LOUISIANA LAND BANK, ACA

FINANCIAL REPORT

For the Three Months and Nine Months Ended

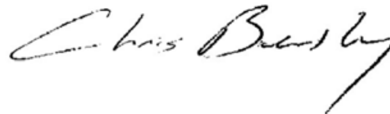
September 30, 2019

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
November 7, 2019

James Mark Morgan, Chairman, Board of Directors
November 7, 2019



Christopher E. Bentley, Chief Financial Officer
November 7, 2019

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, for the three months and nine months ended September 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. In March 2018, the Association received a refund of $439,586.

Loan Portfolio:

Total loans outstanding at September 30, 2019, including nonaccrual loans and sales contracts, were $827,738,667 compared to $766,363,953 at December 31, 2018, reflecting an increase of 8.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4 percent at September 30, 2019, compared to 0.5 percent at December 31, 2018.

	September 30, 2019	December 31, 2018
Total Loans		
Acceptable	98.1	98.4
Other Assets Especially Mentioned	1.3	0.9
Substandard/Doubtful	0.6	0.7
	100.0 %	100.0 %

The Association recorded $23,745 in recoveries and ($157) in charge-offs for the quarter ended September 30, 2019, and $37,847 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 September 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.

	September 30, 2019		December 31, 2018	
	Amount	**%**	Amount	%
Nonaccrual	**$ 3,488,986**	**45.7%**	$ 3,631,343	48.8%
Formally restructured	**4,146,637**	**54.3%**	3,807,547	51.2%
Total	**$ 7,635,623**	**100.0%**	$ 7,438,890	100.0%

Results of Operations:

The Association had net income of $3,373,559 and $10,382,901 for the three and nine months ended September 30, 2019, as compared to net income of $3,259,312 and $10,125,737 for the same period in 2018, reflecting an increase of 3.5 and 2.5 percent. Net interest income was $5,751,638 and $16,983,907 for the three and nine months ended September 30, 2019, compared to $5,403,045 and $16,136,610 for the same period in 2018.

	Nine Months Ended			
	September 30, 2019		September 30, 2018	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 799,475,627**	**$ 31,805,700**	$ 757,759,590	$ 28,251,527
Total interest-earning assets	**799,475,627**	**31,805,700**	757,759,590	28,251,527
Interest-bearing liabilities	**656,945,626**	**14,821,793**	619,377,420	12,114,917
Impact of capital	**$ 142,530,001**		$ 138,382,170	
Net interest income		**$ 16,983,907**		$ 16,136,610

	2019 Average Yield	2018 Average Yield
Yield on loans	**5.32%**	4.98%
Total yield on interest-earning assets	**5.32%**	4.98%
Cost of interest-bearing liabilities	**3.02%**	2.62%
Interest rate spread	**2.30%**	2.36%
Net interest income as a percentage of average earning assets	**2.84%**	2.84%

	Three months ended: September 30, 2019 vs. September 30, 2018		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,555,292**	**$ 1,998,881**	**$ 3,554,173**
Total interest income	**1,555,292**	**1,998,881**	**3,554,173**
Interest expense	**734,816**	**1,972,060**	**2,706,876**
Net interest income	**$ 820,476**	**$ 26,821**	**$ 847,297**

Interest income for the three and nine months ended September 30, 2019, increased by $1,086,339 and $3,554,173 or 11.1 and 12.6 percent respectively, from the same period of 2018, primarily due to an increase in average rate. Interest expense for the three and nine months ended September 30, 2019, increased by $737,746 and $2,706,876, or 16.8 and 22.3 percent, from the same period of 2018 due to an increase in interest rates. Average loan volume for third quarter of 2019 was $820,547,002, compared to $767,658,569 for the same period of 2018. The average net interest rate spread on the loan portfolio for the third quarter of 2019 was 2.26 percent, compared to 2.29 percent for the same period of 2018.

The Association is operating out of a new office location for the Tallulah Branch. Employees began working out of the new facility in December 2018 while construction in progress was completed in early 2019. The building is an owned facility as opposed to a lease structure for the former facility. The building accounts for the increase in premises and equipment reflected in this report.

The Association manages cash on a daily basis and may carry different balances at times to accommodate anticipated expense. Normally, the Association tries to manage the balance as close to a zero balance as possible.

