2019 ANNUAL REPORT

This is your place.

This is your place.

For more than a century, Mississippi Land Bank has shaped your North Mississippi dreams. For financing solutions and strategies to keep on dreaming, our neighbors know where to go. Mississippi Land Bank is your place.

WHERE PRODUCERS ARE GROWING INTO LEADERS

Nathan and Mistila Giesbrecht of Macon were selected to participate in the annual Farm Credit Young Leaders' Program (YLP), a four-day event that teaches young producers about Farm Credit, the legislative process and the nation's financial markets.

Along with 700 other Farm Credit borrowers, the couple flew to Washington, D.C. to meet with Agriculture Secretary Sonny Perdue, House Agriculture Committee members, and congressmen from their area.

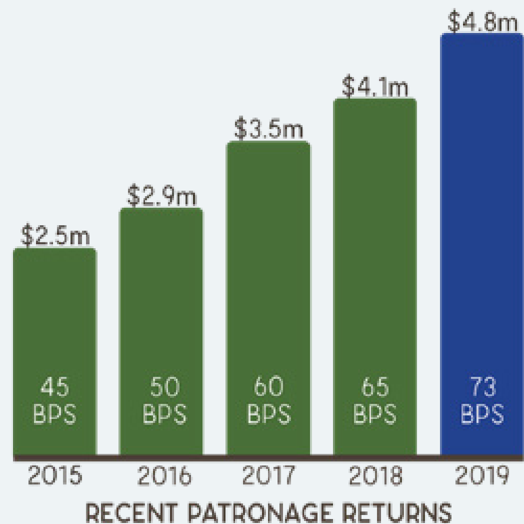
Following their D.C. meetings, the young leaders visited the Federal Farm Credit Funding Corporation in New Jersey which buys and sells the notes and bonds funding Farm Credit lending cooperatives.

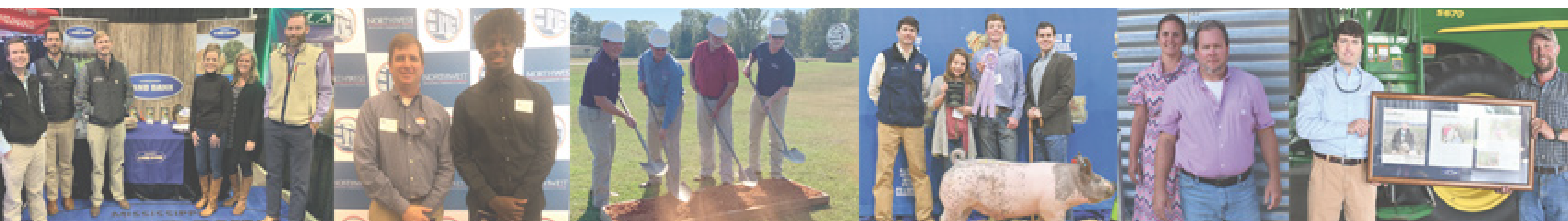
"Mistila and I truly enjoyed this wonderful experience," Nathan said. "Not only was the program very informative, it allowed us to meet young producers from across the nation. We hope to reconnect with them in the near future at other Farm Credit events and keep in touch for years to come."

The Geisbrechts operate a 2,000-acre corn and cotton row crop farm and a 25-acre catfish operation in Macon. Raised on a family farm, Nathan still works with his father and brother in the business. He is also a stockholder and board member of a catfish-processing plant.

It pays to bank with us.

2019 was another outstanding year in both growth and income, and we are pleased to distribute $4.8 million in cash patronage to you, our stockholders. Since 1996, we have returned nearly $42.5 million to our customers. This is just one part of our proud heritage, and yet another reason to finance with us.





WHERE BUILDING YOUR HOME AND STARTING YOUR BUSINESS INTERSECT

Meet Michael and Andrea Gibson, owners of RAW Furniture Co. in downtown Tupelo. They were first introduced to Mississippi Land Bank in September 2014 when Michael built their barndominium-style home.

"He didn't even own a hammer at the time," Andrea said. "But once he bought some tools and the materials, he learned how to build the barn using YouTube videos." This sparked Michael's interest in woodworking and working with his hands.

"Andrea and I talked about the possibility of making a living out of this, and RAW was born," Michael said. Since their first loan five years ago, the Gibsons have bought more land and built another barn where he builds custom furniture and household items.

"When I first thought of Land Bank, farming came to mind," Michael said. "I didn't know it was possible for them to help us build a home in the country. The guys at the Tupelo branch have gone above and beyond to make this an enjoyable process for us and to make sure we were doing what was best for us and our business."

To hear more from the Gibsons, watch their customer testimonial on our website. To learn more about RAW Furniture, visit https://rawfurnitureco.com or follow them on Facebook.

WHERE TAKING CARE OF YOUR HERD IS A WAY OF LIFE

For Donnie and Bricklee Miller of Starkville, raising beef cattle is not just a hobby but a lifestyle. Born in the cattle business, Donnie learned the ropes of raising cattle from his father, who operated the stockyard in Starkville. Since then, the Millers have grown their operation to nearly 1,000 stocker calves and 250 cows at its peak.

Along with Donnie's strong roots in the cattle industry, Bricklee grew up in the business. Her grandfather built an order-buying barn and the largest stockyard east of the Mississippi in Meridian. It was only natural that she and Donnie make a fitting pair.

"We bonded over our love for cattle," Bricklee said. "We share the same passion and enjoy keeping the family business going."

Just as producing any agricultural commodity, raising beef cattle is a complex business with many challenges. The Millers understand it is a trying job that is so much more involved than people realize. From getting up early to study markets to evaluating their herd health program, the list goes on and on.

"It's hard to keep up with the ever-changing cattle market," Donnie explained. "Along with everyday duties, you have to know when and where to market cattle, the timing of planting grass, when to fertilize, the best time to cut hay, how much hay you'll need for a season, and where will it come from?"

"With cattle being our main source of income, we depend on this for our family's livelihood," Bricklee said. " It's really important to have a valuable partner that believes in us and knows the effort we put in. We have that trust in Mississippi Land Bank. It's only because of their partnership and belief in us that we have been able to be so successful."

Dear Stockholders,

I once heard a pastor say, "If you don't have goals or targets in life, you won't hit anything." At Mississippi Land Bank, we not only have goals, we have a mission: to provide competitive loan products, deliver quality service and share cooperative benefits with our stockholders. Together, our mission statement, strategic vision and board philosophy create the framework for our three-year business plan. When we focus on these three components and keep our customers at the forefront of everything we do, we exceed our targets.

You will see in this report that Mississippi Land Bank had another record year. Loan volume grew over six percent during 2019, and this continued asset growth contributed to an increase in net income. More importantly, this growth enabled the board of directors to return $4.8 million in patronage refunds to our stockholders. We are proud of our cooperative structure and the ability to return a portion of our earnings to you.

We plan to implement two major projects in 2020. The first is the creation of a lending department exclusively for home mortgages. We are excited to announce that this new department is already fully operational. Our goal is to meet all your lending needs, and this provides one more way we can do that.

