LOUISIANA LAND BANK, ACA

FINANCIAL REPORT

For the Quarter and Six Months Ended
June 30, 2021

REPORT OF MANAGEMENT

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

F. Stephen Austin, Chief Executive Officer

August 3, 2021

James Mark Morgan, Chairman, Board of Directors

August 3, 2021

Christopher E. Bentley, Chief Financial Officer

August 3, 2021

Second Quarter 2021 Financial Report

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The following commentary reviews the financial performance of the Louisiana Land Bank, ACA, referred to as the Association, for the quarter ended June 30, 2021. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2020 Annual Report to Stockholders.

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

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

***Significant Events*:**

During the first quarter of 2021, the Association's board of directors (Board) paid a patronage of $11,398,723 to eligible stockholders from 2020 earnings. The patronage is in the form of a qualified patronage distribution. The patronage distribution increased by just over 46.7 percent when compared to the distribution paid in 2020. This marks the ninth consecutive year that the Association has increased and paid a cash patronage to eligible borrowers.

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.

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 6-month period, the Association processed 172 Covid-19 related deferrals for borrowers that were obligated to $78 million of total debt. 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.

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.

For the remainder of 2021, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, a recovering global economy, and weather-related challenges.

The U.S. economy continued to gather momentum during the second quarter of 2021. New monthly COVID-19 cases decreased as vaccination rates improved. The recent rounds of fiscal stimulus coupled with the low interest rate environment are leading to strong economic performance. The U.S. Bureau of Economic Analysis estimates that real gross domestic product (GDP) increased at an annual rate of 6.4% in the first quarter of 2021, up from 4.3% during the fourth quarter of 2020. Additionally, as of June 2, 2021, the Federal Reserve Bank of Atlanta estimates that real GDP growth for the second quarter of 2021 was about 7.8%. According to the International Monetary Fund's April 2021 World Economic Outlook, U.S. real GDP growth is expected to be 6.4% during 2021. The most recent data available from the U.S. Bureau of Labor Statistics indicates that the quarterly average unemployment rate in the Texas District decreased during the second quarter of 2021 but remained above pre-pandemic levels. Inflationary pressure is rising as annual inflation was about 5.0% in May 2021 and the index for all items, less food and energy, rose about 3.8% over the last 12 months.

On June 30, 2021, the U.S. Department of Agriculture (USDA) released its June Acreage report. Corn planted area was estimated at 92.7 million acres, up from the previous estimate of 91.1 million acres published in March 2021 and 2.1%, or 1.9 million acres, higher than 2020. Soybean planted acreage was unchanged from the previous quarter estimate at 87.6 million acres, up about 5.4% from the previous season. Estimated planted area for corn and soybeans was below market expectations, contributing to higher prices for both crops. Cotton planted area was estimated at 11.7 million acres, down from 12.0 million acres estimated in March and 3.1% lower than the level observed in 2020. Robust demand for key commodities, persistent drought in many regions, and increasing input costs are all supportive of higher field crop prices.

According to USDA's June 2021 World Agricultural Supply and Demand Estimates report, crop prices for corn, soybeans and cotton will experience double-digit growth during the 2021/22 marketing year. USDA revised up its estimate for the average price received by farmers for all milk during 2021 and is now projecting a 3.3% year-over-year price increase, followed by a 0.5% price decrease during 2022. Steer prices are estimated to have averaged higher during the second quarter of 2021 compared to the same period last year. Additionally, average steer prices are projected to increase year-over-year in 2021 and continue rising in 2022. Lumber prices significantly increased year-over-year, reaching a peak in May 2021 of about $1,700 per 1,000 board feet before declining to below $800 per 1,000 board feet.

Loan Portfolio

Total loans outstanding at June 30, 2021, including nonaccrual loans and sales contracts, were $958,550,718 compared to $929,307,651 at December 31, 2020, reflecting an increase of 3.2%. Nonaccrual loans as a percentage of total loans outstanding were 0.2% at June 30, 2021, compared to 0.4% at December 31, 2020.

