Mission Statement

Our mission is to provide support for the YBS farmers. As a farmer-owned cooperative, we will promote and assist these farmers with their careers by providing a competitive and dependable source of constructive credit.

Quantitative and Qualitative Goals and Outreach Programs

We didn't set specific quantitative or qualitative goals for YBS loan numbers or volumes for 2021 given our Association's anticipated dissolution.

We have developed lending methodologies for YBS farmers. Credit factors have been specifically developed and are in use by the lending staff. The Farm Service Agency (FSA) Guarantee Program is used in many cases to offset credit risk associated with the inadequate collateral or capital exhibited by many YBS farmers.

Safety and Soundness of the Program

We will review any loan request with the intent to make the loan if the credit and eligibility criteria can be met, or due to our proposed plan for liquidation and dissolution, we will refer the potential new borrower to another Farm Credit association. We will use the FSA Guarantee Program to reduce risk associated with YBS loans, if applicable. The credit and services offered to YBS farmers are provided in a safe and sound manner.

FUNDS HELD PROGRAM

Delta Agricultural Credit Association
(Unaudited)

Purpose

The purpose of this policy is to establish standardized documentation and procedures on the uses of the Funds Held feature.

Policy

Funds Held Account Purpose. It is the intention of the Association to make available the Funds Held feature to borrowers for the purpose of escrowing available funds to be applied to future scheduled payments of principal, interest payable, and other collateral expenses such as property taxes and insurance.

Funds Held Account Balance Maximum. Funds Held principal balance cannot exceed the related loan's outstanding principal balance. Recommended maximum balance not to exceed the equivalent of 50% of the current outstanding principal loan balance.

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. Interest rates are currently reported on each customer's loan statement.

A 1099-INT Form will be sent to borrowers and reported to the IRS in accordance with IRS regulations. Funds Held interest income will be reported on an "accrual basis", as opposed to 1098 Interest Paid reporting which is on a "cash basis".

Availability of Funds Held Balances for Withdrawal. The Association wishes to avoid potential abuse of this feature. The Association is not a chartered depository institution. Therefore, a Funds Held account cannot be treated as a deposit account from which funds can be withdrawn on demand.

Customers can withdraw funds upon approval by one loan officer after receipt of a written customer request. Withdrawals must be for an eligible purpose under the Funds Held program.

Borrowers shall be provided adequate disclosures regarding:

- The fact that Funds Held balances are uninsured, including an explanation of the risk in the event of liquidation of the institution;
- Limits on amounts that can be paid into Funds Held;
- Interest rates that will be paid; and
- Withdrawal guidelines or restrictions.

Responsibility

Association management will be responsible for monitoring and approving Funds Held withdrawals and may delegate Funds Held withdrawal approvals to branch managers.

Association management shall report to the Board of Directors, on an annual basis, information concerning customer's use of the Funds Held account.

The Board of Directors will periodically review the adequacy of the provisions of this policy.

Delta Agricultural Credit Association

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Visit us at www.deltaaca.com