LOUISIANA LAND BANK, ACA

FINANCIAL REPORT

For the Quarter Ended and Six Months Ended June 30, 2019

REPORT OF MANAGEMENT

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

F. Stephen Austin, Chief Executive Officer
August 1, 2019

James Mark Morgan, Chairman, Board of Directors
August 1, 2019

Christopher E. Bentley, Chief Financial Officer
August 1, 2019

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended June 30, 2019. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2018 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

During the first quarter of 2019, the Association's board of directors (Board) paid a patronage of $7,319,679 million to eligible stockholders from 2018 earnings. The patronage is in the form of a qualified patronage distribution. The patronage distribution increased by just over 4 percent when compared to the distribution paid in 2018. This marks the seventh consecutive year that the Association has increased and paid a cash patronage to eligible borrowers.

In March 2019, the Farm Credit System Insurance Corporation (FCSIC) Board approved the refund of $66.1 million in excess insurance fund balances to Farm Credit System banks. The FCSIC was created by Congress in 1987 to enhance the financial integrity of the Farm Credit System by ensuring timely payment of System debt and interest. The Association's allocated portion of the refund was $159,283 and was recognized as other income.

Loan Portfolio:

Total loans outstanding at June 30, 2019, including nonaccrual loans and sales contracts, were $812,910,963 compared to $766,363,953 at December 31, 2018, reflecting an increase of 6.1 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4 percent at June 30, 2019, compared to 0.5 percent at December 31, 2018.

	June 30, 2019	December 31, 2018
Total Loans		
Acceptable	98.2	98.4
Other Assets Especially Mentioned	1.2	0.9
Substandard/Doubtful	0.6	0.7
	100.0 %	100.0 %

The Association recorded $12,314 in recoveries and $2,242 in charge-offs for the quarter ended June 30, 2019, and $26,651 in recoveries and $0 in charge-offs for the same period in 2018. The Association's allowance for loan losses was 0.6 percent and 0.7 percent of total loans outstanding as of June 30, 2019, and December 31, 2018, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	June 30, 2019		December 31, 2018	
	Amount	**%**	Amount	%
Nonaccrual	**$ 3,097,899**	**43.2%**	$ 3,631,343	48.8%
Formally restructured	**4,007,533**	**56.8%**	3,807,547	51.2%
Total	**$ 7,105,432**	**100.0%**	$ 7,438,890	100.0%

Results of Operations:

The Association had net income of $3,424,470 and $7,009,342 for the three and six months ended June 30, 2019, as compared to net income of $3,161,162 and $6,866,425 for the same period in 2018, reflecting an increase of 8.3 and 2.1 percent. Net interest income was $5,618,470 and $11,232,269 for the three and six months ended June 30, 2019, compared to $5,378,590 and $10,733,566 for the same period in 2018.

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	Six months ended			
	June 30, 2019		June 30, 2018	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 788,765,315**	**$ 20,917,760**	$ 751,697,305	$ 18,449,927
Total interest-earning assets	**788,765,315**	**20,917,760**	751,697,305	18,449,927
Interest-bearing liabilities	**645,895,270**	**9,685,491**	612,626,781	7,716,361
Impact of capital	**$ 142,870,045**		$ 139,070,524	
Net interest income		**$ 11,232,269**		$ 10,733,566

	2019 Average Yield	2018 Average Yield
Yield on loans	**5.35%**	4.95%
Total yield on interest-earning assets	**5.35%**	4.95%
Cost of interest-bearing liabilities	**3.02%**	2.54%
Interest rate spread	**2.33%**	2.41%
Net interest income as a percentage of average earning assets	**2.87%**	2.88%

	Six months ended: June 30, 2019 vs. June 30, 2018		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 909,819**	**$ 1,558,014**	**$ 2,467,833**
Total interest income	**909,819**	**1,558,014**	**2,467,833**
Interest expense	**419,037**	**1,550,093**	**1,969,130**
Net interest income	**$ 490,782**	**$ 7,921**	**$ 498,703**

Interest income for the three and six months ended June 30, 2019, increased by $1,197,958 and $2,467,833 or 12.7 and 13.4 percent respectively, from the same period of 2018, primarily due to increase in average rate. Interest expense for the three and six months ended June 30, 2019, increased by $958,078 and $1,969,130, or 23.7 and 25.5 percent, from the same period of 2018 due to an increase in interest rates. Average loan volume for the second quarter of 2019 was $800,216,588, compared to $754,053,589 in the second quarter of 2018. The average net interest rate spread on the loan portfolio for the second quarter of 2019 was 2.8 percent, compared to 2.4 percent in the second quarter of 2018.

