









## Letter to Stockholders for 2020 Annual Report

#### Dear Louisiana Land Bank Stockholders,

We provide this report to you with a sincere sense of pride and appreciation for the solid financial and operating results posted by Louisiana Land Bank, ACA (Association) during 2020. The Association has grown stronger over the past eight years and continues to strive to be the premier agricultural and rural lender in the state of Louisiana. Last year was a very positive year for the Association, as essentially all key business metrics and all business plan expectations were met or exceeded. The Association's accrual loan volume grew more than \$85 million in 2020 and has increased by more than \$335 million over the past eight years. That growth in earning assets is directly attributed to you, our stockholders, and the diligent servicing efforts of our Association's employees.

Through their diligent efforts, our branches impressively closed loans totaling more than \$260 million during 2020, a difficult year for many reasons. That strong loan production was the third year in a row of record-breaking years of loan originations for our lending team. The loan growth generated positive operating results through a healthy increase in net interest income compared with previous years. The growth in loan volume and interest income over the past eight years has allowed the Board of Directors to build on its pledge to put a substantial portion of our profits back into the pockets of our customers through recurring cash patronage payments. Since 2012, the Association has distributed more than \$43.5 million in cash patronage payments to our members. The patronage paid from 2020 earnings has been increased to 1.35% of the stockholder's average outstanding daily balance for the year. With the addition of this 2020 patronage payout, the total cash returned to our stockholders will exceed \$55 million.

Technology is ever-changing, and we recognize that our stockholders expect enhanced services through technology. Through 2021 and 2022, we are planning several network and information technology platform upgrades that will allow us to meet the market expectations. This commitment to technology was never more important than during the COVID-19 pandemic. The Association made a decision to upgrade the hardware for our staff to provide more mobility and flexibility. Although the motives for these upgrades were to improve our efficiency in the field and to provide options to operate from many locations, due to the many weather events we experienced in Louisiana, these enhanced technology platforms served us very well during the pandemic. Our teams were able to operate from many locations and readily meet the needs of our stockholders. In fact, our teams booked more loans and provided more varied customer services to our stockholders than ever before, often while working from locations off site. We also continue to invest in our employees through training and professional development activities. This ongoing commitment to staff proficiency helps to ensure that our employees are armed with the proper skill sets and job expertise needed to meet the needs and expectations of all our customers.

Our sound capital position, asset quality and rigorous risk management practices have allowed us to position the Association for consistent growth paired with meaningful future patronage payments to our customers. Management and the Board recognize the challenges in the marketplace today with unpredictable weather conditions, volatile commodity prices, changes in the political landscape and the COVID-19 pandemic. Because we have a sound balance sheet and earnings matrix, we are financially positioned to support our stockholders during difficult times, should they arise. This commitment is now more obvious than ever before with the additional patronage being paid from 2020 earnings.

We believe the Board of Directors and the management team are making continuous efforts to serve and support the next generation of producers. We sponsor Young Producer educational seminars, and we continue to put special focus on loans to serve our Young, Beginning, Small, Minority and Veteran farmers.

We hope to once again establish the customer appreciation dinners that have been so well-attended through the years but were cancelled during 2020 due to the COVID-19 pandemic.

Again, thank you for being a vital part of this great organization. We strive every day to be the lender of choice to meet the state's agricultural and rural financing needs. As we enjoy these profitable results, we are already looking forward to serving you and your fellow Louisiana farmers, agribusiness, and rural residents for many years to come.

Sincerely,

F. Stephen Austin

Chief Executive Officer

Mark Morgan

Chairman of the Board

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#### REPORT OF MANAGEMENT

The consolidated financial statements of Louisiana Land Bank, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The Board of Directors has overall responsibility for the Association's systems of internal control and financial reporting. The Board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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

F. Stephen Austin, Chief Executive Officer *March 12*, 2021

James Mark Morgan, Chairman, Board of Directors

March 12, 2021

Christopher E. Bentley, Chief Financial Officer

March 12, 2021

#### REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Cecelia A. Hoyt – Chairman; Henry Capdeboscq; Ben Guthrie; and Gert Hawkins. In 2020, 16 Committee meetings were held. The Committee oversees the scope of Louisiana Land Bank, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Louisiana Land Bank, ACA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2020.

Management is responsible for Louisiana Land Bank, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of Louisiana Land Bank, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed Louisiana Land Bank, ACA's audited consolidated financial statements for the year ended December 31, 2020, (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Louisiana Land Bank, ACA's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from Louisiana Land Bank, ACA. The Committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board include the audited consolidated financial statements in Louisiana Land Bank, ACA's Annual Report to stockholders for the year ended December 31, 2020.

Audit Committee Members

Cecelia A. Hoyt, Chairman Henry Capdeboscq Ben Guthrie Gert Hawkins

March 12, 2021

# FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA (unaudited) (dollars in thousands)

Assetts         S         9         3         8         2         8           Cash         929,308         844,73         766,364         747,344         724,081           Less: allowance for loan losses         6,353         3,530         5,233         5,412         5,427           Net loans         18,979         839,382         761,131         741,932         718,664           Investment in and receivable from the farm Credit Bank of Texas         15,979         14,923         14,755         13,085         11,259           Other property owned, net         14,496         15,110         12,985         11,522         12,308           Total assets         14,496         15,110         12,985         11,522         12,308           Total assets         14,496         15,110         12,985         11,522         12,308           Other assets         14,496         15,110         12,985         11,522         12,308           Other assets         14,496         15,110         12,985         12,625         12,626           Obligations with maturities         18,275         13,860         12,129         608,147         589,614           Total liabilities and participation         2,873         2,779 </th <th></th> <th></th> <th>2020</th> <th></th> <th>2019</th> <th></th> <th>2018</th> <th colspan="2">2017</th> <th></th> <th colspan="2">2016</th>			2020		2019		2018	2017			2016	
Cash         9.99         3.6         9.03         9.27         8.3           Loans         929,308         844,73         765,364         747,344         724,081           Less: allowance for loan losses         62,352         839,382         761,131         741,932         718,654           Investment in and receivable from the Farm Credit Bank of Texas         15,979         14,923         14,750         13,085         11,329           Other property owned, net         14,496         15,110         12,985         11,529         12,283           Total assets         14,496         15,110         12,985         11,529         12,389           Diligations with maturities         5,53,529         869,451         789,169         \$14,223         \$12,656           Obligations with maturities         791,866         712,503         638,158         622,379         602,270           Members' Equity         2,873         2,779         2,684         2,234         2,653           Total liabilities         2,873         2,779         2,684         2,734         2,653           Loallocated retained earnings         159,798         155,042         148,782         142,698         188,215           Accumulated other comprehensive income<	Balance Sheet Data											
Design   Page   Page		Φ	0.0	Ф	26	Φ	202	Φ	27	Φ	2	
Sees allowance for loan losses   6,353   5,350   5,233   5,425   7,18,654     Note toans   1,5979   14,923   14,705   13,085   11,329     Other property owned, net   1,5979   14,923   14,705   13,085   11,329     Other property owned, net   1,496   15,110   12,985   11,522   12,398     Total assets   1,496   15,110   12,985   11,522   12,398     Total assets   1,496   13,180   12,985   11,522   12,398     Total assets   1,8877   13,860   12,919   14,223   12,666     Obligations with maturities of one year or less   7,72,989   698,643   625,239   608,147   589,614     Total liabilities   7,9186   712,503   638,158   623,30   602,700     Members' Equity   2,873   2,779   2,684   2,734   2,653     Challocated retained earnings   159,798   155,042   148,782   142,088   138,215     Accumulated other comprehensive income   159,798   156,043   148,782   144,088   138,215     Accumulated other comprehensive income   159,798   186,941   189,104   144,358   140,189     Total liabilities and members' equity   161,063   156,948   158,010   144,358   140,189     Total liabilities and members' equity   161,063   165,948   178,000   176,079     Total members' equity   161,063   165,948   178,000   184,355   184,000     Total members' equity   161,063   165,948   178,000   184,355   184,000     Total liabilities and members' equity   161,063   165,948   178,000   184,355   184,000     Total liabilities and members' equity   161,063   163,063   189,000   189,000   189,000     Total liabilities and members' equity   161,000   161,000   189,000   189,000   189,000   189,000     Total liabilities and members' equity   161,000   189,000		\$		\$		\$		\$		\$	_	
Net loans					-		-		-			
The Farm Credit Bank of Texas												
the Farm Credit Bank of Texas         15,979         14,923         14,750         13,085         11,329           Other property owned, net         -         -         -         16,28         75           Other assets         14,496         15,110         12,985         11,529         12,238           Total assets         \$ 953,529         \$ 869,451         \$ 789,169         \$ 766,728         \$ 742,459           Liabilities           Obligations with maturities           Of one year or less         \$ 18,877         \$ 13,860         \$ 12,919         \$ 14,223         \$ 12,656           Obligations with maturities           Organization and sturities         7712,989         698,643         625,239         608,147         589,614           Total liabilities         791,866         712,503         38,158         622,370         602,270           Members' Equity           Capital stock and participation         2,873         2,779         2,684         2,734         2,633           Unallocated retained earnings         159,788         150,424         148,782         14,109         679,82           Total members' equity         2,823         869,431 <td></td> <td></td> <td>922,955</td> <td></td> <td>839,382</td> <td></td> <td>/61,131</td> <td></td> <td>/41,932</td> <td></td> <td>/18,654</td>			922,955		839,382		/61,131		/41,932		/18,654	
Other property owned, net Other assets         14,496         15,110         12,985         11,522         12,398           Total assets         \$ 953,529         \$ 869,451         \$ 789,169         \$ 766,728         \$ 742,459           Liabilities         Obligations with maturities of one year or less         \$ 18,877         \$ 13,860         \$ 12,919         \$ 14,223         \$ 12,656           Obligations with maturities of one year or less         \$ 18,877         \$ 13,860         \$ 12,919         \$ 14,223         \$ 12,656           Obligations with maturities greater than one year         772,989         698,643         625,239         608,147         \$ 589,614           Total liabilities         791,866         712,503         638,158         622,370         602,270           Members' Equity           Capital stock and participation certificates         2,873         2,779         2,684         2,734         2,653           Accumulated other comprehensive income (loss)         1,979         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         1,008         873         2,533         1,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         \$ 869,451			15.050		14.022		14.750		12.005		11 220	
Chica assets   14,496   15,110   12,985   11,522   12,985   1701   13,985   13,080			15,979		14,923		14,/50		-		-	
Total assets	* * *		-		15 110		12.005					
Liabilities						Φ.		Φ.		Φ.		
Cobligations with maturities of one year or less   \$18,877   \$13,860   \$12,919   \$14,223   \$12,656     Cobligations with maturities greater than one year   \$772,989   \$698,643   \$625,239   \$608,147   \$589,614     Total liabilities   \$791,866   \$712,503   \$638,158   \$622,370   \$602,270     Members' Equity	Total assets	\$	953,529	\$	869,451	\$	789,169	\$	766,728	\$	742,459	
Signatur	<u>Liabilities</u>											
Members   Equity   Capital stock and participation   Certificates   Certificate	Obligations with maturities											
greater than one year         772,989         698,643         625,239         608,147         589,614           Total liabilities         791,866         712,503         638,158         622,370         602,270           Members' Equity           Capital stock and participation certificates         2,873         2,779         2,684         2,734         2,653           Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         8 69,451         \$ 789,169         \$ 766,728         \$ 742,459           Statement of Income Data           Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           (Provision for loan losses)         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701	of one year or less	\$	18,877	\$	13,860	\$	12,919	\$	14,223	\$	12,656	
greater than one year         772,989         698,643         625,239         608,147         589,614           Total liabilities         791,866         712,503         638,158         622,370         602,270           Members' Equity           Capital stock and participation certificates         2,873         2,779         2,684         2,734         2,653           Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         8 69,451         \$ 789,169         \$ 766,728         \$ 742,459           Statement of Income Data           Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           (Provision for loan losses)         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701	Obligations with maturities											
Members   Equity     Capital stock and participation     certificates   2,873   2,779   2,684   2,734   2,653     Unallocated retained earnings   159,798   155,042   148,782   142,698   138,215     Accumulated other comprehensive income (loss)   (1,008)   (873)   (455)   (1,074)   (679)     Total members' equity   161,663   156,948   151,011   144,358   140,189     Total liabilities and members' equity   \$953,529   \$869,451   \$789,169   \$766,728   \$742,459      Statement of Income Data     Net interest income   \$24,200   \$22,789   \$21,567   \$20,393   \$19,361     (Provision for loan losses)   loan loss reversal   (1,023)   (25)   209   38   (15)     Income from the Farm Credit Bank of Texas   4,735   3,584   3,099   2,784   2,701     Other noninterest income   1,752   917   1,028   370   453     Noninterest expense   (13,355)   (13,210)   (12,520)   (12,191)   (11,767)     Benefit from (provision for) income taxes   2   (4)   (1)   151   (2)     Net income (loss)   \$16,311   \$14,051   \$13,382   \$11,545   \$10,731      Key Financial Ratios for the Year     Return on average assets   1,8%   1,7%   1,7%   1,5%   1,5%     Return on average members' equity   9,9%   8,9%   8,9%   7,9%   7,7%     Net interest income as a percentage of	greater than one year		772,989		698,643		625,239		608,147		589,614	
Capital stock and participation certificates         2,873         2,779         2,684         2,734         2,653           Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$953,529         \$869,451         \$789,169         \$766,728         \$742,459           Statement of Income Data           Net interest income         \$24,200         \$22,789         \$21,567         \$20,393         \$19,361           (Provision for loan losses)         10an loss reversal         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701           Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision for) income	Total liabilities		791,866		712,503		638,158		622,370			
Capital stock and participation certificates         2,873         2,779         2,684         2,734         2,653           Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         \$ 869,451         \$ 789,169         \$ 766,728         \$ 742,459           Statement of Income Data           Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           (Provision for loan losses)         10an loss reversal         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701           Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision f	Members' Equity											
certificates         2,873         2,779         2,684         2,734         2,653           Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         \$ 869,451         \$ 789,169         \$ 766,728         \$ 742,459           Statement of Income Data         Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           (Provision for loan losses)         loan loss reversal         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701           Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision for) income taxes         2         (4)												
Unallocated retained earnings         159,798         155,042         148,782         142,698         138,215           Accumulated other comprehensive income (loss)         (1,008)         (873)         (455)         (1,074)         (679)           Total members' equity         161,663         156,948         151,011         144,358         140,189           Total liabilities and members' equity         \$ 953,529         \$ 869,451         \$ 789,169         \$ 766,728         \$ 742,459           Statement of Income Data         Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           Crovision for loan losses)         loan loss reversal         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701           Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision for) income taxes         2         (4)         (1)         151         (2)           Net income (loss)         1,8%         1,7%			2,873		2,779		2,684		2,734		2,653	
Accumulated other comprehensive income (loss)	Unallocated retained earnings				-		-		-		-	
Total members' equity							-		-			
Statement of Income Data   S   24,200   S   22,789   S   21,567   S   20,393   S   19,361							<u> </u>					
Net interest income         \$ 24,200         \$ 22,789         \$ 21,567         \$ 20,393         \$ 19,361           (Provision for loan losses)         loan loss reversal         (1,023)         (25)         209         38         (15)           Income from the Farm Credit Bank of Texas         4,735         3,584         3,099         2,784         2,701           Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision for) income taxes         2         (4)         (1)         151         (2)           Net income (loss)         \$ 16,311         \$ 14,051         \$ 13,382         \$ 11,545         \$ 10,731           Key Financial Ratios for the Year           Return on average assets         1.8%         1.7%         1.7%         1.5%         1.5%           Return on average members' equity         9.9%         8.9%         8.9%         7.9%         7.7%           Net interest income as a percentage of         9.9%         8.9%         8.9%         7.9%         7.7%	- ·	\$		\$		\$		\$		\$		
(Provision for loan losses)       (1,023)       (25)       209       38       (15)         Income from the Farm Credit Bank of Texas       4,735       3,584       3,099       2,784       2,701         Other noninterest income       1,752       917       1,028       370       453         Noninterest expense       (13,355)       (13,210)       (12,520)       (12,191)       (11,767)         Benefit from (provision for) income taxes       2       (4)       (1)       151       (2)         Net income (loss)       \$ 16,311       \$ 14,051       \$ 13,382       \$ 11,545       \$ 10,731         Key Financial Ratios for the Year       Return on average assets       1.8%       1.7%       1.7%       1.5%       1.5%         Return on average members' equity       9.9%       8.9%       8.9%       7.9%       7.7%         Net interest income as a percentage of       9.9%       8.9%       8.9%       7.9%       7.7%	Statement of Income Data											
loan loss reversal   (1,023)   (25)   209   38   (15)     Income from the Farm Credit Bank of Texas   4,735   3,584   3,099   2,784   2,701     Other noninterest income   1,752   917   1,028   370   453     Noninterest expense   (13,355)   (13,210)   (12,520)   (12,191)   (11,767)     Benefit from (provision for) income taxes   2   (4)   (1)   151   (2)     Net income (loss)   \$ 16,311   \$ 14,051   \$ 13,382   \$ 11,545   \$ 10,731      Key Financial Ratios for the Year   Return on average assets   1.8%   1.7%   1.7%   1.5%   1.5%     Return on average members' equity   9.9%   8.9%   8.9%   7.9%   7.7%     Net interest income as a percentage of	Net interest income	\$	24,200	\$	22,789	\$	21,567	\$	20,393	\$	19,361	
Income from the Farm Credit Bank of Texas   4,735   3,584   3,099   2,784   2,701	(Provision for loan losses)											
Other noninterest income         1,752         917         1,028         370         453           Noninterest expense         (13,355)         (13,210)         (12,520)         (12,191)         (11,767)           Benefit from (provision for) income taxes         2         (4)         (1)         151         (2)           Net income (loss)         \$ 16,311         \$ 14,051         \$ 13,382         \$ 11,545         \$ 10,731           Key Financial Ratios for the Year           Return on average assets         1.8%         1.7%         1.7%         1.5%         1.5%           Return on average members' equity         9.9%         8.9%         8.9%         7.9%         7.7%           Net interest income as a percentage of         9.9%         8.9%         8.9%         7.9%         7.7%	loan loss reversal		(1,023)		(25)		209		38		(15)	
Noninterest expense       (13,355)       (13,210)       (12,520)       (12,191)       (11,767)         Benefit from (provision for) income taxes       2       (4)       (1)       151       (2)         Net income (loss)       \$ 16,311       \$ 14,051       \$ 13,382       \$ 11,545       \$ 10,731         Key Financial Ratios for the Year         Return on average assets       1.8%       1.7%       1.7%       1.5%       1.5%         Return on average members' equity       9.9%       8.9%       8.9%       7.9%       7.7%         Net interest income as a percentage of       9.9%       8.9%       8.9%       7.9%       7.7%	Income from the Farm Credit Bank of Texas		4,735		3,584		3,099		2,784		2,701	
Benefit from (provision for) income taxes         2         (4)         (1)         151         (2)           Net income (loss)         \$ 16,311         \$ 14,051         \$ 13,382         \$ 11,545         \$ 10,731           Key Financial Ratios for the Year           Return on average assets         1.8%         1.7%         1.7%         1.5%         1.5%           Return on average members' equity         9.9%         8.9%         8.9%         7.9%         7.7%           Net interest income as a percentage of         8.9%         8.9%         7.9%         7.7%	Other noninterest income		1,752		917		1,028		370		453	
Net income (loss)       \$ 16,311       \$ 14,051       \$ 13,382       \$ 11,545       \$ 10,731         Key Financial Ratios for the Year         Return on average assets       1.8%       1.7%       1.7%       1.5%       1.5%         Return on average members' equity       9.9%       8.9%       8.9%       7.9%       7.7%         Net interest income as a percentage of       9.9%       8.9%       7.9%       7.7%	Noninterest expense		(13,355)		(13,210)		(12,520)		(12,191)		(11,767)	
Key Financial Ratios for the YearReturn on average assets1.8%1.7%1.7%1.5%Return on average members' equity9.9%8.9%8.9%7.9%Net interest income as a percentage of	Benefit from (provision for) income taxes		2		(4)		(1)		151		(2)	
Return on average assets  1.8%  1.7%  1.7%  1.5%  1.5%  1.5%  1.5%  Net interest income as a percentage of	Net income (loss)	\$	16,311	\$	14,051	\$	13,382	\$	11,545	\$	10,731	
Return on average assets  1.8%  1.7%  1.7%  1.5%  1.5%  1.5%  1.5%  Net interest income as a percentage of	Key Financial Ratios for the Year											
Return on average members' equity 9.9% 8.9% 8.9% 7.9% 7.7% Net interest income as a percentage of	• • • • • • • • • • • • • • • • • • •		1.8%		1.7%		1.7%		1.5%		1.5%	
Net interest income as a percentage of	<u> </u>											
	1 ,		-									
	average earning assets		2.7%		2.8%		2.8%		2.8%		2.7%	

## FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA (unaudited) (dollars in thousands)

		2020	2019	2018	20	017	2	2016
Key Financial Ratios at Year End*	,							
Members' equity as a percentage								
of total assets		17.0%	18.1%	19.1%		18.8%		18.9%
Debt as a percentage of					%			
members' equity		489.8%	454.0%	422.6%		431.1%		429.6%
Allowance for loan losses as								
a percentage of loans		0.7%	0.6%	0.7%		0.7%		0.7%
Common equity tier 1 ratio		16.1%	17.1%	17.6%		17.8%		n/a
Tier 1 capital ratio		16.1%	17.1%	17.6%		17.8%		n/a
Total capital ratio		16.7%	17.7%	18.3%		18.5%		n/a
Permanent capital ratio		16.2%	17.2%	17.7%		17.9%		18.4%
Tier 1 leverage ratio		16.9%	17.6%	18.3%		18.3%		n/a
UREE leverage ratio		18.0%	18.8%	19.5%		19.5%		n/a
Total surplus ratio		n/a	n/a	n/a		n/a		18.0%
Core surplus ratio		n/a	n/a	n/a		n/a		18.0%
Net Income Distribution								
Patronage dividends:								
Cash	\$	7,769	\$ 7,291	\$ 7,033	\$	6,494	\$	5,822

<sup>\*</sup>Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. Regulatory ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (Association) for the years ended December 31, 2020, 2019 and 2018, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

#### **Forward-Looking Information:**

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory and economic conditions and developments in the United States and abroad;
- Economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- Weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- Changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises; and
- Actions taken by the Federal Reserve System in implementing monetary policy.

#### **Significant Events:**

2020 was one of the most active hurricane seasons on record for the state of Louisiana. Louisiana suffered through 5 landfall hurricanes / tropical storms during the 2020 season. Hurricane Laura was a Category 4 hurricane that hit the state in late August, with winds reaching 150 mph. Due to Laura, four parishes were declared primary natural disaster areas: Caldwell, Natchitoches, Ouachita and Red River parishes. In addition, 16 parishes were designated as contiguous disaster areas due to Laura. Per the LSU AgCenter, damage estimates to agriculture and forestry as of December 2020 will exceed \$1.6 billion. Calcasieu Parish had the highest forest acreage damage with 188,292 acres and \$76.7 million estimated in timber value losses. Corn and rice were negatively impacted during Laura's path through the state. Rice crops had 74,000 acres affected, leading to a \$28.5 million dollar impact. Hurricane Laura was the strongest and most destructive hurricane of 2020, making landfall in southwestern Louisiana. The five storms that hit Louisiana during 2020 were, in chronological order: Christobal, Marco, Laura, Delta and Zeta.

2020 saw an increase in provision expense compared with prior years. This increase is to accommodate the double-digit growth of the accrual loan portfolio. Additionally, the Association conducts a robust stress test analysis and incorporates those findings into the allowance process. Despite the number of hurricanes / tropical storms that hit the state in 2020 and the COVID-19 pandemic, the Association's credit quality remains strong. The portfolio is reviewed and audited on a frequent basis, and there have been almost no risk or collateral rating discrepancies.

Because of the COVID-19 pandemic, the Association began offering 90-day deferrals to borrowers in March 2020. This program officially ended in August of 2020. During that six-month period, the Association processed 172 COVID-19 related deferrals for borrowers that were obligated to \$78 million of total debt. As of year-end, only \$444,943 of COVID-19 related deferred volume has experienced a default. This represents 0.57% of the deferred loan pool, which is comparable to the Association's overall past due rates in the entire portfolio. During the COVID-19 deferral process, 86% of the deferral volume did not require a risk rating change while 5% of volume was downgraded and 9% of volume was upgraded. As of the date of this report, management is of the opinion that the \$78 million in total loan volume that was granted COVID-19 related deferrals represents no additional material risks to the portfolio that would warrant additional allowance for loan loss reserves or other credit risk management initiatives. The deferral activity related to COVID-19 is excluded from the Association's Troubled Debt Restructuring process following regulatory initiatives and guidelines.

During the first quarter of 2020, the Association's Board of directors (Board) paid a patronage of \$7,769,310 to the eligible stockholders from 2019's earnings. The patronage is in the form of a qualified patronage distribution. The increase in the qualified patronage distribution paid for 2020 earnings compared with 2019 is approximately 7 percent.

In March 2020, the Farm Credit System Insurance Corporation (FCSIC) Board of Directors approved a refund of \$62.7 million in excess insurance fund balances to Farm Credit System banks. The amount allocated to the Texas Farm Credit District was \$5,060,565. The Association's allocated portion of the refund was \$155,621 and was recognized as other income.

The Association's Board elected to pay a patronage from 2020's earnings totaling approximately \$11.6 million. It is anticipated that the patronage will be paid to eligible stockholders in the first quarter of 2021. The patronage is in the form of a qualified patronage distribution. The increase in the qualified patronage distribution, compared with prior year, is approximately 48.7 percent. The increase for the current patronage is due to very successful operational results of the Association. Because of this success, a larger distribution was approved by the Board to help offset expenses incurred due to COVID-19 and the numerous storms that impacted the state during 2020.

In December 2020, the Association received a direct loan patronage of \$4,076,646 from the Bank, representing 55 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received \$321,451 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of \$337,246 from the Bank, representing 100 basis points on the Association's average balance of participations in the Bank's patronage pool program.

The Association has continued to provide its members with quality financial services. The Board and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

#### **Conditions in the Association's Chartered Territory:**

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). The Association continues during these unprecedented times to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Association has closely monitored its loan portfolio during the pandemic, and credit quality has remained strong. Capital levels remained strong to support any adversity or continuing loan demand.

Operationally, the Association continued to function as normal during these challenging times. The Association's internal controls over financial reporting and disclosure controls and procedures continued to operate effectively, with no material changes to the controls or financial systems having occurred or contemplated.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act provided funding and authority to bolster certain programs offered by the United States Department of Agriculture (USDA). On April 17, 2020, the USDA announced a \$19 billion Coronavirus Food Assistance Program (CFAP), that provides a \$16 billion program of direct payments for agricultural producers that have been impacted by the decline in commodity prices and the disruption in food supply chains related to COVID-19, and a \$3 billion food purchase and distribution program. The CARES Act also appropriated funds for the Paycheck Protection Program (PPP), a guaranteed loan program administered by the U.S. Small Business Administration (SBA). The purpose of the program is to support payroll and certain other financial needs of small businesses during the COVID-19 pandemic. The impact of the support programs for agriculture and related industries is undeterminable at this point in time.

The USDA announced on September 18, 2020, that it will provide additional direct assistance of up to \$14 billion to farmers and ranchers who continue to face market disruptions and associated costs due to COVID-19. Eligible farmers, including row crop, livestock, and specialty crop producers, could sign up for aid at USDA Farm Service Agency offices through mid-December 2020.

On December 27, 2020, the President of the United States signed the Consolidated Appropriations Act, 2021 (CAA) into law. According to Congressional Budget Office estimates, the CAA allocates approximately \$868 billion to stimulus and relief programs related to COVID-19, including direct payments to households, continuation of the PPP lending program and an extension of increased federal unemployment benefits. The Congressional Budget Office estimates that the bill provides approximately \$12.7 billion in support payments to producers of commodity crops, specialty crops, dairy, livestock, poultry, renewable fuels and timber. Additionally, the CAA authorizes funds to purchase agricultural products for distribution and provides supplemental funding for existing farm support programs. The impact of the support programs for agriculture and related industries is undeterminable at this point in time.

A surge in COVID-19 cases observed late in 2020 could potentially threaten the economic recovery in the short term. According to data published by the Centers for Disease Control and Prevention (CDC), new cases of COVID-19 in the U.S. averaged more than 200,000 per day in December 2020. Significant work is underway to develop, approve, distribute, and administer vaccines to the U.S. population. However, the CDC estimates that less than 20.0% of the more than 14 million COVID-19 vaccine doses distributed in 2020 had been administered at year-end. The strength of the U.S. economy in 2021 will likely depend on the trajectory of the pandemic, including the impact of vaccination programs, and related legislative response.

The United States Department of Agriculture (USDA) estimates that net farm income increased by about 43% in 2020, reaching \$119.6 billion. In inflation-adjusted terms, net farm income is expected to be below the peak observed in 2013, but about 32% above the 20-year average. Direct government payments are projected at about \$46.5 billion, accounting for a historically high level of around 39% of all farm income, up \$24 billion, or 107%, compared with 2019. COVID-19-related assistance programs, including the Coronavirus Food Assistance Programs (CFAP1 and CFAP2) and Paycheck Protection Program (PPP), are estimated to have provided about \$32.4 billion in support to farmers during 2020.

According to USDA estimates, corn and soybean production rose during the 2020 crop season, while cotton production declined. USDA expects farmers to receive higher prices for corn, soybeans and cotton in the 2020/21 marketing year. Livestock prices have been volatile overall, but the outlook for 2021 is generally positive as the industry is expected to continue to adapt to changing conditions.

During 2021, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, a slowing economy and weather-related challenges. The Association is in the process of evaluating the potential impact of the historically low temperatures observed across the state of Louisiana in February 2021. While the assessment of the full effect on the Association's borrowers is ongoing, this most recent weather event is not expected to have a significant adverse impact on the Association's overall financial condition and results of operations.

#### Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of \$929,307,651, \$844,732,450 and \$766,363,953 as of December 31, 2020, 2019 and 2018, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses", included in this annual report.

