Farm Credit Midsouth
A Farm Credit Midsouth Publication • 2021 Annual Report

2021
Letter from the CEO

As with most annual report messages, it is always prudent to discuss the challenges and achievements of the previous year, and then address the opportunities and potential obstacles for the coming year. Today, I'd like to touch on both of these from the Association's perspective and from that of our farmers.

2021 Challenges
As much as we wished it was not, Covid-19 remained a driving factor last year. Inflation and supply chain issues continued to drive up costs and limit the availability of many products. Despite these challenges, Farm Credit Midsouth—as well as the majority of our Members—walked away with a very good year!

2021 Achievements
Improved commodity prices have to be at the top of the list, but for many of our producers this was coupled with above-average yields. The Association had an exceptional growth year of more than 12 percent. Loan volume peaked above $1.2 billion, and new loans stood over $280 million. While most farmers saw improvement in their financial statements, so did Farm Credit Midsouth especially in the area of loan quality. Farm Credit Midsouth ended the year above 99 percent credit quality.

2022 Opportunities
Prices for most all of our commodities are very favorable for the beginning of the year. Interest rates continue to be low and are projected to stay low at least until the year's end.

2022 Threats
Concerns over costs look to be top of mind for 2022; not only for the farmers, but also for the Association. Inflation, coupled with supply chain issues, continue to drive up the cost of most all inputs. Availability of machinery, parts, and supplies continues to be an issue, at least in the near term.

Looking back over my 38-year career, I can say with surety that every year brings both opportunities and challenges. Our focus should be to recognize the risks, and take advantage of any opportunity to manage and improve. Good solid risk management practices will not always eliminate problems, but they can definitely go a long way to minimize them.

With that said, I wish us all good health, increased opportunities, minimal threats and a safe and profitable 2022!

James McJunkins

President & Chief Executive Officer
Farm Credit Midsouth

In This Report

Farm Credit Midsouth is an equal opportunity employer and does not discriminate on the basis of race, color, religion, gender, sexual orientation, gender identity or expression, national origin, age, disability, genetic information, marital status, amnesty, or status as a protected veteran in accordance with applicable, federal, state and local laws.

Cover Photo:
Matthew Walton, Cross County

2021 Annual Report
is produced for members and friends of Farm Credit Midsouth.

Address comments to
2021 Annual Report
Farm Credit Midsouth
3000 Prosperity Dr • Jonesboro, AR 72404
info@FCMidsouth.com

Contributors
James McJunkins
Melissa Powell
Amy Rothenbuhler
Diane Steiling
Matthew Walton

FCMidsouth.com

Article quotes have been edited for content and appropriateness.

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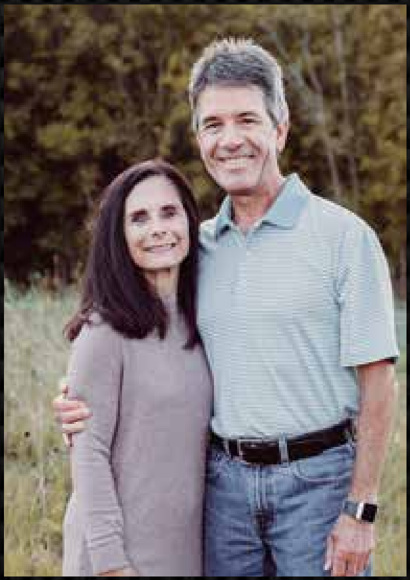
WILSON RETIRES FROM EXECUTIVE TEAM

Shari Wilson, EVP, CFO 2008-2021

In February, Farm Credit Midsouth Executive Vice President, Executive Finance Advisor Shari Wilson celebrated 30 years of service to Farm Credit.

In retirement, Shari enjoys more trips to Texas, where both of her daughters live with their families—including her first granddaughter. The Wilsons enjoy traveling in general, having ventured to California many times where Shari's husband, Terry is from and also to Spain in the past. While we all miss Shari's presence in the office dearly, we wish her every happiness in her much-deserved retirement.



Shari and her husband, Terry.

Board of Directors

DANE COOMER, Chair

Clay County | *Piggott, Arkansas* | *2013*
Executive Committee, Chair

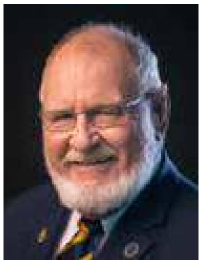
Dane graduated from the University of Arkansas with a bachelor's degree in Agricultural Engineering and has been a licensed professional engineer since 1994. Dane is a self-employed grain and cotton farmer, in addition to having eight pet cows. He is a partner of Coomer Farms, an officer of Wildflower Properties, LLC, and a member of the Piggott Volunteer Fire Department. Dane was elected to his current term on the Board in February 2021 which expires February 2025. He serves as Chair of the Board. Dane represents Clay County and also serves as the Chairman of the Executive Committee. He has been a board member since 2013.

RAMEY STILES, Vice Chair

Lee County | *Marianna, Arkansas* | *2014*
Executive Committee, Vice Chair
Compensation Committee, Chair

Ramey is a self-employed cotton and peanut farmer who is also engaged in custom cotton harvesting. He graduated from Arkansas State University with a degree in Ag Business and Economics. He serves on the Board of Directors of Cotton Incorporated, the Lee County Farm Bureau Board, and the Board of the Agricultural Council of Arkansas. Ramey joined the Board in 2014 and represents Lee County. Ramey serves as the Chair of the Board's Compensation Committee. He currently serves as Vice Chair of the Board. He was elected to his current term on the Board in February 2018 which will expire at the annual meeting in 2022.

MARION FLETCHER, Outside Director



Hot Springs, Arkansas | *1993*
Compensation Committee

Marion graduated from Arkansas State University with a Bachelor of Science in Agriculture Education. He also has a Master of Education from Henderson State University. He joined the Board as an Outside Director for the Association in 1993. Marion is a retired educator. He was involved in agricultural education for 53 years. He also serves as a Director of the Garland County Farm Bureau in Hot Springs. In October 2014 he was honored with the Golden Owl Award at the National FFA Convention. Marion is an inductee into the Arkansas Agriculture Hall of Fame. He was appointed to his current term on the Board in March 2020 which expires in March 2024. In addition, Marion serves on the Board's Compensation Committee.

BOARD OF DIRECTORS • Continued on page 4

Board of Directors

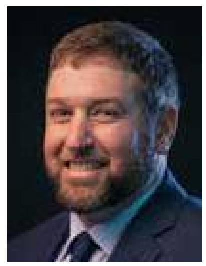
FRANKLIN FOGLEMAN, JR.

Crittenden County | *Marion, Arkansas* | *2018*
Audit Committee

Franklin joined the Board in February 2018 as the representative for Crittenden County. Franklin is a self-employed grain farmer and owns a real estate brokerage firm specializing in agriculture investments. Franklin's family partnership operates a large-scale corn, rice, soybeans and wheat business. He also serves on the Board of Directors of the Agricultural Council of Arkansas. He is the Arkansas State University Midsouth Foundation Vice Chair and the Crittenden Regional Hospital Foundation Chair. Franklin is also a board member of FarmVoice, Inc. and FarmVoice PAC and serves as treasurer for both. He was elected to his current term on the Board in February 2018 which will expire at the annual meeting in 2022. Franklin also serves on the Audit Committee.

DUSTIN HENSON

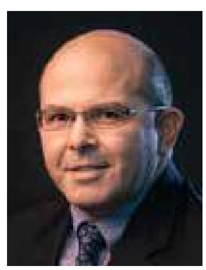
Greene County | *Paragould, Arkansas* | *2019*
Compensation Committee



Dustin was elected to the Board in February 2019. He runs a family farm of 5,000 acres with this father and brother-in-law which consists of owned and rented land. His operations include rice and soybeans. He has an Agriculture Business degree from Arkansas State University. He and his wife, Tiffany, have one daughter, Molly. He was elected to his current term on the Board in February 2019 which expires in February 2023. Dustin also serves on the Compensation Committee. Dustin attends Central Baptist Church.

MATT KNIGHT, Outside Director

Jonesboro, Arkansas | *2008*
Audit Committee



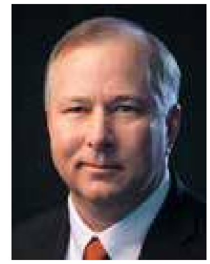
Matt is a graduate of Arkansas State University and holds a bachelor's degree in Accounting. He is a CPA and a partner of Osborn & Osborn CPAs, PLLC. Matt joined the Board in 2008 as an Outside Director and the Board's Financial Expert. He was appointed to his current term on the Board in July 2018 which expires March 2022. In addition, Matt serves on the Board's Audit Committee.

BOARD OF DIRECTORS • Continued on page 5

Photo Credit: **Chelsea Metheny**, Mississippi County

Board of Directors

BRYAN PRIBBLE

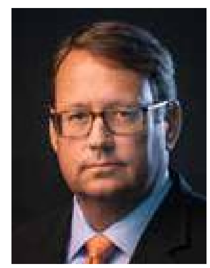


Cross County | *Wynne, Arkansas* | *2021*
Compensation Committee

Bryan was elected to the Farm Credit Midsouth Board of Directors in February 2021 to a four-year term which expires February 2025. In addition to farming rice and soybeans on 3100 acres, Bryan owns and operates several business entities in the areas of auto and trailer sales, house rentals, and residential renovation/resale.

A graduate of Arkansas State University with a Bachelor of Science in Ag Business, Bryan also sits on the Farm Bureau Board of Directors in Wynne. He works with the Fair Oaks Fire Department and is currently busy with the process of obtaining a private pilot's license. Bryan and his wife Cara have two children, Nathan and Claire. The family was recognized as Cross County's Farm Family of the Year in 2006 and they attend the Wynne Baptist Church.

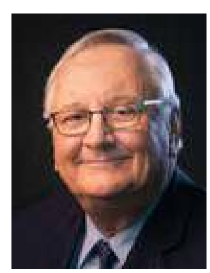
CHRIS ROBERTS



St. Francis County | *Heth, Arkansas* | *2011*
Audit Committee, Chair; Executive Committee

Chris graduated from Mississippi State University with a degree in Agricultural Engineering. He is a self-employed grain farmer primarily farming corn, rice, and soybeans. He serves as the representative for St. Francis County. Chris served as Chair of the Board from February 2017-2020. Chris has been a Board member since 2011 and was the Vice Chair from February 2013-2017. Chris is the Audit Committee chairman and also serves on the Executive Committee of the Board. Chris was elected to his current term on the Board in February 2019 which expires in February 2023. In addition to his role on the Midsouth Board, Chris serves on Congressman Crawford's Arkansas Rivers Maritime Advisory Council Board and is the Vice-Chair of the AgriBank District Farm Credit Council Board. Effective March 9, 2022, Chris was elected to the AgriBank Board of Directors and subsequently resigned from Farm Credit Midsouth's Board.

GARY SITZER



Poinsett County | *Weiner, Arkansas* | *1985*
Executive Committee; Audit Committee

Gary is a self-employed rice and soybean farmer. He is president of Sitzer Farms, Inc. He has interests in Sitzer Family Partners and Sitzer Land LLC. He serves on the Poinsett County Farm Bureau Board in Harrisburg, the Arkansas Soybean Association Board, the St. Bernards Medical Center Advisory Board, the Poinsett County Emergency Food and Shelter Board, and is a member of Congressman Crawford's Ag Advisory Committee. Gary joined the Board in 1985 and represents Poinsett County. He was elected to his current term on the Board in February 2020 which expires in February 2024. He is a member of the Board's Executive Committee and serves on the Board's Audit Committee.

BOARD OF DIRECTORS • Continued on page 6

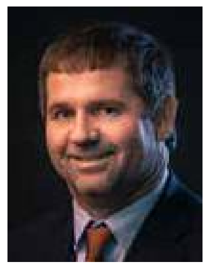
Board of Directors

MIKE SULLIVAN

Mississippi County | *Burdette, Arkansas* | *2013*

YBS / Scholarship Committee

Mike joined the Board in 2013 and represents Mississippi County. He serves as a member of the Board's Young, Beginning and Small Farmer Committee (YBS Committee). He graduated from the University of Arkansas with a bachelor's degree in Agronomy. He is a self-employed grain farmer, farming 11,000 acres with his son, Ryan. Mike also serves on the Board of Arkansas Rice Farmers, the Arkansas State Ag Advisory Board and the Ag Council of Arkansas. Mike was elected to his current term in February 2021 which expires February 2025.



MICHAEL S. TAYLOR, JR.

Phillips County | *Helena, Arkansas* | *2018*

YBS / Scholarship Committee, Chair

Michael owns a farm partnership with his father farming corn, peanuts, cotton and soybeans on 4,300 acres. Michael has been a Board member since 2018. His term on the Board will expire at the annual meeting in 2022. He serves as Chair of the Board's YBS/Scholarship Committee. Michael also serves on the Phillips County Conservation District, and DeSoto School Board. He attended Arkansas State University. He and his wife, Laura, have two children – a son, Wells, and a daughter, Merrie Leigh.

BRADLEY WALLACE

Craighead County | *Lake City, Arkansas* | *2020*

YBS / Scholarship Committee

Bradley was elected to the Board in February 2020 representing Craighead County. A self-employed farmer, together with his wife and mother he owns 250 acres and rents another 4,750 growing corn, cotton, peanuts, and soybeans. He also raises livestock with an 80-head cow/calf operation. Bradley is a graduate of Arkansas State University with a degree in Ag Business. He serves on the Board's YBS/Scholarship Committee. In addition to the Farm Credit Board of Directors, Bradley also sits on the boards of the Craighead County Farm Bureau, the Craighead County NRCS Board, the Home Oil Company Board, and is a delegate for MFA Oil. Bradley and his wife Michele are the proud parents of Kate and Miller and the family attends Monette First Baptist Church. His current term will expire in February 2024.

We're in Hog Heaven that the Arkansas Farm Family of the Year is a Member of Ours!

The Cobb, Lyerly and Owens Families truly embody the concept of a "farm family." They have built a legacy in Lake City, where Cobb/Lyerly/Owens Farms originated in 1977. Today, the partnership among Steve and Terri Cobb, Aaron and Cassandra Cobb; Jarrett and Ashley Cobb; Erick and Leslie Lyerly; and Darin and Leigh Ann Owens raise show pigs, corn, cotton, soybeans, peanuts, and recently added tomatoes to the mix.