The Association's return on average assets for the six months ended June 30, 2019, was 1.7 percent compared to 1.8 percent for the same period in 2018. The Association's return on average equity for the six months ended June 30, 2019, was 9.2 percent, compared to 9.4 percent for the same period in 2018.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

		June 30, 2019		December 31, 2018
Note payable to the bank	$	670,424,763	$	623,657,708
Accrued interest on note payable		1,663,534		1,566,591
Total	$	672,088,297	$	625,224,299

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2020. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $670,424,763 as of June 30, 2019, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.0 percent at June 30, 2019. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2018, is due to the Association's increase in accrual loan volume.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $141,760,783 at June 30, 2019. The maximum amount the Association may borrow from the Bank as of June 30, 2019, was $785,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

Capital Resources:

The Association's capital position increased by $7,064,600 at June 30, 2019, compared to December 31, 2018. The Association's debt as a percentage of members' equity was 4.29:1 as of June 30, 2019, compared to 4.23:1 as of December 31, 2018.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of June 30, 2019, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements:

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association's financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the fair value measurements disclosures.

In August 2017, the FASB issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance became effective for interim and annual periods beginning after December 15, 2018. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations but did impact the derivative disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. The guidance and related amendments in this update became effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The adoption of this guidance did not materially impact the Association's financial condition and results of operations but did impact lease disclosures. The Association adopted this guidance on January 1, 2019 and upon adoption, recorded $262,652 in right of use asset and an equal lease liability.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2018 Annual Report of Louisiana Land Bank, ACA more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, La. 71201 or calling 318-387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at *www.louisianalandbank.com*. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *debbie.bond@louisianalandbank.com.*

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Cash	$ **286,380**	$ 303,047
Loans	**812,910,963**	766,363,953
Less: allowance for loan losses	**5,227,648**	5,233,189
Net loans	**807,683,315**	761,130,764
Accrued interest receivable	**8,616,730**	7,997,619
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**12,414,225**	12,414,225
Other	**2,008,547**	2,335,883
Premises and equipment, net	**4,851,577**	4,463,309
Other assets	**966,969**	523,845
Total assets	$ **836,827,743**	$ 789,168,692
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ **670,424,763**	$ 623,657,708
Accrued interest payable	**1,663,534**	1,566,591
Drafts outstanding	**71,350**	387,850
Patronage distributions payable	**39**	7,300,038
Other liabilities	**6,592,480**	5,245,528
Total liabilities	**678,752,166**	638,157,715
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,728,660**	2,684,080
Unallocated retained earnings	**155,800,267**	148,782,413
Accumulated other comprehensive income (loss)	**(453,350)**	(455,516)
Total members' equity	**158,075,577**	151,010,977
Total liabilities and members' equity	$ **836,827,743**	$ 789,168,692