#### **Purchase and Sales of Loans:**

During 2020, 2019 and 2018, the Association was participating in loans with other lenders. As of December 31, 2020, 2019 and 2018, these participations totaled \$71,797,056, \$53,062,284 and \$36,993.063, or 7.7 percent, 6.3 percent and 4.8 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the district of \$2,586,677, \$0 and \$6,477, or 0.2 percent, 0.0 percent and 0.0 percent of loans, respectively. The Association has also sold participations of \$73,594,307, \$69,952,962 and \$40,210,612 as of December 31, 2020, 2019 and 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, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2020		 2019			2018	2018	
	Amount	%	Amount	%	Amount		%	
Nonaccrual	\$ 3,350,051	50.7%	\$ 3,634,202	46.4%	\$	3,631,343	48.8%	
90 days past due and still								
accruing interest	295,698	4.5%	-	0.0%		-	0.0%	
Formally restructured	2,960,815	44.8%	 4,147,903	53.6%		3,807,547	51.2%	
Total	\$ 6,606,564	100.0%	\$ 7,782,105	100.0%	\$	7,438,890	100.0%	

At December 31, 2020, 2019 and 2018, loans that were considered impaired were \$6,606,564, \$7,782,105 and \$7,438,890, representing 0.7 percent, 0.9 percent and 1.0 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

At December 31, 2020, the Association does not have a customer relationship in excess of 2 percent of the Associations total portfolio. Borrower concentrations do not pose a potential material effect on the Association at this time.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

#### **Allowance for Loan Losses:**

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	 2020	 2019	2018		
Allowance for loan losses	\$ 6,352,609	\$ 5,350,446	\$	5,233,189	
Allowance for loan losses to total loans	0.7%	0.6%		0.7%	
Allowance for loan losses to nonaccrual loans	189.6%	148.9%		144.1%	
Allowance for loan losses to impaired loans	96.2%	69.1%		70.3%	

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of \$6,352,609, \$5,350,446 and \$5,233,189 at December 31, 2020, 2019 and 2018, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

### **Results of Operations:**

The Association's net income for the year ended December 31, 2020, was \$16,310,841 as compared with \$14,050,824 for the year ended December 31, 2019, reflecting an increase of \$2,260,017, or 16.1 percent. The Association's net income for the year ended December 31, 2018 was \$13,381,644. Net income increased \$669,180, or 5.0 percent, in 2019 versus 2018.

Net interest income for 2020, 2019 and 2018 was \$24,200,400, \$22,789,357 and \$21,567,343, respectively, reflecting increases of \$1,411,043, or 6.2 percent, for 2020 versus 2019 and \$1,222,014, or 5.7 percent, for 2019 versus 2018. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

		2020		2019	2018			
	Average		Average		Average			
	Balance	Interest	Balance	Interest	Balance	Interest		
Loans	\$ 884,657,4	38 \$ 42,192,706	\$ 808,213,23	32 \$ 42,717,060	\$ 760,759,547	\$ 38,283,430		
Total interest-earning assets	884,657,4	38 42,192,706	808,213,23	32 42,717,060	760,759,547	38,283,430		
Interest-bearing liabilities	735,490,7	62 17,992,306	665,509,0	18 19,927,703	622,313,769	16,716,087		
Impact of capital	\$ 149,166,6	76	\$ 142,704,2	14	\$ 138,445,778			
Net interest income		\$ 24,200,400		\$ 22,789,357		\$ 21,567,343		
			_	·	_			
		2020		2019	2018			
	Ave	rage Yield	Avei	rage Yield	Averag	ge Yield		
Yield on loans	4	1.77%	4	5.29%	5.0	3%		
Total yield on interest-								
earning assets	4	1.77%	4	5.29%	5.0	3%		
Cost of interest-bearing								
liabilities	2	2.45%	2	2.99%	2.69%			
Interest rate spread	2	2.32%	2	2.30%	2.34%			
		2020 vs. 2019			2019 vs. 2018			
<del>-</del>	Inci	ease (decrease) due	to	Incre	ease (decrease) du	ie to		
-	Volume	Rate	Total	Volume	Rate	Total		
Interest income - loans	\$ 4,040,382	\$ (4,564,736)	\$ (524,354)	\$ 2,388,012	\$ 2,045,618	\$ 4,433,630		
Total interest income	4,040,382	$\frac{(4,564,736)}{(4,564,736)}$	(524,354)	2,388,012	2,045,618	4,433,630		
Interest expense	2,095,533	(4,030,930)	(1,935,397)	1,160,268	2,051,348	3,211,616		
Net interest income	\$ 1,944,849		\$ 1,411,043	\$ 1,227,744	\$ (5,730)	\$ 1,222,014		

Interest income for 2020 decreased by \$524,354, or 1.2 percent, compared with 2019, primarily due to a significant increase in loan volume paired with a dramatic decrease in rates starting in March 2020. Interest expense for 2020 decreased by \$1,935,397, or 9.7 percent, compared 2019 due to sharp interest rate declines throughout the market. The interest rate spread increased by 2 basis points to 2.32 percent in 2020 from 2.30 percent in 2019. The interest rate spread decreased by 4 basis points to 2.30 percent in 2019 from 2.34 percent in 2018.

Noninterest income for 2020 increased by \$1,987,546, or 44.2 percent, compared with 2019, due primarily to an increase in the direct note patronage from the Bank and loan fees collected. The Association experienced a record year for gross loan fees collected in 2020. Management does not expect this volume of loan fees to be collected going forward. Noninterest income for 2019 increased by \$372,959, or 9.0 percent, compared with 2018.

Provisions for loan losses increased by \$998,979 compared with 2019. This increase is due primarily to accrual loan volume growth.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by 145,831 in 2020 when compared with 2019, primarily due to salaries and employee benefits. During 2020 salaries and employee benefits increased by \$415,976 or 4.8 percent when compared with 2019. Other increases include purchased services \$66,557, advertising \$14,421, and insurance fund premiums \$123,910. The Association is required to pay into an insurance fund as part of the Farm Credit System. This expense is the largest association expense outside of human capital costs.

Due to COVID-19, the Association experienced less expense related to travel, public and member relations, marketing, and training during 2020 compared with prior years. Management expects these expenses to revert to pre-COVID-19 levels as soon as the pandemic is resolved. The Association has benefited from historically low gasoline prices during 2020.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of \$687,183, \$490,008 and \$512,587 for 2020, 2019 and 2018, respectively, in origination fees, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling \$728,964 related to the origination of loans.

For the year ended December 31, 2020, the Association's return on average assets was 1.8 percent, as compared with 1.7 percent and 1.7 percent for the years ended December 31, 2019 and 2018, respectively. For the year ended December 31, 2020, the

Association's return on average members' equity was 9.9 percent, as compared with 8.9 percent and 8.9 percent for the years ended December 31, 2019 and 2018, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR) announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. Since this announcement, central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Bank and its affiliated associations are currently evaluating the impacts of a potential phase-out of the LIBOR benchmark interest rate, including the possibility of using SOFR as an alternative to LIBOR. The transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based instruments, including certain of the Farm Credit Systemwide debt securities, the Bank's borrowings, loans, investments, derivatives, and other bank assets and liabilities that are indexed to LIBOR.

On December 18, 2020, the FCA posted an informational memorandum providing guidance to Farm Credit System institutions on the transition away from LIBOR, in which they emphasized that the IBA proposal is not intended to slow down the transition and that Farm Credit System institutions should continue reducing LIBOR exposures as soon as practicable. System institutions should adopt 2021 transition plans with steps and timeframes to accomplish the following:

- Reduce LIBOR exposure,
- Stop the inflow of new LIBOR volume,
- Develop and implement loan products with alternative reference rates,
- Assess and, if necessary, revise fallback language on legacy LIBOR indexed loans and contracts,
- Adjust operations processes, including accounting and management information systems to handle alternative reference rates, and
- Communicate pending or imminent changes to customers, as appropriate.

The Bank established a LIBOR Workgroup, with cross -functional representation from the finance, operations, credit and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. The LIBOR Workgroup coordinates outreach to our associations and with other Farm Credit System institutions, especially the Funding Corporation. The Association's Asset/Liability Committee (ALCO) serves as the primary workgroup to address all matters related to the phase-out of LIBOR for the Association. ALCO is comprised of the Chief Executive Officer (CEO), Chief Credit Officer (CCO), Chief Financial Officer (CFO), and Senior Vice President of Lending. Other resources will also be engaged as needed. The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index.

#### **Liquidity and Funding Sources:**

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$771,634,780, \$696,921,619 and \$623,657,708 as of December 31, 2020, 2019 and 2018, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.07 percent, 2.90 percent and 2.93 percent at December 31, 2020, 2019 and 2018, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2019, is due to an 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 \$156,983,131, \$147,076,908 and \$142,008,551 at December 31, 2020, 2019 and 2018, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2020, was \$920,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, 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 2021. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

#### **Capital Resources:**

The Association's capital position remains strong, with total members' equity of \$161,663,035, \$156,947,903 and \$151,010,977 at December 31, 2020, 2019 and 2018, respectively.

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. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts.

The Association's permanent capital ratio at December 31, 2020, 2019 and 2018 was 16.21 percent, 17.2 percent and 17.7 percent, respectively. Under the new regulations, the Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The 2.5 percent capital conservation buffer was phased in over a three-year period ending on December 31, 2019. The Association's common equity tier 1 ratio was 16.1 percent, tier 1 capital ratio was 16.1 percent, and total capital ratio was 16.7 percent at December 31, 2020. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio was 16.9 percent and UREE leverage ratio was 18.0 percent at December 31, 2020.

The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Prior to January 1, 2017, the core surplus ratio measured available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2016 and 2015 was 18.0 percent and 19.1 percent, respectively, which was in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measured available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2016 and 2015 was 18.0 percent and 19.1 percent, respectively, which was in compliance with the FCA's minimum ratio requirement of 7.0 percent.

As of December 31, 2020, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

#### **Significant Recent Accounting Pronouncements:**

Refer to Note 2 – "Summary of Significant Accounting Policies" in this annual report for disclosures of recent accounting pronouncements that may impact the Associations consolidated financial position and results of operations and for critical accounting policies.

#### **Regulatory Matters:**

At December 31, 2020, the Association was not under written agreements with the Farm Credit Administration.

On February 13, 2020, the Farm Credit Administration board approved a final rule to modify eligibility criteria that outside directors must meet to serve on the boards of System institutions. The final rule strengthens the independence of System institution boards by expanding the list of persons who are excluded from serving as outside directors. It finalizes a proposed rule that was published in the Federal Register on August 24, 2018. The final rule differs from the proposed rule in the following respects:

- Limits the application of the immediate family member criteria to only the outside director's institution, that institution's Funding Bank, or any affiliated organization in which that institution has an ownership interest;
- Changes the term "borrower" by inserting the word "current" in the definition to clarify that the eligibility criteria do not include former borrowers; and
- Changes the definition of "controlling interest" to increase the equity percentage from 5 percent to 10 percent.

On March 17, 2020, the Farm Credit Administration published a news release encouraging Farm Credit System institutions to work with System borrowers whose operations have been affected by COVID-19 and the measures taken to prevent its spread. System institutions can help alleviate stress for borrowers affected by COVID-19 in several ways:

- Extending the terms of loan repayments;
- Restructuring borrowers' debt obligations; and
- Easing some loan documentation or credit-extension terms for new loans to certain borrowers.

The agency also offered temporary relief from certain regulatory and reporting requirements to System institutions affected by the pandemic.

On March 27, 2020, the FCA posted an informational memorandum providing guidance to Farm Credit System institutions about their role in ensuring critical infrastructure services and functions during the COVID-19 pandemic.

On April 1, 2020, the FCA posted an informational memorandum providing guidance to Farm Credit System institutions on reporting troubled debt restructurings for customers affected by the national emergency declaration for the COVID-19 outbreak.

On April 3, 2020, the FCA posted an informational memorandum providing guidance to Farm Credit System institutions on the Paycheck Protection Program for small businesses affected by the COVID-19 pandemic. This memorandum was superseded and replaced by an information memorandum on the same subject, which the FCA posted on April 7, 2020, together with the FCA's brief supplement explaining that the statutory borrower stock requirement does not apply to loans made under the Paycheck Protection Program. The April 7, 2020, informational memorandum was subsequently superseded and replaced by an updated informational memorandum which the FCA posted on June 18, 2020, and again superseded and replaced by an updated informational memorandum which the FCA posted on July 15, 2020. The supplement to the informational memorandum was also updated.

On June 25, 2020, the FCA, together with four other federal agencies, published a final rule finalizing changes to their swap margin rule to facilitate the implementation of prudent risk management strategies at banks and other entities with significant swap activities. On July 1, 2020, a final rule and interim final rule on margin and capital requirements for covered swap entities were published in the Federal Register. The final rule became effective on August 31, 2020. The interim final rule became effective September 1, 2020.

On August 25, 2020, the FCA published a Final Rule in the Federal Register on Criteria to Reinstate Nonaccrual Loans. The final rule objectives are to:

- Enhance the usefulness of high-risk loan categories;
- Replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard;
- Improve the timely recognition of a change in a loan's status; and
- Update existing terminology and make other grammatical changes.

This regulation became effective on October 21, 2020.

On September 10, 2020, the FCA published a proposed rule in the Federal Register outlining amendments and clarifications to the tier 1/tier 2 regulatory capital framework. The comment period ended on November 9, 2020.

On September 28, 2020, the FCA published a final rule in the Federal Register on Amortization Limits repealing the regulatory requirement that production credit associations (PCAs) amortize their loans in 15 years or less, while requiring System associations to address amortization through their credit underwriting standards and internal controls. This regulation became effective on November 19, 2020.

In 2020, 2019 and 2018, the Association paid cash patronage distributions of \$7,769,310, \$7,291,486 and \$7,032,569, respectively. The board of directors approved a qualified patronage distribution of \$11,600,000 to be paid in March 2021 from 2020 earnings. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

#### **Relationship With the Bank:**

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills district expenses to the Associations, such as the Farm Credit System Insurance Corporation insurance premiums.

#### **Summary:**

Over the past 104 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.