Accrued Interest Receivable is a cyclical item within the balance sheet and historically reduces at year end. The Association's patronage payable transitioned to outstanding checks in the first quarter which is the cause for the variance in the patronage payable and other liability lines within the balance sheet and prior period balance sheet.

Loan fees have increased in 2019 due to increased loan origination activity and repricing efforts.

During the 3rd quarter of 2018, the Association received a special, one-time patronage from FCBT in the amount of $61,138. That activity accounts for the decline in patronage income for the 3rd quarter in 2019.

The Association currently does not have any acquired property on the books and does not plan for any loss or gain for the remainder of the year. During 2019, the Association sold a large portion of older fleet vehicles. This activity is reflected in gain on sale of premises and equipment, net.

The Association began accruing for anticipated audit and exam related expense in 2019. Salary and employee benefit expense has increased due to annual merit pay increase and additional incentive compensation accruals. Many branches have met or are anticipated to meet accrual volume growth goals in 2019.

In Q3 2018, the Association received a medical insurance premium reduction. That premium reduction was not received in 2019.

The Association's return on average assets for the nine months ended September 30, 2019, was 1.69 percent compared to 1.76 percent for the same period in 2018. The Association's return on average equity for the nine months ended September 30, 2019, was 8.88 percent, compared to 9.18 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.

	September 30, 2019	December 31, 2018
Note payable to the bank	**$ 685,294,357**	$ 623,657,708
Accrued interest on note payable	**1,674,971**	1,566,591
Total	**$ 686,969,328**	$ 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 $685,294,357 as of September 30, 2019, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.97 percent at September 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 $141,717,307 at September 30, 2019. The maximum amount the Association may borrow from the Bank as of September 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.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2019. As borrower payments are received, they are applied to the Association's note payable with the Bank.

Capital Resources:

The Association's capital position increased by $10,461,727 at September 30, 2019, compared to December 31, 2018. The Association's debt as a percentage of members' equity was 4.29:1 as of September 30, 2019, compared to 4.23:1 as of December 31, 2018.

Farm Credit Administration regulations require the Association 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 September 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 at $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 stockholders' investment in the Association may be materially affected by the financial condition and results of operations of Farm Credit Bank of Texas. 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

	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Cash	$ 174,900	$ 303,047
Loans	827,738,667	766,363,953
Less: allowance for loan losses	5,349,671	5,233,189
Net loans	822,388,996	761,130,764
Accrued interest receivable	12,114,496	7,997,619
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	12,414,225	12,414,225
Other	2,205,957	2,335,883
Premises and equipment, net	4,807,842	4,463,309
Other assets	818,124	523,845
Total assets	$ 854,924,540	$ 789,168,692
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 685,294,357	$ 623,657,708
Accrued interest payable	1,674,971	1,566,591
Drafts outstanding	212,966	387,850
Patronage distributions payable	39	7,300,038
Other liabilities	6,269,503	5,245,528
Total liabilities	693,451,836	638,157,715
MEMBERS' EQUITY		
Capital stock and participation certificates	2,751,145	2,684,080
Unallocated retained earnings	159,173,826	148,782,413
Accumulated other comprehensive income (loss)	(452,267)	(455,516)
Total members' equity	161,472,704	151,010,977
Total liabilities and members' equity	$ 854,924,540	$ 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 September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
INTEREST INCOME				
Loans	**$ 10,887,940**	$ 9,801,601	**$ 31,805,700**	$ 28,251,527
Total interest income	**10,887,940**	9,801,601	**31,805,700**	28,251,527
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**5,136,302**	4,398,556	**14,821,793**	12,114,917
Total interest expense	**5,136,302**	4,398,556	**14,821,793**	12,114,917
Net interest income	**5,751,638**	5,403,045	**16,983,907**	16,136,610
PROVISION FOR LOAN LOSSES	**92,732**	(39,965)	(21,611)	(103,927)
Net interest income after provision for loan losses	**5,658,906**	5,443,010	**17,005,518**	16,240,537
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**693,207**	729,780	**2,043,098**	1,980,896
Loan fees	**115,247**	59,261	**383,800**	206,576
Refunds from Farm Credit System Insurance Corporation				
Financially related services income	**524**	453	**1,620**	1,526
Gain (loss) on other property owned, net	**-**	-	**-**	109,110
Gain (loss) on sale of premises and equipment, net	**112,513**	(495)	**217,164**	59,189
Other noninterest income	**4,800**	4,800	**204,048**	483,729
Total noninterest income	**926,291**	793,799	**2,849,730**	2,841,026
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,056,633**	1,936,050	**6,019,666**	5,709,723
Directors' expense	**93,907**	95,503	**263,392**	283,797
Purchased services	**89,254**	85,591	**296,344**	371,284
Travel	**174,744**	163,869	**472,882**	442,904
Occupancy and equipment	**160,276**	139,002	**430,067**	396,379
Communications	**74,279**	61,413	**186,457**	174,961
Advertising	**78,844**	69,560	**275,213**	227,207
Public and member relations	**71,222**	62,029	**298,246**	274,008
Supervisory and exam expense	**134,300**	95,562	**423,643**	307,300
Insurance Fund premiums	**168,729**	159,802	**493,241**	455,655
Other components of net periodic postretirement benefit cost	**39,051**	46,320	**117,152**	138,961
Other noninterest expense	**71,423**	63,996	**191,997**	172,963
Total noninterest expenses	**3,212,662**	2,978,697	**9,468,300**	8,955,142
Income before income taxes	**3,372,535**	3,258,112	**10,386,948**	10,126,421
Provision for (benefit from) income taxes	**(1,024)**	(1,200)	**4,047**	684
NET INCOME	**3,373,559**	3,259,312	**10,382,901**	10,125,737
Other comprehensive income:				
Change in postretirement benefit plans	**1,083**	9,855	**3,249**	29,565
Income tax expense related to items of other comprehensive income				
Other comprehensive income, net of tax	**1,083**	9,855	**3,249**	29,565
COMPREHENSIVE INCOME	**$ 3,374,642**	$ 3,269,167	**$ 10,386,150**	$ 10,155,302