The second project is a new end-to-end system for efficiently processing, servicing and closing loans. One direct benefit to our customers will be an enhanced online portal, allowing quicker and easier access to your information.

Our mission statement, strategic vision and board philosophy are ever before us, driving us to new heights. In 2020, we want to live up to our new marketing campaign, This is your place, by continuing to offer competitive loan products, deliver quality service and share cooperative benefits with our stockholders. Mississippi Land Bank has an excellent board and staff who put you, our stockholders, first in all that we do. Our goals are high, but you are worth it.

Thank you for being stockholders of Mississippi Land Bank.

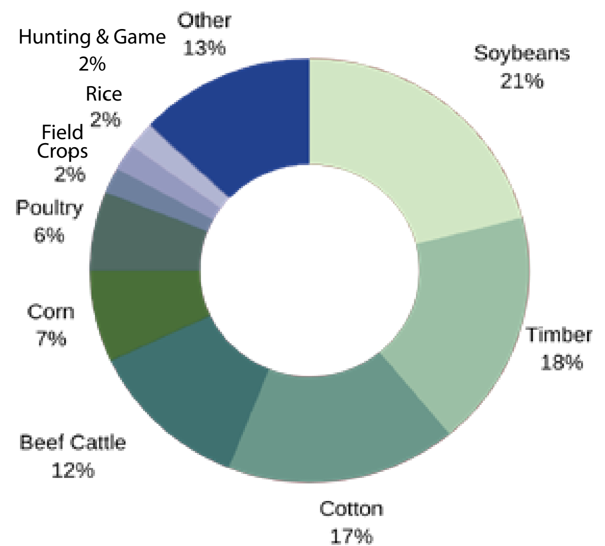
Craig B. Shideler
Chief Executive Officer

2019 AT A GLANCE

KEY FINANCIAL METRICS

- 6.2% growth in loan volume
- 721 loans closed
- $771M in total assets
- $11.9M of net income

COMMODITIES



MISSION-MINDED APPROACH

Our mission is the backbone of the Association, giving us a firm foundation for the business we continue to build and providing us with the resources to pay $4.8M in patronage dividends in 2019.

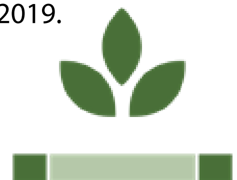


Table of Contents

Report of Management 2

Report of Audit Committee 3

Five-Year Summary of Selected Consolidated Financial Data 4

Management's Discussion and Analysis of Financial Condition
and Results of Operations (Unaudited) 6

Report of Independent Auditors 15

Consolidated Financial Statements 16

Notes to Consolidated Financial Statements 21

Disclosure Information and Index (Unaudited) 56

REPORT OF MANAGEMENT

The consolidated financial statements of Mississippi 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.

Craig B. Shideler, Chief Executive Officer

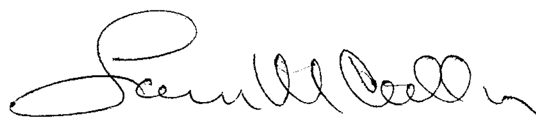
March 10, 2020

Abbott R. Myers, Chairman, Board of Directors

March 10, 2020

Claire B. Pegram, Chief Financial Officer

March 10, 2020



Lawson McClellan, Chairman, Audit Committee

March 10, 2020

J. Matthew Walden, Chief Operating Officer

March 10, 2020

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Lawson McClellan, Morgan Gulledge, Alan Blaine, Jan Hill and Abbott Myers. In 2019, seven Committee meetings were held. The Committee oversees the scope of Mississippi Land Bank, ACA's (Association'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 the Association's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2019.

Management is responsible for the Association'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 the Association'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 the Association's audited consolidated financial statements for the year ended December 31, 2019, (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 the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from the Association. 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 of directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2019.

Audit Committee Members

Lawson McClellan
W. Morgan Gulledge, Jr.
Dr. Alan Blaine
Jan D. Hill
Abbott R. Myers

March 10, 2020

MISSISSIPPI LAND BANK, ACA

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

	2019	2018	2017	2016	2015
Balance Sheet Data					
Assets					
Cash	**$ 6**	$ 5	$ 6	$ 15	$ 10
Loans	**740,314**	696,697	629,859	603,094	597,273
Less: allowance for loan losses	**996**	901	752	724	705
Net loans	**739,318**	695,796	629,107	602,370	596,568
Investment in and receivable from the Farm Credit Bank of Texas	**14,762**	13,486	11,712	12,435	11,053
Other property owned, net	**196**	-	-	-	60
Other assets	**16,389**	14,857	14,466	12,953	13,096
Total assets	**$ 770,671**	$ 724,144	$ 655,291	$ 627,773	$ 620,787
Liabilities					
Obligations with maturities of one year or less	**$ 13,483**	$ 12,051	$ 9,219	$ 10,263	$ 8,150
Obligations with maturities greater than one year	**625,935**	587,870	528,803	506,350	508,022
Total liabilities	**639,418**	599,921	538,022	516,613	516,172
Members' Equity					
Capital stock and participation certificates	**3,355**	3,294	3,177	3,085	3,062
Unallocated retained earnings	**128,002**	120,883	114,223	108,190	101,662
Accumulated other comprehensive income (loss)	**(104)**	46	(131)	(115)	(109)
Total members' equity	**131,253**	124,223	117,269	111,160	104,615
Total liabilities and members' equity	**$ 770,671**	$ 724,144	$ 655,291	$ 627,773	$ 620,787
Statement of Income Data					
Net interest income	**$ 17,821**	$ 17,137	$ 16,177	$ 16,008	$ 15,337
(Provision for loan losses) or loan loss reversal	**(112)**	(150)	(23)	(24)	2
Income from the Farm Credit Bank of Texas	**3,083**	2,693	2,247	2,331	2,246
Other noninterest income	**367**	551	237	248	324
Noninterest expense	**(9,240)**	(9,472)	(9,095)	(9,133)	(8,932)
Net income (loss)	**$ 11,919**	$ 10,759	$ 9,543	$ 9,430	$ 8,977
Key Financial Ratios for the Year					
Return on average assets	**1.6%**	1.6%	1.5%	1.5%	1.5%
Return on average members' equity	**9.2%**	8.8%	8.3%	8.7%	8.8%
Net interest income as a percentage of average earning assets	**2.5%**	2.6%	2.7%	2.7%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

MISSISSIPPI LAND BANK, ACA

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

	2019	2018	2017	2016	2015
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**17.0%**	17.2%	17.9%	17.7%	16.9%
Debt as a percentage of members' equity	**487.2%**	482.9%	458.8%	464.7%	493.4%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.1%
Common equity tier 1 ratio	**15.8%**	15.8%	16.4%	n/a	n/a
Tier 1 capital ratio	**15.8%**	15.8%	16.4%	n/a	n/a
Total capital ratio	**15.9%**	16.0%	16.5%	n/a	n/a
Permanent capital ratio	**15.8%**	15.9%	16.4%	16.2%	15.6%
Tier 1 leverage ratio	**16.1%**	16.2%	16.9%	n/a	n/a
UREE leverage ratio	**17.1%**	17.1%	18.0%	n/a	n/a
Total surplus ratio	**n/a**	n/a	n/a	15.7%	15.1%
Core surplus ratio	**n/a**	n/a	n/a	15.7%	15.1%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 4,100**	$ 3,510	$ 2,900	$ 2,503	$ 2,800

*Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2019. For more information, see Note 9, "Members' Equity," included in the accompanying consolidated financial statements.