	June 30, 2021	December 31, 2020
Total Loans		
Acceptable	**98.4**	98.2
Other Assets Especially Mentioned	**0.8**	1.2
Substandard/Doubtful	**0.8**	0.6
	100.0 %	100.0 %

The Association recorded $8,535 in recoveries and $8,225 in charge-offs for the quarter ended June 30, 2021, and $0 in recoveries and $1,988 in charge-offs for the same period in 2020. The Association's allowance for loan losses was 0.7% and 0.7% of total loans outstanding as of June 30,2021, and December 31, 2020, respectively.

Risk Exposure

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

	June 30, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,192,076**	**28.6%**	$ 3,350,051	50.7%
90 days past due and still accruing interest	**-**	**0.0%**	295,698	4.5%
Formally restructured	**4,923,811**	**64.1%**	2,960,815	44.8%
Other property owned, net	**560,626**	**7.3%**	-	0.0%
Total	**$ 7,676,513**	**100.0%**	$ 6,606,564	100.0%

Results of Operations

The Association had net income of $4,256,320 and $8,389,096 for the three and six months ended June 30, 2021, as compared to net income of $4,032,618 and $7,839,431 for the same period in 2020, reflecting an increase of 5.6% and 7.0%. Net interest income was $6,380,600 and $12,686,092 for the three and six months ended June 30, 2021, compared to $5,897,342 and $11,790,816 for the same period in 2020.

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 935,647,969**	**$ 20,456,461**	$ 857,119,316	$ 21,410,466
Total interest-earning assets	**935,647,969**	**20,456,461**	857,119,316	21,410,466
Interest-bearing liabilities	**779,974,742**	**7,770,369**	709,055,192	9,619,650
Impact of capital	**$ 155,673,227**		$ 148,064,124	
Net interest income		**$ 12,686,092**		$ 11,790,816

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.41%**	5.02%
Total yield on interest-earning assets	**4.41%**	5.02%
Cost of interest-bearing liabilities	**2.01%**	2.73%
Interest rate spread	**2.40%**	2.29%
Net interest income as a percentage of average earning assets	**2.73%**	2.77%

	Six months ended: June 30, 2021 vs. June 30, 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,956,193**	**$ (2,910,198)**	**$ (954,005)**
Total interest income	**1,956,193**	**(2,910,198)**	**(954,005)**
Interest expense	**959,497**	**(2,808,778)**	**(1,849,281)**
Net interest income	**$ 996,695**	**$ (101,419)**	**$ 895,276**

Interest income for the three and six months ended June 30, 2021, decreased by $235,810 and $954,005, or 2.3% and 4.5% respectively, from the same period of 2020, primarily due to declines in yields on earning assets. Interest expense for the three and six months ended June 30, 2021, decreased by $719,068 and $1,849,281, or 15.6% and 19.2%, from the same period of 2020 due to a decrease in interest rates. Average loan volume for the second quarter of 2021 was $939,875,731, compared to $866,866,018 in the second quarter of 2020. The average net interest rate spread on the loan portfolio for the second quarter of 2021 was 2.4%, compared to 2.3% in the second quarter of 2020.

The Association's return on average assets for the six months ended June 30, 2021, was 1.8% compared to 1.8% for the same period in 2020. The Association's return on average equity for the six months ended June 30, 2021, was 10.2%, compared to 9.8% for the same period in 2020.

As of March 31, 2021, the Association reported a loan held for sale in the first quarter. This transaction closed at par during the second quarter of this year. During the second quarter, the Association recorded acquired property in the amount of $560,626. Loan fees continue to exceed expectations much like what was experienced in 2020. Management is of the opinion that this level of loan fees is not sustainable long term. The Association has experienced a sharp increase in loan fees in 2020 and 2021 due to loan closing and loan serving activity. 2021 loan fees compared to 2020 has decreased but both are still at historical levels.

During the first and second quarter of 2021, the Association had several retirements that took place. Replacements were hired so the employee count increased during the six-month period. Management expects the employee count to be stable as of the close of the second quarter of 2021. Additionally, the Association has recently added new employees to key positions in the lending and credit functions of the Association to accommodate portfolio growth and loan demand. Benefit expense increased due to additional employees and defined benefit pension obligations. Management believes the increased defined benefit pension obligation will be an ongoing expense during this low rate environment.