The Farm Credit Midsouth team has been privileged to partner with this exceptional operation for more than two decades. We appreciate their collective commitment to agriculture and we're proud to call them members and friends.

FARM CREDIT MIDSOUTH

Board Committees

Farm Credit Midsouth has four committees in which board members participate — the Executive Committee, the Audit Committee, the Compensation Committee and the YBS/Scholarship Committee. In addition to attending seven regularly scheduled board meetings, the board members also provide their expertise and guidance for the organization by serving on these committees. Each board member is responsible for participating on at least one committee. The information that follows provides a narrative of the members and responsibilities assigned to each committee.

Executive Committee

Left to right: Dane Coomer - Chair, Chris Roberts, Ramey Stiles - Vice Chair, Gary Sitzer

The Executive Committee met four times during 2021. Their responsibility is to execute the orders of the Board including evaluation of the CEO and to serve as members of the Credit Review Committee.

Audit Committee

Chris Roberts - Chair, Franklin A. Fogleman, Jr., Matt Knight, Gary Sitzer

The Audit Committee met ten times during 2021. Their responsibilities include ensuring the financial statements are reliable; evaluating and communicating with external auditors; and ensuring effective internal controls of the organization are implemented.

Compensation Committee

Ramey Stiles - Chair, Marion Fletcher, Dustin Henson, Bryan Pribble

The Compensation Committee met six times during 2021. Their primary responsibility is to ensure the compensation policies and plans are fair and adequately administered by the Association.

YBS / Scholarship Committee

Michael Taylor - Chair, Mike Sullivan, Bradley Wallace

The YBS/Scholarship Committee met two times during 2021. Their primary responsibility is to select scholarship recipients and to guide the Association in offerings for young, beginning and small farmers.

Farm Credit Midsouth to Return Patronage Approaching $6.8 Million

Farm Credit Midsouth is pleased to announce its board of directors has unanimously approved this year's all-cash patronage distribution totaling nearly $6.8 million for eligible members. Distribution will begin at the Association's upcoming Annual Meeting next month.

"We all continued to face challenges with Covid-19 and increased costs throughout 2021," said Dane Coomer, Chairman of the Farm Credit Midsouth Board of Directors. "But, Farm Credit Midsouth kept its solid footing and we find ourselves in a position to once again return a healthy patronage. We're grateful, and we look forward to sharing that with our Members in February."

"Farm Credit Midsouth has a strong history of positive patronage for our members," adds President and CEO James McJunkins. "In 2005 we paid out about $3.7 million. Today we are pleased to have increased that amount to our current level, which stands at $6,799,476.36. In total, we have returned nearly $81 million to our Members since 2005."

Left to right: Bryan Pribble, Bradley Wallace, Michael Taylor, Jr., Chris Roberts, Gary Sitzer, Chair - Dane Coomer, Franklin Fogleman, Jr., Vice Chair - Ramey Stiles, Dustin Henson, Marion Fletcher, Mike Sullivan and Matt Knight

Patronage Payout

ONLY FROM FARM CREDIT MIDSOUTH

ABOUT FARM CREDIT MIDSOUTH

Farm Credit Midsouth (a part of the Farm Credit System) is a federally-chartered cooperative providing over $1.24 billion in credit and related services to more than 3,500 agriculture producers and rural home owners in ten Eastern Arkansas counties (Clay, Greene, Craighead, Mississippi, Crittenden, Poinsett, Cross, St. Francis, Lee and Phillips) and three counties in Missouri (Ripley, Carter and Wayne) through its wholly-owned PCA and FLCA subsidiaries.

Congratulations!

2021 FCM Scholarship Recipients

One of the highlights at Farm Credit Midsouth is the annual presentation of 14 scholarships worth $1,000 each to outstanding high school graduates and college students. Each student was chosen based on a combination of academic, extracurricular, agricultural, and leadership achievement. We congratulate this year's honorees on a job well done and wish them the best of luck in college and beyond. Students may apply online for 2022 scholarships beginning January 1, 2022 at FCMidsouth.com/scholarships.

Drew Batson
Jonesboro High School

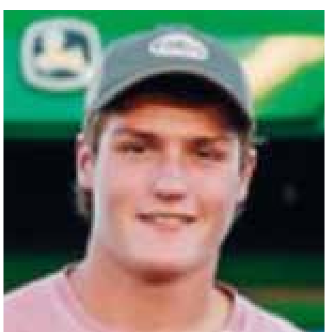
Conner Catt
Arkansas State University

Eli Couch
Buffalo Island Central High School

Alexandra Crosskno
Buffalo Island Central High School

Dean Elmore
Valley View High School

Rayleigh Gosner
Paragould High School



Hanner Hall
Brookland High School

Katherine Hindsley
Marvell Academy

Jacob Holmes
Arkansas School for Math, Science and Arts

Olivia Manning
Buffalo Island Central High School

Thomas Scrivner
Arkansas State University

Savannah Whitehead
Lee Academy

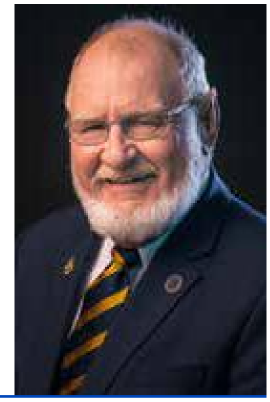
Luke Wimpy
University of Arkansas

Sadey Underwood
Rector High School

Farm Credit Midsouth is fortunate to have Marion Fletcher's wisdom as an Outside Director on our Board of Directors.

The Marion D. Fletcher Leadership Center

You may read the entire article about Marion's life of service at https://www.fcmidsouth.com/news/news-blog/marion-fletcher-a-living-legacy



The Marion D. Fletcher Leadership Center, which will forever hold Marion's name, has served the student members of Arkansas FFA at Camp Couchdale well since 1984. It has hosted the State Convention, leadership camps, ag teacher in-service, state officer workshops, bus driver trainings, and even a few funerals over her 37 years.

The center is currently undergoing much-needed renovations which are anticipated to be complete in February, 2022. The new floorplan will consist of an auditorium and six classrooms along with an expanded foyer/museum.

CONTRIBUTE TO THE FUTURE

How to Help

There are a number of ways you can still contribute to the effort. As a long-time supporter of the Arkansas FFA Foundation and youth ag programs across the state, we are pleased to share the Farm Credit Associations of Arkansas have secured naming rights for the foyer of the Marion D. Fletcher Leadership Center.

Additional naming rights, as well as a number of other sponsorship and contribution opportunities are available. Please visit www.arkansasffa.org/giving and click on the "Camp Couchdale Capital Campaign" to contribute.

LEARNING TO DO
DOING TO LEARN
EARNING TO LIVE
LIVING TO SERVE

MARION FLETCHER

A Bio

Marion Fletcher has spent his career teaching and mentoring Arkansas young people, first as a vocational agriculture instructor, and then for 20 years, as State Supervisor/Program Manager of Agricultural Education in the Department of Workforce Education. Through his affiliation with the Arkansas and National Vocational Agriculture Teachers Associations and the state and national chapters of the FFA, he has directly or indirectly touched and help shape the lives of many farming, agribusiness and legislative leaders. He spent six years as an agricultural instructor, first at Desha Central Schools in Rower, then at Magnet Cove near Malvern. In 1969 Fletcher had the opportunity to join the state Department of Education as Area Supervisor of Agricultural Education, a post he held for 20 years. In 1989 he was named Acting State Supervisor and Program Manager of Ag Education and later that same year was promoted to lead that office. In 1997, the Vocational and Technical Education Division of the Department of Education was re-named the Department of Workforce Education. Fletcher is a lifetime member of the national FFA organization. He is also a life member of the National Vocational Agricultural Teachers Association. Fletcher's career also includes more than 20 years helping young people show livestock as co-superintendent of the Arkansas State Fair Association and as a member of the Arkansas Farm and Ranch Club, where he served as president from 1992-1994. Fletcher has received numerous honors throughout his career including the Honorary American and Arkansas Farmer Degree from the FFA, Arkansas "Boss of the Year" award in 1991 and 35 Years of Service Award for Career and Technical Education in 2004. He's also received the FFA VIP Award, recognition in the Arkansas Agriculture Hall of Fame, Arkansas's "Service to Citizen" award, and a litany of others on a long list of well-deserved commendations.

Strong Earnings and Growth

FCM Exceeds $1.2 Billion!

Farm Credit Midsouth defines success on how we have been able to excel at our mission to "enhance our diverse agricultural and rural economy." 2021 proved to be a successful year for Midsouth and its customers. The Association ended the year with more than $22.5 million in earnings. After paying out approximately $6.8 million to our customers in the form of patronage, the Association will add $15.7 million to capital all while maintaining excellent credit quality.

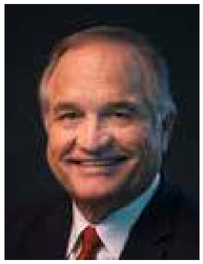
Despite all the continued challenges that 2021 presented, the association grew over 12% adding $125 million in outstanding loan volume over 2020 and loaning more than $280 million in new loans. The association accomplished this while increasing credit quality to over 99% at year-end. Rates remained relatively low this year providing excellent financing opportunities for our customers. The new loans had a weighted average rate of 3.74% explaining the majority of the 48 basis points drop in our average bill rate.

Putting this in perspective, you can see that Farm Credit Midsouth has been here for our customers providing over $280 million in new loan volume and $6.8 million in patronage all while providing low interest rates for our borrowers. We are thankful that we had the opportunity to serve your financing needs during the year.

	2020	2021	Change
Number of Loans	5,541	5,647	106
Number of Customers	2,036	2,174	138
Average Bill Rate	4.30%	3.82%	-.48%
Average Patronage BPS *based on Patronage/ADB*	.68%	.66%	-.02%
Accrual ADB *($ 000s)*	$ 988,150	$ 1,111,740	$ 123,590
Return on Assets *(ROA)*	1.45%	1.92%	.47%
Total Regulatory Capital Ratio *(TRC)*	18.93%	17.76%	-1.17%

Executive Management

JAMES MCJUNKINS, President, CEO



James McJunkins is President and Chief Executive Officer of Farm Credit Midsouth. He has management responsibility for all aspects of Farm Credit Midsouth and reports to the Board of Directors. James began his career with Farm Credit in 1984 as a loan officer in Helena. He has held other positions with the Association such as Branch Manager, Vice President of Internal Review, Vice President of Credit Supervision, and Senior Vice President of Field Operations. In 2012 James was named President, CEO.

James earned his Bachelor of Science in Agriculture Economics from the University of Arkansas and is a graduate of the Graduate School of Banking at Louisiana State University. He currently serves on the Farm Credit Services CEO Group. James previously served on the Board of Farm Credit Foundations and is a board member of the University of Arkansas LeadAR program. He holds the honor of being a recipient of the Paul Harris Fellow Award from the University Heights Rotary Club.

DIANE STEILING, Executive Vice President, Finance/CFO

Diane began her career at Farm Credit Midsouth in October 2016. In January 2021 Diane assumed the role of Executive Vice President, Finance/CFO. Previously her role was Controller. In that role she was responsible for ensuring the Association's financial information is accurately reported to all stake-holders. Prior to joining the Farm Credit Midsouth team, Diane worked in the commercial banking industry for almost 25 years.

Diane earned her Bachelor of Science in Business Administration with an emphasis in Accounting from the University of Arkansas and is a licensed Certified Public Accountant.

RALPH STEWART, Executive Vice President, CCO

Ralph Stewart is the Executive Vice President and Chief Credit Officer for Farm Credit Midsouth. He guides our team in directing, managing and monitoring risk within the laws and policies of regulatory authorities. Prior to joining Farm Credit Midsouth, he served for a decade in the same role with Alabama Farm Credit after holding positions of progressive responsibility within the Farm Credit system. He is on the Arkansas FFA Foundation Board of Directors and on the FCCS Learning Conference Steering Committee.

Ralph is a graduate of the Nashville School of Law earning a Doctor of Jurisprudence in 2002. He completed his undergraduate education at the University of Tennessee at Martin with a Bachelor of Science in Natural Resources Management. Among the many ag/leadership awards he has earned, Stewart is most proud of his American FFA degree and two citations awarded him by the Governor of Tennessee for his work in agriculture.

EXCITING CHANGES

Employee News

ROBIN CHANDLER has been promoted to Customer Credit Representative at the Farm Credit Midsouth Osceola branch. A native Arkansan, Chandler graduated from Rivercrest High School and attended Arkansas Northeastern College. She has been with FCM for 11 years.

"I love working at Farm Credit Midsouth," Chandler says. "My co-workers feel like family and our members are some of the best people around. I love being able to help them with their needs, and really just have the chance to visit with them. I'm excited about continuing that in my new role."

JUSTIN LADD was recently promoted to Senior Loan Officer at the Farm Credit Midsouth Jonesboro branch. A native of Lake City, Arkansas, Ladd earned a bachelor's degree in Finance with an Ag Business minor from ASU in 2004. He built a career with the USDA facilitating home loans, construction loans, home repair loans and later, in public finance, before landing his "dream" job at FCM as a loan officer.

"Growing up around agriculture I have always loved everything about it," Ladd says. "My heart has always been in ag, and I love working with Farm Credit customers. We really are invested in their farming operations and forging a partnership with them. To me, that's what sets Farm Credit Midsouth apart. I am honored to be named Senior Loan Officer, and I'm excited about taking on more responsibility in my new role."

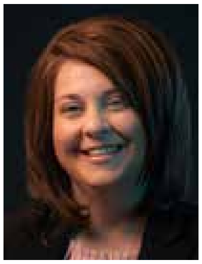
Vice Presidents

MICHAEL CLAYMAN, Senior VP of Branch Operations, Chief Marketing Officer | Central Office

Michael works closely with the branches to develop new business and helps with all aspects of the marketing and YBS programs for the Association.

Michael began his career with Farm Credit in 2002 as a loan officer with Farm Credit of Central Kansas. He has been a branch manager with Capital Farm Credit and a regional vice president with Agriland Farm Credit prior to joining Farm Credit Midsouth in September 2014 as branch manager in Marion. Michael was promoted to his position of Senior Vice President of Branch Operations, Chief Marketing Officer in 2018. He is currently serving as a board member for the Arkansas 4-H Foundations Board. Michael is a proud Oklahoma State University graduate. Michael and his wife, Cassey, have two children.