#### **Report of Independent Auditors**

To the Board of Directors of Louisiana Land Bank, ACA

We have audited the accompanying consolidated financial statements of Louisiana Land Bank, ACA and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020, December 31, 2019, and December 31, 2018, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Land Bank, ACA and its subsidiaries as of December 31, 2020, December 31, 2019, and December 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 12, 2021

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## CONSOLIDATED BALANCE SHEET

		$\Gamma$	December 31,	
	2020		2019	2018
<u>Assets</u>				
Cash	\$ 99,133	\$	35,760	\$ 303,047
Loans	929,307,651		844,732,450	766,363,953
Less: allowance for loan losses	6,352,609		5,350,446	5,233,189
Net loans	922,955,042		839,382,004	761,130,764
Accrued interest receivable	9,413,893		9,806,394	7,997,619
Investment in and receivable from the Farm				
Credit Bank of Texas:				
Capital stock	14,592,755		13,192,815	12,414,225
Other	1,386,218		1,730,488	2,335,883
Premises and equipment	4,425,903		4,681,765	4,463,309
Other assets	656,405		622,025	523,845
Total assets	\$ 953,529,349	\$	869,451,251	\$ 789,168,692
<u>Liabilities</u>				
Note payable to the Farm Credit Bank of Texas	\$ 771,634,780	\$	696,921,619	\$ 623,657,708
Accrued interest payable	1,354,005		1,721,265	1,566,591
Drafts outstanding	1,345		98,072	387,850
Patronage distributions payable	11,585,717		7,800,039	7,300,038
Other liabilities	7,290,467		5,962,353	5,245,528
Total liabilities	791,866,314		712,503,348	638,157,715
Members' Equity				
Capital stock and participation certificates	2,873,060		2,778,990	2,684,080
Unallocated retained earnings	159,797,603		155,041,749	148,782,413
Accumulated other comprehensive income (loss)	(1,007,628)		(872,836)	(455,516)
Total members' equity	161,663,035		156,947,903	151,010,977
Total liabilities and members' equity	\$ 953,529,349	\$	869,451,251	\$ 789,168,692

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,						
	2020	2019	2018				
Interest Income			_				
Loans	\$ 42,192,706	\$ 42,717,060	\$ 38,283,430				
Total interest income	42,192,706	42,717,060	38,283,430				
Interest Expense							
Note payable to the Farm Credit Bank of Texas	17,992,306	19,927,703	16,716,087				
Total interest expense	17,992,306	19,927,703	16,716,087				
Net interest income	24,200,400	22,789,357	21,567,343				
Provision for loan losses (loan loss reversal)	1,023,517	24,538	(208,607)				
Net interest income after							
provision for losses (loan loss reversal)	23,176,883	22,764,819	21,775,950				
Noninterest Income							
Income from the Farm Credit Bank of Texas:							
Patronage income	4,734,770	3,584,112	3,098,918				
Loan fees	1,404,616	465,633	271,433				
Financially related services income	1,775	2,047	2,085				
Gain on other property owned, net	-	-	109,209				
Gain on sale of premises and equipment, net	69,587	239,040	156,547				
Other noninterest income	276,478	208,848	488,529				
Total noninterest income	6,487,226	4,499,680	4,126,721				
Noninterest Expenses							
Salaries and employee benefits	8,987,052	8,589,490	7,897,149				
Directors' expense	294,817	389,719	396,525				
Purchased services	470,429	403,872	521,796				
Travel	388,024	592,418	574,681				
Occupancy and equipment	660,960	659,349	584,142				
Communications	226,296	244,008	238,683				
Advertising	358,367	343,946	332,745				
Public and member relations	324,997	377,057	343,921				
Supervisory and exam expense	472,135	524,410	582,086				
Insurance Fund and coverage premiums	796,983	673,073	627,290				
Other components of net periodic postretirement							
benefit cost	174,616	156,202	185,281				
Other noninterest expense	200,810	256,111	235,904				
Total noninterest expenses	13,355,486	13,209,655	12,520,203				
Income before income taxes	16,308,623	14,054,844	13,382,468				
Benefit from (provision for) income taxes	(2,218)	4,020	824				
NET INCOME	16,310,841	14,050,824	13,381,644				
Other comprehensive income:			_				
Change in postretirement benefit plans	(124 702)	(417 220)	610 200				
· ·	(134,792)	(417,320)	618,380				
Other comprehensive income, net of tax	(134,792)	(417,320)	\$ 14,000,024				
COMPREHENSIVE INCOME	\$ 16,176,049	\$ 13,633,504	\$ 14,000,024				

## CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

			Accumulated	
	Capital Stock/		Other	Total
	Participation	Retained Earnings	Comprehensive	Members'
	Certificates	Unallocated	Income (Loss)	Equity
Balance at December 31, 2017	\$ 2,733,540	\$ 142,698,330	\$ (1,073,896)	\$ 144,357,974
Net income		13,381,644	-	13,381,644
Other comprehensive income	-		618,380	618,380
Comprehensive income	-	13,381,644	618,380	14,000,024
Capital stock/participation certificates				
and allocated retained earnings issued	293,140	-	-	293,140
Capital stock/participation certificates				
and allocated retained earnings retired	(342,600)	=	-	(342,600)
Patronage dividends:				
Cash		(7,297,561)		(7,297,561)
Balance at December 31, 2018	2,684,080	148,782,413	(455,516)	151,010,977
Net income	-	14,050,824	_	14,050,824
Other comprehensive income	-		(417,320)	(417,320)
Comprehensive income	-	14,050,824	(417,320)	13,633,504
Capital stock/participation certificates				
issued	360,190	-	-	360,190
Capital stock/participation certificates				
and allocated retained earnings retired	(265,280)	-	-	(265,280)
Patronage dividends:				
Cash		(7,791,488)		(7,791,488)
Balance at December 31, 2019	2,778,990	155,041,749	(872,836)	156,947,903
Net income	2,770,770	16,310,841	(072,030)	16,310,841
Other comprehensive income		10,510,041	(134,792)	(134,792)
Comprehensive income	_	16,310,841	(134,792)	16,176,049
Capital stock/participation certificates issued	459,375	10,510,041	(154,772)	459,375
Capital stock/participation certificates retired	(365,305)	_	_	(365,305)
Patronage dividends:	(303,303)			(303,303)
Change in patronage declard and paid	-	(11,554,987)	_	(11,554,987)
Balance at December 31, 2020	\$ 2,873,060	\$ 159,797,603	\$ (1,007,628)	\$ 161,663,035
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## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,						
		2020		2019		2018	
Cash flows from operating activities:		_					
Net income	\$	16,310,841	\$	14,050,824	\$	13,381,644	
Adjustments to reconcile net income to net							
cash provided by operating activities:							
Provision for loan losses (loan loss reversal)		1,023,517		24,538		(208,607)	
Gain on sale of other property owned, net						(20,898)	
Depreciation		524,774		509,183		453,610	
Gain on sale of premises and equipment, net		(69,587)		(239,040)		(156,547)	
Decrease (increase) in accrued interest receivable		392,501		(1,808,775)		(688,712)	
Decrease (increase) in other receivables from the Farm							
Credit Bank		344,270		605,395		(1,253,631)	
(Increase) decrease in deferred tax assets		(2,218)		4,020		824	
(Increase) decrease in other assets		(34,380)		60,262		(59,086)	
(Decrease) increase in accrued interest payable		(367,260)		154,674		350,617	
Increase (decrease) in other liabilities		1,169,637		111,834		(783,772)	
Net cash provided by operating activities		19,292,095		13,472,915		11,015,442	
Cash flows from investing activities:							
Increase in loans, net		(84,690,208)		(78,446,144)		(19,151,871)	
Cash recoveries of loans previously charged off		30,831		120,012		38,006	
Proceeds from purchase of investment in							
the Farm Credit Bank of Texas		(1,399,940)		(778,590)		(411,335)	
Purchases of premises and equipment		(253,370)		(910,901)		(1,272,957)	
Proceeds from sales of premises and equipment		142,771		497,864		182,552	
Proceeds from sales of other property owned						333,769	
Net cash used in investing activities		(86,169,916)		(79,517,759)		(20,281,836)	

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,							
		2020		2019		2018		
Cash flows from financing activities:								
Net draws on note payable to the Farm Credit Bank of Texas		74,713,161		73,263,912		16,727,160		
Decrease in drafts outstanding		(96,727)		(289,779)		(102,506)		
Issuance of capital stock and participation certificates		459,375		360,190		293,140		
Retirement of capital stock and participation certificates		(365,305)		(265,280)		(342,600)		
Patronage distributions paid		(7,769,310)		(7,291,486)		(7,032,569)		
Net cash provided by financing activities		66,941,194		65,777,557		9,542,625		
Net increase (decrease) in cash		63,373		(267,287)		276,231		
Cash at the beginning of the year		35,760		303,047		26,816		
Cash at the end of the year	_\$_	99,133	_\$	35,760	\$	303,047		
Supplemental schedule of noncash investing and financing activities:  Loans charged off Patronage distributions declared	\$	26,282 11,585,585	\$	2,085 7,800,000	\$	59,581 7,300,000		
Supplemental cash information:								
Cash paid during the year for:			_		_			
Interest	\$	18,359,566	\$	19,773,029	\$	16,365,470		

## LOUISIANA LAND BANK, ACA NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Louisiana Land Bank, ACA including its wholly owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank, FLCA (collectively called "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 in 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 (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2020, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the district and is responsible for supervising certain activities of the district associations. At December 31, 2020, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

#### NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated and all material wholly owned and majority owned subsidiaries are consolidated unless GAAP requires otherwise.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses; the valuation of deferred tax assets; the determination of fair value of financial instruments; and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. The consolidated financial statements include the accounts of Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank, FLCA. All significant intercompany transactions have been eliminated in consolidation.

#### A. Recently Issued or Adopted Accounting Pronouncements:

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provided relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities, including the Bank, have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. New contracts entered into before December 31, 2021 will either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate. These actions are necessary to facilitate an orderly transition. The Association adopted practical expedients provided for by this guidance in the first quarter of 2021.

In December 2019, the FASB issued guidance titled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the institution's financial condition or results of operations; nor did the guidance impact the presentation of taxes for prior periods in the 2020 year-end financial statements.

In August 2018, the FASB issued guidance titled "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 became 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. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance titled "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. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance titled "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 became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2019. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance titled "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 was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The institution qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

- B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is

generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated prinicipal loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowances for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be

surrendered when (1) the assets have been isolated from the Association, (2) the transferree obtains the right to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. Loans are sold and the sale terms comply with requirements under ASC 860 "Transfers and Servicing."

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared with other district associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

- E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.
- F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.
- H. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2020, made on their behalf into various investment alternatives.

The structure of the district's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the Associations, nor are the Associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the Associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of \$250,857, \$248,346 and \$227,265 for the years ended December 31, 2020, 2019 and 2018 respectively. For the DB plan, the Association recognized pension costs of \$245,561, \$372,504 and \$331,236 for the years ended December 31, 2020, 2019 and 2018, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the Associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were \$184,765, \$191,047 and \$193,813 for the years ended December 31, 2020, 2019 and 2018, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were \$0 and \$12,000 for the years ended December 31, 2020, and 2019.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet.

- I. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.
- J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.
- K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include

financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

#### NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2020		2019			2018			
Loan Type	Amount	%		Amount		Amount %		Amount	%
Real estate mortgage	\$ 763,236,962	82.1%	\$	684,945,535	81.1%	\$ 644,522,468	84.0%		
Production and									
intermediate term	67,392,178	7.3%		68,869,826	8.2%	57,117,423	7.5%		
Agribusiness:									
Processing and marketing	34,842,793	3.7%		35,807,651	4.2%	24,721,310	3.2%		
Farm-related business	28,576,639	3.1%		22,518,263	2.7%	15,110,352	2.0%		
Loans to cooperatives	15,102,466	1.6%		15,943,476	1.9%	12,656,537	1.7%		
Communication	10,889,513	1.2%		7,511,673	0.9%	2,498,464	0.3%		
Rural residential real estate	7,350,976	0.8%		8,003,573	0.9%	9,012,900	1.2%		
Water and waste water	1,041,994	0.1%		-	0.0%	-	0.0%		
Energy	874,130	0.1%		1,132,453	0.1%	724,499	0.1%		
Total	\$ 929,307,651	100.0%	\$	844,732,450	100.0%	\$ 766,363,953	100.0%		

The Association may purchase or sell 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 participations purchased and sold as of December 31, 2020:

	Other Farm Credit Institutions		Non-Farm Cre	dit Institutions	Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased Sold		Purchased	Sold
Real estate mortgage	\$ 22,934,166	\$ 22,865,232	\$ -	\$ -	\$ 22,934,166	\$ 22,865,232
Production and intermediate term	2,492,264	-	-	-	2,492,264	-
Agribusiness	33,564,989	50,729,075	-	-	33,564,989	50,729,075
Communication	10,889,513	-	-	-	10,889,513	-
Energy	874,130	-	-	-	874,130	-
Water and waste water	1,041,994	-	-	-	1,041,994	-
Total	\$ 71,797,056	\$ 73,594,307	\$ -	\$ -	\$ 71,797,056	\$ 73,594,307

Geographic Distribution by loan volume as of December 31, 2020:

REGION	2020	2019	2018
Louisiana			
Northeast	31.46%	31.65%	29.82%
Northwest	14.45%	12.28%	12.87%
Southeast	17.91%	17.40%	19.30%
Southwest	18.06%	19.03%	18.48%
Total Louisiana	81.88%	80.36%	80.47%
Out of State	18.12%	19.64%	19.53%
	100.00%	100.00%	100.00%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

The following table presents information relating to impaired loans:

•	Impaired	Loans		
	December 31,			
	<b>2020</b> 2019			
Nonaccrual loans:				
Current as to principal and interest	1,592,073	1,674,464		
Past due	1,757,978	1,959,738		
Total nonaccrual loans	3,350,051	3,634,202		
Impaired accrual loans:				
Restructured accrual loans	2,960,815	4,147,903		
Accrual loans 90 days or more past due	295,698	-		
Total impaired accrual loans	3,256,513	4,147,903		
Total impaired loans	6,606,564	7,782,105		

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

	December 31, 2020		De	ecember 31, 2019	December 31, 2018	
Nonaccrual loans:				_		
Real estate mortgage	\$	3,039,407	\$	3,374,540	\$	3,421,393
Production and intermediate term		294,646		259,662		-
Agribusiness		-		-		6,477
Rural residential real estate		15,998		-		203,473
Total nonaccrual loans	\$	3,350,051	\$	3,634,202	\$	3,631,343
Accruing restructured loans:						
Real estate mortgage	\$	2,820,046	\$	3,663,232	\$	3,299,450
Production and intermediate term		- -		337,149		475,425
Rural residential real estate		140,769		147,522		32,672
Total accruing restructured loans	\$	2,960,815	\$	4,147,903	\$	3,807,547
Accruing loans 90 days or more past due:						
Real estate mortgage	\$	295,698	\$	-	\$	-
Total accruing loans 90 days or more past due	\$	295,698	\$	-	\$	-
Total nonperforming loans	\$	6,606,564	\$	7,782,105	\$	7,438,890
Total nonperforming assets	\$	6,606,564	\$	7,782,105	\$	7,438,890

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's 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 classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2020	2019	2018
Real estate mortgage			
Acceptable	98.2 %	98.3 %	98.2 %
OAEM	1.2	1.0	1.0
Substandard/doubtful	0.6	0.7	0.8
D 1 41 114 114 4	100.0	100.0	100.0
Production and intermediate term	00.6	00.0	00.0
Acceptable OAEM	99.6	98.0	99.9
Substandard/doubtful	- 0.4	1.6	0.1
Substandard/doubtlut	$\frac{0.4}{100.0}$	100.0	100.0
Loans to cooperatives	100.0	100.0	100.0
Acceptable	100.0	100.0	100.0
OAEM	100.0	100.0	100.0
Substandard/doubtful	_	_	_
Substantiald/doubtluf	100.0	100.0	100.0
Processing and marketing	100.0	100.0	100.0
Acceptable	93.6	93.8	100.0
OAEM	6.4	6.2	-
Substandard/doubtful	-	-	-
Substantial adultial	100.0	100.0	100.0
Farm-related business			
Acceptable	100.0	100.0	97.0
OAEM	-	-	3.0
Substandard/doubtful	-	_	0.0
	100.0	100.0	100.0
Communication			
Acceptable	100.0	100.0	100.0
OAEM	-	-	=
Substandard/doubtful	-	-	=
	100.0	100.0	100.0
Energy			
Acceptable	80.1	100.0	69.2
OAEM	-	-	30.8
Substandard/doubtful	19.9	<u> </u>	
	100.0	100.0	100.0
Water and waste water			
Acceptable	100.0	-	-
OAEM	-	-	-
Substandard/doubtful		<u>-</u> _	<u> </u>
	100.0	<u> </u>	-
Rural residential real estate			
Acceptable	96.5	98.2	97.6
OAEM	1.6	0.3	0.2
Substandard/doubtful	1.9	1.5	2.2
	100.0	100.0	100.0
Total Loans		00.5	~~ .
Acceptable	98.2	98.2	98.4
OAEM	1.2	1.2	0.9
Substandard/doubtful	0.6	0.7	0.7
	100.0 %	100.0 %	100.0 %