The direct note pricing and patronage methodology changed in 2018. This change caused a direct impact on the accrual that accounts for the patronage income from the district bank. The variance, as seen on the income statement, is an increase of income of $471,143 for the second quarter of 2021 compared to the second quarter of 2020.

The Association accrues for the patronage payment at the end of the fiscal year then makes the payment late in the first quarter of the following year. This activity drives the variance related to the patronage distributions payables and other liabilities in the financials. The Association sees an influx of payments at the end of the year and this causes a variance in our receivables from the district bank in regards to our cash management operations.

The Farm Credit System Insurance Corporation's Board of Directors approved an insurance premium assessment rate on adjusted insured debt of 16 basis points for 2021. This change significantly increased the Association's insurance cost during the first six months compared to the same period in 2020.

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

Liquidity and Funding Sources

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

		June 30, 2021		December 31, 2020
Note payable to the bank	**$**	**804,422,166**	$	771,634,780
Accrued interest on note payable		**1,286,154**		1,354,005
Total	**$**	**805,708,320**	$	772,988,785

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $804,422,166 as of June 30, 2021, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.96 percent at June 30, 2021. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank since December 31, 2020 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 $153,542,313 at June 30, 2021. The maximum amount the Association may borrow from the Bank as of June 30, 2021, was $920,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 23, 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 with the Bank.

Capital Resources

The Association's capital position increased by $8,672,196 at June 30, 2021, compared to December 31, 2020. The Association's debt as a percentage of members' equity was 4.78:1 as of June 30, 2021, compared to 4.90:1 as of December 31, 2020.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of June 30, 2021, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements - Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2020 Annual Report of Louisiana Land Bank, ACA more fully describe the Association's relationship with the Bank.

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

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEETS

	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash	$ 77,929	$ 99,133
Loans	958,550,718	929,307,651
Less: allowance for loan losses	6,462,256	6,352,609
Net loans	952,088,462	922,955,042
Accrued interest receivable	9,424,119	9,413,893
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	14,592,755	14,592,755
Other	2,537,109	1,386,218
Other property owned, net	560,626	-
Premises and equipment, net	4,266,144	4,425,903
Other assets	1,281,686	656,405
Total assets	$ 984,828,830	$ 953,529,349
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 804,422,166	$ 771,634,780
Accrued interest payable	1,286,154	1,354,005
Drafts outstanding	348,718	1,345
Dividends payable	42	11,585,717
Other liabilities	8,436,519	7,290,467
Total liabilities	814,493,599	791,866,314
MEMBERS' EQUITY		
Capital stock and participation certificates	2,938,675	2,873,060
Unallocated retained earnings	168,373,680	159,797,603
Accumulated other comprehensive income (loss)	(977,124)	(1,007,628)
Total members' equity	170,335,231	161,663,035
Total liabilities and members' equity	$ 984,828,830	$ 953,529,349