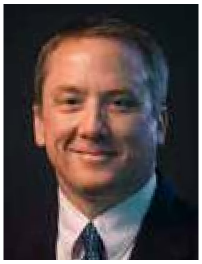
MELISSA COLES, Senior VP, Chief Human Resource Officer | Central Office



Melissa began her career with Farm Credit Midsouth in December of 2007. Melissa is responsible for overseeing all human resource functions for the Association: organizational development, compensation analysis, performance management, recruiting and retention, employee relations, job analysis, payroll and benefit administration, assists with marketing and public relations. She also serves as the Association's Standards of Conduct Officer.

Melissa holds a Bachelor of Science in Business Management with an emphasis in Human Resources. She holds a PHR certification in human resources, a SHRM-CP certification and served in the Arkansas Army National Guard.

JAMES GARDNER, Senior VP, Chief Risk Officer | Central Office

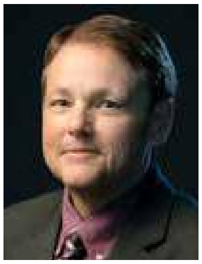


James joined Farm Credit Midsouth in 1999 as a loan officer in the Osceola branch. He continued his journey as an Internal Credit Reviewer in 2005 then as a Risk Reviewer in 2013. In 2018 he began his current role as Senior Vice President and the Chief Risk Officer for the Association. He graduated from Arkansas State University with a bachelor's degree in Ag Business.

James is responsible for identifying, assessing and reviewing loans to provide executive management and the Board of Directors as assessment of risk to ensure Farm Credit Midsouth is meeting regulatory requirements as well as allowing management to address any current and future risks. In his spare time James enjoys hunting and spending time with his family.

Vice Presidents

CARY MATTHEWS, Senior VP, Chief Appraisal Officer | Central Office



Cary joined Farm Credit Midsouth in 2009 as a Senior Real Estate Appraiser. In 2012 he was promoted to Chief Appraiser, then in 2013 Cary was promoted to Senior Vice-President/Chief Appraisal Officer. Cary is responsible for overall management of the appraisal department that includes managing appraisal assignments for internal loans and supporting the lending staff. Additionally, he is a Senior Manager involved in the daily management of Farm Credit Midsouth.

Cary graduated from Arkansas State University with a degree in Management and from the Barret School of Banking in Memphis. He holds an Arkansas State Certified General Appraisal License, Accredited Rural Appraiser (ARA) Designation from the American Society of Farm Managers and Rural Appraisers, Real Estate Review Appraiser (RPRA) Designation from the American Society of Farm Mangers and Rural Appraisers, IFAS (Senior) Designation from the National Association of Independent Fee Appraisers now the American Society of Appraisers, IFAA (Agricultural) Designation from the National Association of Independent Fee Appraisers now the American Society of Appraisers. He serves on the Jonesboro Regional Chamber of Commerce Board of Directors. Among Cary's accomplishments, he was appointed by the Governor to the Arkansas Appraiser Licensing and Certification Board of Directors in which he served as Board Chair.

Cary and his sons operate a 50 head cow/calf operation in Lawrence County. In his spare time, Cary enjoys spending time with family and friends. Cary is an avid Arkansas State University sports fan.

MARCIA MCVAY, VP, Controller | Central Office

Marcia began her career at Farm Credit Midsouth recently in January 2021. As Controller, she is primarily responsible for ensuring the accuracy of internal reporting, internal controls, and cash processes for the Association. Prior to joining the Farm Credit Midsouth team, Marcia worked in the commercial banking industry as a vice president and accounting manager. She holds more than 25 years of accounting experience.

Marcia earned her Bachelor of Science in Accounting from Arkansas State University. A native of Newark, Arkansas, she resides in Jonesboro. She enjoys spending time with family and friends and counts reading and music among her favorite ways to fill her downtime.

UP FOR SOME BINGE WATCHING?

You're not alone! Engagement with Farm Credit Midsouth's ***Member Minutes*** series took a significant jump this year as we continued to professionally produce these short videos featuring a diverse cross-section of FCM Members. The complete series—which currently includes 17 episodes and counting—may be found housed in the Video Gallery on our website, uploaded to our YouTube channel, or posted across our social media platforms.

To illustrate the popularity of the series, the graphic below offers a glimpse into the activity garnered just this last calendar year on Facebook and Instagram. We have seen a substantial uptick in stats across the board for our video posts, with a more than 93% increase over the previous year's viewings. Especially significant is the 119% jump in one-minute views because those are folks who clicked on the video, and then stuck around to watch and learn. Overall engagement in our video posts is strong as well, which means followers like, comment and share the content.

All of these numbers reinforce what we already know, FCM Members represent the best of Midsouth agriculture and have compelling stories to tell. It is our privilege to share those. And, turns out, we aren't the only ones who think so! The ***Member Minutes*** series is being noticed nationwide. Farm Credit Council has requested permission to use a number of the videos in their own national marketing efforts to offer a window into what farming is like in the Midsouth.

So next time you find yourselves with a few minutes to spare, forget Netflix and Hulu. Head over to https://fcmidsouth.com/news/video-gallery and check out the ***Member Minutes*** series. We promise you'll learn something you did not know about the diversity and strength of your friends in Midsouth ag, as well as the solid relationships the Farm Credit Midsouth team is building throughout the region.

Visit the Farm Credit Midsouth Video Gallery to catch up on episodes you may have missed, and if you have a suggestion for a Member who might like to be featured, please email melissa.powell@fcmidsouth.com.

SOCIAL MEDIA
2021 By The Numbers

Facebook (@FCMidsouth)

Analytics show that, of our five social media channels, we by far have the largest audience on Facebook with **6,008** Likes/**6,199** Followers. **What is the difference?** When an individual likes your page on Facebook, they automatically opt into following your page. This means that your posts will be seen in their feed and you will be listed in their 'liked' directory. Users also have the option to follow a page without hitting "like." These 'followers' will still see your posts in their newsfeed, but won't be considered a like on your page.

Twitter (@FCMidsouth)

Twitter is an active platform for us. We average between **60** and **70** tweets per month with each earning an average of **25,000** impressions. Our follower count stands at **382** and is growing steadily as we engage and build relationships with followers and Members. An interesting statistic we're watching? **Visits to our profile were up just under 172% in the final quarter of 2021.**

Instagram (@farm_credit_midsouth)

Our intention with this platform is to engage a core Instagram audience, but focus on a younger demographic. This continues to be sidetracked by the cancelation of many student, FFA and 4H activities, and community events. Examination of analytics proves that our audiences differ enough from platform to platform that overlap of content is workable for us. We will continue to strategize new ways to maximize FCM exposure and reach on Instagram. Our follower count stands at **561**.

LinkedIn

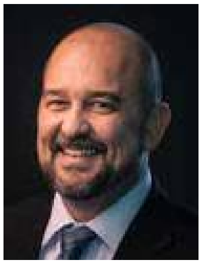
Our LinkedIn page has proven to be a valuable Human Resources tool to confidentially recruit qualified candidates and to highlight professional accomplishments, awards and work anniversaries. We continue to share the expertise of our team through blog posts/articles and we also post our ***Member Minutes*** series here, further differentiating our employees and proving our tagline, "***We Know Ag.***" Our follower count stands at **556**.

YouTube

The Farm Credit Midsouth YouTube channel features national Farm Credit informational videos, internally-shared content and, of course, our Member Minutes series. While YouTube is an important piece of our social media package where we can post longer videos and other locally produced content, we have continued to concentrate on driving traffic to the Video Gallery housed on the Farm Credit Midsouth website.

Vice Presidents

MARC MILES, Senior VP, Chief Information Officer | Central Office



Marc began his career with Farm Credit Midsouth in 2002 as the Information Systems Manager. In 2013 Marc was promoted to Vice President of Information Technology Operations. In January 2018, Marc's title became Senior Vice President, Chief Information Officer. Marc serves as the overall administrator and primary contact in all matters related to IT Operations including planning, coordinating, directing, and designing all operational activities of the IT department. He provides direction and support for IT solutions that enhance mission-critical business operations.

Marc holds a Bachelor of Science in Computer Science from Arkansas State University. Marc was a founding committee member and integral in creating and coordinating an annual IT symposium with peers which has grown to become the Farm Credit IT Symposium attended by IT staffs from Farm Credit associations and Farm Credit district banks across the nation. He and his wife, Lori have one son, Luke. Marc enjoys home renovation, being outside, gardening and photography.

MIKE WILLIAMS, Senior VP of Branch Operations, Chief Services Officer | Central Office

Mike holds a Bachelor of Science in Agriculture Business and Economics from Arkansas State University. He is also a graduate of the Barret School of Banking in Memphis. Mike began his career with Farm Credit of Eastern Arkansas in 1992 as a loan officer in Piggott. In 2006, he became the Branch Manager of the Corning Branch. In 2012, he became the Vice President, Branch Manager of the Jonesboro Branch. Mike was promoted in 2018 to his current position of Vice President of Branch Operations, Chief Services Officer.

Mike, a native of Kennett, was raised on a family farm near Holly Island in Clay County. He and his wife, Audra, have two children and they reside in Paragould. Mike enjoys spending his extra time with his kids in youth sports and is an avid hunter and fisherman.

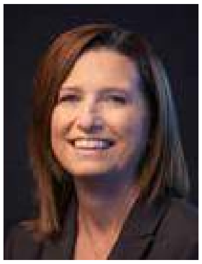
Branches

ERIC BRANSCUM, VP, Branch Manager | Jonesboro Branch

Eric holds a Bachelor of Science in Finance from Arkansas State University. He is also a graduate of the LSU Graduate School of Banking. After having served as Senior Vice President with a ten-year tenure at Heritage Bank, he began his career at Farm Credit Midsouth in 2006 as Senior Loan Officer in the Jonesboro Branch. In 2018, he became the Vice President, Branch Manager of the Jonesboro Branch.

Eric, a native of Caraway, grew up and worked on the family farm in Craighead County. Eric and his wife, Amy, have two sons, Braden and Bryson, and currently reside in Jonesboro. Eric enjoys spending time with his family and attending his sons' sports activities.

CHRISTY CASE, Assistant VP | Jonesboro Branch



Christy graduated from Arkansas State University with a bachelor's degree in Ag Business with an emphasis in Finance. She has been employed with Farm Credit Midsouth since November 2001. Christy has held various titles in the association and most recently was promoted to Assistant Vice President at the Jonesboro Branch in April 2018. She lives in Jonesboro with her husband, Chris, and two daughters, Abby and Kara. She is a member of First Free Will Baptist Church in Jonesboro.

PATRICK H. LENDERMAN, VP, Branch Manager | Corning & Paragould Branches

Patrick joined Farm Credit Midsouth in 2006 as a Senior Loan Officer in the Jonesboro Branch. He became the Branch Manager for the Corning Branch in 2012. We combined the management of the Corning and Paragould offices in 2018. Patrick manages both offices. He graduated from Arkansas State University with a bachelor's degree in Ag Business with an emphasis in Finance and the Barret School of Banking in Memphis. In his spare time Patrick enjoys hunting, fishing, and making duck calls.

FCM CONTINUES TO GROW

Team Building

RACHEL BARNETT has joined the FCM team as a Credit Analyst. Rachel's responsibilities include evaluating financial information and providing training and mentoring for field staff on credit processes and procedures. She will also work with lending staff to strengthen business relationships and grow lending opportunities.

Rachel attended ASU where she earned bachelor's degrees in Accounting and Global Supply Chain Management plus a master's degree in Business Administration with an emphasis in Supply Chain Management. Rachel brings almost six years of extensive experience as a Credit Analyst with a large commercial bank. She possesses both agricultural and commercial analysis experience with underwriting relationships exceeding $200 million. In her spare time, Rachel loves to hunt, fish, and play golf. Welcome Rachel!

CHRISTY TACKER joined Farm Credit Midsouth as a Loan Accountant last spring.

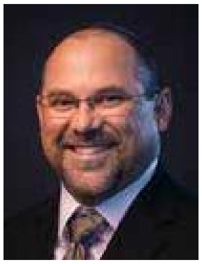
Originally from Corning, Christy moved to Jonesboro to attend Arkansas State University where she earned a bachelor's degree in Accounting. She has held a number of positions of progressive responsibility over her 21 years in the field, including 11 years as a corporate controller for a major home décor distributor and, most recently, was Chief Financial Officer (CFO) at a local rice mill.

"Christy is a great fit for this position," says Vice President, Controller Marcia McVay. "We are excited to have her join our team with her wealth of accounting knowledge to add bench strength to our loan accounting area."

Christy and her husband John have been married 23 years. The couple has two children, Cole, 17, and Katie, 13.

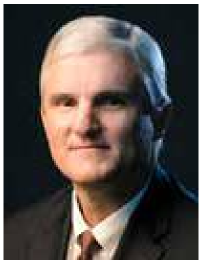
Branches

STANLEY MITCHELL, VP, Branch Manager | Marion & Wynne Branches



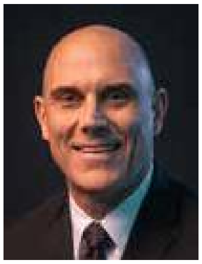
After almost a decade in manufacturing, Stanley began his career in Northeast Arkansas agriculture in management at a grain dryer in Jonesboro. Stanley graduated with a bachelor's degree in Agriculture with an emphasis in Agricultural Science from Arkansas State University. He joined the Farm Credit Midsouth team at the Jonesboro Branch and was promoted to Vice President, Branch Manager at our Wynne Branch. Stanley added Branch Manager at the Marion Branch to his responsibilities in 2021. Stanley and his wife have two children, a daughter and son. In his spare time, he enjoys his kids' sports activities and hunting.

LEE PETTY, VP, Branch Manager | Barton Branch



Lee is a graduate of Arkansas State University with a bachelor's degree in Agriculture and of the Barret School of Banking. He started his career with Farm Credit in 1987 in West Memphis as a loan officer and was promoted to Branch Manager in Helena. Lee currently is Vice President, Branch Manager of the Barton Branch. In his spare time Lee enjoys golf, yard work, and carpentry.

NATHAN SANDERS, VP, Branch Manager | Osceola Branch



Nathan graduated from Arkansas State University with a degree in Business Administration. Nathan went to work for Farm Credit Midsouth in Osceola immediately after college. Apart from a brief one-year stint with Heritage Bank in Caraway, Nathan has been with Farm Credit Midsouth his entire professional career. Nathan became Vice President, Branch Manager of the Osceola Branch in 2019.