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
INTEREST INCOME				
Loans	**$ 10,623,050**	$ 9,425,092	**$ 20,917,760**	$ 18,449,927
Total interest income	**10,623,050**	9,425,092	**20,917,760**	18,449,927
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**5,004,580**	4,046,502	**9,685,491**	7,716,361
Total interest expense	**5,004,580**	4,046,502	**9,685,491**	7,716,361
Net interest income	**5,618,470**	5,378,590	**11,232,269**	10,733,566
PROVISION FOR LOAN LOSSES	**(27,931)**	(65,116)	(114,343)	(63,962)
Net interest income after provision for loan losses	**5,646,401**	5,443,706	**11,346,612**	10,797,528
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**682,243**	630,260	**1,349,891**	1,251,116
Loan fees	**189,615**	79,095	**268,553**	147,315
Refunds from Farm Credit System Insurance Corporation				
Financially related services income	**664**	648	**1,096**	1,073
Gain (loss) on other property owned, net	-	(580)	-	109,110
Gain (loss) on sale of premises and equipment, net	**104,651**	59,624	**104,651**	59,684
Other noninterest income	**4,800**	4,800	**199,248**	478,929
Total noninterest income	**981,973**	773,847	**1,923,439**	2,047,227
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,003,837**	1,875,178	**3,963,033**	3,773,673
Directors' expense	**89,288**	97,868	**169,484**	188,294
Purchased services	**111,016**	164,704	**207,090**	285,693
Travel	**170,490**	167,298	**298,138**	279,035
Occupancy and equipment	**144,812**	142,116	**269,791**	257,378
Communications	**62,046**	57,657	**112,178**	113,548
Advertising	**91,967**	99,164	**196,369**	157,648
Public and member relations	**112,707**	118,323	**227,024**	211,979
Supervisory and exam expense	**155,221**	73,055	**289,343**	211,738
Insurance Fund premiums	**166,976**	152,624	**324,512**	295,853
Other components of net periodic postretirement benefit cost	**39,050**	46,320	**78,101**	92,641
Other noninterest expense	**54,579**	60,418	**120,575**	108,966
Total noninterest expenses	**3,201,989**	3,054,725	**6,255,638**	5,976,446
Income before income taxes	**3,426,385**	3,162,828	**7,014,413**	6,868,309
Provision for (benefit from) income taxes	**1,915**	1,666	**5,071**	1,884
NET INCOME	**3,424,470**	3,161,162	**7,009,342**	6,866,425
Other comprehensive income:				
Change in postretirement benefit plans	**1,083**	9,855	**2,166**	19,710
Income tax expense related to items of other comprehensive income				
Other comprehensive income, net of tax	**1,083**	9,855	**2,166**	19,710
COMPREHENSIVE INCOME	**$ 3,425,553**	$ 3,171,017	**$ 7,011,508**	$ 6,886,135

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2017	$ 2,733,540	$ 142,698,330	$ (1,073,896)	$ 144,357,974
Net income		6,866,425		6,866,425
Other comprehensive income	-		19,710	19,710
Comprehensive income	-	6,866,425	19,710	6,886,135
Capital stock/participation certificates and allocated retained earnings issued	154,530	-	-	154,530
Capital stock/participation certificates and allocated retained earnings retired	(135,140)	-	-	(135,140)
Patronage refunds:				
Cash	-	2,439	-	2,439
Balance at June 30, 2018	$ 2,752,930	$ 149,567,194	$ (1,054,186)	$ 151,265,938
Balance at December 31, 2018	$ 2,684,080	$ 148,782,413	$ (455,516)	$ 151,010,977
Net income		7,009,342		7,009,342
Other comprehensive income	-		2,166	2,166
Comprehensive income	-	7,009,342	2,166	7,011,508
Capital stock/participation certificates and allocated retained earnings issued	171,255	-	-	171,255
Capital stock/participation certificates and allocated retained earnings retired	(126,675)	-	-	(126,675)
Patronage refunds:				
Cash	-	8,512	-	8,512
Balance at June 30, 2019	**$ 2,728,660**	**$ 155,800,267**	**$ (453,350)**	**$ 158,075,577**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2018, as contained in the 2018 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2018, as contained in the 2018 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2019. Descriptions of the significant accounting policies are included in the 2018 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association's financial condition and its results of operations.

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In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. The guidance and related amendments in this update became effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The adoption of this guidance did not materially impact the Association's financial condition and results of operations but did impact lease disclosures. The Association adopted this guidance on January 1, 2019 and upon adoption, recorded $262,652 in right of use asset and an equal lease liability.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2019, are not necessarily indicative of the results to be expected for the year ended December 31, 2019. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2019 Amount**	December 31, 2018 Amount
Production agriculture:		
Real estate mortgage	**$ 656,738,184**	$ 644,522,468
Production and intermediate term	**66,939,820**	57,117,423
Agribusiness:		
Loans to cooperatives	**17,864,971**	12,656,537
Processing and marketing	**36,172,736**	24,721,310
Farm-related business	**20,808,883**	15,110,352
Communication	**5,192,028**	2,498,464
Energy	**821,888**	724,499
Rural residential real estate	**8,372,453**	9,012,900
Total	**$ 812,910,963**	$ 766,363,953