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	Additional Paid-in-Capital	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			10,125,737		10,125,737
Other comprehensive income				29,565	29,565
Comprehensive income	-	-	10,125,737	29,565	10,155,302
Capital stock/participation certificates and allocated retained earnings issued	231,320				231,320
Preferred Stock retired					
Capital stock/participation certificates and allocated retained earnings retired	(258,360)				(258,360)
Patronage refunds:					
Cash			2,439		2,439
Balance at September 30, 2018	$ 2,706,500	$ -	$ 152,826,506	$ (1,044,331)	$ 154,488,675
Balance at December 31, 2018	$ 2,684,080	$ -	$ 148,782,413	$ (455,516)	$ 151,010,977
Net income			10,382,901		10,382,901
Other comprehensive income				3,249	3,249
Comprehensive income	-	-	10,382,901	3,249	10,386,150
Preferred Stock Issued					
Capital stock/participation certificates and allocated retained earnings issued	262,330				262,330
Capital stock/participation certificates and allocated retained earnings retired	(195,265)				(195,265)
Patronage refunds:					
Cash			8,512		8,512
Balance at September 30, 2019	**$ 2,751,145**	**$ -**	**$ 159,173,826**	**$ (452,267)**	**$ 161,472,704**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The 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.

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.

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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 at $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 September 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	**September 30, 2019 Amount**	December 31, 2018 Amount
Production agriculture:		
Real estate mortgage	**$ 668,413,740**	$ 644,522,468
Production and intermediate term	**70,877,993**	57,117,423
Agribusiness:		
Loans to cooperatives	**15,152,275**	12,656,537
Processing and marketing	**36,135,153**	24,721,310
Farm-related business	**20,495,215**	15,110,352
Communication	**7,529,646**	2,498,464
Energy	**888,553**	724,499
Rural residential real estate	**8,246,092**	9,012,900
Total	**$ 827,738,667**	$ 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 September 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	$ 1,981,197	$ 19,581,055	$ -	$ -	$ 1,981,197	$ 19,581,055
Production and intermediate term	6,832,905	-	-	-	6,832,905	-
Agribusiness	32,705,231	37,498,907	-	-	32,705,231	37,498,907
Communication	7,529,646	-	-	-	7,529,646	-
Energy	888,553	-	-	-	888,553	-
Total	$ 49,937,532	$ 57,079,962	$ -	$ -	$ 49,937,532	$ 57,079,962