Internal Controls over Financial Reporting

Over the last few years there has been a heightened awareness of internal controls over our financial information which has lead to the Association investing a great amount of time and effort to create a robust *Internal Control over Financial Reporting* program.

So you may ask, what are Internal Controls over Financial Reporting (ICFRs) and what does it mean to me as a member of Farm Credit Midsouth?

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of our financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Having an effective internal control program provides the customer with assurance that controls have been designed by the organization to limit exposure to fraud and material misstatement. These controls will not guarantee fraud or misstatement cannot happen, but they do provide a level of assurance your association board and management are monitoring activities they believe will limit the risk. Having the appropriate internal controls in place not only affects the reliability of the financial statements, but it also has an impact on the cost our customers have to pay for their loans. When investor confidence is high in the Farm Credit System, we are able to sell bonds fluidly at competitive rates.

Why is Internal Controls over Financial Reporting Important?

Each entity is part of the Farm Credit System — which includes **benefiting from cost effective funding**.

A control infrastructure contributes to the foundation for issuing cost effective debt securities on a regular and reliable basis.

- Events in the Financial Services Industry have highlighted why strong controls are important.
- There is real cost of non-compliance. (funding, liquidity, reputation)

FCS competes for **FUNDING** on Wall Street.

Borrows from investors

FARM CREDIT SYSTEM

Lends to customers

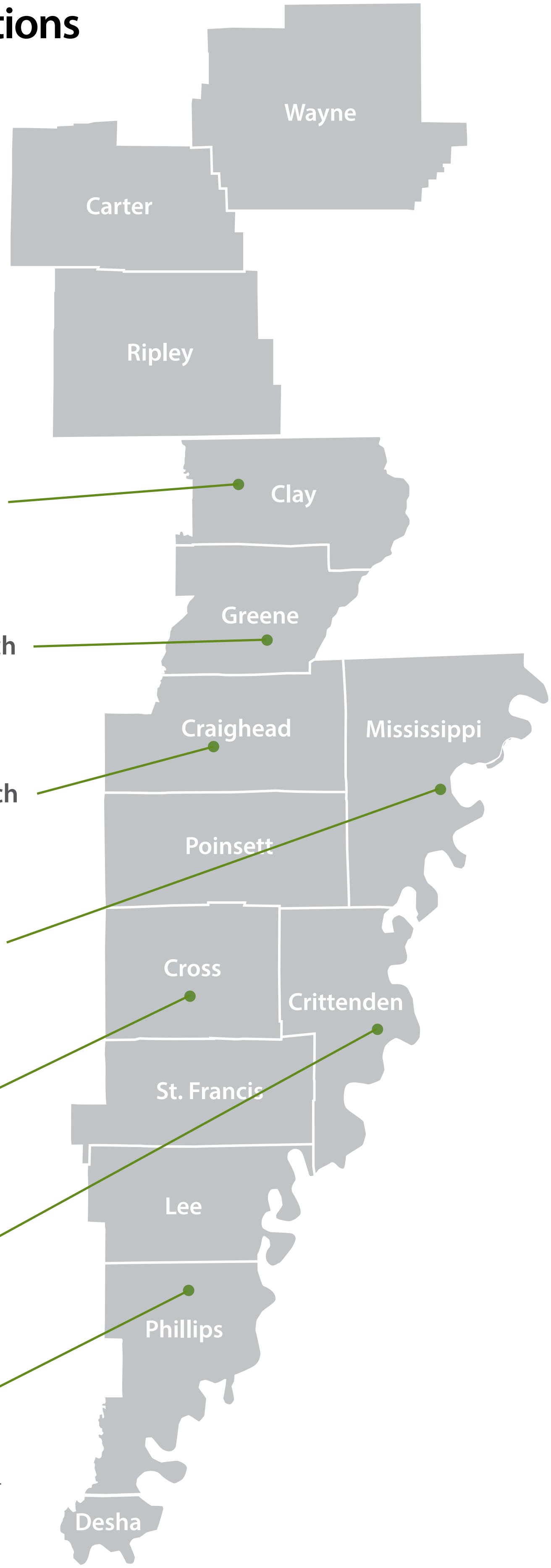
FCS competes for **LOANS** on Main Street.

Farm Credit Midsouth continually evaluates the control system within the organization. Identifying control processes that are efficient and cost-effective is key to developing a sustainable control program. Control processes are identified as either "detective" or "preventative." A detective control process is one that occurs after a procedure has been completed. An example of a detective control would be the review of a report after the transactions have been processed. A preventative control process would be one that occurs during the process that prohibits an erroneous action to occur. An example of a preventative control would be one where one person could not complete an entire process such as creating and issuing a wire transfer. While preventative controls are the most desired type, Farm Credit Midsouth is reliant on our district technology infrastructure to help in developing these.

Our focus at Farm Credit Midsouth is to provide the most efficient method of loan financing and funds disbursement to our customers in a safe and sound manner. We have put an emphasis on providing our customers with same-day ACH transfers, ACH transactions and wire transfers. ACH/Wire processes have a preventative control built in through the segregation of duties in the process.

Farm Credit Midsouth also works to ensure that our customer data is kept secure. Two services we offer to assist in this area are online banking and a customer portal. The online banking platform allows the customer to review their loan information and create cash transfers at their convenience. Customers also have an opportunity to exchange documents securely through use of our MyFCM customer portal. A customer may authorize their CPA to provide tax returns or other sensitive financial data through this system. Contact your local branch office to learn more about these services.

Branch Locations



Corning Branch
870-857-3541
600 W Elm
Corning AR 72422

Paragould Branch
870-236-8525
1312 Hwy 135 N
Paragould AR 72450

Jonesboro Branch
870-932-2817
3000 Prosperity Dr
Jonesboro AR 72404

Osceola Branch
870-563-2676
4389 W Keiser Ave
Osceola AR 72370

Wynne Branch
870-238-2211
1674 S Falls Blvd
Wynne AR 72396

Marion Branch
870-739-6275
151 Block St
Marion AR 72364

Barton Branch
870-572-9900
6216 Hwy 49
Poplar Grove AR 72374


Barton Branch


Corning Branch


Central Office / Jonesboro Branch


Marion Branch


Osceola Branch


Central Office / Paragould Branch


Wynne Branch

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Midsouth, ACA

(dollars in thousands)

As of December 31	2021	2020	2019	2018	2017
Condensed Statement of Condition Data					
Loans	**$ 1,166,863**	$ 1,042,156	$ 936,733	$ 901,382	$ 858,247
Allowance for loan losses	**2,250**	4,158	2,682	3,682	2,593
Net loans	**1,164,613**	1,037,998	934,051	897,700	855,654
Investment in AgriBank, FCB	**28,843**	23,354	20,696	18,794	18,794
Other assets	**35,776**	34,401	36,142	34,298	26,319
Total assets	**$ 1,229,232**	$ 1,095,753	$ 990,889	$ 950,792	$ 900,767
Obligations with maturities of one year or less	**$ 16,295**	$ 14,300	$ 15,533	$ 15,781	$ 15,210
Obligations with maturities greater than one year	**955,802**	840,062	742,342	714,589	677,222
Total liabilities	**972,097**	854,362	757,875	730,370	692,432
Protected members' equity	**--**	--	--	--	2
Capital stock and participation certificates	**1,979**	1,945	1,896	1,895	1,904
Unallocated surplus	**255,466**	239,709	231,240	218,714	206,715
Accumulated other comprehensive loss	**(310)**	(263)	(122)	(187)	(286)
Total members' equity	**257,135**	241,391	233,014	220,422	208,335
Total liabilities and members' equity	**$ 1,229,232**	$ 1,095,753	$ 990,889	$ 950,792	$ 900,767

For the year ended December 31	2021	2020	2019	2018	2017
Condensed Statement of Income Data					
Net interest income	**$ 28,937**	$ 27,258	$ 27,689	$ 25,857	$ 25,983
(Reversal of) provision for loan losses	**(3,907)**	4,635	(913)	977	1,672
Other expenses, net	**10,287**	7,455	9,476	6,382	8,137
Net income	**$ 22,557**	$ 15,168	$ 19,126	$ 18,498	$ 16,174
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	1.5%	2.0%	2.0%	1.8%
Return on average members' equity	**9.1%**	6.4%	8.5%	8.6%	8.0%
Net interest income as a percentage of average earning assets	**2.6%**	2.7%	3.0%	2.9%	3.0%
Net (recoveries) charge-offs as a percentage of average loans	**(0.2%)**	0.3%	0.0%	(0.0%)	0.1%
At Year End					
Members' equity as a percentage of total assets	**20.9%**	22.0%	23.5%	23.2%	23.1%
Allowance for loan losses as a percentage of loans	**0.2%**	0.4%	0.3%	0.4%	0.3%
Common equity tier 1 ratio	**17.5%**	18.6%	19.9%	19.8%	19.6%
Tier 1 capital ratio	**17.5%**	18.6%	19.9%	19.8%	19.6%
Total capital ratio	**17.8%**	18.9%	20.2%	20.1%	19.9%
Permanent capital ratio	**17.5%**	18.7%	20.0%	19.8%	19.7%
Tier 1 leverage ratio	**18.7%**	20.0%	21.5%	21.0%	21.0%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$ 6,700**	$ 6,599	$ 6,500	$ 5,399	$ 4,200

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Midsouth, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Midsouth, ACA (the Association) and its subsidiaries, Farm Credit Midsouth, FLCA and Farm Credit Midsouth, 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:

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.FCMidsouth.com
Info@FCMidsouth.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

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 the virus, including the availability of vaccines, many locations across the United States have been able to lift many or all restrictions. Currently, the CDC recommends everyone ages 5 and older get a COVID-19 vaccine. Approximately 55% of the Arkansas population is fully vaccinated with an additional 13% of the population having received one dose. While the emergence of COVID-19 variants have caused an increase in positive cases and 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. Our business continuity response has allowed us to continue to serve our mission, and we have weathered the significant challenges presented to date. We have not had any significant changes to internal controls over financial reporting due to working remotely.

AGRICULTURAL AND ECONOMIC CONDITIONS

Crop Production and Yields

According to the United States Department of Agriculture (USDA) Arkansas Crop Production Report released on January 12, 2022, cotton acres harvested in 2021 decreased 9% from 2020 levels. It was projected that the yields for 2021, 1,260 pounds per acre, were up 80 pounds per acre from the 2020 yields. Production for 2021 was forecast at 1.3 million bales, a decrease of 2% from 2020.

The corn acres harvested in Arkansas in 2021 increased 37% from 2020. The average yield for 2021 was estimated at 184 bushels per acre, which is the same as 2020. Production for 2021 totaled 153.0 million bushels, an increase of 37% from 2020.

Rice acres harvested in 2021 were expected to be 1.2 million acres, a decrease of 17% from 2020. The average yield for 2021 was estimated at 7,630 pounds per acre, an increase of 130 pounds per acre from 2020. Production for 2021 totaled 91.0 million hundredweight (cwt), a decrease of 16% from 2020.

Soybean acres harvested in 2021 was 3.0 million acres, an increase of 7.5% from 2020. The average yield for 2021 was estimated at 51 bushels per acre, a decrease of 1 bushel per acre from 2020. Production totaled 153.0 million bushels, an increase of 6.5% from 2020.

Peanuts harvested in 2021 was 35,000 acres, a decrease of 8% from 2020. The average yield for 2021 was estimated at 5,000 pounds per acre, an increase of 200 pounds per acre from 2020. Production totaled 175.0 million pounds, a decrease of 4% from 2020.

Crop Production and Weather

The weather temperatures during the four weeks in November 2021 were close to the 5-year average according to the USDA Crop Progress and Condition report dated November 15, 2021. According to the same USDA report, rainfall was about 1 to 2 inches less during the four weeks evaluated in October-November 2021 compared to the 5-year average. The USDA Crop Progress and Condition report dated November 29, 2021, showed temperatures about 1 degree cooler than the 5-year average and the four week precipitation was 2 inches less than the 5-year average. According to our branch offices, harvest went well and yields were average to above-average. According to the USDA Crop Progress and Condition report dated November 29, 2021, cotton harvested was at 99%, which is the same as the 5-year average and soybeans harvested was 99%, compared to the 5-year average of 97%. Peanuts harvested were 98% compared to the 5-year average of 93%. Winter wheat emerged was 93% compared to the 5-year average of 85%.

Crop Prices

According to the World Agricultural Supply and Demand Estimates report dated December 9, 2021, the 2021-2022 all rice projected season-average farm price increased 80 cents per cwt to $14.80 compared to $14.00 for the 2020-2021 season. The 2021-2022 U.S. corn projected season-average farm price is $5.45 per bushel, up 90 cents from the prior year. The U.S. season-average soybean price for 2021-2022 is forecast at $12.10 per bushel, up $1.30 from the prior year. Soybean meal price forecast is down $60.00 to $330.00 per short ton. The soybean oil price forecast is up 8 cents at 65 cents per pound. Upland cotton's season-average farm price is up 36% from 2020-2021 to 90 cents per pound.

Land Values

Analysis by Farm Credit Midsouth Senior Vice President and Chief Appraisal Officer, Cary C. Matthews reveals that after two consecutive years of a small decrease or stable land values, it appears that there has been an increase in demand for good-quality land used for production of all typical agricultural commodities, but primarily for rice, corn, soybeans, peanuts, and cotton. Land values across eastern Arkansas and southeast Missouri indicated a change from (2.78%) to 12.00% during the period of July 1, 2020, through June 30, 2021. The rate of change overall is significantly increasing, although two of the benchmarks in eastern Arkansas showed no increases to a 2.78% decrease. There were eight benchmarks ranging from an increase of 5.00% to 10.00% in eastern Arkansas and southeast Missouri. There were six benchmarks that showed no increase to a 5.00% increase. The overall average increase for eastern Arkansas and southeast Missouri was 6.03%. In our opinion, this is the sign of a very strong market in eastern Arkansas and southeast Missouri. In this market area, demand remains resilient, particularly for cropland tracts which are irrigated, developed, and comprised of versatile soil types. Compared to recent years, sales volume over the past twelve months has increased in most areas in eastern Arkansas and southeast Missouri cropland area. Although many areas in the market are still dominated by the traditional buyer, the local landowner/farmer, demand is still being exhibited to out-of-area investment-minded buyers. These investment-minded buyers seem particularly interested in the larger tracts of farm land (500 or more acres).