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 10,264,966**	$ 10,500,776	**$ 20,456,461**	$ 21,410,466
Total interest income	**10,264,966**	10,500,776	**20,456,461**	21,410,466
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**3,884,366**	4,603,434	**7,770,369**	9,619,650
Total interest expense	**3,884,366**	4,603,434	**7,770,369**	9,619,650
Net interest income	**6,380,600**	5,897,342	**12,686,092**	11,790,816
PROVISION FOR LOAN LOSSES	**12,066**	107,726	**111,459**	297,635
Net interest income after provision for loan losses	**6,368,534**	5,789,616	**12,574,633**	11,493,181
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**1,202,180**	731,037	**2,204,671**	1,462,943
Loan fees	**165,018**	411,683	**491,236**	669,873
Financially related services income	**475**	402	**774**	826
Gain (loss) on other property owned, net	**(2,414)**	-	**(2,414)**	-
Gain (loss) on sale of premises and equipment, net	**1,184**	-	**1,884**	-
Other noninterest income	**41,192**	90,625	**109,262**	257,273
Total noninterest income	**1,407,635**	1,233,747	**2,805,413**	2,390,915
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,198,593**	2,029,209	**4,463,387**	3,947,208
Directors' expense	**81,323**	68,272	**142,731**	149,455
Purchased services	**126,009**	66,501	**214,584**	225,641
Travel	**104,863**	83,178	**196,211**	199,182
Occupancy and equipment	**194,135**	172,804	**361,583**	314,465
Communications	**62,063**	58,051	**133,739**	116,826
Advertising	**85,992**	100,006	**168,938**	185,212
Public and member relations	**78,703**	30,542	**134,215**	145,766
Supervisory and exam expense	**164,600**	119,591	**333,622**	241,894
Insurance Fund premiums	**327,766**	162,428	**646,639**	329,484
Other components of net periodic postretirement benefit cost	**43,655**	43,654	**87,310**	87,308
Other noninterest expense	**54,601**	54,315	**110,941**	101,227
Total noninterest expenses	**3,522,303**	2,988,551	**6,993,900**	6,043,668
Income before income taxes	**4,253,866**	4,034,812	**8,386,146**	7,840,428
Provision for (benefit from) income taxes	**(2,454)**	2,194	**(2,950)**	997
NET INCOME	**4,256,320**	4,032,618	**8,389,096**	7,839,431
Other comprehensive income:				
Change in postretirement benefit plans	**15,252**	11,274	**30,504**	22,548
Other comprehensive income, net of tax	**15,252**	11,274	**30,504**	22,548
COMPREHENSIVE INCOME	**$ 4,271,572**	$ 4,043,892	**$ 8,419,600**	$ 7,861,979

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 2,778,990	$ 155,041,749	$ (872,836)	$ 156,947,903
Net income		7,839,431		7,839,431
Other comprehensive income			22,548	22,548
Capital stock/participation certificates issued	202,415			202,415
Capital stock/participation certificates retired	(172,275)			(172,275)
Patronage dividends:				
Change in patronage declared & paid		30,597		30,597
Balance at June 30, 2020	$ 2,809,130	$ 162,911,777	$ (850,288)	$ 164,870,619
Balance at December 31, 2020	$ 2,873,060	$ 159,797,603	$ (1,007,628)	$ 161,663,035
Net income		8,389,096		8,389,096
Other comprehensive income			30,504	30,504
Capital stock/participation certificates issued	250,470			250,470
Capital stock/participation certificates retired	(184,855)			(184,855)
Patronage dividends:				
Change in patronage declared & paid		186,981		186,981
Balance at June 30, 2021	**$ 2,938,675**	**$ 168,373,680**	**$ (977,124)**	**$ 170,335,231**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Louisiana Land Bank, ACA including its wholly owned subsidiaries, Louisiana Production Credit, PCA and Louisiana Federal Land Bank Association, FLCA (Association), is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in all 64 parishes in the State of Louisiana. The Association serves the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

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

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020, as contained in the 2020 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020, as contained in the 2020 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2021. Descriptions of the significant accounting policies are included in the 2020 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The institution adopted the guidance in the first quarter of 2021 and the impact was not material to the institution's financial condition or results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "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. [Add if applicable: The institution applied the optional accounting expedients available under the guidance to derivative contract modifications related to the LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the institution's financial condition or its results of operations.]. In addition, the institution applied the optional expedients as it relates to loans in the first quarter of 2021. The impact of adoption was not material to the institution's financial condition or its results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance 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 Association 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.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2021, are not necessarily indicative of the results to be expected for the year ended December 31, 2020. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 801,017,450**	$ 763,236,962
Production and intermediate term	**67,750,795**	67,392,178
Agribusiness:		
Loans to cooperatives	**16,246,865**	15,102,466
Processing and marketing	**36,939,674**	34,842,793
Farm-related business	**14,949,297**	28,576,639
Communication	**10,855,982**	10,889,513
Energy	**842,145**	874,130
Water and waste water	**824,975**	1,041,994
Rural residential real estate	**7,297,015**	7,350,976
Agricultural export finance	**1,826,526**	-
Total	**$ 958,550,724**	$ 929,307,651