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 Mississippi Land Bank, ACA, including its wholly-owned subsidiaries, Mississippi, PCA and Mississippi Land Bank, FLCA (collectively called the Association) for the years ended December 31, 2019, 2018 and 2017, 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:

In March 2019, the Association received a refund of $144,243 from the Farm Credit Services Insurance Corporation (FCSIC or Insurance Fund) for its share of excess fund balances in the allocated insurance reserve accounts.

In March 2018, the Association received a refund of $380,904 from the FCSIC for its share of excess insurance fund balances in the allocated insurance reserve accounts. Additionally, in September 2018 the Association received $52,976 for its portion of a special patronage distribution from CoBank.

In September 2016, the Association charged-off the remaining balance of $59,710 related to a participation loan that was acquired in 2013. In June 2015, one nonaccrual participation loan was sold at foreclosure for an amount in excess of the loan's carrying value. Upon receipt of its portion of the sales proceeds, the Association paid off the loan and recorded a recovery of $50,841.

Patronage Refunds Received From FCBT:

In December 2019, the Association received a direct loan patronage of $2,729,658 from the Farm Credit Bank of Texas (Bank), representing 46 basis points on the average daily balance of the Association's direct loan with the Bank. During 2019, the Association received $313,799 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 $39,164 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2018, the Association received a direct loan patronage of $2,320,845 from the Bank, representing 42 basis points on the average daily balance of the Association's direct loan with the Bank. During 2018, the Association received $260,886 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 $58,322 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2017, the Association received a direct loan patronage of $1,975,508 from the Bank, representing 39 basis points on the average daily balance of the Association's direct loan with the Bank. During 2017, the Association received $200,082 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 $50,178 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

Patronage Refunds by Association:

The following patronage distributions were declared and paid by the board of directors in 2019, 2018 and 2017, respectively:

Date Declared	Date Paid	Patronage
December 2019	**February 2020**	**$ 4,800,000**
December 2018	February 2019	4,100,000
December 2017	February 2018	3,510,000

For more than 29 years, the Association has continued to provide its members with quality financial services. The board of directors 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.

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, with maturities ranging from one to 30 years. These loan products are available to eligible borrowers with competitive variable and fixed interest rates. 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 $740,313,671, $696,697,127 and $629,858,902 as of December 31, 2019, 2018 and 2017, 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:

The Association utilizes the Mississippi Development Authority's Agribusiness Enterprise Loan Program (ABE) to lower the cost of financing for its borrowers. The ABE loan program is designed to provide a percentage of low-cost state financing that is combined with private financial lending institutions' loan proceeds to encourage loans to the agribusiness industry in the state.

Loans made under the ABE may be for a maximum of 15 years at a zero percent interest rate. The ABE allows for a loan in an amount not to exceed 20 percent of the total project cost or $200,000, whichever is less, and $200,000 or 30 percent for agribusinesses that are retrofitting operations. Typical eligible industries include manufacturers, aquaculture, horticulture and agricultural-related industries while eligible projects include buildings and equipment.

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA), and, therefore, the amount of ABE loans outstanding and due to MDA is included in Loans on the consolidated balance sheet with an offsetting liability at Guaranteed obligations to government entities. ABE loans totaled $7,641,070, $7,310,433 and $7,177,507 as of December 31, 2019, 2018 and 2017, respectively.

During 2019, 2018 and 2017, the Association was participating in loans with other lenders. As of December 31, 2019, 2018 and 2017, these participations totaled $44,706,184, $41,891,052 and $25,948,645, or 6.0 percent, 4.1 percent and 4.8 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $10,947,715, $11,535,253 and $8,040,995, or 1.5 percent, 1.7 percent and 1.3 percent of loans, respectively. The Association has also sold participations of $1,919,383, $8,447,607 and $6,657,431 as of December 31, 2019, 2018 and 2017, 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:

	2019		2018		2017	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 711,154**	**65.0%**	$ 1,094,310	87.1%	$ 1,025,013	86.3%
90 days past due and still accruing interest	**24,161**	**2.2%**	-	0.0%	-	0.0%
Formally restructured	**162,326**	**14.9%**	162,247	12.9%	162,440	13.7%
Other property owned, net	**195,606**	**17.9%**	-	0.0%	-	0.0%
Total	**$ 1,093,247**	**100.0%**	$ 1,256,557	100.0%	$ 1,187,453	100.0%

At December 31, 2019, 2018 and 2017, loans that were considered impaired were $897,641, $1,256,557 and $1,187,453, representing 0.1 percent, 0.2 percent and 0.2 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

At December 31, 2019, the Association held two residential properties with a total carrying amount of $195,606 and no allowance for loss on other property owned (OPO) based on recent net realizable value analyses. The Association held no OPO during the years ending December 31, 2018 and 2017. Additionally, the Association had no net gain or loss on OPO for the years ending December 31, 2019, 2018 and 2017.

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.

To help mitigate and diversify credit risk, the Association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

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:

	2019	2018	2017
Allowance for loan losses	**$ 995,536**	$ 901,405	$ 752,205
Allowance for loan losses to total loans	**0.1%**	0.1%	0.1%
Allowance for loan losses to nonaccrual loans	**140.0%**	82.4%	73.4%
Allowance for loan losses to impaired loans	**110.9%**	71.7%	63.3%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

Each quarter, the Association employs a rigorous allowance evaluation model consisting of four facets, each related to the allowance for loan losses, in order to determine an appropriate level of allowance to carry on the Association's consolidated balance sheet. The first facet is a general allowance calculation based upon the risk rating of each individual loan in the Association's portfolio. The second is a specific allowance calculation derived from calculations, analyses and communications among the branch vice presidents and members of the Association's Asset-Liability Committee (ALCO). The third facet is based upon the results of the quarterly stress testing model performed by the branch vice presidents and members of the ALCO. The fourth facet is a general economy and commodity evaluation in which the ALCO evaluates the current market for each commodity, as well as general economic factors such as unemployment. Management also evaluates the Association's historical losses and the relationship of these losses to the current level of allowance. The final results are evaluated for reasonableness by the Association's ALCO and presented to the board of directors for approval. The increases in allowance for loan losses from 2018 to 2019 and also from 2017 to 2018 were primarily the result of the consecutive significant year-over-year increases in outstanding loan volume.

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 $995,536, $901,405 and $752,205 at December 31, 2019, 2018 and 2017, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. The allowance for loan losses is based upon estimates that consider the general financing strength of the agricultural economy, loan portfolio composition, credit administration and the portfolio's prior loan loss experience.

Results of Operations:

The Association's net income for the year ended December 31, 2019, was $11,919,413 as compared to $10,759,209 for the year ended December 31, 2018, reflecting an increase of $1,160,204, or 10.8 percent. The Association's net income for the year ended December 31, 2017 was $9,543,473. Net income increased $1,215,736, or 12.7 percent, in 2018 versus 2017.