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2019:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,874,873	$ 20,331,885	$ -	$ -	$ 1,874,873	$ 20,331,885
Production and intermediate term	7,575,650	-	-	-	7,575,650	-
Agribusiness	31,113,174	31,629,219	-	-	31,113,174	31,629,219
Communication	5,192,028	-	-	-	5,192,028	-
Energy	821,888	-	-	-	821,888	-
Total	$ 46,577,613	$ 51,961,104	$ -	$ -	$ 46,577,613	$ 51,961,104

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	**$ 2,914,185**	$ 3,421,393
Agribusiness	**-**	6,477
Rural residential real estate	**183,714**	203,473
Total nonaccrual loans	**3,097,899**	3,631,343
Accruing restructured loans:		
Real estate mortgage	**3,629,369**	3,299,450
Production and intermediate term	**348,982**	475,425
Rural residential real estate	**29,182**	32,672
Total accruing restructured loans	**4,007,533**	3,807,547
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	**-**	-
Total nonperforming loans	**7,105,432**	7,438,890
Total nonperforming assets	**$ 7,105,432**	$ 7,438,890

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2019		December 31, 2018	
Real estate mortgage				
Acceptable	**98.3**	%	98.2	%
OAEM	**1.0**		1.0	
Substandard/doubtful	**0.7**		0.8	
	100.0		100.0	
Production and intermediate term				
Acceptable	**98.3**		99.9	
OAEM	**1.7**		0.1	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Agribusiness				
Acceptable	**98.2**		99.1	
OAEM	**1.8**		0.9	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Energy and water/waste water				
Acceptable	**74.2**		69.2	
OAEM	**25.8**		30.8	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Communication				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Rural residential real estate				
Acceptable	**97.5**		97.6	
OAEM	**0.3**		0.2	
Substandard/doubtful	**2.2**		2.2	
	100.0		100.0	
Total loans				
Acceptable	**98.2**		98.4	
OAEM	**1.2**		0.9	
Substandard/doubtful	**0.6**		0.7	
	100.0	%	100.0	%

The following tables provide an age analysis of past due loans (including accrued interest) as of:

June 30, 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 Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$2,109,260**	**$ 328,197**	**$2,437,457**	**$ 661,517,209**	**$ 663,954,666**	**$ -**
Production and intermediate term	**204,689**	**-**	**204,689**	**67,503,149**	**67,707,838**	**-**
Loans to cooperatives	**-**	**-**	**-**	**18,337,858**	**18,337,858**	**-**
Processing and marketing	**-**	**-**	**-**	**36,239,194**	**36,239,194**	**-**
Farm-related business	**-**	**-**	**-**	**20,867,208**	**20,867,208**	**-**
Communication	**-**	**-**	**-**	**5,193,939**	**5,193,939**	**-**
Energy	**-**	**-**	**-**	**822,355**	**822,355**	**-**
Rural residential real estate	**-**	**-**	**-**	**8,404,635**	**8,404,635**	**-**
Total	**$2,313,949**	**$ 328,197**	**$2,642,146**	**$ 818,885,547**	**$ 821,527,693**	**$ -**

December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,552,874	$ 713,700	$ 2,266,574	$ 648,821,909	$ 651,088,483	$ -
Production and intermediate term	176,466	-	176,466	58,045,247	58,221,713	-
Loans to cooperatives	-	-	-	12,809,856	12,809,856	-
Processing and marketing	-	-	-	24,804,124	24,804,124	-
Farm-related business	-	-	-	15,166,072	15,166,072	-
Communication	-	-	-	2,498,779	2,498,779	-
Energy	-	-	-	724,590	724,590	-
Rural residential real estate	-	-	-	9,047,955	9,047,955	-
Total	$ 1,729,340	$ 713,700	$ 2,443,040	$ 771,918,532	$ 774,361,572	$ -

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

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2019, the total recorded investment of troubled debt restructured loans was $5,610,561 including $1,603,027 classified as nonaccrual and $4,007,534 classified as accrual, with specific allowance for loan losses of $5,736. As of June 30, 2019, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $11,737 at period end and $0 at December 31, 2018.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three months ended June 30, 2019. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

For the Three Months Ended June 30, 2019	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

For the Three Months Ended June 30, 2018	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 504,170	$ 482,645
Total	$ 504,170	$ 482,645

For the Six Months Ended June 30, 2019	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

For the Six Months Ended June 30, 2018	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 781,727	$ 785,646
Total	$ 781,727	$ 785,646

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). Charge-offs recorded at the modification date were $0 for the quarter ending June 30, 2019.