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2020, 2019 and 2018:

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due		Not Past Due or less than 30 Days Past Due		Total Loans		ecorded Investment Days and Accruing
Real estate mortgage	\$ 2,714,622	\$ 1,510,300	\$ 4,224,922	\$	766,930,171	\$	771,155,093	\$	295,698
Production and intermediate term	166,625	-	166,625		68,388,396		68,555,021		-
Loans to cooperatives	-	-	-		15,212,786		15,212,786		-
Processing and marketing	-	-	-		34,944,764		34,944,764		-
Farm-related business	-	-	-		28,667,463		28,667,463		-
Communication	-	-	-		10,890,148		10,890,148		-
Energy	_	-	-		875,378		875,378		-
Water and waste water	_	-	-		1,042,056		1,042,056		-
Rural residential real estate	18,925	-	18,925		7,360,360		7,379,285		-
Total	\$ 2,900,172	\$ 1,510,300	\$ 4,410,472	\$	934,311,522	\$	938,721,994	\$	295,698
									_
December 31, 2019:	30-89	90 Days	Total	N	Not Past Due or				
	Days	or More	Past		less than 30		Total	Re	corded Investment
	Past Due	Past Due	Due	]	Davs Past Due		Loans	>90	Days and Accruing
Real estate mortgage	\$ 3,275,779	\$ 1,277,405	\$ 4,553,184	\$	688,352,999	\$	692,906,183	\$	-
Production and intermediate term	267,151	-	267,151		70,008,164		70,275,315		-
Loans to cooperatives	-	-	-		16,162,883		16,162,883		_
Processing and marketing	-	-	_		35,940,329		35,940,329		_
Farm-related business	-	_	-		22,571,239		22,571,239		-
Communication	-	-	-		7,512,451		7,512,451		-
Energy	-	-	-		1,133,875		1,133,875		-
Rural residential real estate	20,814	-	20,814		8,015,755		8,036,569		-
Total	\$ 3,563,744	\$ 1,277,405	\$ 4,841,149	\$	849,697,695	\$	854,538,843	\$	-
December 31, 2018:	30-89	90 Days	Total	1	Not Past Due or				
5 cccins of 5 1, 20 10.	Days	or More	Past		less than 30		Total	Re	ecorded Investment
	Past Due	Past Due	Due		Days Past Due		Loans	>9(	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	 	-	-	Φ.	9,047,955	Φ.	9,047,955		
Total	\$ 1,729,340	\$ 713,700	\$ 2,443,040	\$	771,918,532	\$	774,361,572	\$	<u> </u>

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 December 31, 2020, the total recorded investment of troubled debt restructured loans was \$3,645,304, including \$684,489 classified as nonaccrual and \$2,960,815 classified as accrual, with specific allowance for loan losses of \$173,289. As of December 31, 2020, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were \$0.

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 years ended December 31, 2020, 2019 and 2018. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2020:	cation Outstanding led Investment	Post-modification Outstanding Recorded Investment		
Troubled debt restructurings:  Real estate mortgage	\$ 149,047	\$	151,636	
Total	\$ 149,047	\$	151,636	
December 31, 2019:	ication Outstanding	Post-modification Outstand Recorded Investment		
Troubled debt restructurings:				
Real estate mortgage	\$ 82,450	\$	82,450	
Total	\$ 82,450	\$	82,450	
December 31, 2018:	ication Outstanding ded Investment		fication Outstanding ded Investment	
Troubled debt restructurings:				
Real estate mortgage	\$ 1,677,303	\$	2,059,195	
Total	\$ 1,677,303	\$	2,059,195	

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 year ending December 31, 2020.

The predominant form of concession granted for troubled debt restructuring includes rate reductions and term extensions. 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 of that year and for which there was a 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.

Troubled debt restructurings that	Recorded Investment	Recorded Investment	Recorded Investment
subsequently defaulted:	at December 31, 2020	at December 31, 2019	at December 31, 2018
Real estate mortgage	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

Additional commitments to lend to borrowers whose loans have been modified in TDRs were \$0 at December 31, 2020, December 31, 2019 and December 31, 2018.

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:

	Loans Modified as TDRs								
	December 31,		De	ecember 31,	D	ecember 31,			
		2020		2019		2018			
Troubled debt restructurings:									
Real estate mortgage	\$	3,504,535	\$	5,042,865	\$	5,402,092			
Production and intermediate term		-		337,149		475,425			
Farm-related business		-		-		6,477			
Rural residential real estate		140,769		230,326		165,642			
Total	\$	3,645,304	\$	5,610,340	\$	6,049,636			
			TDRs in N	Ionaccrual Status*					
	D	ecember 31,	De	ecember 31,	December 31,				
	2020			2019	2018				
Troubled debt restructurings:	-								
Real estate mortgage	\$	684,489	\$	1,462,437	\$	2,102,643			
Farm-related business		-		-		6,477			
Rural residential real estate		-		-		132,969			
Total	\$	684,489	\$	1,462,437	\$	2,242,089			

<sup>\*</sup>Represents the portion of loans modified as TDRs that are in nonaccrual status.

Additional impaired loan information is as follows:

	Recorded Investment at	Unpaid Principal	Related	Average Impaired	Interest Income
	12/31/2020	Balance <sup>a</sup>	Allowance	Loans	Recognized
Impaired loans with a related					
allowance for credit losses:					
Real estate mortgage	\$ 358,614	\$ 358,614	\$ 176,582	\$ 332,138	\$ -
Total	\$ 358,614	\$ 358,614	\$ 176,582	\$ 332,138	\$ -
Impaired loans with no related					
allowance for credit losses:					
Real estate mortgage	\$ 5,781,344	\$ 5,873,634	\$ -	\$ 5,413,581	\$ 320,665
Production and intermediate term	294,646	300,328	-	300,425	-
Rural residential real estate	155,965	155,965	-	153,483	22,787
Total	\$ 6,231,955	\$ 6,329,927	\$ -	\$ 5,867,489	\$ 343,452
Total impaired loans:					
Real estate mortgage	\$ 6,139,958	\$ 6,232,248	\$ 176,582	\$ 5,745,719	\$ 320,665
Production and intermediate term	294,646	300,328	-	300,425	-
Rural residential real estate	155,965	155,965	-	153,483	22,787
Total	\$ 6,590,569	\$ 6,688,541	\$ 176,582	\$ 6,199,627	\$ 343,452

<sup>&</sup>lt;sup>a</sup>Unpaid principal balance represents the recorded principal balance of the loan.

		Recorded restment at		Unpaid Principal	R	elated		Average Impaired		nterest
	1:	2/31/2019	]	Balance	All	Allowance		Loans		cognized
Impaired loans with a related					<u> </u>					
allowance for credit losses:										
Real estate mortgage	\$	987,710	\$	987,710	\$	51,153	\$	488,228	\$	9,933
Total	\$	987,710	\$	987,710	\$	51,153	\$	488,228	\$	9,933
Impaired loans with no related										
allowance for credit losses:										
Real estate mortgage	\$	6,060,143	\$	6,212,454	\$	-	\$	5,810,333	\$	361,643
Production and intermediate term		591,671		592,891		-		421,475		29,476
Rural residential real estate		146,698		146,698		-		153,099		13,759
Total	\$	6,798,512	\$	6,952,043	\$	-	\$	6,384,907	\$	404,878
Total impaired loans:										
Real estate mortgage	\$	7,047,853	\$	7,200,164	\$	51,153	\$	6,298,561	\$	371,576
Production and intermediate term		591,671		592,891		-		421,475		29,476
Rural residential real estate		146,698		146,698		-		153,099		13,759
Total	\$	7,786,222	\$	7,939,753	\$	51,153	\$	6,873,135	\$	414,811

<sup>&</sup>lt;sup>a</sup>Unpaid principal balance represents the recorded principal balance of the loan.

	_	Recorded restment at	Unpaid Principal	R	elated	Average Impaired		nterest
	1	2/31/2018	Balance <sup>a</sup>	All	lowance	 Loans	Re	cognized
Impaired loans with a related								
allowance for credit losses:								
Real estate mortgage	\$	566,092	\$ 566,092	\$	44,460	\$ 155,182	\$	7,090
Farm-related business		-	-		-	144,279		
Total	\$	566,092	\$ 566,092	\$	44,460	\$ 299,461	\$	7,090
Impaired loans with no related								
allowance for credit losses:								
Real estate mortgage	\$	6,134,748	\$ 6,260,190	\$	-	\$ 6,272,674	\$	334,317
Production and intermediate term		456,240	457,470		-	489,731		24,079
Farm-related business		6,477	3,930,699		-	8,737		-
Rural residential real estate		236,025	239,509		-	322,645		4,240
Total	\$	6,833,490	\$ 10,887,868	\$	-	\$ 7,093,787	\$	362,636
Total impaired loans:								
Real estate mortgage	\$	6,700,840	\$ 6,826,282	\$	44,460	\$ 6,427,856	\$	341,407
Production and intermediate term		456,240	457,470		-	489,731		24,079
Farm-related business		6,477	3,930,699		-	153,016		-
Rural residential real estate		236,025	239,509		-	322,645		4,240
Total	\$	7,399,582	\$ 11,453,960	\$	44,460	\$ 7,393,248	\$	369,726

<sup>&</sup>lt;sup>a</sup>Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2020, 2019 and 2018.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2020	2019	2018
Interest income that would have been recognized			
under the original terms	\$ 523,208	\$ 661,459	\$ 614,677
Less: interest income recognized	(343,452)	(414,811)	(369,726)
Foregone interest income	\$ 179,756	\$ 246,648	\$ 244,951

A summary of the changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

are as foliows:	Real Estate Mortgage	Inte	uction and ermediate Term	Agr	ibusiness	Com	munication	Was	rgy and ter/Water sposal		Rural esidential eal Estate	Exp	cultural port		ease ivable	Rel	sion- ated tments		Total
Allowance for Credit Losses: Balance at December 31, 2019 Charge-offs Recoveries Provision for loan losses Other	\$ 4,376,226 (23,760) 30,831 836,194 (916)	\$	405,171 (2,521) - 71,126 (13,763)	\$	492,898 - - 91,922 (10,957)	\$	21,637 - - 12,676 (268)	\$	10,233 - - 3,518	\$	44,281 - - 8,081	\$	- - - - -	\$	- - - -	\$	- - - -	\$	5,350,446 (26,281) 30,831 1,023,517 (25,904)
Balance at December 31, 2020	\$ 5,218,575	\$	460,013	\$	573,863	\$	34,045	\$	13,751	\$	52,362	\$		\$		\$		\$	6,352,609
Ending Balance: individually evaluated for impairment Ending Balance: collectively evaluated for impairment	\$ 176,582 \$ 5,041,993	\$	460,013	\$	573,863	\$	34,045	<u>\$</u>	13,751	\$	52,362	\$		\$	<u>-</u>	\$	<u>-</u>	\$	176,582 6,176,027
Recorded Investment in Loans Outstanding: Ending Balance at December 31, 2020 Ending balance for loans individually evaluated for impairment Ending balance for loans collectively evaluated for	\$ 771,155,093 \$ 6,172,459	\$	294,646	\$		\$	10,890,148	s	.917,434	\$	7,379,285	\$	<u>-</u> -	\$	<u>-</u>	\$		\$	6,623,873
impairment	\$ 764,982,634	\$ 6	68,260,375	\$ 7	8,825,013	\$	10,890,148	\$ 1	,917,434	\$	7,222,517	_\$		\$		_\$	<u> </u>	\$ 9	932,098,121
	Real Estate Mortgage	Inte	uction and ermediate Term	Agr	ibusiness	Com	munication	E	nergy	Re	Rural esidential eal Estate	Ex	cultural port ance		ease eivable	Rel	sion- ated tments		Total
Allowance for Credit Losses: Balance at December 31, 2018 Charge-offs Recoveries Provision for loan losses Other Balance at December 31, 2019		Inte	ermediate	Agr \$	291,205 - 114,286 99,341 (11,934) 492,898	\$ \$	218,031 - (196,096) (299) 21,636	\$ \$	2,306 - - 8,023 (96)	Re	esidential	Ex	port			Rel	ated	\$	5,233,189 (2,084) 120,012 24,538 (25,209) 5,350,446
Losses: Balance at December 31, 2018 Charge-offs Recoveries Provision for loan losses Other Balance at	Mortgage \$ 4,048,808 (2,084) 2,242 328,211 (950)	Inte	574,458 - (157,357) (11,930)	\$	291,205 - 114,286 99,341 (11,934)	\$	218,031 - - (196,096) (299)	\$	2,306 - - 8,023 (96)	Re Re	98,381 - 3,484 (57,584)	Exp. Fin	port	Rece		Rel Inves	ated	\$	5,233,189 (2,084) 120,012 24,538 (25,209)
Losses: Balance at December 31, 2018 Charge-offs Recoveries Provision for loan losses Other Balance at December 31, 2019  Ending Balance: individually evaluated for impairment Ending Balance: collectively evaluated for	Mortgage  \$ 4,048,808 (2,084) 2,242 328,211 (950)  \$ 4,376,227  \$ 51,153	\$ \$ \$ \$ \$	574,458 (157,357) (11,930) 405,171	\$ 	291,205 - 114,286 99,341 (11,934) 492,898	\$ \$	218,031 - - (196,096) (299) 21,636	\$ \$ \$	2,306 - - 8,023 (96) 10,233	\$ \$ \$ \$ \$	98,381 - 3,484 (57,584) - 44,281	Exp Fin	port	s s		Rel   Inves:	ated	\$ \$ \$	5,233,189 (2,084) 120,012 24,538 (25,209) 5,350,446

AN 6 G F	Real Estate Mortgage	Inter	ction and mediate	Agr	ibusiness_	Com	munication	E	energy	Re	Rural sidential al Estate	Ex	cultural port ance	Le: Recei	ase vable_	Rel	sion- ated ments		Total
Allowance for Credit Losses: Balance at December 31, 2017 Charge-offs Recoveries Provision for loan losses Other Balance at December 31, 2018	\$ 4,432,214 (59,581) 26,809 (355,194) 4,560 \$ 4,048,808	\$	458,921 - 988 85,184 29,365	\$ 	331,319 - (56,366) 16,252 291,205	\$ 	105,588 - 10,208 101,493 742	\$ 	7,662 - (5,958) 602	\$ 	76,147 - - 22,234 - 98,381	\$ 	- - - - -	\$ 	- - - -	\$ 	- - - -	\$	5,411,851 (59,581) 38,005 (208,607) 51,521
Ending Balance: individually evaluated for impairment Ending Balance: collectively evaluated for impairment	\$ 4,045,808 \$ 44,460 \$ 4,004,348	\$	574,458	\$	291,205	\$	218,031	\$ \$	2,306	\$	98,381	\$ \$	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	\$	44,460 5,188,729
Recorded Investment in Loans Outstanding: Ending Balance at December 31, 2018 Ending balance for loans individually evaluated for impairment Ending balance for loans collectively evaluated for	\$ 651,088,483 \$ 6,754,232	\$ 58 \$	8,221,713 475,425	\$ 5	2,780,052	\$	2,498,779	<u>\$</u>	724,590	\$	9,047,955 236,145	<u>\$</u>		<u>s</u>		\$		\$ 7	7,472,279
impairment	\$ 644,334,251	\$ 57	7,746,288	\$ 5	2,773,575	\$	2,498,779	\$_	724,590	\$	8,811,810	\$	-	\$		\$		\$ 7	766,889,292

#### NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 4.1 percent of the issued stock of the Bank as of December 31, 2020. As of that date, the Bank's assets totaled \$28.2 billion and members' equity totaled \$2.0 billion. The Bank's earnings were \$251.1 million during 2020.

# NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	 2020	2019	2018
Land and improvements	\$ 523,104	\$ 523,104	\$ 544,082
Building and improvements	4,242,697	4,249,127	4,210,549
Furniture and equipment	593,824	690,806	679,668
Computer equipment and software	351,502	353,597	274,391
Automobiles	 1,234,177	 1,183,777	 1,102,517
	6,945,304	7,000,411	6,811,207
Accumulated depreciation	 (2,519,401)	 (2,318,646)	 (2,347,898)
Total	\$ 4,425,903	\$ 4,681,765	\$ 4,463,309

The Association leases office space in Crowley, Arcadia, Monroe and Port Allen. Lease expense was \$98,866, \$108,065 and \$133,102 for 2020, 2019 and 2018, respectively. Minimum annual lease payments for the next five years are as follows:

	Oper	ating Leases
2021	\$	93,011
2022		44,102
2023		30,500
2024		6,735
Thereafter		<u>-</u>
Total	\$	174,348

# NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	20:	20	201	9	 2018
Gain (loss) on sale, net	\$	-	\$	-	\$ 110,219
Operating income (expense), net					 (1,010)
Net gain (loss) on other property owned	\$	-	\$	-	\$ 109,209

There was no other property owned activity during 2020.

#### NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	 2020	2019	2018
Accounts Receivable	\$ 656,405	\$ 622,025	\$ 523,845
Total	\$ 656,405	\$ 622,025	\$ 523,845

Other liabilities comprised the following at December 31:

	2020	2019	 2018
Accumulated Postretirement Benefit Obligation	\$ 4,101,827	\$ 3,793,444	\$ 3,252,487
Insurance Premium Payable	647,043	546,612	507,401
Accounts Payable	17,614	77,687	198,701
Income Taxes Payable	14,713	16,931	12,911
Other	2,509,270	1,527,679	1,274,028
Total	\$ 7,290,467	\$ 5,962,353	\$ 5,245,528

2020

2010

2010

#### NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, 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 total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2020, 2019 and 2018, was \$771,634,780 at 2.07 percent, \$696,921,619 at 2.90 percent and \$623,657,708 at 2.93 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2020, 2019 and 2018, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2020, was \$920,000,000, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2020, 2019 and 2018, the Association was not subject to remedies associated with the covenants in the general financing agreement.

# NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below

The Association maintains an unallocated surplus account. The minimum for this account shall be prescribed by the FCA and FCA regulations. The Association does not have an allocated surplus account. Rather than earnings held therein and allocated to borrowers on a patronage basis, the Association funds 100 percent of any declared patronage through cash.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans), and participation certificates (for farm related business) is equal to 2 percent of the loan amount, up to a maximum amount of \$1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

Association bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plan, provided that prescribed capital standards have been met. At December 31, 2020, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock. All classes of stock are transferable to other customers who are eligible to hold such class as long as the Association meets the regulatory minimum capital requirements.

If needed to meet regulatory capital adequacy requirements, the Board of Directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's Board. At December 31, 2020, 2019 and 2018, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized

on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Patronage distributions may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following patronage distributions were declared and paid in 2020, 2019 and 2018, respectively:

Date Declared	Date Paid	Patronage
December 2020	Anticipated March 2021	\$ 11,600,000
December 2019	March 2020	\$ 7,769,310
December 2018	March 2019	\$ 7,291,486

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past. As of December 31, 2020, the Association is not prohibited from retiring stock or distributing earnings.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2020:

Risk-adjusted:	Regulatory Minimums	Regulatory Minimums with Buffer*	As of December 31, 2020
Common equity tier 1 ratio	4.50%	7.00%	16.12%
Tier 1 capital ratio	6.00%	8.50%	16.12%
Total capital ratio	8.00%	10.50%	16.73%
Permanent capital ratio	7.00%	7.00%	16.21%
Non-risk-adjusted:			
Tier 1 leverage ratio**	4.00%	5.00%	16.86%
UREE leverage ratio	1.50%	1.50%	17.98%

<sup>\*</sup>The new capital requirements have a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. There is no phase-in of the leverage buffer. Amounts shown reflect the full capital conservation buffer.

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes that generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months.
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

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

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

• Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments

<sup>\*\*</sup>Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

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

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

The components of the Association's risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2020:

		Common			
		equity	Tier 1	Total capital	Permanent
(dollars in thousands)		tier 1 ratio	capital ratio	ratio	capital ratio
Numerator:					
Unallocated retained earnings	\$	166,889,571	\$ 166,889,571	\$ 166,889,571	\$ 166,889,571
Common Cooperative Equities:					
Statutory minimum purchased borrower stock		2,864,361	2,864,361	2,864,361	2,864,361
Allowance for loan losses and reserve for credit losses subject to certain limitations'	ķ			5,977,646	
Regulatory Adjustments and Deductions:					
Amount of allocated investments in other System institutions		(13,208,370)	(13,208,370)	(13,208,370)	(13,208,370)
	\$	156,545,562	\$ 156,545,562	\$ 162,523,208	\$ 156,545,562
Denominator:					
Risk-adjusted assets excluding allowance	\$	984,577,567	\$ 984,577,567	\$ 984,577,567	\$ 984,577,567
Regulatory Adjustments and Deductions:					
Regulatory deductions included in total capital		(13,208,370)	(13,208,370)	(13,208,370)	(13,208,370)
Allowance for loan losses		,	, ,		(5,782,379)
	\$	971,369,197	\$ 971,369,197	\$ 971,369,197	\$ 965,586,818

<sup>\*</sup>Capped at 1.25percent of risk-adjusted assets.

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2020:

		Tier 1	J	REE	
(dollars in thousands)	1	everage ratio	leverage ratio		
Numerator:					
Unallocated retained earnings	\$	166,889,571	\$ 1	166,889,571	
Common Cooperative Equities:					
Statutory minimum purchased borrower stock		2,864,361		-	
Regulatory Adjustments and Deductions:					
Amount of allocated investments in other System institutions		(13,208,370)			
	\$	156,545,562	\$ 1	166,889,571	
Denominator:					
Total Assets		944,079,750	9	044,079,750	
Regulatory Adjustments and Deductions:					
Regulatory deductions included in tier 1 capital		(15,846,734)		(15,846,734)	
•	\$	928,233,016	\$ 9	028,233,016	

The Association has a capital adequacy plan (Plan) that includes capital targets necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standard. In addition to factors that must be considered in meeting the minimum standards, the Board considered the following factors in developing the Plan:

- Capability of Management
- Quality of operating policies, procedures and internal controls
- Quality and quantity of earnings
- Asset quality
- Sufficiency of liquid funds
- Needs of the ACA customer base
- Other operating risks

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of \$5 per share:

	2020	2019	2018
Class A stock	547,480	526,421	505,887
Participation certificates	27,132	29,377	30,929
Total	574,612	555,798	536,816

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

Accumulated Other Comprehensive Incom	ne (Loss)								
December 31, 2020	Before Tax Deferred Tax				ed Tax Net of T				
Nonpension postretirement benefits	\$	(1,007,628)	\$	-	\$	(1,007,628)			
December 31, 2019	I	Before Tax	Defe	rred Tax	Net of Tax				
Nonpension postretirement benefits	\$	(872,836)	\$	-	\$	(872,836)			
December 31, 2018	I	Before Tax	Defe	rred Tax	1	Net of Tax			
Nonpension postretirement benefits	\$	(455,516)	\$	-	\$	(455,516)			

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2020	2019	2018
Accumulated other comprehensive income (loss) at January 1	\$ (872,836)	\$(455,516)	\$(1,073,896)
Actuarial gains (losses)	(179,883)	(421,655)	404,853
Prior service (cost) credit	-	-	174,111
Amortization of prior service (credit) costs included			
in salaries and employee benefits	(30,175)	(30,175)	(38,255)
Amortization of actuarial (gain) loss included			
in salaries and employee benefits	 75,266	34,510	77,671
Other comprehensive income (loss), net of tax	(134,792)	(417,320)	618,380
Accumulated other comprehensive income at December 31	\$ (1,007,628)	\$(872,836)	\$ (455,516)

#### **NOTE 10 — INCOME TAXES:**

The provision for (benefit from) income taxes follows for the years ended December 31:

	2020		2019	 2018
Current:				
Federal	\$		\$ 	\$ 
Total current			 -	 
Deferred:				
Federal		(2,218)	4,020	824
Total deferred		(2,218)	4,020	824
Total provision for (benefit from) income taxes	\$	(2,218)	\$ 4,020	\$ 824

The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	 2020	2019	2018
Federal tax at statutory rate	\$ 3,424,811	\$ 2,951,517	\$ 2,810,318
Effect of nontaxable FLCA subsidiary	(3,296,737)	(2,820,284)	(2,776,926)
Change in valuation allowance	1,126	14,708	(9,951)
Other	 (131,418)	(141,921)	(22,617)
Provision for (benefit from) income taxes	\$ (2,218)	\$ 4,020	\$ 824

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	<b>2020</b> 2019		2018	
<u>Deferred Tax Assets</u>				
Allowance for loan losses	\$ 68,587	\$	67,670	\$ 53,144
Annual leave	20,015		19,116	18,244
Loss carryforwards	287,620		287,620	287,620
Other	 2,760		3,450	4,140
Gross deferred tax assets	378,982		377,856	363,148
Deferred tax asset valuation allowance	 (378,982)		(377,856)	 (363,148)
Deferred Tax Liabilities				
Other	(14,713)		(16,931)	(12,911)
Gross deferred tax liabilities	 (14,713)		(16,931)	 (12,911)
Net deferred tax asset (liability)	\$ (14,713)	\$	(16,931)	\$ (12,911)

The Association recorded valuation allowances of \$378,982, \$377,856 and \$363,148 during 2020, 2019 and 2018, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association has a net operating loss carryforward of \$1,369,622 available to offset against future taxable income of which \$263,868 will expire in 2033, \$571,895 will expire in 2034, and \$533,859 will expire in 2035.

# NOTE 11 — EMPLOYEE BENEFIT PLANS:

**Employee Retirement Plans:** Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the district's

DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in Elective Deferrals. 2019 was the first year that an eligible employee participated in the nonqualified supplemental 401 (k) plan. Contributions of \$0 and \$12,000 were made to this plan for the years ended December 31, 2020 and 2019. There were no payments made from the supplemental 401(k) plan to active employees during 2020, 2019 and 2018.

The DB plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2020.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of association contribution to total plan contributions for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Funded status of plan	62.6 %	66.2 %	68.0 %
Association's contribution	\$ 245,561	\$ 372,504	\$ 331,236
Percentage of association's			
contribution to total contributions	4.1 %	4.6 %	3.4 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 64.3 percent, 68.0 percent and 70.1 percent at December 31, 2020, 2019 and 2018, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

# **Retiree Welfare Benefit Plans**

Disclosure Information Related to Retirement Benefits		2020		2019		2018
Change in Accumulated Postretirement Benefit Obligation						
Accumulated postretirement benefit obligation, beginning of year	\$	3,800,206	\$	3,252,487	\$	3,697,450
Service cost		76,419		57,992		78,544
Interest cost		129,525		151,867		145,865
Plan participants' contributions		21,270		33,024		43,692
Plan amendments		-		-		(174,111)
Special termination benefits		-		-		-
Actuarial loss (gain)		179,883		421,655		(404,853)
Benefits paid	_	(102,476)	_	(116,819)	_	(134,100)
Accumulated postretirement benefit obligation, end of year	\$	4,104,827	\$	3,800,206	\$	3,252,487
Change in Plan Assets						
Plan assets at fair value, beginning of year	\$	-	\$	-	\$	-
Actual return on plan assets		-		-		-
Company contributions		81,206		83,795		90,408
Plan participants' contributions		21,270		33,024		43,692
Benefits paid	_	(102,476)		(116,819)	_	(134,100)
Plan assets at fair value, end of year	\$	-	\$	-	\$	-
Funded status of the plan	\$	(4,104,827)	\$	(3,800,206)	\$	(3,252,487)
Amounts Recognized on the Balance Sheets						
Current liabilities	\$	(89,396)	\$	(3,793,444)	\$	(3,252,487)
Noncurrent Liabilities		(4,012,431)		-		_
Net Asset/(Liability) at End of Year	\$	(4,101,827)	\$	(3,793,444)	\$	(3,252,487)
Amounts Recognized in Accumulated Other Comprehensive Income	•		Φ	1.016.770	Φ	(20, (27
Net actuarial loss (gain)	\$	-	\$	1,016,772	\$	629,627
Prior service cost (credit)		(113,761)		(143,936)		(174,111)
Net transition obligation (asset)	_	1,121,389	_		_	
Total	\$	1,007,628	\$	872,836	\$	455,516
Weighted-Average Assumptions Used to Determine Obligations at Yea	r En					
Measurement date		12/31/2020		12/31/2019		12/31/2018
Discount rate		2.80%		3.45%		4.75%
Interest crediting rate				C 0 0 0 / / C 1 0 0 1	-	7.00/// 000/
Health care cost trend rate assumed for next year (pre-/post-65) - medical	(	6.90%/6.40%		6.90%/6.40%		7.30%/6.90%
Health care cost trend rate assumed for next year - Rx		0.00%		0.00%		0.00%
Ultimate health care cost trend rate		4.50%		4.50%		4.50%
Year that the rate reaches the ultimate trend rate		2029		2029		2027

Total Cost	2020		2019			2018
Service cost	\$	73,419	\$	57,992	\$	78,544
Interest cost		129,525		151,867		145,865
Expected return on plan assets		_		-		-
Amortization of:						
Unrecognized net transition obligation (asset)		-		-		-
Unrecognized prior service cost		(30,175)		(30,175)		(38,255)
Unrecognized net loss (gain)		75,266		34,510		77,671
Net postretirement benefit cost	\$	248,035	\$	214,194	\$	263,825
Accounting for settlements/curtailments/special termination benefits	\$	-	\$	-	\$	-
Other Changes in Plan Assets and Projected Benefit Obligation						
Recognized in Other Comprehensive Income						
Net actuarial loss (gain)	\$	179,883	\$	421,655	\$	(404,853)
Amortization of net actuarial loss (gain)		(75,266)		-		(77,671)
Prior service cost (credit)		-		30,175		(174,111)
Amortization of prior service cost		30,175		(34,510)		38,255
Recognition of prior service cost		-		-		-
Amortization of transition liability (asset)				_		
Total recognized in other comprehensive income	\$	134,792	\$	417,320	\$	(618,380)
AOCI Amounts Expected to be Amortized Into Expense in 2021						
Unrecognized net transition obligation (asset)	\$	-	\$	-	\$	-
Unrecognized prior service cost		(30,175)		(30,175)		(30,175)
Unrecognized net loss (gain)		91,188	_	75,266		34,510
Total	\$	61,013	\$	45,091	\$	4,335
Weighted-Average Assumptions Used to Determine Benefit Cost						
Measurement date		12/31/2019		12/31/2018		12/31/2017
Discount rate		3.45%		4.75%		4.00%
Interest crediting rate						
Health care cost trend rate assumed for next year (pre-/post-65) - medical	6.9	0%/6.40%		7.30%/6.90%		7.70%/6.90%
Health care cost trend rate assumed for next year - Rx		0.00%		0.00%		0.00%
Ultimate health care cost trend rate		4.50%		4.50%		4.50%
Year that the rate reaches the ultimate trend rate		2029		2027		2026
Expected Future Cash Flows						
Expected Benefit Payments (net of employee contributions)						
Fiscal 2021	\$	89,396	\$	96,023	\$	116,121
Fiscal 2022		105,615		112,308		134,929
Fiscal 2023		116,084		112,593		146,053
Fiscal 2024		107,197		112,042		-
Fiscal 2025		127,104		-		-
Fiscal 2026–2030		825,441		790,375		843,497
Expected Contributions	Φ.	00.205	e e		¢.	
Fiscal 2021	\$	89,396	\$	-	\$	-

#### NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2020, 2019 and 2018 for the Association amounted to \$32,886,238, \$35,536,364 and \$29,200,126. During 2020, \$6,362,806 in new loans were made, and repayments totaled \$11,097,213. In the opinion of management, no such loans outstanding at December 31, 2020, involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the Associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. The operational support expenses totaled \$72,625, \$65,297 and \$75,222 in 2020, 2019 and 2018, respectively. FCSIC expense totaled \$647,043, \$546,612, and \$507,401 in 2020, 2019 and 2018, respectively.