Economy

As of November 2021, the unemployment rate within the Association's ten counties had decreased approximately 50% from 2020 primarily due to the economy opening back up after the previous impacts of the global COVID-19 pandemic. According to the November Arkansas Labor Market Report, the State unemployment rate of 2.2% as of November 2021, not seasonally adjusted, was significantly lower than the previous year's unemployment rate of 4.8%. The national average for 2021 was 3.9%, which was significantly lower than the previous year's average of 6.4%.

According to the November 2021 Arkansas Labor Market report, since November 2020 jobs in professional and business services posted the largest annual increase of 11,100 new jobs. Jobs in manufacturing and financial activities increased 5,800 and 4,700, respectively. Additionally, jobs in leisure and hospitality rose 3,900, with gains across all subsectors. The following sectors also added jobs during 2021 – trade, transportation, utilities, and educational/health services. The construction and government sectors are the only areas that saw declines since November 2020.

According to the Bureau of Economic Analysis, Arkansas had an increase in personal income of 2.9% for the period September 2020 through September 2021.

Real Gross Domestic Product (GDP), which is a measure of changes in the output of goods and services produced by labor and property located in the U.S., increased 2.3% year-over-year from September 2020 to September 2021 according to the Bureau of Economic Analysis published in November 2021.

As reported by the Bureau of Economic Analysis, exports in soybeans through November 2021 decreased $1.4 million over the 2020 year-to-date figures; corn increased $8.9 million, rice increased $100 thousand and raw cotton decreased by $300 thousand.

The December 2021 Conference Board report indicated that the Leading Economic Index (LEI) increased 1.1% in November 2021 to 119.1 following a 0.9% increase in October 2021 and a 0.3% increase in September 2021.

> "The U.S. LEI rose sharply again in November, suggesting the current economic expansion will continue into the first half of 2022," said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. "Inflation and continuing supply chain disruptions, as well as a resurgence of COVID-19, pose risks to GDP growth in 2022. Still, the economic impact of these risks may be contained. The Conference Board forecasts real GDP growth to strengthen in Q4 2021 to about 6.5% annualized, before moderating to a still healthy rate of 2.2% in Q1 2022."

The Consumer Price Index as reported by the U.S. Bureau of Labor Statistics for December 2021 measures changes in the cost of items over time and is a prime indicator of inflation. Over the past 12 months, the all-items index has increased 1.2% before seasonal adjustment. The food index rose 3.9% over the past year, while the index for energy declined 9.2%.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.2 billion at December 31, 2021, an increase of $124.7 million from December 31, 2020.

Components of Loans

(in thousands) As of December 31	**2021**	2020	2019
Accrual loans:			
Real estate mortgage	**$ 664,410**	$ 561,942	$ 508,445
Production and intermediate-term	**430,604**	396,686	367,285
Agribusiness	**68,777**	72,511	58,107
Other	**2,535**	2,166	2,296
Nonaccrual loans	**537**	8,851	600
Total loans	**$ 1,166,863**	$ 1,042,156	$ 936,733

The other category is composed of rural residential real estate loans.

The increase in total loans from December 31, 2020, was primarily due to the growth in the real estate mortgage portfolio driven by land purchases and refinances from other entities and banks.

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were $16.1 million, $8.2 million, and $9.3 million at December 31, 2021, 2020, and 2019, respectively.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and under certain circumstances, loan forgiveness. Since inception of the program in 2020, we have successfully processed $3.1 million in PPP loans for customers. As of December 31, 2021, $287 thousand of loans under this program were outstanding.

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, indexed, and adjustable interest rate loan programs to our borrowers**.** We also offer lease programs through our affiliation with Western Equipment Finance, Inc. 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

Nearly 98.4% of our total loan portfolio was the state of Arkansas. We are also chartered to serve certain counties in Missouri and Tennessee. The remainder of our portfolio is purchased outside of the state to support rural America and to diversify our portfolio risk. Approximately 85.0% of our total loan portfolio was in Craighead, Mississippi, Poinsett, Greene, Crittenden, Clay, Cross, Lee, and St. Francis at December 31, 2021.

Agricultural Concentrations

As of December 31	**2021**	2020	2019
Cash grains	**60.8%**	60.4%	59.5%
Landlords	**18.1%**	18.7%	21.2%
Cotton	**10.1%**	10.6%	9.0%
Other	**11.0%**	10.3%	10.3%
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 improved from December 31, 2020. Adversely classified loans decreased to 0.7% of the portfolio at December 31, 2021, from 1.0% 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, the Federal Agricultural Mortgage Corporation (Farmer Mac) and other government agency guarantee programs are used to reduce the risk of loss. At December 31, 2021, $6.7 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	**$ 537**	$ 8,851	$ 600
Accruing restructured	**1**	1	24
Accruing loans 90 days or more past due	**--**	--	395
Total risk loans	**538**	8,852	1,019
Other property owned	**--**	--	--
Total risk assets	**$ 538**	$ 8,852	$ 1,019
Total risk loans as a percentage of total loans	**0.0%**	0.8%	0.1%
Nonaccrual loans as a percentage of total loans	**0.0%**	0.8%	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**11.4%**	0.8%	16.8%
Total delinquencies as a percentage of total loans	**0.0%**	0.9%	0.1%

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 decrease in nonaccrual loans was primarily due to the payoff of production and intermediate-term loans from one large nonaccrual customer. Nonaccrual loans remained at an acceptable level at December 31, 2021, 2020, and 2019.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis in 2019, accruing loans 90 days or more past due were eligible to remain in accruing status.

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	**0.2%**	0.4%	0.3%
Nonaccrual loans	**419.0%**	47.0%	447.0%
Total risk loans	**418.2%**	47.0%	263.2%
Net (recoveries) charge-offs as a percentage of average loans	**(0.2%)**	0.3%	0.0%
Adverse assets to capital and allowance for loan losses	**3.2%**	4.3%	2.4%

The allowance for loan losses and provision expense decreased significantly since December 31, 2020 due to the payoff of one large nonaccrual relationship. As a result of the nonaccrual payoff, $1.9 million was reversed from the specific reserve. Additionally, improvements in credit quality further contributed to the total reversal of loan losses of $3.9 million. 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 income	**$ 22,557**	$ 15,168	$ 19,126
Return on average assets	**1.9%**	1.5%	2.0%
Return on average members' equity	**9.1%**	6.4%	8.5%

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 Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2021**	2020	2019	**2021 vs 2020**	2020 vs 2019
Net interest income	**$ 28,937**	$ 27,258	$ 27,689	**$ 1,679**	$ (431)
(Reversal of) provision for loan losses	**(3,907)**	4,635	(913)	**8,542**	(5,548)
Non-interest income	**7,805**	8,180	5,883	**(375)**	2,297
Non-interest expense	**17,240**	16,083	14,875	**(1,157)**	(1,208)
Provision for (benefit from) income taxes	**852**	(448)	484	**(1,300)**	932
Net income	**$ 22,557**	$ 15,168	$ 19,126	**$ 7,389**	$ (3,958)

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	**$ 3,075**	$ 2,231
Changes in interest rates	**(1,720)**	(1,624)
Changes in nonaccrual income and other	**324**	(1,038)
Net change	**$ 1,679**	$ (431)

Net interest income included income on nonaccrual loans that totaled $316 thousand and $1.0 million in 2021 and 2019, respectively. Net interest income included net reversals of previously accrued interest on loans which were transferred into nonaccrual in 2020 that totaled $8 thousand. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.6%, 2.7%, and 3.0% in 2021, 2020, and 2019, respectively. Our net interest margin is sensitive to interest rate changes and competition.

(Reversal of) provision for Loan Losses

The change in the (reversal of) provision for loan losses was related to our estimate of losses in our portfolio for the applicable years. The allowance for loan losses and provision expense decreased significantly since December 31, 2020 due to the payoff of one large nonaccrual relationship. During 2021, $1.9 million was reversed from the specific reserve. Additionally, improvements in credit quality further contributed to the total reversal of loan losses of $3.9 million. 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	**$ 10,713**	$ 10,402	$ 9,425
Other operating expense:			
Purchased and vendor services	**1,805**	1,834	1,579
Communications	**121**	106	107
Occupancy and equipment	**1,039**	1,099	1,019
Advertising and promotion	**603**	531	483
Examination	**381**	365	365
Farm Credit System insurance	**1,478**	800	686
Other	**1,096**	936	1,211
Other non-interest expense	**4**	10	--
Total non-interest expense	**$ 17,240**	$ 16,083	$ 14,875
Operating rate	**1.5%**	1.6%	1.6%

Provision for (benefit from) Income Taxes

The change in provision for (benefit from) income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2021, 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 $241.0 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 into the foreseeable future. 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	**$ 914,168**	$ 798,012	$ 725,401
Average interest rate	**1.5%**	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.

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $1.0 million, $1.1 million, and $1.3 million at December 31, 2021, 2020, and 2019, respectively. We paid Farmer Mac commitment fees totaling $5 thousand, $5 thousand, and $6 thousand in 2021, 2020, and 2019, respectively. These amounts are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. As of December 31, 2021, no loans have been sold to Farmer Mac under this agreement.

CAPITAL ADEQUACY

Total members' equity was $257.1 million, $241.4 million, and $233.0 million at December 31, 2021, 2020, and 2019, respectively. Total members' equity increased $15.7 million from December 31, 2020, primarily due to net income for the year partially offset by patronage distribution accruals**.**

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	**17.5%**	18.6%	19.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.5%**	18.6%	19.9%	6.0%	2.5%	8.5%
Total capital ratio	**17.8%**	18.9%	20.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.5%**	18.7%	20.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.7%**	20.0%	21.5%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.4%**	20.4%	21.7%	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 in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional 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 disclosed in Note 10 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target range is subject to revision as circumstances change. Our optimum total capital target range was 15% to 19%, as defined in our 2022 capital plan.

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 disclosed 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

In the periods presented, we were not subject to the risk premium component. 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%.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

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. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, 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

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

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.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $3 thousand at December 31, 2021, 2020, and 2019.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. 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 $225 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. Refer to Note 10 to the accompanying Consolidated Financial Statements for further disclosure.

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. As of December 31, 2021, 2020, and 2019, our investment in Foundations was $14 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Agri-Access: We participate in the Agri-Access pool program which focuses on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the U.S. The program is facilitated by another AgriBank District association where all assets are originated and serviced. We pay the facilitating association fees to originate and service the loans. We sell to AgriBank our entire interest in the loans associated with Agri-Access. Pool earnings may be returned to us by AgriBank through a specific patronage pool subject to the full discretion of AgriBank's Board of Directors.

Programs

We are involved in certain programs designed to improve our credit delivery, related services, and marketplace presence.

AgFirst Farm Credit Bank: We have a relationship with AgFirst Farm Credit Bank, a System bank, where we receive referral fees for sending rural home loan applications to AgFirst to underwrite and fund.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

Western Equipment Finance, Inc.: We offer a program with Western Equipment Finance, Inc., a subsidiary of Western State Bank, to provide equipment financing and leasing solutions. Leases are originated and serviced by Western Equipment Finance, Inc. and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broader selection of product offerings and enhanced lease expertise.

REPORT OF MANAGEMENT

Farm Credit Midsouth, ACA

We prepare the Consolidated Financial Statements of Farm Credit Midsouth, ACA (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.

Dane Coomer
Chairman of the Board
Farm Credit Midsouth, ACA

James McJunkins
President and Chief Executive Officer
Farm Credit Midsouth, ACA

Diane Steiling
Executive Vice President of Finance, Chief Financial Officer
Farm Credit Midsouth, ACA

March 11, 2022

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Farm Credit Midsouth, ACA

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

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

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

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

James McJunkins
President and Chief Executive Officer
Farm Credit Midsouth, ACA

Diane Steiling
Executive Vice President of Finance, Chief Financial Officer
Farm Credit Midsouth, ACA

March 11, 2022

REPORT OF AUDIT COMMITTEE

Farm Credit Midsouth, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Farm Credit Midsouth, ACA (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.

Gary Sitzer
Chairman of the Audit Committee
Farm Credit Midsouth, ACA

Members of the Audit Committee:
Franklin Fogleman Jr.
Matt Knight

March 11, 2022

Report of Independent Auditors

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

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit Midsouth, ACA, 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 comprehensive income, changes in members’ equity and cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 11, 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

Farm Credit Midsouth, ACA

(in thousands)

As of December 31	**2021**	2020	2019
ASSETS			
Loans	**$ 1,166,863**	$ 1,042,156	$ 936,733
Allowance for loan losses	**2,250**	4,158	2,682
Net loans	**1,164,613**	1,037,998	934,051
Investment in AgriBank, FCB	**28,843**	23,354	20,696
Accrued interest receivable	**18,512**	18,972	22,412
Deferred tax assets, net	**--**	432	--
Other assets	**17,264**	14,997	13,730
Total assets	**$ 1,229,232**	$ 1,095,753	$ 990,889
LIABILITIES			
Note payable to AgriBank, FCB	**$ 955,802**	$ 840,062	$ 742,342
Accrued interest payable	**3,675**	3,333	5,365
Deferred tax liabilities, net	**423**	--	46
Patronage distribution payable	**6,800**	6,700	6,600
Other liabilities	**5,397**	4,267	3,522
Total liabilities	**972,097**	854,362	757,875
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**1,979**	1,945	1,896
Unallocated surplus	**255,466**	239,709	231,240
Accumulated other comprehensive loss	**(310)**	(263)	(122)
Total members' equity	**257,135**	241,391	233,014
Total liabilities and members' equity	**$ 1,229,232**	$ 1,095,753	$ 990,889

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Midsouth, ACA

(in thousands)

For the year ended December 31		2021		2020		2019
Interest income	**$**	**42,731**	$	42,309	$	48,353
Interest expense		**13,794**		15,051		20,664
Net interest income		**28,937**		27,258		27,689
(Reversal of) provision for loan losses		**(3,907)**		4,635		(913)
Net interest income after (reversal of) provision for loan losses		**32,844**		22,623		28,602
Non-interest income						
Patronage income		**5,805**		5,082		4,422
Financially related services income		**546**		540		602
Fee income		**1,291**		2,067		731
Other non-interest income		**163**		491		128
Total non-interest income		**7,805**		8,180		5,883
Non-interest expense						
Salaries and employee benefits		**10,713**		10,402		9,425
Other operating expense		**6,523**		5,671		5,450
Other non-interest expense		**4**		10		--
Total non-interest expense		**17,240**		16,083		14,875
Income before income taxes		**23,409**		14,720		19,610
Provision for (benefit from) income taxes		**852**		(448)		484
Net income	**$**	**22,557**	$	15,168	$	19,126
Other comprehensive (loss) income						
Employee benefit plans activity	**$**	**(47)**	$	(141)	$	65
Total other comprehensive (loss) income		**(47)**		(141)		65
Comprehensive income	**$**	**22,510**	$	15,027	$	19,191