Net interest income for 2019, 2018 and 2017 was $17,821,571, $17,136,567 and $16,177,089, respectively, reflecting increases of $685,004, or 4.0 percent, for 2019 versus 2018 and $959,478, or 5.9 percent, for 2018 versus 2017. 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:

	2019		2018		2017	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 702,001,845**	**$ 34,850,959**	$ 656,147,492	$ 31,533,629	$ 603,782,069	$ 27,346,995
Interest-bearing liabilities	**593,126,277**	**17,029,388**	553,089,636	14,397,062	506,758,145	11,169,906
Impact of capital	**$ 108,875,568**		$ 103,057,856		$ 97,023,924	
Net interest income		**$ 17,821,571**		$ 17,136,567		$ 16,177,089

	2019 Average Yield	2018 Average Yield	2017 Average Yield
Yield on loans	**4.96%**	4.81%	4.53%
Cost of interest-bearing liabilities	**2.87%**	2.60%	2.20%
Interest rate spread	**2.09%**	2.21%	2.33%

	2019 vs. 2018			2018 vs. 2017		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 2,203,714**	**$ 1,113,616**	**$ 3,317,330**	$ 2,371,787	$ 1,814,847	$ 4,186,634
Interest expense	**1,042,154**	**1,590,172**	**2,632,326**	1,021,239	2,205,917	3,227,156
Net interest income	**$ 1,161,560**	**$ (476,556)**	**$ 685,004**	$ 1,350,548	$ (391,070)	$ 959,478

Interest income for 2019 increased by $3,317,330, or 10.5 percent, compared to 2018, primarily due to an increase in average yield on loans coupled with a significant increase in average loan volume outstanding. Interest expense for 2019 increased by $2,632,326, or 18.3 percent, compared to 2018 due to an increase in the Association's average cost of debt coupled with a significant increase in the average note payable to the Bank. The interest rate spread decreased by 12 basis points to 2.09 percent in 2019 from 2.21 percent in 2018, primarily due to increased cost of funds coupled with competitive interest rates in the current lending environment. The Association uses a risk-based approach when pricing new loans; however, current market conditions in each of the respective branch territories also impact interest rate spreads. As evidenced in the table above, net interest income for 2019 was more significantly impacted by the increase in loan volume. However, this increase was offset by the rise in cost of funds coupled with compressions of interest rate spread due to the current competitive interest rate environment. The interest rate spread decreased by 12 basis points to 2.21 percent in 2018 from 2.33 percent in 2017, again, primarily due to increased competition in an environment of rising rates.

Noninterest income for 2019 increased by $205,471, or 6.3 percent, compared to 2018, primarily due to an increase in patronage income of $389,589 offset by a year-over-year reduction in Other noninterest income of $208,336, resulting primarily from a decrease in FCSIC premium refunds of $236,661. Noninterest income for 2018 increased by $759,908, or 30.6 percent, compared to 2017, due primarily to a refund of $380,904 from the Insurance Fund coupled with a year-over-year increase in patronage income from the Bank of $446,366.

Provisions for loan losses decreased by $37,880, or 25.3 percent, compared to 2018, due primarily to a slight decrease in loan volume growth compared to that in 2018 coupled with a recovery of $12,880. Provisions for loan losses increased by $126,688, or 543.4 percent, compared to 2017, due primarily to significant loan growth experienced during 2018.

Operating expenses consist primarily of salaries and employee benefits, travel expense and Insurance Fund premiums. Additionally, expenses related to advertising, occupancy and equipment and purchased services comprise a significant portion of the remaining operating expenses. Travel expenses primarily consist of expenses related to commercial travel, such as airfare and hotel, and expenses related to Association automobiles, such as fuel, maintenance and depreciation. Advertising expense primarily consists of the cost of advertising in various media outlets. Occupancy and equipment is comprised of rent expense, utilities and depreciation, and purchased services is comprised of goods and services that the Association purchases either from the Bank or from a third party who has been engaged to provide a service, such as legal counsel or audit and review expenses. Overall operating expenses decreased $246,395 over 2018 primarily due to a decrease of $479,373 in salaries and employee benefits, offset by various increases in nearly all other operating expenses, such as a $44,823 increase in directors' expense, a $40,191 increase in occupancy and equipment and a $33,684 increase in Insurance Fund premiums.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in a net expense capitalized as an adjustment to income of $321,740, $222,924 and $81,855 as of December 31, 2019, 2018, and 2017, respectively. This net amount is comprised of four components:

- the capitalization of current year origination costs, primarily salaries and benefits, which will be fully amortized over the life of the loans;
- the capitalization of current year loan origination fees, which will be fully amortized over the life of the loans;
- amortization of the active loan portfolio's deferred origination costs and fees; and
- the adjustment to fully recognize the deferred costs and fees of all loans that paid out during the current year.

Origination costs totaling $1,561,586, origination fees of $728,215 and amortization of $511,631 comprise the net adjustment to income of $321,740 at December 31, 2019. See Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, for more information about expenses allocated to the Association.

For the year ended December 31, 2019, the Association's return on average assets was 1.6 percent, as compared to 1.6 percent and 1.5 percent for the years ended December 31, 2018 and 2017, respectively. For the year ended December 31, 2019, the Association's return on average members' equity was 9.2 percent, as compared to 8.8 percent and 8.3 percent for the years ended December 31, 2018 and 2017, respectively.

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 and Association loans that are indexed to LIBOR.

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 and coordinates outreach to the District associations and with other Farm Credit System institutions, especially the Funding Corporation.

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.

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 $616,715,410, $579,172,359 and $520,600,139 as of December 31, 2019, 2018 and 2017, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.78 percent, 2.79 percent and 2.28 percent at December 31, 2019, 2018 and 2017, 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, 2018, is due to a significant increase in the Association's outstanding loan volume coupled with a rise in the cost of interest-bearing liabilities. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $113,479,803, $108,058,913 and $100,141,175 at December 31, 2019, 2018 and 2017, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2019, was $744,351,167 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, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2020. 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 $131,252,304, $124,222,795 and $117,269,387 at December 31, 2019, 2018 and 2017, 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 permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. 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, 2019, 2018 and 2017 was 15.8 percent, 15.9 percent and 16.4 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 will be phased in over a three-year period ending December 31, 2019. The Association's common equity tier 1 ratio was 15.8 percent, tier 1 capital ratio was 15.8 percent, and total capital ratio was 15.9 percent at December 31, 2019. 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 16.1 percent and UREE leverage ratio was 17.1 percent at December 31, 2019. For additional information related to Association capital and related requirements and restrictions refer to Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

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 existed to maintain stable earnings and financial strength. 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 following table reflects the Association's capital ratios at December 31:

	2016	2015	2014	2013	2012	Regulatory Minimum
Core surplus ratio	15.7%	15.1%	15.4%	14.8%	14.7%	3.50%
Total surplus ratio	15.7%	15.1%	15.4%	14.8%	14.7%	7.00%

In 2019, 2018 and 2017, the Association paid patronage distributions of $4,100,043, $3,509,945 and $2,900,213, respectively. In December 2019, the board of directors approved a $4,800,000 patronage distribution to be paid in February 2020. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

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 Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2019, the Association was not under written agreements with the Farm Credit Administration.