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 30,974,360	$ 21,846,924	$ -	$ -	$ 30,974,360	$ 21,846,924
Production and intermediate term	800,301	752,000	-	-	800,301	752,000
Agribusiness	19,756,106	84,554,002	-	-	19,756,106	84,554,002
Communication	10,855,982	-	-	-	10,855,982	-
Energy	842,145	-	-	-	842,145	-
Water and waste water	824,975	-	-	-	824,975	-
Agricultural export finance	1,826,526	-	-	-	1,826,526	-
Total	$ 65,880,395	$107,152,926	$ -	$ -	$ 65,880,395	$107,152,926

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

	June 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 2,008,941**	$ 3,039,407
Production and intermediate term	**9,279**	294,646
Energy	**159,549**	-
Rural residential real estate	**14,307**	15,998
Total nonaccrual loans	**2,192,076**	3,350,051
Accruing restructured loans:		
Real estate mortgage	**4,786,873**	2,820,046
Production and intermediate term	**-**	-
Rural residential real estate	**136,938**	140,769
Total accruing restructured loans	**4,923,811**	2,960,815
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	**7,115,887**	6,606,564
Other property owned	**560,626**	-
Total nonperforming assets	**$ 7,676,513**	$ 6,606,564

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

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

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

	June 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**98.4** %	98.2 %
OAEM	**0.8**	1.2
Substandard/doubtful	**0.8**	0.6
	100.0	100.0
Production and intermediate term		
Acceptable	**100.0**	99.6
OAEM	**-**	-
Substandard/doubtful	**-**	0.4
	100.0	100.0
Agribusiness		
Acceptable	**97.1**	97.2
OAEM	**1.6**	2.8
Substandard/doubtful	**1.3**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**90.4**	90.9
OAEM	**-**	-
Substandard/doubtful	**9.6**	9.1
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**96.5**	96.5
OAEM	**1.6**	1.6
Substandard/doubtful	**1.9**	1.9
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	-
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	-
	-	-
Total loans		
Acceptable	**98.4**	98.2
OAEM	**0.8**	1.2
Substandard/doubtful	**0.8**	0.6
	100.0 %	100.0 %

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

June 30, 2021	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,557,474**	**$ 787,479**	**$ 2,344,953**	**$ 806,744,461**	**$ 809,089,414**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**68,543,777**	**68,543,777**	**-**
Loans to cooperatives	**-**	**-**	**-**	**16,608,781**	**16,608,781**	**-**
Processing and marketing	**-**	**-**	**-**	**37,052,023**	**37,052,023**	**-**
Farm-related business	**-**	**-**	**-**	**15,004,625**	**15,004,625**	**-**
Communication	**-**	**-**	**-**	**10,856,603**	**10,856,603**	**-**
Energy	**-**	**-**	**-**	**843,363**	**843,363**	**-**
Water and waste water	**-**	**-**	**-**	**825,116**	**825,116**	**-**
Rural residential real estate	**15,110**	**-**	**15,110**	**7,307,742**	**7,322,852**	**-**
Agricultural export finance	**-**	**-**	**-**	**1,828,441**	**1,828,441**	**-**
Total	**$ 1,572,584**	**$ 787,479**	**$ 2,360,063**	**$ 965,614,932**	**$ 967,974,995**	**$ -**

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	Recorded Investment >90 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

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 (TDRs) are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2021, the total recorded investment of troubled debt restructured loans was $5,592,226, including $668,414 classified as nonaccrual and $4,923,812 classified as accrual, with specific allowance for loan losses of $173,289. As of June 30, 2021, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $0 at period end and at December 31, 2020.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three and six months ended June 30, 2021. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

For the Three Months Ended June 30, 2021	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,820,864	$ 1,821,012
Total	$ 1,820,864	$ 1,821,012

For the Three Months Ended June 30, 2020	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

For the Six Months Ended June 30, 2021	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 2,033,516	$ 2,029,029
Total	$ 2,033,516	$ 2,029,029

For the Six Months Ended June 30, 2020	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ -	$ -
Total	$ -	$ -

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 $367 for the quarter ending June 30, 2021.

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 we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period.

The deferral activity related to Covid-19 is excluded from the Association's Troubled Debt Restructuring process following regulatory initiatives and guidelines.