The Association received patronage payments from the Bank totaling \$4,734,770, \$3,584,113 and \$3,098,918 during 2020, 2019 and 2018, respectively.

#### **NOTE 13 — FAIR VALUE MEASUREMENTS:**

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 for each of the fair value hierarchy values are summarized below:

December 31, 2020	Fair Valu	Total Fair		
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	\$ 14,349			\$ 14,349
Total assets	\$ 14,349	<u> </u>	<u> </u>	\$ 14,349
December 31, 2019	Fair Valu	e Measuremen	t Using	Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	\$ 12,673			\$ 12,673
Total assets	\$ 12,673	\$ -	\$ -	\$ 12,673

There were no assets held in nonqualified benefit trusts for the year ended December 31, 2018.

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

December 31, 2020	Fair Value Measurement Using								
	Level 1		Level 2		Level 3	Value			
Assets:									
Loans	\$	-	\$	-	\$ 161,010	\$ 161,010			
December 31, 2019	Fair Value Measurement Using				Total Fair				
	Level 1		Level 2		Level 3	Value			
Assets:									
Loans	\$	-	\$	-	\$ 847,800	\$ 847,800			
December 31, 2018		Fair Va	lue Mea	sureme	ent Using	Total Fair			
	Lev	vel 1	Leve	el 2	Level 3	Value			
Assets:									
Loans	\$	-	\$	-	\$ 500,581	\$ 500,581			

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

			December 31, 2	2020	
		Fair	Value Measuren	nent Using	
	Total Carrying				_
	Amount	Level 1	Level 2	Level 3	<b>Total Fair Value</b>
Assets:					
Cash	\$ 99,133	\$ 99,133	\$ -	\$ -	\$ 99,133
Net loans	922,794,032	<u> </u>		935,186,804	935,186,804
Total Assets	\$ 922,893,165	\$ 99,133	<u> </u>	\$ 935,186,804	\$ 935,285,937
Liabilities:					
Note payable to bank	\$ 771,634,780	\$ -	\$ -	\$ 781,928,610	\$ 781,928,610
Total Liabilities	\$ 771,634,780	\$ -	\$ -	\$ 781,928,610	\$ 781,928,610
			December 31,	2019	
		Fair	Value Measurer		
	Total Carrying				
	Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 35,760	\$ 35,760	\$ -	\$ -	\$ 35,760
Net loans	838,534,204	-	-	839,702,946	839,702,946
Total Assets	\$ 838,569,964	\$ 35,760	\$ -	\$ 839,702,946	\$ 839,738,706
T 1 1 11/21					
Liabilities:					
Note payable to			_		
bank	\$ 696,921,619	\$ -	\$ -	\$ 697,886,862	\$ 697,886,862
Total Liabilities	\$ 696,921,619	\$ -	\$ -	\$ 697,886,862	\$ 697,886,862

# December 31, 2018 Fair Value Measurement Using

Assets:	Total Carrying Amount				Lev	vel 2	Level 3	Total Fair Value		
Cash	\$	303,047	\$	303,047	\$	-	\$ -	\$	303,047	
Net loans		760,630,183		-		-	704,633,484		704,633,484	
Total Assets	\$	760,933,230	\$	303,047	\$	-	\$ 704,633,484	\$	704,936,531	
Liabilities:										
Note payable to										
bank	\$	623,657,708	\$	-	\$		\$ 607,373,333	\$	607,373,333	
Total Liabilities	\$	623,657,708	\$	-	\$	-	\$ 607,373,333	\$	607,373,333	

### **Valuation Techniques**

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

#### 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 impairment guidance, the fair value is based upon the underlying collateral because 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.

## 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 other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

# Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and the Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. The assumption implies that the earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair value would be indicative of the value negotiated in an actual sale.

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	<u>Input</u>
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

#### NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary 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.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2020, \$102,505,315 of commitments and \$3,372,498 commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

# NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

					2020			
	First		Second		Third	]	Fourth	Total
Net interest income	\$	5,893	\$	5,897	\$ 6,231	\$	6,179	\$ 24,200
(Provision for) reversal of loan losses		(190)		(108)	(138)		(588)	(1,024)
Noninterest income (expense), net		(1,896)		(1,757)	(1,406)		(1,806)	(6,865)
Net income	\$	3,807	\$	4,032	\$ 4,687	\$	3,785	\$ 16,311
					2019			
		First	S	Second	Third		Fourth	Total
Net interest income	\$	5,614	\$	5,618	\$ 5,752	\$	5,805	\$ 22,789
(Provision for) reversal of loan losses		86		28	(93)		(46)	(25)
Noninterest income (expense), net		(2,115)		(2,222)	(2,285)		(2,091)	(8,713)
Net income	\$	3,585	\$	3,424	\$ 3,374	\$	3,668	\$ 14,051
					2018			
		First	S	Second	Third	]	Fourth	Total
Net interest income	\$	5,355	\$	5,379	\$ 5,403	\$	5,430	\$ 21,567
(Provision for) reversal of loan losses		(1)		65	40		105	209
Noninterest income (expense), net		(1,649)		(2,282)	(2,183)		(2,280)	(8,394)
Net income	\$	3,705	\$	3,162	\$ 3,260	\$	3,255	\$ 13,382

# NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 12, 2021, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

#### DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

#### **DESCRIPTION OF BUSINESS**

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

#### DESCRIPTION OF PROPERTY

The Louisiana Land Bank, ACA (Association) serves its 64-parish territory through its main administrative and lending office at 2413 Tower Drive, Monroe, Louisiana, 71201. Additionally, there are 10 branch lending offices located throughout the territory. The Association owns the office buildings in Hammond, Monroe, Opelousas, Shreveport, Tallulah, Winnsboro and Alexandria, free of debt. The Association leases the office buildings in Arcadia, Crowley, Monroe, and Port Allen, Louisiana. The Association owns the Monroe administrative and branch buildings but leases additional office space in Monroe for operational support employees.

The Association organized Louisiana White Energy, LLC and Louisiana ASA, LLC for the purpose of managing complex, out-of-state adverse credit relationships. These entities have no assets as of the date of this report and management believes that the business of these LLC's has concluded.

#### LEGAL PROCEEDINGS

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

## DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

#### **DESCRIPTION OF LIABILITIES**

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

# RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Bank, as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

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 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing fcb@farmcreditbank.com. The annual and quarterly stockholder reports 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 will be available approximately 40 days after quarter end and can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana, 71201 or calling 318-387-7535. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing <code>debbie.bond@louisianalandbank.com</code>. The Association's annual stockholder report is available on its website at <code>www.louisianalandbank.com</code> 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

#### SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2020, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

#### DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

		DATE	
NABATE	DOCUTION	ELECTED/	TERM
NAME	POSITION	<b>EMPLOYED</b>	<b>EXPIRES</b>
James Mark Morgan	Chairman & Stockholder Elected Director	2011	2023
Cullen M. Kovac	Vice Chairman & Stockholder Elected Director	2011	2021
Donald Berken	Stockholder Elected Director	2015	2021
Henry Capdeboscq, Jr.	Stockholder Elected Director	2008	2023
John F. Earles	Stockholder Elected Director	2010	2022
Gertrude Hawkins	Stockholder Elected Director	2002	2023
Cecelia A. Hoyt	Board Appointed Director	2013	2022
William B. Guthrie	Stockholder Elected Director	2019	2022
Edward W. Patrick, Jr.	Stockholder Elected Director	1994	2021
Robert James "Bobby" Soileau, Ph.D.	Board Appointed Director	2015	2021
John L. Van Mol, Jr.	Stockholder Elected Director	2019	2022
F. Stephen Austin	CEO	2011	
Christopher E. Bentley	CFO	2008	
Brian D. Turner	CCO	2012	
David A. Ogletree	Senior VP of Lending & Field Operations	1990	
Robert Wes Lowe	Chief Appraisal Officer	2012	

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

James Mark Morgan is the founding/managing partner of Louisiana Timber Partners, LLC, a timber land investment organization, and has been for the last 17 years. Mr. Morgan is also the managing partner of Morgan Brothers Land Co. LLC, Morgan Land and Timber, LLC and Morgan Timber Partners, LLC, all family-owned land and timber investment companies. He is also the manager of three farming operations located in Natchitoches Parish, La. They are Bayou Camitte Lands, LLC, Oaklawn Chico, LLC and Melrose Plantation, LLC. Mr. Morgan has been Louisiana Land Bank's Board Chairman for the past seven years. He is a lifetime member of both the Louisiana Forestry Association and the Texas Forestry Association, where he has previously served on the board. He serves on the board for the Shreveport/Bossier Military Affairs Council. He also serves as a deacon and trustee at Cross Point Baptist Church in Bossier City, Louisiana.

Cullen M. Kovac has been a co-owner/operator in Kovac Cattle, Inc., a cow-calf and stocker operation, for the last 12 years. Mr. Kovac is a partner in Kovac Land, LLC, which is an agricultural land buying and holding corporation. Mr. Kovac is vice president of the Fiske Union Water System and the West Carroll Parish Farm Bureau. He serves as a director of the West Carroll Soil and Water Conservation District Board and the West Carroll Parish School Board. Mr. Kovac is a member of Beulah Baptist Church and also is a Gideon. Mr. Kovac and his wife, Sarah, have three children.

**Donald Berken** is a self-employed rice farmer. He has been farming for the last 48 years. Mr. Berken is vice president of the Berken Estate, Inc., president of DCB Interests, Inc., and Berken Farms, Inc. Mr. Berken serves on the boards of Jeff Davis Farm Bureau, La. Rice Council, and La. Agricultural Commodities Commission. Mr. Berken also serves on the Regulatory Affairs and Food Safety, Communications and PAC committees of the USA Rice Federation. Mr. Berken also serves as chairman of the La. Farm Bureau Rice Advisory Committee, which is a member of the La. Rice Producers Group.

Henry A. Capdeboscq, Jr. has been a self-employed dairy and beef cattle operator for the last 39 years. Mr. Capdeboscq is also owner of Capdeboscq Farm Trucking, LLC and Capdeboscq Farm Hauling, LLC. Mr. Capdeboscq serves on the board of the Tangipahoa Parish Cattlemen's Association and is a board member on the Louisiana Brand Commission. Mr. Capdeboscq is also a member of the Tangipahoa Parish Farm Bureau, Tangipahoa Parish Forestry Association and Louisiana Cattlemen's Association.

**John F. Earles** is co-owner/operator of Triple E Farms and Townsend Brothers Farms. He operates 11,000 acres that consists of soybeans, cattle, rice, crawfish and sugarcane. Mr. Earles is also co-owner of Triple E Land Grading and development company, Cenla Fuels, LLC, Bunkie Flying Service Inc, Tri-Rock Aggregates, Express Car Wash and Gold Dust Investment Co. He serves on the Louisiana Rice Research Board, and the board of district six Kisatchie-Delta Regional Planning and Development District, which is an eight-parish district serving Avoyelles, Rapides, Concordia, Catahoula, Vernon, LaSalle, Grant and Winn Parishes. He is a member of the Farm Bureau and Cajun Sugar II Coop. He is currently serving as Vice President on Avoyelles Parish Police Jury.

William Benjamin "Ben" Guthrie is the General Manager/Secretary-Treasurer for Panola Company, LTD and the Managing Partner for Balmoral Farming Partnership and Island Farming Partnership, farming and land-holding partnerships that produce corn, cotton, soybeans and cattle on 15,000 acres in the Louisiana delta. He currently serves on the boards of Panola Company, LTD, the Louisiana Boll Weevil Eradication Commission and the LAC-Self Insured Fund. He is a member of the National Cotton Council, Past President of the Louisiana Cotton and Grain Association, Past Chairman of the Cotton Foundation, and the Cotton Committee Chairman for the Louisiana Farm Bureau. Mr. Guthrie is a graduate of Louisiana State University and completed the LSU Ag Leadership Program.

Gertrude Hawkins is a partner of GNL Farm LLC and GNG Farm Partnership. She farms cotton, corn, soybeans, sugarcane and wheat with her brother. She retired in October 2019 after being employed as a research associate for the last 27 years by the LSU AgCenter Sugar Research Station. She manages the Edgar LaCour Land Company, LLC, which is a family-owned business consisting of timber and row crops. Mrs. Hawkins also manages LaCour & Blake, LLC and Blue Lake Farms, LLC, She is a board member of the Pointe Coupee Parish Farm Bureau, Edgar LaCour Land Company, LLC, LaCour & Blake, LLC, Blue Lake Farms, LLC and Bessie Land Company. Mrs. Hawkins is also the president of Schwab Farms, Inc., and secretary for Bouanchaud Farms, Inc., Gilmer Farms, Inc., and G&M Farms, Inc. Mrs. Hawkins serves as a member of American Sugar Cane League, Louisiana Sugar Growers, American Society of Sugar Cane Technologists and Tri Parish Gin. She serves on the Sugarcane Variety development committee.

Cecelia A. Hoyt is a Certified Public Accountant with over 40 years of broad accounting and business experience. Mrs. Hoyt is currently practicing part time and is also the chief financial officer for Hoyt, Stanford & Wynne, LLC, a law firm located in Lafayette, Louisiana. Mrs. Hoyt earned a B.S. degree in biology from The State University of New York at Buffalo and a B.S. degree in accounting from Canisius College. Mrs. Hoyt is presently working on a Master's degree in psychology online through Yale University. Mrs. Hoyt is a member of the American Institute of Certified Public Accountants and the Louisiana Society of CPAs. Mrs. Hoyt has served on several nonprofit boards and is also a gardener, bridge player and watercolor artist.

**Edward W. Patrick, Jr.** has been a self-employed farmer of cotton, rice, corn and soybeans for the last 45 years. Mr. Patrick is co-owner and operator of Joe's Bayou Gin. Mr. Patrick serves as secretary/treasurer of Joe's Bayou Farm Supply and Joe's Bayou Gin. Mr. Patrick serves as board president of PP&E Corporation and Pop Pat, Inc. PP&E Corporation and Pop Pat, Inc. are both farming entities. Mr. Patrick is a director on the East Carroll Farm Bureau Board.

**Robert James "Bobby" Soileau** directs the leadership programs for the Louisiana State University Agricultural Center. He helps people in production agriculture, agribusiness and education become better spokespeople for Louisiana agriculture. He also works with the Agricultural Leaders of Louisiana and serves as treasurer for the Louisiana County Agricultural Agents Association.