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Midsouth, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2018	$ 1,895	$ 218,714	$ (187)	$ 220,422
Net income	--	19,126	--	19,126
Other comprehensive income	--	--	65	65
Unallocated surplus designated for patronage distributions	--	(6,600)	--	(6,600)
Capital stock and participation certificates issued	137	--	--	137
Capital stock and participation certificates retired	(136)	--	--	(136)
Balance as of December 31, 2019	1,896	231,240	(122)	233,014
Net income	--	15,168	--	15,168
Other comprehensive loss	--	--	(141)	(141)
Unallocated surplus designated for patronage distributions	--	(6,699)	--	(6,699)
Capital stock and participation certificates issued	213	--	--	213
Capital stock and participation certificates retired	(164)	--	--	(164)
Balance as of December 31, 2020	1,945	239,709	(263)	241,391
Net income	**--**	**22,557**	**--**	**22,557**
Other comprehensive loss	**--**	**--**	**(47)**	**(47)**
Unallocated surplus designated for patronage distributions	**--**	**(6,800)**	**--**	**(6,800)**
Capital stock and participation certificates issued	**187**	**--**	**--**	**187**
Capital stock and participation certificates retired	**(153)**	**--**	**--**	**(153)**
Balance as of December 31, 2021	**$ 1,979**	**$ 255,466**	**$ (310)**	**$ 257,135**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Farm Credit Midsouth, ACA

(in thousands)

For the year ended December 31		**2021**		2020		2019
Cash flows from operating activities						
Net income	**$**	**22,557**	$	15,168	$	19,126
Depreciation on premises and equipment		**338**		384		344
Loss (gain) on sale of premises and equipment, net		**4**		(123)		--
(Reversal of) provision for loan losses		**(3,907)**		4,635		(913)
Stock patronage received from AgriBank, FCB		**(779)**		--		(1,902)
Loss on other property owned, net		**--**		--		190
Changes in operating assets and liabilities:						
Decrease (increase) in accrued interest receivable		**448**		3,415		(1,268)
(Increase) decrease in other assets		**(1,653)**		(1,767)		780
Increase (decrease) in accrued interest payable		**342**		(2,032)		187
Increase (decrease) in other liabilities		**1,506**		458		(470)
Net cash provided by operating activities		**18,856**		20,138		16,074
Cash flows from investing activities						
Increase in loans, net		**(122,590)**		(108,425)		(35,093)
Purchases of investment in AgriBank, FCB, net		**(4,710)**		(2,658)		(1)
Purchases of investment in other Farm Credit Institutions, net		**--**		(125)		--
Proceeds from sales of other property owned		**--**		--		149
(Purchases) sales of premises and equipment, net		**(524)**		33		(2,298)
Net cash used in investing activities		**(127,824)**		(111,175)		(37,243)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**115,740**		97,720		27,753
Patronage distributions paid		**(6,700)**		(6,599)		(6,500)
Capital stock and participation certificates retired, net		**(72)**		(84)		(84)
Net cash provided by financing activities		**108,968**		91,037		21,169
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental information						
Interest paid	**$**	**13,452**	$	17,083	$	20,477
Taxes paid, net		**104**		--		40

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Midsouth, ACA

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

Farm Credit Midsouth, ACA (the Association) and its subsidiaries, Farm Credit Midsouth, FLCA and Farm Credit Midsouth, 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 Clay, Craighead, Crittenden, Cross, Desha (northeast of the White River), Greene, Lee, Mississippi, Phillips, Poinsett, and St. Francis in the state of Arkansas; Carter, Ripley, and Wayne in the state of Missouri; and Shelby, Tipton, and Lauderdale (west of the channel of the Mississippi River) in the state of Tennessee.

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, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals to our members.

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 Farm Credit Midsouth, ACA 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. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

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) provision for loan losses" in the Consolidated Statements of Comprehensive 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 and is included in "Other assets" in the Consolidated Statements of Condition. 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 Comprehensive 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 Comprehensive Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income and improvements are generally capitalized.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive 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.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income. Service costs are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income.

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. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments and unexercised letters of credit 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 Comprehensive 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 have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other 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.
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 expect to adopt the standard as of January 1, 2023. We have completed development and validation of our model to estimate credit losses for our loan portfolio. Processes and internal controls related to the model and the estimation of credit losses for loans have been substantially designed. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.

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	**$ 664,892**	**57.0%**	$ 564,388	54.2%	$ 508,522	54.3%
Production and intermediate-term	**430,659**	**36.9%**	403,091	38.7%	367,809	39.3%
Agribusiness	**68,777**	**5.9%**	72,511	7.0%	58,107	6.2%
Other	**2,535**	**0.2%**	2,166	0.1%	2,295	0.2%
Total	**$ 1,166,863**	**100.0%**	$ 1,042,156	100.0%	$ 936,733	100.0%

The other category is composed of rural residential real estate loans.

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 8.8% 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 Purchased and Sold

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
(in thousands) **As of December 31, 2021**	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (20,536)**	**$ 82,466**	**$ (48,636)**	**$ --**	**$ --**	**$ 82,466**	**$ (69,172)**
Production and intermediate-term	**--**	**--**	**22,109**	**(21,156)**	**1,197**	**--**	**23,306**	**(21,156)**
Agribusiness	**--**	**(20,515)**	**14,915**	**(16,665)**	**132**	**--**	**15,047**	**(37,180)**
Other	**--**	**--**	**53**	**--**	**--**	**--**	**53**	**--**
Total	**$ --**	**$ (41,051)**	**$ 119,543**	**$ (86,457)**	**$ 1,329**	**$ --**	**$ 120,872**	**$ (127,508)**

As of December 31, 2020	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ (7,913)	$ 29,774	$ (42,717)	$ --	$ --	$ 29,774	$ (50,630)
Production and intermediate-term	--	--	17,688	(20,077)	1,149	--	18,837	(20,077)
Agribusiness	--	(23,047)	19,170	(19,617)	195	--	19,365	(42,664)
Other	--	--	58	--	--	--	58	--
Total	$ --	$ (30,960)	$ 66,690	$ (82,411)	$ 1,344	$ --	$ 68,034	$ (113,371)

As of December 31, 2019	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Non-Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ (8,720)	$ 26,609	$ (34,809)	$ --	$ --	$ 26,609	$ (43,529)
Production and intermediate-term	--	--	21,109	(23,974)	1,237	--	22,346	(23,974)
Agribusiness	--	(21,710)	10,031	(12,515)	202	--	10,233	(34,225)
Other	--	--	63	--	--	--	63	--
Total	$ --	$ (30,430)	$ 57,812	$ (71,298)	$ 1,439	$ --	$ 59,251	$ (101,728)

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) **As of December 31, 2021**	Acceptable Amount	Acceptable %	Special Mention Amount	Special Mention %	Substandard/ Doubtful Amount	Substandard/ Doubtful %	Total Amount	Total %
Real estate mortgage	**$ 662,624**	**98.2%**	**$ 8,379**	**1.2%**	**$ 4,354**	**0.6%**	**$ 675,357**	**100.0%**
Production and intermediate-term	**433,790**	**99.1%**	**185**	**--**	**3,955**	**0.9%**	**437,930**	**100.0%**
Agribusiness	**69,548**	**100.0%**	**--**	**--**	**--**	**--**	**69,548**	**100.0%**
Other	**2,540**	**100.0%**	**--**	**--**	**--**	**--**	**2,540**	**100.0%**
Total	**$ 1,168,502**	**98.6%**	**$ 8,564**	**0.7%**	**$ 8,309**	**0.7%**	**$ 1,185,375**	**100.0%**

As of December 31, 2020	Acceptable Amount	Acceptable %	Special Mention Amount	Special Mention %	Substandard/ Doubtful Amount	Substandard/ Doubtful %	Total Amount	Total %
Real estate mortgage	$ 558,428	97.1%	$ 12,611	2.2%	$ 3,789	0.7%	$ 574,828	100.0%
Production and intermediate-term	402,751	98.0%	1,090	0.3%	6,845	1.7%	410,686	100.0%
Agribusiness	73,444	100.0%	--	--	--	--	73,444	100.0%
Other	2,083	96.0%	87	4.0%	--	--	2,170	100.0%
Total	$ 1,036,706	97.7%	$ 13,788	1.3%	$ 10,634	1.0%	$ 1,061,128	100.0%

As of December 31, 2019	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$ 502,643	96.7%	$ 14,470	2.8%	$ 2,621	0.5%	$ 519,734	100.0%
Production and intermediate-term	369,616	97.8%	5,450	1.4%	2,936	0.8%	378,002	100.0%
Agribusiness	59,107	100.0%	--	--	--	--	59,107	100.0%
Other	2,207	95.9%	95	4.1%	--	--	2,302	100.0%
Total	$ 933,573	97.3%	$ 20,015	2.1%	$ 5,557	0.6%	$ 959,145	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	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ --**	**$ 422**	**$ 422**	**$ 674,935**	**$ 675,357**	**$ --**
Production and intermediate-term	**20**	**34**	**54**	**437,876**	**437,930**	**--**
Agribusiness	**51**	**--**	**51**	**69,497**	**69,548**	**--**
Other	**--**	**--**	**--**	**2,540**	**2,540**	**--**
Total	**$ 71**	**$ 456**	**$ 527**	**$ 1,184,848**	**$ 1,185,375**	**$ --**

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 126	$ 2,377	$ 2,503	$ 572,325	$ 574,828	$ --
Production and intermediate-term	123	6,404	6,527	404,159	410,686	--
Agribusiness	32	--	32	73,412	73,444	--
Other	--	--	--	2,170	2,170	--
Total	$ 281	$ 8,781	$ 9,062	$ 1,052,066	$ 1,061,128	$ --

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ --	$ --	$ --	$ 519,734	$ 519,734	$ --
Production and intermediate-term	52	447	499	377,503	378,002	--
Agribusiness	--	395	395	58,712	59,107	395
Other	--	--	--	2,302	2,302	--
Total	$ 52	$ 842	$ 894	$ 958,251	$ 959,145	$ 395

Note: Accruing loans include accrued interest receivable.

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	**$ 61**	$ 70	$ 101
Past due	**476**	8,781	499
Total nonaccrual loans	**537**	8,851	600
Accruing restructured loans	**1**	1	24
Accruing loans 90 days or more past due	**--**	--	395
Total risk loans	**$ 538**	$ 8,852	$ 1,019
Volume with specific allowance	**$ 34**	$ 6,374	$ 452
Volume without specific allowance	**504**	2,478	567
Total risk loans	**$ 538**	$ 8,852	$ 1,019
Total specific allowance	**$ 33**	$ 2,086	$ 210

For the year ended December 31	**2021**	2020	2019
Income on accrual risk loans	**$ --**	$ 5	$ 55
Income (reversal) on nonaccrual loans	**316**	(8)	1,030
Total income on risk loans	**$ 316**	$ (3)	$ 1,085
Average risk loans	**$ 8,143**	$ 7,925	$ 8,755

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	**2021**	2020	2019
Real estate mortgage	**$ 482**	$ 2,446	$ 77
Production and intermediate-term	**55**	6,405	523
Total	**$ 537**	$ 8,851	$ 600

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2021 Recorded Investment[1]	As of December 31, 2021 Unpaid Principal Balance[2]	As of December 31, 2021 Related Allowance	For the year ended December 31, 2021 Average Impaired Loans	For the year ended December 31, 2021 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	34	53	33	5,051	--
Agribusiness	--	--	--	--	--
Total	$ 34	$ 53	$ 33	$ 5,051	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 482	$ 429	$ --	$ 2,362	$ 280
Production and intermediate-term	22	1,181	--	730	36
Agribusiness	--	1,335	--	--	--
Total	$ 504	$ 2,945	$ --	$ 3,092	$ 316
Total impaired loans:					
Real estate mortgage	$ 482	$ 429	$ --	$ 2,362	$ 280
Production and intermediate-term	56	1,234	33	5,781	36
Agribusiness	--	1,335	--	--	--
Total	$ 538	$ 2,998	$ 33	$ 8,143	$ 316

	As of December 31, 2020 Recorded Investment[1]	As of December 31, 2020 Unpaid Principal Balance[2]	As of December 31, 2020 Related Allowance	For the year ended December 31, 2020 Average Impaired Loans	For the year ended December 31, 2020 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	6,374	8,984	2,086	5,906	--
Agribusiness	--	--	--	--	--
Total	$ 6,374	$ 8,984	$ 2,086	$ 5,906	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 2,446	$ 2,455	$ --	$ 1,989	$ 16
Production and intermediate-term	32	1,391	--	30	(19)
Agribusiness	--	1,335	--	--	--
Total	$ 2,478	$ 5,181	$ --	$ 2,019	$ (3)
Total impaired loans:					
Real estate mortgage	$ 2,446	$ 2,455	$ --	$ 1,989	$ 16
Production and intermediate-term	6,406	10,375	2,086	5,936	(19)
Agribusiness	--	1,335	--	--	--
Total	$ 8,852	$ 14,165	$ 2,086	$ 7,925	$ (3)

	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	452	1,276	210	3,293	--
Agribusiness	--	--	--	--	--
Total	$ 452	$ 1,276	$ 210	$ 3,293	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 77	$ 76	$ --	$ 1,733	$ 397
Production and intermediate-term	95	369	--	693	335
Agribusiness	395	1,721	--	3,036	353
Total	$ 567	$ 2,166	$ --	$ 5,462	$ 1,085
Total impaired loans:					
Real estate mortgage	$ 77	$ 76	$ --	$ 1,733	$ 397
Production and intermediate-term	547	1,645	210	3,986	335
Agribusiness	395	1,721	--	3,036	353
Total	$ 1,019	$ 3,442	$ 210	$ 8,755	$ 1,085

[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

(in thousands)

As of December 31	**2021**	2020	2019
TDRs in accrual status	**$ 1**	$ 1	$ 24
TDRs in nonaccrual status	**21**	30	37
Total TDRs	**$ 22**	$ 31	$ 61