There were no additional commitments to lend to borrowers whose loans have been modified in TDRs at June 30, 2021 and December 31, 2020.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Real estate mortgage	$ 5,376,375	$ 3,504,535	$ 668,414	$ 684,489
Rural residential real estate	215,851	140,769	-	-
Total	$ 5,592,226	$ 3,645,304	$ 668,414	$ 684,489

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

Additional impaired loan information is as follows:

	June 30, 2021			December 31, 2020		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 356,421**	**$ 356,421**	**$ 174,496**	$ 358,614	$ 358,614	$ 176,582
Energy and water/waste water	**159,549**	**159,549**	**45,618**	-	-	-
Rural residential real estate	**-**	**-**	**-**	-	-	-
Total	**$ 515,970**	**$ 515,970**	**$ 220,114**	$ 358,614	$ 358,614	$ 176,582
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 6,321,318**	**$ 6,348,011**	**$ -**	$ 5,781,344	$ 5,873,634	$ -
Production and intermediate term	**9,279**	**10,708**	**-**	294,646	300,328	-
Rural residential real estate	**150,486**	**150,487**	**-**	155,965	155,965	-
Total	**$ 6,481,083**	**$ 6,509,206**	**$ -**	$ 6,231,955	$ 6,329,927	$ -
Total impaired loans:						
Real estate mortgage	$ 6,677,739	$ 6,704,432	$ 174,496	$ 6,139,958	$ 6,232,248	$ 176,582
Production and intermediate term	9,279	10,708	-	294,646	300,328	-
Energy and water/waste water	159,549	159,549	45,618	-	-	-
Rural residential real estate	150,486	150,487	-	155,965	155,965	-
Total	**$ 6,997,053**	**$ 7,025,176**	**$ 220,114**	$ 6,590,569	$ 6,688,541	$ 176,582

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2021		June 30, 2020		**June 30, 2021**		June 30, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 334,299**	**$ -**	$ 877,597	$ -	**$ 334,356**	**$ -**	$ 874,610	$ -
Production and intermediate term	**-**	**-**	19,584	388	**-**	**-**	9,792	-
Energy and water/waste water	**166,647**	**-**	-	-	**120,253**	**38**	-	-
Rural residential real estate	**-**	**-**	-	-	**-**	**-**	-	-
Total	**$ 500,946**	**$ -**	$ 897,181	$ 388	**$ 454,609**	**$ 38**	$ 884,402	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 6,377,930**	**$ 84,096**	$ 5,309,496	$ 85,976	**$ 6,265,310**	**$ 152,646**	$ 5,176,011	$ 152,646
Production and intermediate term	**8,963**	**-**	294,589	-	**13,601**	**-**	275,465	-
Energy and water/waste water	**-**	**-**	-	-	**-**	**-**	-	-
Rural residential real estate	**151,345**	**5,507**	150,375	6,094	**152,693**	**10,816**	147,954	10,816
Total	**$ 6,538,238**	**$ 89,603**	$ 5,754,460	$ 92,070	**$ 6,431,604**	**$ 163,462**	$ 5,599,430	$ 163,462
Total impaired loans:								
Real estate mortgage	$ 6,712,229	$ 84,096	$ 6,187,093	$ 85,976	$ 6,599,666	$ 152,646	$ 6,050,621	$ 152,646
Production and intermediate term	8,963	-	314,173	388	13,601	-	285,257	-
Energy and water/waste water	166,647	-	-	-	120,253	38	-	-
Rural residential real estate	151,345	5,507	150,375	6,094	152,693	10,816	147,954	10,816
Total	**$ 7,039,184**	**$ 89,603**	$ 6,651,641	$ 92,458	**$ 6,886,213**	**$ 163,500**	$ 6,483,832	$ 163,462