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

	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	**$ 3,488,986**	$ 3,421,393
Agribusiness	**-**	6,477
Rural residential real estate	**-**	203,473
Total nonaccrual loans	**3,488,986**	3,631,343
Accruing restructured loans:		
Real estate mortgage	**3,643,976**	3,299,450
Production and intermediate term	**353,340**	475,425
Rural residential real estate	**149,321**	32,672
Total accruing restructured loans	**4,146,637**	3,807,547
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	**-**	-
Total nonperforming loans	**7,635,623**	7,438,890
Total nonperforming assets	**$ 7,635,623**	$ 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:

	September 30, 2019	December 31, 2018
Real estate mortgage		
Acceptable	**98.2** %	98.2 %
OAEM	**1.0**	1.0
Substandard/doubtful	**0.8**	0.8
	100.0	100.0
Production and intermediate term		
Acceptable	**98.1**	99.9
OAEM	**1.9**	0.1
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**96.6**	99.1
OAEM	**3.4**	0.9
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**77.0**	69.2
OAEM	**23.0**	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	**98.2**	97.6
OAEM	**0.3**	0.2
Substandard/doubtful	**1.5**	2.2
	100.0	100.0
Total loans		
Acceptable	**98.1**	98.4
OAEM	**1.3**	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:

September 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	**$2,017,308**	**$ 631,603**	**$2,648,911**	**$ 675,845,491**	**$ 678,494,402**	**$ -**
Production and intermediate term	**368,352**	**-**	**368,352**	**71,793,747**	**72,162,099**	**-**
Loans to cooperatives	**-**	**-**	**-**	**15,709,156**	**15,709,156**	**-**
Processing and marketing	**-**	**-**	**-**	**36,230,575**	**36,230,575**	**-**
Farm-related business	**-**	**-**	**-**	**20,550,848**	**20,550,848**	**-**
Communication	**-**	**-**	**-**	**7,530,494**	**7,530,494**	**-**
Energy	**-**	**-**	**-**	**894,468**	**894,468**	**-**
Rural residential real estate	**128,185**	**-**	**128,185**	**8,152,937**	**8,281,122**	**-**
Total	**$2,513,845**	**$ 631,603**	**$3,145,448**	**$ 836,707,716**	**$ 839,853,164**	**$ -**

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 September 30, 2019, the total recorded investment of troubled debt restructured loans was $5,621,948, including $1,475,311 classified as nonaccrual and $4,146,637 classified as accrual, with specific allowance for loan losses of $1,722. As of September 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 nine months ended September 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 September 30, 2019	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

For the Three Months Ended September 30, 2018	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 196,977	$ 637,715
Farm-related business	137,227	77,727
Total	$ 334,204	$ 715,442

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

For the Nine Months Ended September 30, 2018	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 978,704	$ 1,423,361
Farm-related business	137,227	77,727
Total	$ 1,115,931	$ 1,501,088

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 September 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 we assess 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 restructuring 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*	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Real estate mortgage	$ 5,033,703	$ 5,402,092	$ 1,475,311	$ 2,102,643
Production and intermediate term	353,340	475,425	-	-
Farm-related business	-	6,477	-	6,477
Rural residential real estate	234,905	165,642	-	132,969
Total	$ 5,621,948	$ 6,049,636	$ 1,475,311	$ 2,242,089

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

Additional impaired loan information is as follows:

	September 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	**$ 750,551**	**$ 603,207**	**$ 47,609**	$ 566,092	$ 566,092	$ 44,460
Total	**$ 750,551**	**$ 603,207**	**$ 47,609**	$ 566,092	$ 566,092	$ 44,460
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$6,487,839**	**$6,613,181**	**$ -**	$ 6,134,748	$ 6,260,190	$ -
Production and intermediate term	**341,668**	**342,853**	**-**	456,240	457,470	-
Farm-related business	**-**	**-**	**-**	6,477	3,930,699	-
Rural residential real estate	**148,485**	**148,485**	**-**	236,025	239,509	-
Total	**$6,977,992**	**$7,104,518**	**$ -**	$ 6,833,490	$ 10,887,868	$ -
Total impaired loans:						
Real estate mortgage	**$7,238,390**	**$7,216,388**	**$ 47,609**	$ 6,700,840	$ 6,826,282	$ 44,460
Production and intermediate term	**341,668**	**342,853**	**-**	456,240	457,470	-
Farm-related business	**-**	**-**	**-**	6,477	3,930,699	-
Rural residential real estate	**148,485**	**148,485**	**-**	236,025	239,509	-
Total	**$7,728,543**	**$7,707,725**	**$ 47,609**	$ 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 Nine Months Ended			
	September 30, 2019		September 30, 2018		September 30, 2019		September 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	**$ 562,157**	**$ -**	$ 217,498	$ 786	**$ 587,269**	**$ -**	$ 150,601	$ 1,978
Farm-related business	**-**	**-**	123,697	-	**-**	**-**	192,371	-
Total	**$ 562,157**	**$ -**	$ 341,195	$ 786	**$ 587,269**	**$ -**	$ 342,972	$ 1,978
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$5,883,478**	**$ 98,138**	$5,990,907	$ 78,583	**$5,781,233**	**$ 282,096**	$6,319,330	$ 255,351
Production and intermediate term	**341,663**	**4,313**	456,240	5,744	**375,536**	**14,099**	501,250	18,331
Rural residential real estate	**209,821**	**23,143**	253,800	388	**218,438**	**23,822**	349,459	3,872
Total	**$6,434,962**	**$ 125,594**	$6,700,947	$ 84,715	**$6,375,207**	**$ 320,017**	$7,170,039	$ 277,554
Total impaired loans:								
Real estate mortgage	**$6,445,635**	**$ 98,138**	$6,208,405	$ 79,369	$ 6,368,503	$ 282,096	$6,469,931	$ 257,329
Production and intermediate term	**341,663**	**4,313**	456,240	5,744	375,536	14,099	501,250	18,331
Farm-related business	**-**	**-**	123,697	-	-	-	192,371	-
Rural residential real estate	**209,821**	**23,143**	253,800	388	218,438	23,822	349,459	3,872
Total	**$6,997,119**	**$ 125,594**	$7,042,142	$ 85,501	**$6,962,476**	**$ 320,017**	$7,513,011	$ 279,532

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	Lease Receivables	Total
Allowance for Credit Losses:								
Balance at June 30, 2019	3,965,013	486,040	458,929	218,762	2,107	96,797	-	5,227,648
Charge-offs	157	-	-	-	-	-	-	157
Recoveries	-	-	20,261	-	-	3,484	-	23,745
Provision for loan losses	28,897	102,782	(76,413)	29,861	(1,369)	8,976	-	92,732
Other	470	2,253	3,297	(649)	19	-	-	5,388
Balance at September 30, 2019	3,994,537	591,074	406,073	247,973	756	109,257	-	5,349,671
Balance at December 31, 2018	4,048,807	574,458	291,205	218,031	2,306	98,381	-	5,233,189
Charge-offs	(2,085)	-	-	-	-	-	-	(2,085)
Recoveries	-	-	114,286	-	-	3,484	-	117,770
Provision for loan losses	(53,971)	6,678	(9,512)	29,574	(1,771)	7,392	-	(21,611)
Other	1,785	9,937	10,094	369	222	-	-	22,407
Balance at September 30, 2019	3,994,537	591,074	406,073	247,973	756	109,257	-	5,349,671
Ending Balance:								
Individually evaluated for impairment	47,609	-	-	-	-	-	-	47,609
Collectively evaluated for impairment	3,946,928	591,074	406,073	247,973	756	109,257	-	5,302,062
Balance at September 30, 2019	3,994,537	591,074	406,073	247,973	756	109,257	-	5,349,671
Balance at June 30, 2018	4,384,145	379,407	468,242	20,831	10,268	72,114	589	5,335,596
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	988	-	-	-	-	-	988
Provision for loan losses	(69,468)	74,787	(152,334)	98,949	(4,193)	12,294	-	(39,965)
Other	4,069	25,942	13,221	633	513	-	-	44,378
Balance at September 30, 2018	4,318,746	481,124	329,129	120,413	6,588	84,408	589	5,340,997
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	988	-	10,208	-	-	-	37,847
Provision for loan losses	(85,741)	(8,807)	(19,755)	3,829	(1,714)	8,261	-	(103,927)
Other	4,806	31,009	17,565	788	639	-	-	54,807
Balance at September 30, 2018	4,318,746	481,124	329,129	120,413	6,588	84,408	589	5,340,997
Ending Balance:								
Individually evaluated for impairment	38,041	-	104,680	-	-	-	-	142,721
Collectively evaluated for impairment	4,280,705	481,124	224,449	120,413	6,588	84,408	589	5,198,276
Balance at September 30, 2018	4,318,746	481,124	329,129	120,413	6,588	84,408	589	5,340,997