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	**$ 4,158**	$ 2,682	$ 3,682
(Reversal of) provision for loan losses	**(3,907)**	4,635	(913)
Loan recoveries	**2,100**	70	109
Loan charge-offs	**(101)**	(3,229)	(196)
Balance at end of year	**$ 2,250**	$ 4,158	$ 2,682

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	**$ 425**	**$ 3,562**	**$ 169**	**$ 2**	**$ 4,158**
Provision for (reversal of) loan losses	**169**	**(4,006)**	**(72)**	**2**	**(3,907)**
Loan recoveries	**--**	**2,100**	**--**	**--**	**2,100**
Loan charge-offs	**--**	**(101)**	**--**	**--**	**(101)**
Balance as of December 31, 2021	**$ 594**	**$ 1,555**	**$ 97**	**$ 4**	**$ 2,250**
Ending balance: individually evaluated for impairment	**$ --**	**$ 33**	**$ --**	**$ --**	**$ 33**
Ending balance: collectively evaluated for impairment	**$ 594**	**$ 1,522**	**$ 97**	**$ 4**	**$ 2,217**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	**$ 675,357**	**$ 437,930**	**$ 69,548**	**$ 2,540**	**$ 1,185,375**
Ending balance: individually evaluated for impairment	**$ 482**	**$ 56**	**$ --**	**$ --**	**$ 538**
Ending balance: collectively evaluated for impairment	**$ 674,875**	**$ 437,874**	**$ 69,548**	**$ 2,540**	**$ 1,184,837**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	$ 522	$ 1,999	$ 157	$ 4	$ 2,682
(Reversal of) provision for loan losses	(97)	4,722	12	(2)	4,635
Loan recoveries	--	70	--	--	70
Loan charge-offs	--	(3,229)	--	--	(3,229)
Balance as of December 31, 2020	$ 425	$ 3,562	$ 169	$ 2	$ 4,158
Ending balance: individually evaluated for impairment	$ --	$ 2,086	$ --	$ --	$ 2,086
Ending balance: collectively evaluated for impairment	$ 425	$ 1,476	$ 169	$ 2	$ 2,072
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	$ 574,828	$ 410,686	$ 73,444	$ 2,170	$ 1,061,128
Ending balance: individually evaluated for impairment	$ 2,446	$ 6,406	$ --	$ --	$ 8,852
Ending balance: collectively evaluated for impairment	$ 572,382	$ 404,280	$ 73,444	$ 2,170	$ 1,052,276

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2018	$ 845	$ 2,759	$ 69	$ 9	$ 3,682
Reversal of for loan losses	(323)	(569)	(16)	(5)	(913)
Loan recoveries	--	3	106	--	109
Loan charge-offs	--	(194)	(2)	--	(196)
Balance as of December 31, 2019	$ 522	$ 1,999	$ 157	$ 4	$ 2,682
Ending balance: individually evaluated for impairment	$ --	$ 210	$ --	$ --	$ 210
Ending balance: collectively evaluated for impairment	$ 522	$ 1,789	$ 157	$ 4	$ 2,472
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2019	$ 519,734	$ 378,002	$ 59,107	$ 2,302	$ 959,145
Ending balance: individually evaluated for impairment	$ 77	$ 547	$ 395	$ --	$ 1,019
Ending balance: collectively evaluated for impairment	$ 519,657	$ 377,455	$ 58,712	$ 2,302	$ 958,126

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.

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%.

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

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	**$ 1,200,000**	$ 1,000,000	$ 1,000,000
Outstanding principal under the line of credit	**955,802**	840,062	742,342
Interest rate	**1.5%**	1.5%	2.7%

Our note payable was scheduled to mature on April 30, 2022. However, it was renewed early for $1.2 billion with a maturity date of April 30, 2024. We intend to renegotiate the note payable no later than the maturity date.

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 purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. 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	**17.5%**	18.6%	19.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.5%**	18.6%	19.9%	6.0%	2.5%	8.5%
Total capital ratio	**17.8%**	18.9%	20.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.5%**	18.7%	20.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**18.7%**	20.0%	21.5%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.4%**	20.4%	21.7%	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 and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2021**	2020	2019
Class A common stock (protected)	**46**	46	46
Class B common stock (at-risk)	**1,095**	1,095	1,295
Class C common stock (at-risk)	**386,142**	379,964	370,396
Series 2 participation certificates (at-risk)	**8,518**	7,918	7,518

Under our bylaws, we are also authorized to issue Class D common stock, Class E common stock, and Class F preferred stock. Each of these classes of common 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 in the following order of priority:

- First, to holders of preferred stock
- Second, pro rata to holders of all classes of common stock and participation certificates

In the event of stock impairment, losses will be absorbed by concurrent impairment of all classes of common stock and participation certificates, then by holders of 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 as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $6.8 million, $6.7 million, and $6.6 million at December 31, 2021, 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 (Benefit from) Income Taxes

Provision for (Benefit from) Income Taxes

(dollars in thousands)

For the year ended December 31	**2021**	2020	2019
Current:			
Federal	**$ (3)**	$ 22	$ (88)
State	**--**	8	6
Total current	**$ (3)**	$ 30	$ (82)
Deferred:			
Federal	**$ 668**	$ (359)	$ 426
State	**187**	(119)	140
Total deferred	**855**	(478)	566
Provision for (benefit from) income taxes	**$ 852**	$ (448)	$ 484
Effective tax rate	**3.6%**	(3.0%)	2.5%

Reconciliation of Taxes at Federal Statutory Rate to Provision for (Benefit from) Income Taxes

(in thousands)

For the year ended December 31	**2021**	2020	2019
Federal tax at statutory rates	**$ 4,916**	$ 3,091	$ 4,118
State tax, net	**162**	(78)	60
Patronage distributions	**(1,163)**	(303)	(1,218)
Effect of non-taxable entity	**(3,060)**	(3,108)	(2,655)
Other	**(3)**	(50)	179
Provision for (benefit from) income taxes	**$ 852**	$ (448)	$ 484

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 Comprehensive 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	**$ 494**	$ 1,064	$ 600
Postretirement benefit accrual	**86**	92	97
Accrued incentive	**328**	370	237
Accrued patronage income not received	**(247)**	(202)	(173)
AgriBank 2002 allocated stock	**(221)**	(223)	(223)
Accrued pension asset	**(880)**	(735)	(612)
Other assets	**111**	88	28
Other liabilities	**(94)**	(22)	--
Deferred tax (liabilities) assets, net	**$ (423)**	$ 432	$ (46)
Gross deferred tax assets	**$ 1,019**	$ 1,614	$ 962
Gross deferred tax liabilities	**$ (1,442)**	$ (1,182)	$ (1,008)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2021, 2020, or 2019.

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. Our total permanent investment in AgriBank is $11.3 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $190.4 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

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, if we choose to stop participating in the plan, we may be required 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	**468**	771	681
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**1,659**	1,673	1,670

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 Comprehensive 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 $1.5 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands) As of December 31		2021		2020		2019
Our unfunded liability	**$**	**793**	$	614	$	367

For the year ended December 31		2021		2020		2019
Our allocated share of plan expenses	**$**	**132**	$	107	$	111

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including 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 participants in the plan. Our allocated share of the components of net periodic benefit cost other than the service cost component, are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income. Service costs related to the plan are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. We had no cash contributions and paid no benefits during 2021, 2020, and 2019.

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 Comprehensive 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 Comprehensive Income, were $474 thousand, $430 thousand, and $393 thousand in 2021, 2020, and 2019, respectively. 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	**$**	**39,810**	$	32,815	$	23,953

For the year ended December 31		2021		2020		2019
Advances to related parties	**$**	**36,319**	$	34,542	$	36,348
Repayments by related parties		**29,208**		37,980		49,838

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 disclosed 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 Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank was $5.8 million, $5.0 million, and $4.4 million 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.

In addition, we received compensation from AgriBank for servicing loans of $58 thousand, $20 thousand, and $25 thousand in 2021, 2020, and 2019, respectively.

Refer to Note 3 for information on participations sold to AgriBank and 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, tax reporting, 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	**$ 28,843**	$ 23,354	$ 20,696
Investment in SunStream	**225**	225	--
Investment in Foundations	**14**	14	14
For the year ended December 31	**2021**	2020	2019
AgriBank District purchased services	**$ 966**	$ 867	$ 845

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 and letters of 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. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2021, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $ 261.5 million. Additionally, we had $111 thousand of issued standby letters of credit as of December 31, 2021.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of 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 and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. 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.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at December 31, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

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.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands) **As of December 31, 2021**	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 1**	**$ 1**

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 4,503	$ 4,503

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 255	$ 255

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. 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 collateral and other matters, they are classified as Level 3.

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 11, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no 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

Farm Credit Midsouth, ACA

(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
Jonesboro	Owned	Headquarters/Branch
Barton	Owned	Branch
Corning	Owned	Branch
Osceola	Owned	Branch
Paragould	Owned	Central Office/Branch
Marion	Owned	Branch
Wynne	Owned	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

Information regarding our board committees as well as directors who served as of December 31, 2021, including business experience in the last five years and any other business interest where a director serves on the board of directors or as a senior officer can be found in the Board of Directors section at the beginning of this report.

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors have adopted a rate of $650 per day honorarium and a per diem rate of $150 per conference call. Board members will also receive a $6 thousand annual retainer fee, except for certain positions. The board chairperson receives a $10 thousand annual retainer, and executive committee members, not falling into one of the before mentioned categories, receive a $7 thousand annual retainer fee. The retainer fee is equally paid at the end of each quarter.

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

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2021
Dane Coomer	7.0	13.5	$ 1,225	Executive	22,975
Marion Fletcher	7.0	26.0	900	Compensation	26,800
Franklin Fogleman Jr.	7.0	8.0	750	Audit	16,250
Dustin Henson	7.0	10.0	1,200	Compensation	16,950
Matt Knight	7.0	16.0	450	Audit	20,700
Carl Loewer[(1)]	2.0	2.0	750	Compensation	4,200
Chris Roberts	7.0	37.0	1,200	Executive	35,975
			900	Audit	
Gary Sitzer	7.0	14.0	1,200	Executive	20,350
			300	Audit	
Ramey Stiles	6.0	13.0	1,225	Executive	20,300
			950	Compensation	
Mike Sullivan	6.0	9.0	--		14,650
Michael Taylor	7.0	6.0	--		13,350
Bradley Wallace	7.0	6.5	--		14,400
Bryan Pribble[(2)]	5.0	6.0	150	Compensation	11,925
					$ 238,825

[(1)]Term expired in February 2021

[(2)]Elected in February 2021

Effective March 9, 2022, Chris Roberts was elected to the AgriBank Board of Directors and subsequently resigned from Farm Credit Midsouth's Board. As a result, Gary Sitzer became the Audit Committee Chair effective March 10, 2022.

Senior Officers

The senior officers as of December 31, 2021, and the date each began his/her position include:

James McJunkins, President and Chief Executive Officer (March 2012)
Ralph D. Stewart, Executive Vice President, Chief Credit Officer (October 2019)
Diane Steiling, Executive Vice President of Finance, Chief Financial Officer (January 2021)
Mike Williams, Senior Vice President of Branch Operations, Chief Services Officer (April 2018)
Michael Clayman, Senior Vice President of Branch Operations, Chief Marketing Officer (April 2018)

Effective January 1, 2021, Ms. Steiling was promoted to Executive Vice President, Chief Financial Officer (CFO) in preparation for our previous CFO Shari Wilson's retirement in April 2021. Prior to this she served as Chief Accounting officer from October 2020 to January 2021 and Controller from October 2016 to October 2020.

In July 2019, Ralph Stewart was hired in preparation for our previous Chief Credit Officer (CCO) Davy Crockett's retirement in February 2020. Mr. Stewart began employment July 2019 and assumed the role of CCO on October 1, 2019. Prior to Mr. Stewart's hire, he served as CCO and Executive Vice President at Alabama Farm Credit from September 2009 to July 2019.

Mike Williams was promoted to Senior Vice President of Branch Operations, Chief Services Officer in April 2018. Prior to this, he served as the Vice President, Jonesboro Branch Manager from March 2012 to March 2018.

Michael Clayman was promoted to Senior Vice President of Branch Operations, Chief Marketing Officer in April 2018. Prior to this, he served as the Vice President, Marion Branch Manager from September 2014 to March 2018.

Other interests where a senior officer served as a director or senior officer include:

James McJunkins serves on the Board of Directors for Arkansas LEADAR, a rural leadership program under the University of Arkansas.

Michael Clayman serves as a Director of the Arkansas 4-H Foundation.

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our Chief Executive Officer (CEO), senior officer, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to enhance our diverse agricultural and rural economy. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO, senior officer, and highly compensated individuals compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO, senior officers, and highly compensated individuals are compensated with a mixture of salary, incentives, and retirement plans generally available to all employees within the organization.

Base Salary: The CEO, senior officers, and highly compensated individuals base salaries reflect their experience and level of responsibility. The compensation plan is subject to review and approval by the Compensation Committee of the Board of Directors.

Short-term Incentives: The incentive plan is designed to reward excellent performance for desired business results. The business plan sets the direction for the organization for the future. The Board believes that setting incentive goals relating to that plan will ensure the viability of the organization over time. The incentive plan establishes results based on the business plan objectives and increases rewards as the results exceed plan. The highly compensated individuals' incentive plan is based on the Association, branch, and individual business results. The senior officer incentive plan is based on the Association and individual business results. The CEO incentive plan is based upon a model designed by the AgriBank District for similar roles and adopted by the Board of Directors. This plan is based entirely on the operating results of the organization and the goals are established based on the business plan objectives. All individuals must meet their individual performance objectives before being able to participate in an incentive program. The Board believes utilizing this strategy aligns the organization to exceed shareholder expectations. The criteria related to the overall Association performance include return on assets, operating efficiency, and contractual interbank performance agreement (CIPA). The branch performance goals include loan growth, non-interest income growth, and risk score. Additionally, performance criteria impacting senior officer and highly compensated individuals incentives, excluding the CEO, related to personal performance include attainment of personal objectives and performance ratings. We calculate the incentives after the end of the plan year (the plan year is the calendar year). The CEO, senior officer, and highly compensated individuals incentives are paid annually and within 90 days of year end.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO and senior officers, 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 Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, 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
James McJunkins, CEO	**2021**	**$ 339**	**$ 175**	**$ 4**	**$ 133**	**$ 651**
James McJunkins, CEO	2020	326	125	4	727	1,182
James McJunkins, CEO	2019	310	154	3	810	1,277
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Six[1]	**2021**	**$ 978**	**$ 245**	**$ 5**	**$ 143**	**$ 1,371**
Seven[2]	2020	1,047	225	6	1,038	2,316
Five[3]	2019	798	165	5	981	1,949

[1]Includes compensation for one senior officer who retired in April 2021.