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at March 31, 2021	$ 5,248,492	$ 460,041	$ 576,127	$ 34,561	$ 66,392	$ 52,739	$ -	$ 6,438,352
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	7,443	559	-	-	-	-	-	8,002
Provision for loan losses	16,078	1,285	659	222	(6,440)	128	134	12,066
Other	98	2,406	1,294	38	-	-	-	3,836
Balance at June 30, 2021	$ 5,272,111	$ 464,291	$ 578,080	$ 34,821	$ 59,952	$ 52,867	$ 134	$ 6,462,256
Balance at December 31, 2020	$ 5,218,575	$ 460,013	$ 573,863	$ 34,045	$ 13,751	$ 52,362	$ -	$ 6,352,609
Charge-offs	(8,225)	-	-	-	-	-	-	(8,225)
Recoveries	7,443	1,092	-	-	-	-	-	8,535
Provision for loan losses	54,410	4,366	5,045	798	46,201	505	134	111,459
Other	(92)	(1,180)	(828)	(22)	-	-	-	(2,122)
Balance at June 30, 2021	$ 5,272,111	$ 464,291	$ 578,080	$ 34,821	$ 59,952	$ 52,867	$ 134	$ 6,462,256
Ending Balance:								
Individually evaluated for impairment	$ 174,496	$ -	$ -	$ -	$ 45,618	$ -	$ -	$ 220,114
Collectively evaluated for impairment	5,097,615	464,291	578,080	34,821	14,334	52,867	134	6,242,142
Balance at June 30, 2021	$ 5,272,111	$ 464,291	$ 578,080	$ 34,821	$ 59,952	$ 52,867	$ 134	$ 6,462,256
Balance at March 31, 2020	$ 4,527,407	$ 416,190	$ 508,328	$ 23,344	$ 10,563	$ 45,948	$ -	$ 5,531,780
Charge-offs	-	(1,989)	-	-	-	-	-	(1,989)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	84,591	10,423	10,342	923	628	819	-	107,726
Other	(426)	(5,436)	(3,756)	(104)	(3)	-	-	(9,725)
Balance at June 30, 2020	$ 4,611,572	$ 419,188	$ 514,914	$ 24,163	$ 11,188	$ 46,767	$ -	$ 5,627,792
Balance at December 31, 2019	$ 4,376,226	$ 405,171	$ 492,898	$ 21,637	$ 10,233	$ 44,281	$ -	$ 5,350,446
Charge-offs	(3,085)	(2,521)	-	-	-	-	-	(5,606)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	239,033	24,540	27,920	2,687	969	2,486	-	297,635
Other	(602)	(8,002)	(5,904)	(161)	(14)	-	-	(14,683)
Balance at June 30, 2020	$ 4,611,572	$ 419,188	$ 514,914	$ 24,163	$ 11,188	$ 46,767	$ -	$ 5,627,792
Ending Balance:								
Individually evaluated for impairment	$ 204,677	$ 10,889	$ -	$ -	$ -	$ -	$ -	$ 215,566
Collectively evaluated for impairment	4,406,895	408,299	514,914	24,163	11,188	46,767	-	5,412,226
Balance at June 30, 2020	$ 4,611,572	$ 419,188	$ 514,914	$ 24,163	$ 11,188	$ 46,767	$ -	$ 5,627,792

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at June 30, 2021	$809,089,414	$ 68,543,777	$ 68,665,429	$ 10,856,603	$ 1,668,479	$7,322,852	$ 1,828,441	$ 967,974,995
Individually evaluated for impairment	$ 6,814,127	$ 9,279	$ -	$ -	$ 159,549	$ 151,245	$ -	$ 7,134,200
Collectively evaluated for impairment	$802,275,287	$ 68,534,498	$ 68,665,429	$ 10,856,603	$ 1,508,930	$7,171,607	$ 1,828,441	$ 960,840,795
Ending Balance at December 31, 2020	$771,155,093	$ 68,555,021	$ 78,825,013	$ 10,890,148	$ 1,917,434	$7,379,285	$ -	$ 938,721,994
Individually evaluated for impairment	$ 6,172,459	$ 294,646	$ -	$ -	$ -	$ 156,768	$ -	$ 6,623,873
Collectively evaluated for impairment	$764,982,634	$ 68,260,375	$ 78,825,013	$ 10,890,148	$ 1,917,434	$7,222,517	$ -	$ 932,098,121