On June 12, 2018, the Farm Credit Administration (FCA) published a final rule revising the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the final rule are as follows:

- To strengthen investment practices at System banks and associations to enhance their safety and soundness;
- To ensure that System banks hold sufficient high-quality liquid investments for liquidity purposes;
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers and their cooperatives in times of financial distress;
- To comply with the requirements of section 939A of the Dodd-Frank Act;
- To modernize the investment eligibility criteria for System banks; and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The regulation became effective January 1, 2019; however, the Association does not currently hold any investments.

On June 15, 2018, the FCA published a proposed rule to amend its regulations governing standards of conduct of directors and employees of System institutions and require every System bank and association to have a Standards of Conduct Program based on core principles to put into effect ethical values as part of corporate culture. The stated objectives of the proposed rule are to:

- Establish principles for ethical conduct and recognize each System institution's responsibility for promoting an ethical culture;
- Provide each System institution flexibility to develop specific guidelines on acceptable practices suitable for its business;
- Encourage each System institution to foster core ethical values and conduct as part of its corporate culture;
- Require each System institution to develop strategies and a system of internal controls to promote institution and individual accountability in ethical conduct, including by establishing a Standards of Conduct Program and adopting a Code of Ethics; and

- Remove prescriptive requirements of the regulations that do not promote these objectives.

The deadline for the submission of public comments was September 13, 2018.
On August 24, 2018, the FCA published for public comment a proposed rule that would modify the existing outside director eligibility criteria to accomplish the following objectives:

- Amend the eligibility criteria for outside directors in § 611.220(a);
- Remove the definition of outside director in § 619.9225;
- Strengthen the safety and soundness of System institutions; and
- Incorporate best practices for corporate governance for System institutions.

The proposed regulation would expand the list of persons who would be excluded from nomination for an outside director's seat to ensure the independence of outside directors. The list would include borrowers of the institution, immediate family members of any director, officer, employee, agent, stockholder or borrower of any System institution, and anyone who has a controlling interest in an entity that borrows from any System institution or any affiliated organization of a System institution. The deadline for the submission of public comments was October 23, 2018.

On January 22, 2019, the Farm Credit Administration issued an information memorandum citing the fact that effective December 20, 2018, the Agriculture Improvement Act of 2018 repealed the limitations on bank director compensation contained in section 4.21 of the Farm Credit Act of 1971, as amended. As a result, beginning in 2019, the Farm Credit Administration will no longer calculate the maximum annual compensation adjustments in FCA regulation § 611.400(b)(c), but will continue to review System bank director compensation to ensure that pay levels do not adversely affect the safety and soundness of System institutions.

On February 21, 2019, an advance notice of proposed rulemaking on ways to collect, evaluate and report data on the System's service to young, beginning and small farmers (YBS) was published in the Federal Register. The purpose of the advance notice of proposed rulemaking is to gather public input on how FCA might:

- Improve the accuracy, transparency and process by which FCA ensures that YBS farmer data is properly collected and reported by the System;
- Clarify the definitions of terms related to the collection, reporting and identification of YBS farmer data;
- Ensure the definitions of YBS farmers and related terms remain relevant and reflective of the evolving agricultural economy; and
- Evaluate the effectiveness of each System institution's YBS program to achieve its mission of serving YBS farmers.

The comment period ended on May 22, 2019.

On March 19, 2019, an interim final rule on margin and capital requirements for covered swap entities was published in the Federal Register. Five federal agencies acted to ensure that qualifying swaps may be transferred from a United Kingdom (UK) entity to an affiliate in the European Union (EU) or the United States without triggering new margin requirements. The interim final rule adopted would ensure that any legacy swap currently exempt from the agencies' rule on margin for non-cleared swaps would not become subject to the rule if such swap is amended solely for the purpose of transferring it to an affiliate as a result of a non-negotiated UK withdrawal from the EU. The comment period ended on April 18, 2019.

On April 3, 2019, a proposed rule was published in the Federal Register on the criteria for reinstating nonaccrual loans. The objectives of the proposed rule 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.

The comment period ended on June 3, 2019.

On September 18, 2019, a proposed rule was published in the Federal Register to address changes to allow Farm Credit System (FCS or System) associations to purchase and hold the portion of certain loans that non-FCS lenders originate and sell in the secondary market, and that the United States Department of Agriculture (USDA) unconditionally guarantees or insures as to the timely payment of principal and interest. The objectives of the proposed rule are to authorize FCS associations to buy as investments for risk management purposes, portions of certain loans that non-System lenders originate, and the USDA fully guarantees as to principal and interest to:

- Augment the liquidity of rural credit markets;
- Reduce the capital burden on community banks and other non-System lenders who choose to sell their USDA guaranteed portions of loans, so they may extend additional credit in rural areas; and
- Enhance the ability of associations to manage risk.

The comment period ended on November 18, 2019.

On September 23, 2019, a proposed rule was published in the Federal Register to address changes to capital and other regulations, including certain regulatory disclosure requirements, in response to recent changes in the U.S. generally accepted accounting principles (U.S. GAAP). The objectives of the proposed rule are to:

- Ensure that the System's capital requirements, including certain regulatory disclosures, reflect the current expected credit losses methodology, which revises the accounting for credit losses under U.S. GAAP; and
- Ensure that conforming amendments to other regulations accurately reference credit losses.

The comment period ended on November 22, 2019.

On November 7, 2019, a proposed rule was published in the Federal Register by five federal agencies that would amend the agencies' regulations that require swap dealers and security-based swap dealers under the agencies' respective jurisdictions to exchange margin with their counterparties for swaps that are not centrally cleared (Swap Margin Rule). The Swap Margin Rule as adopted in 2015 takes effect under a phased compliance schedule spanning from 2016 through 2020, and the dealers covered by the rule continue to hold swaps in their portfolios that were entered into before the effective dates of the rule. Such swaps are grandfathered from the Swap Margin Rule's requirements until they expire according to their terms. The proposed rule would permit swaps entered into prior to an applicable compliance date (legacy swaps) to retain their legacy status in the event that they are amended to replace an interbank offered rate (IBOR) or other discontinued rate; repeal the inter-affiliate initial margin provisions; introduce an additional compliance date for initial margin requirements; clarify the point in time at which trading documentation must be in place; permit legacy swaps to retain their legacy status in the event that they are amended due to technical amendments, notional reductions, or portfolio compression exercises; and make technical changes to relocate the provision addressing amendments to legacy swaps that are made to comply with the Qualified Financial Contract Rules, as defined in the Supplementary Information section.

The comment period ended on December 9, 2019.

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 Farm Credit Bank of Texas."

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 29 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 Mississippi Land Bank, ACA

We have audited the accompanying consolidated financial statements of Mississippi Land Bank, ACA and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019, December 31, 2018, and December 31, 2017, 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 Mississippi Land Bank, ACA and its subsidiaries as of December 31, 2019, December 31, 2018, and December 31, 2017, 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.