John L. Van Mol, Jr. is a life-long resident of Alexandria, Louisiana, in Rapides Parish. He is an owner and managing partner of Leverton Farms, LLC, a 3,000-acre operation producing 950 acres of sugar cane, 400 acres of corn and 1,650 acres of soybeans in central Louisiana. He has farmed for 36 years, and farming has been his principal occupation for the last five years. He also serves on the board of managers of Lagniappe Cotton Gin in Hamburg, Louisiana, and he is currently serving his second elected term as chairman of the USDA Farm Services Agency County Committee and Advisory Board for Rapides Parish. He has previously served the Louisiana Farm Bureau and Rapides Parish Farm Bureau. Mr. Van Mol graduated from St. Stanislaus High School and Louisiana Tech with a degree in Agribusiness. Mr. Van Mol serves as Board director for Central Cane Producers, Inc. (LASUCA)

**F. Stephen Austin** serves as the **Chief Executive Officer** for Louisiana Land Bank, ACA. Mr. Austin joined the Association in 2011 as chief credit officer and was promoted to CEO in 2013. Mr. Austin earned a B.S. degree in Agriculture with a minor in Marketing from Southeast Missouri State University. He also completed the Graduate School of Banking at Louisiana State University. His work experience includes over 33 years in lending and branch manager positions with the Farm Credit System entities in Illinois and Missouri. Prior to his tenure with the Association, he served for over eight years as the senior lender of a regional five-bank holding company in southeast Missouri.

Christopher E. Bentley, Chief Financial Officer, joined the Association in July 2008 and was promoted to CFO during 2012. He is a graduate of Louisiana Tech University with a Bachelor of Science degree in finance. Mr. Bentley has previously served as senior accountant, controller, and director of compliance, controls and risk management for the Association. Mr. Bentley serves as chairman of the Association's Asset/Liability Committee. Mr. Bentley is a member of the district's ICFR Steering Committee. Prior to his employment with the Association, Mr. Bentley worked with a Fortune 500 telecommunications company in the Subsidiary Accounting group and with a Fortune 500 commercial bank in various functions including analyst and portfolio manager.

**Brian D. Turner, Chief Credit Officer,** joined the Association in January 2012 as director of compliance, controls and risk and was promoted to chief credit officer during 2013. Prior to joining the Association, Mr. Turner had been employed in commercial banking for 17 years with experience in credit analysis, commercial lending, and risk management. He received a B.A. degree in Legal Studies from the University of Louisiana at Monroe and an M.B.A. in Finance from Louisiana Tech. He has completed the Graduate School of Banking at Louisiana State University. Mr. Turner also serves as chairman of the Association's Loan Committee.

**David A. Ogletree** has been with the Association since 1988 and currently serves as **Senior Vice-President of Lending and Field Operations.** He has B.S. degrees in Animal Science and Agricultural Business from Louisiana Tech University and completed the Graduate School of Banking at Louisiana State University. Mr. Ogletree also serves as chairman on the board of the Ark-La-Tex Agricultural Council, which is a nonprofit organization that promotes agriculture in the state of Louisiana.

Robert "Wes" Lowe, Chief Appraisal Officer, joined the Association as senior appraiser in July 2012. Prior to that, Mr. Lowe worked as a review appraiser for the U.S. Corps of Engineers in the New Orleans and Vicksburg Districts. He also worked as an independent fee appraiser and real estate broker in northeast Louisiana and southeast Arkansas for over 24 years specializing in agricultural and recreational properties. Mr. Lowe received a B.S. degree in Construction Management from the University of Louisiana at Monroe and is an accredited ARA member of the American Society of Farm Managers and Rural Appraisers.

# **COMPENSATION OF DIRECTORS**

Directors were compensated for their service to the Association in the form of an honorarium. The Chairman of the Board received a monthly retainer of \$2,700 in lieu of any other payment for Board or committee meeting attendance and received the same compensation as any other director for training days, attending the FCBT annual meeting, attending national meetings or special assignments. The Vice Chairman received a monthly retainer of \$1,250, and all other directors received a monthly retainer of \$1,000. Mileage for attending official meetings during 2020 was paid at the IRS-approved rate of 57.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

Directors, other than the Chairman of the Board, received \$850 for attending each Board meeting, with no additional compensation for attending committee meetings on the same day of the Board meeting being paid. The compensation or honorarium for attending external training sessions, attending District or national Farm Credit meetings, attending a committee meeting on a non-board meeting day, or undertaking special assignments as directed by the Chairman of the Board will be \$500 per day. Committee chairs except for the Audit Committee chair received an additional \$150 for organizing, attending and presiding at committee meetings, whether on the same day as the Board meeting or on a different day. The Audit Committee Chair will receive an additional \$500 per Audit Committee meeting. Conference call with the exception of the Chairman of the Board will be \$150.

# Number of Days Served Associated With

Director	Board Meetings	Other Official Activities	Total Compensation in 2020
James Mark Morgan	12	21	\$ 32,400
Cullen M. Kovac	12	8	26,850
Donald Berken	12	8	22,800
Henry Capdeboscq, Jr.	12	12	23,250
John F. Earles	12	9	22,950
William B. Guthrie	12	19	23,550
Gertrude Hawkins	12	19	23,550
Cecelia A. Hoyt	12	18	30,000
Edward W. Patrick, Jr.	12	16	23,400
Robert James "Bobby" Soileau, Ph.D.	11	8	23,000
John L. Van Mol, Jr.	12	6	22,650
			\$ 274,400

The aggregate compensation paid to directors in 2020, 2019 and 2018 was \$274,400, \$294,900 and \$299,000, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2020:

Committee										
Director		Audit	Co	mpensation	(	Governance		Other Official Activities		
Cullen M. Kovac	\$	-	\$	-	\$	1,200	\$	450		
Donald Berken		-		150		-		450		
Henry Capdeboscq, Jr.		300		300		300		450		
John F. Earles		-		-		-		450		
Gertrude Hawkins		900		-		-		450		
Cecelia A. Hoyt		7,050		-		-		750		
William B. Guthrie		900		150		-		450		
Edward W. Patrick, Jr.		600		1,350		-		450		
Robert James "Bobby" Soileau, Ph.D		-		-		-		300		
John L. Van Mol, Jr.		=	_	-		150		300		
	\$	9,750	\$	1,950	\$	1,650	\$	4,500		

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$20,469, \$62,132 and \$65,420 in 2020, 2019 and 2018, respectively.

# **COMPENSATION OF SENIOR OFFICERS**

## Compensation Discussion and Analysis - Senior Officers

Fair and uniform salary administration is important and an integral part of the success of Louisiana Land Bank, ACA. The Board, through its Compensation Committee (Committee), has pursued a Salary Administration Plan for the Association that includes the specific objectives as listed below:

- To attract, retain and motivate all personnel needed for the Association to achieve its strategic goals and project plans;
- To ensure fair and equitable compensation opportunities for those who hold positions of comparable responsibility and importance to the Association;
- To meet legal requirements in all compensation practices;
- To provide objective methods for measuring the relative value of jobs within the Association;
- To encourage the highest possible degree of employee performance, motivation and overall contribution to the Association;
- To provide for recognition of and reward for differences in individual ability and performance;

- To establish and maintain salaries and grade ranges which position the Association to be competitive in the marketplace;
- To establish procedures that will provide for the fair and consistent monitoring of the salary administration system and application of salary practices within our organization.

The Committee establishes the overall compensation structure and executive compensation philosophy and principles of the Association in order to ensure competitive compensation programs and retention of key management and staff talent. The Committee annually reviews the Salary Administration Plan that addresses merit increases, salary adjustments, incentive plans, bonuses and employee benefits and approves these programs for senior officers and employees. Market salary data is derived from an independent third-party vendor through the Bank that is utilized to ensure that proper compensation structures are in line with market-comparable positions with similarly situated financial institutions. The study provides the basis for actions by the Committee to review, recommend and present to the Board plans for final approval. The Committee makes recommendations to the Board with regard to base salary, incentive and/or bonus payments and other compensation for the CEO and also approves the overall compensation program for senior officers. The Association's compensation program encompasses four primary elements: (1) base salary, (2) discretionary and/or incentive bonus compensation, (3) Association-paid retirement benefits and (4) secondary benefits such as annual leave, Association-paid life insurance and Association-provided vehicles.

Certain employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the Pension Plan), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave that may be paid in cash at the time of termination, retirement or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average of monthly eligible compensation after 1996 (FAC60). The Pension Plan's benefit formula for a normal retirement pension is the sum of (a) 1.65 percent of FAC60 times Years of Benefit Service and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) Years of Benefit Service (not to exceed 35).

# Chief Executive Officer (CEO) Compensation Policy

# **Summary Compensation Table**

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2020, 2019 and 2018. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	S	alary (b)	В	onus (c)	C	Change in Pension Value (d)		Deferred/ rquisite (e)	0	ther (f)		Total
F. Stephen Austin CEO	2020	\$	225 000	\$	02 221	<b>C</b>		\$	22.561	<b>C</b>		<u> </u>	420 002
CEO	2020	Þ	<b>325,000</b> 315,000	Э	<b>82,321</b> 68,240	Э	-	Þ	<b>32,561</b> 30,206	\$	<u>-</u> -	Þ	<b>439,882</b> 413,446
	2018		300,000		67,750		-		29,421		-		397,171
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)													
5	2020	\$	964,989	\$	258,461	\$	433,570	\$	115,881	\$	-	\$1	,772,901
5	2019		937,184		176,159		457,749		114,731		-		1,685,823
5	2018		880,089		211,326		28,407		111,672		-		1,231,494

- (a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
- (b) Gross salary, including retention plan compensation for certain senior officers.
- (c) Bonuses paid within the first 30 days of the subsequent calendar year.
- (d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.

- (e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
- (f) Amounts in the "Other" column include annual leave and /or severance pay at time of retirement, resignation, or termination.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer and/or highly compensated employee included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Salary is the base salary compensation earned and paid during the respective year. Incentive compensation is earned and accrued in the current year, pursuant to the Association's Incentive Compensation Plan. Over and above base salary, incentive compensation is available to all full-time, permanent employees, based upon the achievement of predetermined performance goals. The Association's Incentive Compensation Plan and total incentive compensation dollars are approved and recommended annually by the Committee to the full Board for final approval.

The incentive plan is a metric-based plan that measures Association key result areas including specific Association target checks. The CEO, senior officers and employees are covered by the same plan approved by the Committee and the Board. The plan allocates potential incentive pay of a percentage of salary based on performance. Key result areas include loan volume growth, loans closed volume, credit administration, past due percentages, interest rate spread, and fees collected on loans closed. The weighting of these areas is consistent with Association business goals as approved by the Board. In addition, targets are incorporated into the plan so that if the Association does not perform as required, then no incentive compensation is allocated to individuals. The target checks include minimum and zero compensation measurement of Association credit quality and earnings to derive a final incentive payout. Payment of incentive compensation is paid on a lump sum basis after the Committee recommends and the Board approves the final payouts.

The plan contains a maximum funding ceiling capped at a Board-approved percentage (35 percent) of the combined base salaries of the administrative and branch employees. The plan is focused on helping the Association fulfill its charter to serve the borrowers' needs of the agribusiness community of Louisiana.

Deferred and perquisite compensation includes retirement plan activity, which is contributions to 401(k) plans, defined benefit plans, premiums paid for life, accidental, death and dismemberment, business travel, and long-term disability insurance. Other compensation includes any severance pay and/or accrued annual leave paid at termination. Group term life insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to \$1 million. To the extent that the value of this life insurance exceeds \$50,000, an amount is added to each respective employees's taxable earnings using the IRS-approved calculations. Accidental, death and dismemberment insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to \$1 million. Business travel accident insurance is provided to all eligible employees in an amount equal to five times the employees' base salary, up to \$2 million. Long-term disability insurance is provided to all eligible employees with a benefit amount equal to two-thirds of the employees' monthly base salary, up to \$15,000 per month. Amounts relating to life, AD&D, business travel and LTD insurance are included in "Deferred/Perquisite" in the table of CEO/Top 5 Compensation.

Employees' assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2020 at the IRS-approved rate of 57.5 cents per mile.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel procedures is available to shareholders upon request.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2020, 2019 or 2018.

Disclosure of the compensation paid during 2020 to any senior officer or officer included in the table is available and will be disclosed to stockholders of the Association upon written request.

#### **Pension Benefits Table**

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to Senior Officers for the year ended December 31, 2020:

Pension Benefits Table:

Name	Plan Name	Number of Years Credited Service	esent Value Accumulated Benefit	Paymer During 2	
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)					
1	Farm Credit Bank of Texas Pension Plan	39	\$ 2,967,173	\$	-

#### **Pension Benefits Table Narrative Disclosure**

Certain senior officers and other highly compensated employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

# Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

Employees assigned association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2020 at the IRS-approved rate of 57.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2020, 2019 and 2018.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting association business. A copy of the Association's travel policy is available to shareholders upon request.

# TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

#### DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2014, or any time during the fiscal year just ended.

#### RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in the relationship with the independent auditor during 2020. The fees for professional services rendered for the Association by PricewaterhouseCoopers, LLP during 2020 were \$95,666 for audit and \$900 for other non-audit services that were approved by the Audit Committee.

#### RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has formed unincorporated business entities for the purpose of acquiring and managing unusual or complex collateral associated with loans. Each of the entities is a single-member limited liability company (LLC), with the Association being the sole member. Louisiana White Energy, LLC and Louisiana ASA, LLC were organized for the purpose of holding and managing foreclosed properties.

#### FINANCIAL STATEMENTS

The financial statements, together with the report thereon of Pricewaterhouse Coopers, LLC dated March 12, 2021, and the report of management in this annual report to stockholders, are incorporated herein by reference.

#### MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

# CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of young, beginning and small farmers (YBS) and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of the YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standard possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets annual goals and monitors its YBS performance on a regular basis. These results are also compared with the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young", "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of loan date.
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date.
- Small: Less than \$250,000 in annual gross sales of agricultural products.

The 2012 USDA Census of Agriculture for Louisiana indicates that 5.29 percent of the total number of Louisiana farmers were classified as Young, 25.25 percent were classified as Beginning, and 91.24 percent were classified as Small.

Goals for YBS lending, as a percentage of the total loan portfolio, and strategic performance levels are established as follows:

(The following percentages are cumulative in volume and categories are inclusive)

Overall	11/30/20	0 – Actual	Goals									
Portfolio			1	2021	20	022	2023					
	%	%	%	%	%	%	%	%				
	Loans	Volume	Loans	Volume	Loans	Volume	Loans	Volume				
Young	22.38	13.23	22.40	13.25	22.45	13.30	22.50	13.35				
Beginning	55.34	51.14	55.35	51.15	55.40	51.20	55.45	51.25				
Small	76.10	62.04	76.15	62.05	76.20	62.10	76.25	62.15				

Goals for YBS lending, as a percentage of the annual new business activity for the year, are established as follows:

(The following percentages are cumulative in volume and categories are inclusive)

New Loans	11/30/20	– Actual	Goals									
			2021		20	22	2023					
	%	%	%	%	%	%	%	%				
	Loans	Volume	Loans	Volume	Loans	Volume	Loans	Volume				
Young	21.44	13.44	21.45	13.45	21.50	13.50	21.55	13.55				
Beginning	48.78	47.08	48.80	47.10	48.85	47.15	48.90	47.20				
Small	74.71	69.69	74.75	69.70	74.80	69.75	74.85	69.80				