[2]Includes compensation for one senior officer who retired in February 2020. Also includes compensation for the entire year for one individual promoted to senior officer in October 2020.

[3]Includes compensation for one senior officer hired in July 2019 to replace retiring CCO.

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 and the Pension Restoration Plan, as applicable, 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 plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Non-performance based incentives including sign-on, retention or retirement outside of the incentive plan.

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 positive market impacts from low interest rates.

Pension Benefits Attributable to the CEO and Senior Officers

(dollars in thousands) **2021** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
James McJunkins, CEO	AgriBank District Retirement Plan	**40.6**	**$ 3,583**	**$ --**
	AgriBank District Pension Restoration Plan	**40.6**	**715**	**--**
Aggregate Number of Senior Officers, excluding CEO				
One	AgriBank District Retirement Plan	**31.1**	**$ 1,152**	**$ --**

The change in composition of the aggregate senior officers 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.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers or highly compensated employees are eligible to participate in this 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:

3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.FCMidsouth.com

The total directors' travel, subsistence, and other related expenses were $124 thousand, $75 thousand, and $133 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 $84 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 on Internal Control over Financial Reporting, 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

Farm Credit Midsouth, ACA

(Unaudited)

We have specific programs in place to serve the credit and related services needs of young, beginning and small (YBS) farmers and ranchers (Farmers) in our Local Service Area (LSA).

Definitions

Farm Credit Administration (FCA) Regulations define young, beginning, and small farmers, ranchers or producer or harvester of aquatic products as those meeting any of the following criteria:

- **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.

Demographics

Our Loan Servicing Area (LSA) area includes 10 counties in eastern Arkansas and three counties in southern Missouri. We have used the 2017 United States Department of Agriculture (USDA) Ag-Census as our source of demographic data for the counties in our LSA. There are several differences in the methods by which the demographic and YBS Farmer data is presented. Young farmers are defined by the FCA as 35 years old or less. The USDA Ag-Census demographic stratification breaks at 34 years, which was used to compare to FCA's definition. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Ag-Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers, but may also include experienced farmers who have recently changed farmsteads. As with the case with the Young information the Beginning information in the USDA Ag-Census is not an exact comparison to the FCA definition, but will be utilized as the best comparison available. The FCA Small definition matches with the USDA Census delineation of farm entities with sales of less than $250,000. Other data differences:

- The farmers experience is as of the date of the USDA Ag-Census, while Midsouth's data is compiled as to the date the loan was made.
- Small farmers is by each individual farm entity from the USDA Ag-Census data, while Midsouth's data is compiled as of the date of the loan and the total value of sales of closely related entities rather than individual entities.
- The USDA Ag-Census data reflects all farms whether they use debt or not (the census reflects only 41.97% of farms have debt).

While the statistical results of the USDA Ag-Census do not match the FCA definitions exactly and there are timing issues, they do provide a consistent source of measurement with which to assess association targets and goals.

The following data compares Farm Credit Midsouth's YBS membership as of December 31, 2021 to the 2017 USDA Ag-Census data in our LSA:

Category	Number	Percent
2017 USDA Ag-Census Data:		
Farmers 34 and Younger	758	12.3%
Farmers on Current Farm Less than 10 Years	1,967	31.8%
Farmers with Less than $250,000 Farm Sales	4,721	76.4%
Total Farmers	6,178	
2021 Farm Credit Midsouth, ACA Data:		
Members that were ≤ 35 years of age when their loan was originally made	**465**	**23.1%**
Members that had been farming ≤ 10 years when their loan was originally made	**629**	**31.2%**
Members that had < $250,000 in gross sales of agricultural products when their loan was originally made	**671**	**33.3%**
Total Members in the LSA	**2,017**	

Mission Statement

Enhance our diverse economy through an Outreach Program that will focus on Young, Beginning, and Small farmers with specific outreach toward diversity and inclusion.

We are accomplishing this mission by:

- Providing special loan programs and underwriting standard to meet the needs of YBS Farmers;
- Offering either directly, or through external relationships, a number of financial services which will benefit the YBS Farmers in risk management;
- Making full use of the Farm Service Agency guaranteed loan programs;
- Establishing quantitative portfolio goals; and
- Continuing to participate in numerous outreach programs which benefit YBS Farmers.

Quantitative Goals

Our Board of Directors desires to maintain a portfolio mix of Young, Beginning and Small farmers and ranchers. This mix will help ensure our continued viability in future years and promote agriculture in our LSA. The Board of Directors, have decided to concentrate on new YBS business and have set five year goals to achieve the desired portfolio mix. The following are the goals and the 2021 results:

	% of Total Number of New Loans		% of Total Volume of New Loans	
Category	Goal	**2021 Results**	Goal	**2021 Results**
Young farmers	15%	**22.2%**	10%	**21.6%**
Beginning farmers	15%	**24.6%**	12%	**19.8%**
Small farmers	15%	**19.5%**	6%	**13.0%**

Qualitative Goals

Goal: Coordinate with governmental agencies and private parties to enhance credit services to YBS Farmers with use of guarantees or other risk reduction tools.

Status: Farm Credit Midsouth had 77 government guaranteed loans to YBS Farmers as of December 31, 2021, and made 48 new government guaranteed loans to YBS Farmers in 2021.

Goal: Provide educational and informational outreach programs for YBS or potential YBS Farmers.

Status: The following educational and informational outreach programs were supported that were available to YBS or potential YBS Farmers in 2021:

- Midsouth and the other Arkansas Farm Credit Associations sponsor, support, and participate in various Arkansas Grown activities which are an initiative of the Arkansas Department of Agriculture:
  - Arkansas Grown Magazine
  - Arkansas Homegrown by Heroes Scholarship
  - School Garden Contest
  - Farmers market Promotion Program
- Arkansas State University Agriculture Conference
- Women in Agriculture Conference
- Farm Management Meetings
- National Black Growers Council Annual Meeting
- Arkansas Future Farmers of America Convention
- Arkansas Farm Family of the Year
- Farm Safety programs
- Arkansas 4-H
- Annie’s Project
- Junior Livestock Auction-Buffalo Island Stock Show
- Arkansas Junior Cattlemen’s Association
- Arkansas State Fair – Sale of Champions
- Sponsorship/Exhibit/Attendance
  - Mid-South Farm & Gin Show
  - Arkansas Agricultural Aviation Association
  - Arkansas Cattlemen’s Conference
  - Arkansas Soybean Association Annual Meeting
  - Arkansas Rice Council/Producers Annual Meeting
  - Agricultural Council of Arkansas
  - Arkansas County Agricultural Agents Association Convention
  - Arkansas Rural Development Conference

Goal: To provide financial and in-kind support to programs that fosters the development of young farmers.

Status: Fourteen $1,000 college scholarships were awarded to students majoring in agriculture or business. Donations totaling $34,500 were given to various youth organizations, including local FFA chapters and 4H programs.

Safety and Soundness of the Program

Our YBS program has established specific lending standards and limits to ensure safety and soundness of this program.

FUNDS HELD PROGRAM

Farm Credit Midsouth, ACA

(Unaudited)

Farm Credit Midsouth, ACA (the Association) offers a Funds Held Program (Program) that provides Borrowers the ability to make uninsured advance payments on designated loans for the purpose of paying future maturities or other related charges.

Objective

The Association offers the Program for the benefit and convenience of Borrowers who desire to make advance payments.

The following terms and conditions apply to Program accounts in connection with loans from the Association, subject to any rights that the Association or Borrower may have as specified in loan documents governing designated loans.

Handling Advance Payments

- Advance payments received on a loan participating in the Program before the loan has been billed will normally be placed in the Program account (Account) as of the date received, to be applied against the next installment or other related charges on the installment due date. This is subject to any rights that the Association may have to apply such payments in a different manner as specified in the loan documents governing designated loans.
- Advance payments received on a loan participating in the Program after the loan has been billed will be directly applied to the installment due on the loan or other related charges and will not earn interest.
- Funds received in excess of the installment amount or other related charges will be placed in the Account.
- If a special prepayment of principal is desired, Borrowers must specify so at the time funds are paid in advance to the Association.
- When an installment becomes due, any accrued interest in the Account and other funds in the Account for the loan will be automatically applied toward payment of the installment or related charges on the due date. If the balance in the Account is not adequate to pay the installment or related charges in full, Borrowers are expected to pay the difference by the installment due date. Any excess funds will remain in the Account.

Even when no installment or related charges are due, the Association may, at its option, apply funds from the Account without notice to the Borrower as follows:

- **Protective Advances**. If the Borrower fails to pay when due other items as required pursuant to the mortgage, deed of trust, promissory note, or any other loan documents, the Association may apply funds in the Account to pay them.
- **Account Ceiling**. If the Account balance exceeds the unpaid balance of the loan, the Association may apply the funds in the Account to repay the entire unpaid balance and will return any excess funds. The Association allows up to two full annual installments (principal and interest) to be placed in the Account on each individual loan.
- **Transfer of Security**. If the Borrower sells, assigns, or transfers any interest in the underlying collateral, the Association may apply the funds in the Account against the remaining loan balance.
- **Deceased Borrowers**. If all Borrowers are deceased, the Association may apply the funds in the Account to the remaining loan balance.

The Association may pay interest on Account balances. Interest on Account balances (exclusive of funds applied directly to billed amounts) will normally accrue from the date of receipt of the funds until the date the funds are applied to the loan against an installment due or other related charges. The Association may change the interest rate from time to time, without written notification to the Borrower, and may provide different interest rates for different categories of loans. Subject to change as aforesaid, currently the rate paid on the Account by the Association is equal to the rate being charged to the Borrower on the individual loan less 2%.

Borrower Withdrawals from Accounts

The Association may permit Borrowers to withdraw funds from the Account according to the Association's Program. In addition, the Association may permit withdrawals for medical emergencies, natural disasters, and other purposes with a written request stating the reason for the withdrawal. All requests must be approved by the Association CEO or designee prior to withdrawal.

Liquidation

Account balances are not insured. In the event of the Association liquidation, all Borrowers having balances in these uninsured Accounts shall be notified according to FCA Regulations in effect at that time. Current applicable regulations state that the notice shall instruct that the funds ceased earning interest when the receivership was instituted and will be applied against the outstanding indebtedness of any loans of the Borrower unless, within 15 days' notice, the Borrower provides direction to the Association to apply the funds according to existing loan documents.

Termination

If the Association terminates the Program, Account balances will be applied to the loan balance, and any remaining excess funds will be refunded to the Borrower.

Barton Branch
870-572-9900
6216 Hwy 49
Poplar Grove AR 72374

Corning Branch
870-857-3541
600 W Elm
Corning AR 72422

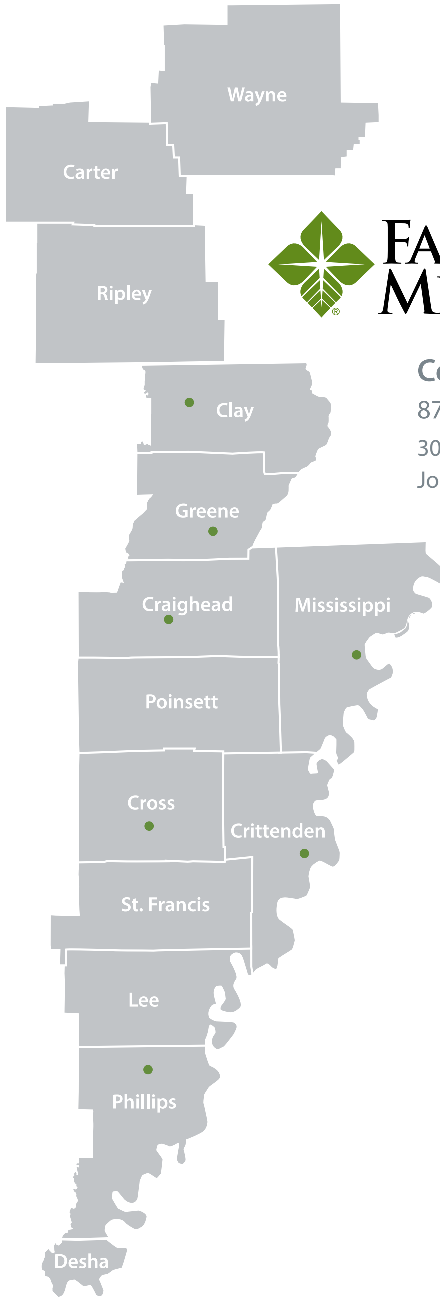
Jonesboro Branch
870-932-2817
3000 Prosperity Dr
Jonesboro AR 72404

Marion Branch
870-739-6275
151 Block St
Marion AR 72364

Osceola Branch
870-563-2676
4389 W Keiser Ave
Osceola AR 72370

Paragould Branch
870-236-8525
1312 Hwy 135 N
Paragould AR 72450

Wynne Branch
870-238-2211
1674 S Falls Blvd
Wynne AR 72396



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FARM CREDIT MIDSOUTH

Central Office
870-932-2288
3000 Prosperity Dr
Jonesboro AR 72404

Applying for a Loan? **Get Started Online!**

We're making it easier than ever before to get the Farm Credit Midsouth loan application process rolling. Simply visit our website at fcmidsouth.com and click the "**Apply for Loan**" icon at the top right of the home page. **Applying is quick, easy and can be completed from just about anywhere!*

And, did you know? While farm financing may be top of mind, when it comes to Farm Credit financing, there are a number options for which you can apply online.

Ag opportunities include:

- Farm Purchase, Real Estate (full time farming)
- Farm Refinance (full time farming)
- Recreational Land (land for outdoor activities)
- Farm Purchase for Part-Time Use
- On-Farm Construction (full time farming)
- Other (non-real estate loan)

Consumer Home Mortgage opportunities:

- Home Purchases
- Home Site (land to build a future home)
- Home Refinance (I am refinancing my home or residential property)
- Home Construction (building or remodeling a home)

Visit today to learn more about quick and easy loan application at Farm Credit Midsouth!

https://myfcm.fcmidsouth.com/Login/Enter-Username

**Requires enrollment in MyFCM.*