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Requirements Including Capital Conservation Buffers	As of June 30, 2021
Common equity tier 1 ratio	7.00%	15.46%
Tier 1 capital ratio	8.50%	15.46%
Total capital ratio	10.50%	16.13%
Permanent capital ratio	7.00%	15.56%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.17%
UREE leverage ratio	1.50%	17.40%

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**165,099,772**	**165,099,772**	**165,099,772**	**165,099,772**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,918,148**	**2,918,148**	**2,918,148**	**2,918,148**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**6,652,038**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(14,592,755)**	**(14,592,755)**	**(14,592,755)**	**(14,592,755)**
	153,425,165	**153,425,165**	**160,077,203**	**153,425,165**
Denominator:				
Risk-adjusted assets excluding allowance	**1,007,029,679**	**1,007,029,679**	**1,007,029,679**	**1,007,029,679**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(14,592,755)**	**(14,592,755)**	**(14,592,755)**	**(14,592,755)**
Allowance for loan losses				**(6,440,170)**
	992,436,924	**992,436,924**	**992,436,924**	**985,996,754**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**165,099,772**	**165,099,772**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**2,918,148**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(14,592,755)**	-
	153,425,165	**165,099,772**
Denominator:		
Total Assets	**964,697,501**	**964,697,501**
Regulatory Adjustments and Deductions:		-
Regulatory deductions included in tier 1 capital	**(15,874,514)**	**(15,874,514)**
	948,822,987	**948,822,987**

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

Accum Other Comp Income (Loss)			
June 30, 2021	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 4,154,001**	**$ -**	**$ 4,154,001**
Total	**$ 4,154,001**	**$ -**	**$ 4,154,001**
June 30, 2020	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 3,860,006	$ -	$ 3,860,006
Total	$ 3,860,006	$ -	$ 3,860,006

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

	2021	**2020**
Accumulated other comprehensive income (loss) at January 1	**$(1,007,628)**	$(872,836)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(15,090)**	(15,086)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**45,594**	37,634
Other comprehensive income (loss), net of tax	**30,504**	22,548
Accumulated other comprehensive income (loss) at June 30	**$ (977,124)**	$(850,288)

NOTE 4 — INCOME TAXES:

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

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2020 Annual Report to Stockholders for a more complete description.

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

June 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 22,237**	**-**	**-**	**$ 22,237**
Total assets	**$ 22,237**	**-**	**-**	**$ 22,237**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 14,349	-	-	$ 14,349
Total assets	$ 14,349	-	-	$ 14,349

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

June 30, 2021	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$295,855**	**$ 295,855**	**$ -**
Other property owned	**-**	**-**	**622,918**	**622,918**	**-**

December 31, 2020	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 161,010	$ 161,010	$ -
Other property owned	-	-	-	-	-

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

Uncertainty of Fair Value Measurements

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

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

Valuation Techniques

As more fully discussed in Note 13 to the 2020 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association’s assets and liabilities. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

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

Loans

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

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

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

Commitments to Extend Credit

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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

Three months ended June 30:

	Other Benefits	
	2021	2020
Service cost	**$ 19,152**	$ 18,355
Interest cost	**28,402**	32,381
Amortization of prior service (credits) costs	**(7,544)**	(7,544)
Amortization of net actuarial (gain) loss	**22,797**	18,817
Net periodic benefit cost	**$ 62,807**	$ 62,009

Six months ended June 30:

	Other Benefits	
	2021	2020
Service cost	**$ 38,304**	$ 36,709
Interest cost	**56,804**	64,761
Amortization of prior service (credits) costs	**(15,087)**	(15,086)
Amortization of net actuarial (gain) loss	**45,594**	37,634
Net periodic benefit cost	**$ 125,615**	$ 124,018

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2021, was $4,154,001 and is included in other liabilities on the balance sheet.

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

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association contributed $245,561 to the district's defined benefit pension plan in 2020 and expects to contribute $698,293 during 2021. As of June 30, 2021, $349,146 of contributions have been made. The Association presently anticipates contributing an additional $349,147 to fund the defined benefit pension plan in 2021.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association. At June 30, 2021, $97,245,426 of commitments and $2,351,467 of commercial letters of credit were outstanding.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 3, 2021 which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 3, 2021.