The predominant form of concession granted for troubled debt restructuring includes rate reduction and term extension. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured. There were no troubled debt restructurings that subsequently defaulted.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Real estate mortgage	$ 5,041,537	$ 5,402,092	$ 1,481,848	$ 2,102,643
Production and intermediate term	348,982	475,425	-	-
Farm-related business	98,863	6,477	-	6,477
Rural residential real estate	121,179	165,642	121,179	132,969
Total	$ 5,610,561	$ 6,049,636	$ 1,603,027	$ 2,242,089

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	June 30, 2019			December 31, 2018		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 763,152**	**$ 618,143**	**$ 64,667**	$ 566,092	$ 566,092	$ 44,460
Total	**$ 763,152**	**$ 618,143**	**$ 64,667**	$ 566,092	$ 566,092	$ 44,460
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$5,902,035**	**$ 6,036,290**	**$ -**	$ 6,134,748	$ 6,260,190	$ -
Production and intermediate term	**341,622**	**342,853**	**-**	456,240	457,470	-
Farm-related business	**-**	**3,830,198**	**-**	6,477	3,930,699	-
Rural residential real estate	**212,788**	**216,272**	**-**	236,025	239,509	-
Total	**$6,456,445**	**$10,425,613**	**$ -**	$ 6,833,490	$ 10,887,868	$ -
Total impaired loans:						
Real estate mortgage	**$6,665,187**	**$ 6,654,433**	**$ 64,667**	$ 6,700,840	$ 6,826,282	$ 44,460
Production and intermediate term	**341,622**	**342,853**	**-**	456,240	457,470	-
Farm-related business	**-**	**3,830,198**	**-**	6,477	3,930,699	-
Rural residential real estate	**212,788**	**216,272**	**-**	236,025	239,509	-
Total	**$7,219,597**	**$11,043,756**	**$ 64,667**	$ 7,399,582	$ 11,453,960	$ 44,460

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 571,909**	**$ -**	$ 162,521	$ -	**$ 600,034**	**$ -**	$ 117,153	$ 1,192
Farm-related business	**-**	**-**	197,547	-	**-**	**-**	226,708	-
Total	**$ 571,909**	**$ -**	$ 360,068	$ -	**$ 600,034**	**$ -**	$ 343,861	$ 1,192
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$5,709,691**	**$ 90,887**	$6,444,147	$ 80,869	**$5,739,750**	**$ 173,334**	$6,483,542	$ 176,768
Production and intermediate term	**356,085**	**4,443**	503,143	5,878	**392,754**	**9,786**	523,755	12,587
Farm-related business	**-**	**-**	-	-	**286**	**-**	-	-
Rural residential real estate	**217,298**	**330**	388,727	1,728	**222,817**	**679**	397,288	3,484
Total	**$6,283,074**	**$ 95,660**	$7,336,017	$ 88,475	**$6,355,607**	**$ 183,799**	$7,404,585	$ 192,839
Total impaired loans:								
Real estate mortgage	**$6,281,600**	**$ 90,887**	$6,606,668	$ 80,869	**$6,339,784**	**$ 173,334**	$6,600,695	$ 177,960
Production and intermediate term	**356,085**	**4,443**	503,143	5,878	**392,754**	**9,786**	523,755	12,587
Farm-related business	**-**	**-**	197,547	-	**286**	**-**	226,708	-
Rural residential real estate	**217,298**	**330**	388,727	1,728	**222,817**	**679**	397,288	3,484
Total	**$6,854,983**	**$ 95,660**	$7,696,085	$ 88,475	**$6,955,641**	**$ 183,799**	$7,748,446	$ 194,031

The preceding table is for TDR's and non-accrual loans.