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Lease Receivables	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2019	678,494,403	72,162,098	72,490,579	7,530,494	894,468	8,281,122	-	839,853,164
Individually evaluated for impairment	7,278,408	353,340	-	-	-	149,321	-	7,781,069
Collectively evaluated for impairment	671,215,995	71,808,758	72,490,579	7,530,494	894,468	8,131,801	-	832,072,095
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
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
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-

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 September 30, 2019**
Common equity tier 1 ratio	4.50%	2.50%	7.00%	17.20%
Tier 1 capital ratio	6.00%	2.50%	8.50%	17.20%
Total capital ratio	8.00%	2.50%	10.50%	17.83%
Permanent capital ratio	7.00%	0.00%	7.00%	17.30%
Non-risk-adjusted:				
Tier 1 leverage ratio	4.00%	1.00%	5.00%	17.64%
UREE leverage ratio	1.50%	0.00%	1.50%	18.81%

Risk-adjusted Capital Ratios

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**156,401,454**	**156,401,454**	**156,401,454**	**156,401,454**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,741,085**	**2,741,085**	**2,741,085**	**2,741,085**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**5,422,641**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**	**(12,414,225)**
	146,728,314	146,728,314	152,150,955	146,728,314
Denominator:				
Risk-adjusted assets excluding allowance	**865,624,304**	**865,624,304**	**865,624,304**	**865,624,304**
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				**(5,284,666)**
	853,210,079	853,210,079	853,210,079	847,925,413

Non-risk-adjusted Capital Ratios

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**156,401,454**	**156,401,454**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**2,741,085**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(12,414,225)**	-
	146,728,314	**156,401,454**
Denominator:		
Total Assets	**845,291,049**	**845,291,049**
Regulatory Adjustments and Deductions:		-
Regulatory deductions included in tier 1 capital	**(13,725,723)**	**(13,725,723)**
	831,565,326	831,565,326

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

Accum Other Comp Income (Loss)

September 30, 2019	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 3,342,789**	**$ -**	**$ 3,342,789**
Total	**$ 3,342,789**	**$ -**	**$ 3,342,789**

September 30, 2018	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 3,799,075	$ -	$ 3,799,075
Total	$ 3,799,075	$ -	$ 3,799,075

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 nine months ended September 30:

	2019	2018
Accumulated other comprehensive income (loss) at January 1	**$(455,516)**	$(1,073,896)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(22,633)**	(28,690)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**25,882**	58,255
Other comprehensive income (loss), net of tax	**3,249**	29,565
Accumulated other comprehensive income at September 30	**$(452,267)**	$(1,044,331)

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:

September 30, 2019	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 9,269**	**-**	**-**	**$ 9,269**
Total assets	**$ 9,269**	**-**	**-**	**$ 9,269**

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

September 30, 2019	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$747,580**	**$ 747,580**	**$ -**

December 31, 2018	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
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.

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.

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.

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 months ended September 30:

Three months ended September 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 14,498**	$ 19,636
Interest cost	**37,967**	36,466
Amortization of prior service (credits) costs	**(7,544)**	(9,564)
Amortization of net actuarial (gain) loss	**8,627**	19,418
Net periodic benefit cost	**$ 53,548**	$ 65,956

Nine months ended September 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 43,494**	$ 58,908
Interest cost	**113,900**	109,399
Amortization of prior service (credits) costs	**(22,631)**	(28,691)
Amortization of net actuarial (gain) loss	**25,882**	58,253
Net periodic benefit cost	**$ 160,645**	$ 197,869

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2019, was $3,342,789 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, that expects to contribute $372,502 to the district's defined benefit pension plan in 2018. As of September 30, 2019, $279,378 of contributions have been made. The Association presently anticipates contributing an additional $93,124 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. At September 30, 2019, $73,653,590 of commitment and $449,795 of commercial letters of credit were outstanding.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 7, 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.