PricewaterhouseCoopers LLP

March 10, 2020

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MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2019	2018	2017
Assets			
Cash	**$ 6,092**	$ 4,727	$ 5,551
Loans	**740,313,671**	696,697,127	629,858,902
Less: allowance for loan losses	**995,536**	901,405	752,205
Net loans	**739,318,135**	695,795,722	629,106,697
Accrued interest receivable	**12,599,238**	10,984,180	10,454,938
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**11,808,570**	10,957,900	10,114,430
Other	**2,953,400**	2,528,450	1,598,161
Other property owned, net	**195,606**	-	-
Premises and equipment	**3,368,756**	3,601,794	3,736,020
Other assets	**420,771**	271,400	275,665
Total assets	**$ 770,670,568**	$ 724,144,173	$ 655,291,462
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 616,715,410**	$ 579,172,359	$ 520,600,139
Guaranteed obligations to government entities	**7,641,070**	7,310,433	7,177,507
Accrued interest payable	**1,578,424**	1,387,738	1,025,562
Drafts outstanding	**3,919,475**	3,103,579	1,379,139
Patronage distributions payable	**4,800,014**	4,100,057	3,510,002
Other liabilities	**4,763,871**	4,847,212	4,329,726
Total liabilities	**639,418,264**	599,921,378	538,022,075
Members' Equity			
Capital stock and participation certificates	**3,354,715**	3,294,150	3,176,875
Unallocated retained earnings	**128,001,884**	120,882,471	114,223,262
Accumulated other comprehensive income (loss)	**(104,295)**	46,174	(130,750)
Total members' equity	**131,252,304**	124,222,795	117,269,387
Total liabilities and members' equity	**$ 770,670,568**	$ 724,144,173	$ 655,291,462

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
Interest Income			
Loans	**$ 34,850,959**	$ 31,533,629	$ 27,346,995
Total interest income	**34,850,959**	31,533,629	27,346,995
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**17,029,020**	14,397,062	11,169,891
Advance conditional payments	**368**	-	15
Total interest expense	**17,029,388**	14,397,062	11,169,906
Net interest income	**17,821,571**	17,136,567	16,177,089
Provision for loan losses	**112,120**	150,000	23,312
Net interest income after provision for losses	**17,709,451**	16,986,567	16,153,777
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**3,082,619**	2,693,030	2,246,664
Loan fees	**122,434**	98,702	101,969
Financially related services income	**1,277**	1,399	1,751
Gain on sale of premises and equipment, net	**70,619**	75,639	85,410
Other noninterest income	**172,695**	375,403	48,471
Total noninterest income	**3,449,644**	3,244,173	2,484,265
Noninterest Expenses			
Salaries and employee benefits	**5,790,243**	6,269,616	5,745,517
Travel	**511,728**	520,986	445,124
Insurance Fund premiums	**493,176**	459,492	699,517
Advertising	**383,130**	376,559	385,010
Occupancy and equipment	**355,940**	315,749	301,939
Purchased services	**349,099**	333,587	378,900
Directors' expense	**281,203**	236,380	274,333
Supervisory and exam expense	**264,725**	245,986	240,046
Public and member relations	**208,022**	179,416	170,998
Communications	**111,230**	105,538	87,046
Other components of net periodic postretirement benefit cost	**56,718**	49,357	51,219
Other noninterest expense	**401,372**	360,315	330,196
Total noninterest expenses	**9,206,586**	9,452,981	9,109,845
Income before income taxes	**11,952,509**	10,777,759	9,528,197
Provision for (benefit from) income taxes	**33,096**	18,550	(15,276)
NET INCOME	**11,919,413**	10,759,209	9,543,473
Other comprehensive income:			
Change in postretirement benefit plans	**(150,469)**	176,924	(15,542)
COMPREHENSIVE INCOME	**$ 11,768,944**	$ 10,936,133	$ 9,527,931

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2016	$ 3,085,100	$ 108,189,789	$ (115,208)	$ 111,159,681
Comprehensive income	-	9,543,473	(15,542)	9,527,931
Capital stock/participation certificates issued	509,630	-	-	509,630
Capital stock/participation certificates retired	(417,855)	-	-	(417,855)
Patronage dividends:				
Cash	-	(3,510,000)	-	(3,510,000)
Balance at December 31, 2017	3,176,875	114,223,262	(130,750)	117,269,387
Comprehensive income	-	10,759,209	176,924	10,936,133
Capital stock/participation certificates issued	529,820	-	-	529,820
Capital stock/participation certificates retired	(412,545)	-	-	(412,545)
Patronage dividends:				
Cash	-	(4,100,000)	-	(4,100,000)
Balance at December 31, 2018	3,294,150	120,882,471	46,174	124,222,795
Comprehensive income	-	11,919,413	(150,469)	11,768,944
Capital stock/participation certificates issued	530,050			530,050
Capital stock/participation certificates retired	(469,485)			(469,485)
Patronage dividends:				
Cash		(4,800,000)		(4,800,000)
Balance at December 31, 2019	**$ 3,354,715**	**$ 128,001,884**	**$ (104,295)**	**$ 131,252,304**

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	**$ 11,919,413**	$ 10,759,209	$ 9,543,473
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses or (loan loss reversal)	**112,120**	150,000	23,312
Depreciation	**835,084**	746,505	702,738
Gain on sale of premises and equipment, net	**(70,619)**	(75,639)	(85,410)
(Increase) decrease in accrued interest receivable	**(1,615,058)**	(529,242)	(1,422,416)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(424,950)**	(930,289)	657,340
(Increase) decrease in other assets	**(149,371)**	4,265	(12,313)
Increase in accrued interest payable	**190,686**	362,176	139,560
(Decrease) increase in other liabilities	**(264,679)**	693,609	(182,182)
Net cash provided by operating activities	**10,532,626**	11,180,594	9,364,102
Cash flows from investing activities:			
Increase in loans, net	**(44,298,993)**	(67,233,410)	(27,166,160)
Cash recoveries of loans previously charged off	**12,880**	-	-
Proceeds from (purchase) redemption of investment in the Farm Credit Bank of Texas	**(850,670)**	(843,470)	64,595
Purchases of premises and equipment	**(175,084)**	(302,554)	(452,769)
Proceeds from sales of premises and equipment	**130,500**	161,100	156,500
Net cash used in investing activities	**(45,181,367)**	(68,218,334)	(27,397,834)
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**37,543,051**	58,572,220	21,581,827
Increase in guaranteed obligations to government entities	**330,637**	132,926	731,614
Increase (decrease) in drafts outstanding	**815,896**	1,724,440	(1,481,101)
Issuance of capital stock and participation certificates	**530,050**	529,820	509,630
Retirement of capital stock and participation certificates	**(469,485)**	(412,545)	(417,855)
Patronage distributions paid	**(4,100,043)**	(3,509,945)	(2,900,213)
Net cash provided by financing activities	**34,650,106**	57,036,916	18,023,902
Net increase (decrease) in cash	**1,365**	(824)	(9,830)
Cash at the beginning of the year	**4,727**	5,551	15,381
Cash at the end of the year	**$ 6,092**	$ 4,727	$ 5,551

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**195,606**	-	-
Loans charged off	**-**	-	1,312
Patronage distributions declared	**4,800,000**	4,100,000	3,510,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**(30,869)**	(800)	6,250
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 16,979,246**	$ 14,034,886	$ 11,114,593

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

MISSISSIPPI LAND BANK, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Mississippi Land Bank, ACA, including its wholly-owned subsidiaries, Mississippi, PCA and Mississippi 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 counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Webster, Winston and Yalobusha in the state of Mississippi.