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Lease Receivables	Mission-Related Investments	Total
Allowance for Credit Losses:										
Balance at March 31, 2019	$ 4,225,529	$ 339,905	$ 568,202	$ 17,029	$ 11,066	$ 52,291	$ -	$ -	$ -	$ 5,214,022
Charge-offs	(2,242)	-	-	-	-	-	-	-	-	(2,242)
Recoveries	-	-	12,313	-	-	-	-	-	-	12,313
Provision for loan losses	(260,645)	130,641	(133,649)	200,528	(9,313)	44,506	-	-	-	(27,932)
Other	2,371	15,494	12,063	1,205	354	-	-	-	-	31,487
Balance at June 30, 2019	$ 3,965,013	$ 486,040	$ 458,929	$ 218,762	$ 2,107	$ 96,797	$ -	$ -	$ -	$ 5,227,648
Balance at December 31, 2018	$ 4,048,807	$ 574,458	$ 291,205	$ 218,031	$ 2,306	$ 98,381	$ -	$ -	$ -	$ 5,233,188
Charge-offs	(2,242)	-	-	-	-	-	-	-	-	(2,242)
Recoveries	-	-	94,025	-	-	-	-	-	-	94,025
Provision for loan losses	(82,868)	(96,103)	66,902	(287)	(402)	(1,584)	-	-	-	(114,342)
Other	1,316	7,685	6,797	1,018	203	-	-	-	-	17,019
Balance at June 30, 2019	$ 3,965,013	$ 486,040	$ 458,929	$ 218,762	$ 2,107	$ 96,797	$ -	$ -	$ -	$ 5,227,648
Ending Balance:										
Individually evaluated for impairment	$ 64,667	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,667
Collectively evaluated for impairment	3,900,346	486,040	458,929	218,762	2,107	96,797	-	-	-	5,162,981
Balance at June 30, 2019	$ 3,965,013	$ 486,040	$ 458,929	$ 218,762	$ 2,107	$ 96,797	$ -	$ -	$ -	$ 5,227,648
Balance at March 31, 2018	$ 4,346,445	$ 431,949	$ 386,612	$ 115,530	$ 8,770	$ 73,943	$ -	$ 589	$ -	$ 5,363,838
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	26,651	-	-	-	-	-	-	-	-	26,651
Provision for loan losses	10,316	(57,483)	77,354	(94,852)	1,379	(1,829)	-	-	-	(65,115)
Other	734	4,942	4,275	152	119	-	-	-	-	10,222
Balance at June 30, 2018	$ 4,384,146	$ 379,408	$ 468,241	$ 20,830	$ 10,268	$ 72,114	$ -	$ 589	$ -	$ 5,335,596
Balance at December 31, 2017	$ 4,431,623	$ 458,922	$ 331,319	$ 105,588	$ 7,663	$ 76,147	$ -	$ 589	$ -	$ 5,411,851
Charge-offs	(58,593)	(988)	-	-	-	-	-	-	-	(59,581)
Recoveries	26,651	-	-	10,207	-	-	-	-	-	36,858
Provision for loan losses	(16,272)	(83,595)	132,579	(95,120)	2,480	(4,033)	-	-	-	(63,961)
Other	737	5,069	4,343	155	125	-	-	-	-	10,429
Balance at June 30, 2018	$ 4,384,146	$ 379,408	$ 468,241	$ 20,830	$ 10,268	$ 72,114	$ -	$ 589	$ -	$ 5,335,596
Ending Balance:										
Individually evaluated for impairment	$ 38,808	$ -	$ 104,680	$ -	$ -	$ -	$ -	$ -	$ -	$ 143,488
Collectively evaluated for impairment	4,345,338	379,408	363,561	20,830	10,268	72,114	-	589	-	5,192,108
Balance at June 30, 2018	$ 4,384,146	$ 379,408	$ 468,241	$ 20,830	$ 10,268	$ 72,114	$ -	$ 589	$ -	$ 5,335,596

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Lease Receivables	Mission-Related Investments	Total
Recorded Investments in Loans Outstanding:										
Ending Balance at June 30, 2019	$663,954,665	$ 67,707,839	$ 75,444,260	$ 5,193,939	$ 822,355	$8,404,635	$ -	$ -	$ -	$821,527,693
Individually evaluated for impairment	$ 6,687,325	$ 348,982	$ -	$ -	$ -	$ 212,896	$ -	$ -	$ -	$ 7,249,203
Collectively evaluated for impairment	$657,267,340	$ 67,358,857	$ 75,444,260	$ 5,193,939	$ 822,355	$8,191,739	$ -	$ -	$ -	$814,278,490
Ending Balance at December 31, 2018	$651,088,483	$ 58,221,713	$ 52,780,052	$ 2,498,779	$ 724,590	$9,047,955	$ -	$ -	$ -	$774,361,572
Individually evaluated for impairment	$ 6,754,232	$ 475,425	$ 6,477	$ -	$ -	$ 236,145	$ -	$ -	$ -	$ 7,472,279
Collectively evaluated for impairment	$644,334,251	$ 57,746,288	$ 52,773,575	$ 2,498,779	$ 724,590	$8,811,810	$ -	$ -	$ -	$766,889,293

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums	Conservation Buffer	Total	As of June 30, 2019
Common equity tier 1 ratio	4.50%	2.50%	7.00%	17.26%
Tier 1 capital ratio	6.00%	2.50%	8.50%	17.26%
Total capital ratio	8.00%	2.50%	10.50%	17.91%
Permanent capital ratio	7.00%	0.00%	7.00%	17.37%
Non-risk-adjusted:				
Tier 1 leverage ratio	4.00%	1.00%	5.00%	17.75%
UREE leverage ratio	1.50%	0.00%	1.50%	18.94%

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**153,426,849**	**153,426,849**	**153,426,849**	**153,426,849**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,719,757**	**2,719,757**	**2,719,757**	**2,719,757**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**5,388,934**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**
	143,732,381	143,732,381	149,121,315	143,732,381
Denominator:				
Risk-adjusted assets excluding allowance	**845,116,658**	**845,116,658**	**845,116,658**	**845,116,658**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**
Allowance for loan losses				**(5,220,461)**
	832,702,433	832,702,433	832,702,433	827,481,972

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**153,426,849**	**153,426,849**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**2,719,757**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(12,414,225)**	**-**
	143,732,381	153,426,849
Denominator:		
Total Assets	**823,117,307**	**823,117,307**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(13,167,072)**	**(13,167,072)**
	809,950,235	809,950,235

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes, is as follows:

Accum Other Comp Income (Loss)

June 30, 2019	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 3,311,364**	**$ -**	**$ 3,311,364**
Total	**$ 3,311,364**	**$ -**	**$ 3,311,364**

June 30, 2018	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 3,762,303	$ -	$ 3,762,303
Total	$ 3,762,303	$ -	$ 3,762,303

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	2019	**2018**
Accumulated other comprehensive income (loss) at January 1	**$(455,516)**	$(1,073,896)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(15,088)**	(19,127)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**17,254**	38,837
Other comprehensive income (loss), net of tax	**2,166**	19,710
Accumulated other comprehensive income at June 30	**$ (453,350)**	$ (1,054,186)

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Louisiana Land Bank, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Louisiana Land Bank, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2018 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

June 30, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 6,203	-	-	$ 6,203
Total assets	$ 6,203	-	-	$ 6,203

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

June 30, 2019	**Fair Value Measurement Using**			**Total Fair Value**	**Total Gains (Losses)**
	Level 1	**Level 2**	**Level 3**		
Assets:					
Loans*	**$ -**	**$ -**	**$746,866**	**$ 746,866**	**$ -**

December 31, 2018	Fair Value Measurement Using			Total Fair Value	Total Gains (Losses)
	Level 1	Level 2	Level 3		
Assets:					
Loans*	$ -	$ -	$ 500,581	$ 500,581	$ -

*****Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Valuation Techniques

As more fully discussed in Note 13 to the 2018 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2018 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and six months ended June 30:

Three months ended June 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 14,498**	$ 19,636
Interest cost	**37,967**	36,467
Amortization of prior service (credits) costs	**(7,544)**	(9,564)
Amortization of net actuarial (gain) loss	**8,628**	19,418
Net periodic benefit cost	**$ 53,549**	$ 65,957

Six months ended June 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 28,996**	$ 39,272
Interest cost	**75,934**	72,933
Amortization of prior service (credits) costs	**(15,088)**	(19,128)
Amortization of net actuarial (gain) loss	**17,255**	38,836
Net periodic benefit cost	**$ 107,097**	$ 131,913

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2019, was $3,311,364 and is included in "Other Liabilities" in the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association contributed $331,236 during the year ended December 31, 2018 and expects to contribute $372,504 to the district's defined benefit pension plan in 2019. As of June 30, 2019, $186,252 of contributions have been made. The Association presently anticipates contributing an additional $186,252 to fund the defined benefit pension plan in 2019.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 1, 2019, which is the date the financial statements were issued and there are no significant events requiring disclosure as of this date that we are aware of.