   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, 2019, 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, 2019, 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 2.0 percent 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 also serves as an intermediary in offering credit life insurance.

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.

Reclassifications

Certain amounts in prior year's financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Mississippi, PCA and Mississippi Land Bank, FLCA.

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 and the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to 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. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Mississippi, PCA and Mississippi Land Bank, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In August 2018, the Financial Accounting Standards Board (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 becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association early adopted to be in line with the FCS; however, the adoption of this guidance did not 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. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance 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 becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the

additional disclosures until their effective date. The adoption of this guidance will not impact the Association's financial condition or its results of operations but will impact the fair value measurements disclosures. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

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

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 becomes 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 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.

In February 2016, the FASB issued guidance titled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2018. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations but did impact lease disclosures. The Association adopted this guidance January 1, 2019, and upon adoption, recorded a $94,848 right of use asset with an offsetting lease liability of the same amount.

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 30 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.

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.

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.

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 economic 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 one and nine 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 and 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. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

Each quarter, the Association employs a rigorous allowance evaluation model consisting of four facets, each related to the allowance for loan losses, in order to determine an appropriate level of allowance to carry on the Association's consolidated balance sheet. The first facet is a general allowance calculation based upon the risk rating of each individual loan in the Association's portfolio. The second is a specific allowance calculation derived from calculations, analyses and communications among the branch vice presidents and members of the Association's Asset-Liability Committee (ALCO). The third facet is based upon the results of the quarterly stress testing model performed by the branch vice presidents and members of the ALCO. The fourth facet is a general economy and commodity evaluation in which the ALCO evaluates the current market for each commodity, as well as general economic factors such as unemployment. Management also evaluates the Association's historical losses and the relationship of these losses to the current level of allowance. The final results are evaluated for reasonableness by the Association's ALCO and presented to the board of directors for approval.

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 transferee 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 to other District associations. The Bank requires a minimum stock investment of 2.0 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 2.0 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5.0 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.

G. Guaranteed Obligations to Government Entities: Guaranteed obligations to government entities represent amounts owed to a state economic and community development agency by Association borrowers and guaranteed by the Association.

H. 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.

I. 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. Also, the Association sponsors a nonqualified defined contribution 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, 2019, made on their behalf into various investment alternatives.

The structure of the District's DB Plan is characterized as multi-employer because neither the assets, liabilities nor costs of the plan is 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 $235,318, $191,922 and $172,952 for the years ended December 31, 2019, 2018 and 2017, respectively. For the DB Plan, the Association recognized pension costs of $443,500, $825,904 and $857,703 for the years ended December 31, 2019, 2018 and 2017, 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 $192,427, $172,568 and $166,480 for the years ended December 31, 2019, 2018 and 2017, 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 $96,470, $4,427 and $3,001 for the years ended December 31, 2019, 2018 and 2017, respectively.

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. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing bases predicated on length of employment service. Employees hired before this date, who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

J. 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. The association distributes patronage on the basis of book income. Deferred taxes are recorded on 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 (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.

K. Patronage Refunds from the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

L. 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."

M. 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:

	2019		2018		2017	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 599,443,104**	**80.9%**	$ 578,775,581	83.1%	$ 534,367,052	84.8%
Production and intermediate term	**98,321,824**	**13.3%**	81,571,946	11.7%	65,651,022	10.4%
Agribusiness:						
Processing and marketing	**22,192,686**	**3.0%**	19,972,715	2.9%	14,632,996	2.3%
Farm-related business	**3,095,945**	**0.4%**	3,548,314	0.5%	4,107,619	0.7%
Loans to cooperatives	**1,230,550**	**0.2%**	1,143,700	0.2%	1,673,345	0.3%
Rural residential real estate	**10,320,906**	**1.4%**	8,515,576	1.2%	6,183,100	1.0%
Communication	**5,708,656**	**0.8%**	3,138,869	0.4%	3,243,768	0.5%
Energy	**-**	**0.0%**	30,426	0.0%	-	0.0%
Total	**$ 740,313,671**	**100.0%**	$ 696,697,127	100.0%	$ 629,858,902	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, 2019:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 24,051,263	$ 71,843	$ -	$ -	$ 24,051,263	$ 71,843
Real estate mortgage	3,998,550	-	10,947,715	-	14,946,265	-
Communication	5,708,656	-	-	-	5,708,656	-
Production and intermediate term	-	1,847,540	-	-	-	1,847,540
Total	$ 33,758,469	$ 1,919,383	$ 10,947,715	$ -	$ 44,706,184	$ 1,919,383

Geographic Distribution:

County	**2019**	2018	2017
Noxubee	**10.3%**	10.5%	11.1%
Coahoma	**7.0%**	6.9%	5.2%
Panola	**6.4%**	6.3%	6.0%
Tallahatchie	**6.2%**	4.4%	4.8%
Tunica	**4.8%**	4.7%	3.4%
Quitman	**4.5%**	4.1%	4.7%
Bolivar	**4.2%**	4.9%	4.9%
Tate	**4.2%**	4.6%	5.1%
Lowndes	**3.3%**	2.8%	2.1%
Sunflower	**3.1%**	3.4%	4.2%
Oktibbeha	**3.0%**	3.1%	3.3%
DeSoto	**2.9%**	3.2%	3.4%
Marshall	**2.9%**	3.2%	3.8%
Calhoun	**2.4%**	2.7%	0.9%
Chickasaw	**2.4%**	2.5%	2.8%
Clay	**2.1%**	2.2%	2.3%
Lee	**1.9%**	2.0%	2.0%
Pontotoc	**1.9%**	2.3%	2.2%
Alcorn	**1.9%**	2.1%	2.4%
Lafayette	**1.8%**	1.3%	1.5%
Winston	**1.7%**	1.6%	1.7%
Monroe	**1.6%**	1.6%	1.8%
Union	**1.2%**	1.1%	1.3%
Attala	**1.0%**	1.1%	0.9%
Choctaw	**1.0%**	1.1%	1.2%
Other States	**7.4%**	7.4%	6.9%
Other Counties	**8.9%**	8.9%	10.1%
	100.0%	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. Though 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.

Operation/Commodity	2019 Amount	2019 %	2018 Amount	2018 %	2017 Amount	2017 %
Soybeans	**$ 169,230,440**	**22.9%**	$ 154,031,375	22.0%	$ 131,823,239	20.9%
Timber	**144,389,545**	**19.5%**	138,600,214	19.9%	136,450,356	21.7%
Cotton	**127,274,250**	**17.2%**	109,277,160	15.7%	86,663,566	13.8%
Livestock, except dairy and poultry	**103,017,240**	**13.9%**	105,475,661	15.1%	101,628,206	16.1%
Corn	**50,543,623**	**6.8%**	49,810,580	7.1%	49,711,873	7.9%
Poultry and eggs	**39,383,283**	**5.3%**	41,246,720	5.9%	38,273,529	6.1%
Other field crops, including cash grains	**25,942,880**	**3.5%**	27,112,606	3.9%	15,114,267	2.4%
Recreational property	**19,335,862**	**2.6%**	17,799,684	2.6%	15,852,651	2.5%
Rice	**14,977,880**	**2.0%**	14,303,912	2.1%	17,416,978	2.8%
Rural home loans	**13,306,374**	**1.8%**	10,845,711	1.6%	9,586,847	1.5%
Paper and allied products	**6,192,625**	**0.8%**	5,309,769	0.8%	5,364,795	0.9%
Communication	**5,708,656**	**0.8%**	3,138,869	0.5%	3,243,768	0.5%
Catfish	**3,438,529**	**0.5%**	2,817,220	0.4%	3,340,807	0.5%
Other	**17,572,484**	**2.4%**	16,927,646	2.4%	15,388,020	2.4%
Total	**$ 740,313,671**	**100.0%**	$ 696,697,127	100.0%	$ 629,858,902	100.0%

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:

	December 31, 2019	2018	2017
Nonaccrual Loans:			
Current as to Principal and Interest	**$ 626,388**	$ 982,182	$ 456,665
Past Due	**84,766**	112,128	568,348
Total Nonaccrual Loans	**711,154**	1,094,310	1,025,013
Impaired Accrual Loans:			
Restructured Accrual Loans	**162,326**	162,247	162,440
Accrual Loans 90 Days or More Past Due	**24,161**	-	-
Total Impaired Accrual Loans	**186,487**	162,247	162,440
Total Impaired Loans	**$ 897,641**	$ 1,256,557	$ 1,187,453

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

	December 31, 2019	December 31, 2018	December 31, 2017
Nonaccrual loans:			
Real estate mortgage	**$ 711,154**	$ 1,094,310	$ 1,025,013
Total nonaccrual loans	**711,154**	1,094,310	1,025,013
Accruing restructured loans:			
Real estate mortgage	**162,326**	162,247	162,440
Total accruing restructured loans	**162,326**	162,247	162,440
Accruing loans 90 days or more past due:			
Rural residential real estate	**24,161**	-	-
Total accruing loans 90 days or more past due	**24,161**	-	-
Total nonperforming loans	**897,641**	1,256,557	1,187,453
Other property owned	**195,606**	-	-
Total nonperforming assets	**$ 1,093,247**	$ 1,256,557	$ 1,187,453

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:

	2019	2018	2017
Real estate mortgage			
Acceptable	**99.3** %	99.4 %	99.2 %
OAEM	**0.2**	0.1	0.2
Substandard/doubtful	**0.5**	0.5	0.6
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	0.0
Substandard/doubtful	**0.0**	-	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**84.1**	100.0	100.0
OAEM	**15.9**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.2**	97.3	92.4
OAEM	**0.2**	0.3	0.5
Substandard/doubtful	**0.6**	2.4	7.1
	100.0	100.0	100.0
Total Loans			
Acceptable	**98.9**	99.5	99.3
OAEM	**0.6**	0.1	0.1
Substandard/doubtful	**0.5**	0.4	0.6
	100.0 %	100.0 %	100.0 %

There were no loans and related interest in the loss category.

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2019, 2018 and 2017:

December 31, 2019:		**30-89 Days Past Due**		**90 Days or More Past Due**		**Total Past Due**		**Not Past Due or less than 30 Days Past Due**		**Total Loans**		**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$**	**696,101**	**$**	**-**	**$**	**696,101**	**$**	**609,339,280**	**$**	**610,035,381**	**$**	**-**
Production and intermediate term		**19,352**		**-**		**19,352**		**100,150,381**		**100,169,733**		**-**
Processing and marketing		**-**		**-**		**-**		**22,240,685**		**22,240,685**		**-**
Rural residential real estate		**41,548**		**24,161**		**65,709**		**10,298,002**		**10,363,711**		**24,161**
Communication		**-**		**-**		**-**		**5,708,955**		**5,708,955**		**-**
Farm-related business		**-**		**-**		**-**		**3,163,636**		**3,163,636**		**-**
Loans to cooperatives		**-**		**-**		**-**		**1,230,808**		**1,230,808**		**-**
Total	**$**	**757,001**	**$**	**24,161**	**$**	**781,162**	**$**	**752,131,747**	**$**	**752,912,909**	**$**	**24,161**

December 31, 2018:		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or less than 30 Days Past Due		Total Loans		Recorded Investment >90 Days and Accruing
Real estate mortgage	$	914,737	$	96,102	$	1,010,839	$	587,050,813	$	588,061,652	$	-
Production and intermediate term		-		-		-		83,137,644		83,137,644		-
Processing and marketing		-		-		-		19,996,229		19,996,229		-
Rural residential real estate		-		-		-		8,549,609		8,549,609		-
Farm-related business		-		-		-		3,623,371		3,623,371		-
Communication		-		-		-		3,138,975		3,138,975		-
Loans to cooperatives		-		-		-		1,143,354		1,143,354		-
Energy		-		-		-		30,473		30,473		-
Total	$	914,737	$	96,102	$	1,010,839	$	706,670,468	$	707,681,307	$	-

December 31, 2017:		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	$	620,585	$	582,345	$	1,202,930	$	542,433,202	$	543,636,132	$	-
Production and intermediate term		-		-		-		66,722,631		66,722,631		-
Processing and marketing		-		-		-		14,644,362		14,644,362		-
Rural residential real estate		46,324		-		46,324		6,164,085		6,210,409		-
Farm-related business		-		-		-		4,181,419		4,181,419		-
Communication		-		-		-		3,244,905		3,244,905		-
Loans to cooperatives		-		-		-		1,673,982		1,673,982		-
Total	$	666,909	$	582,345	$	1,249,254	$	639,064,586	$	640,313,840	$	-

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 (TDR) 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, 2019, the total recorded investment of troubled debt restructured loans was $304,873, including $142,547 classified as nonaccrual and $162,326 classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. As of December 31, 2019, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

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, 2018 and 2017. There were no loans meeting the troubled debt restructuring requirements during the year ended December 31, 2019. 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, 2018:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 128,956	$ 123,263
Total	$ 128,956	$ 123,263

December 31, 2017:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 483,331	$ 485,767
Total	$ 483,331	$ 485,767

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). The Association had no charge-offs recorded at the modification date for the year ending December 31, 2019.

The predominant form of concession granted for troubled debt restructuring is interest rate reduction, although other forms of concession could include deferral of principal or principal or interest reductions. 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. For the loans mentioned above meeting the requirements for a TDR designation, all but one was granted an interest rate that was considered lower than the current market rate for new debt with similar risk. The remaining loan was granted a deferral of principal. No principal or interest was forgiven as part of any of the concessions.

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 subsequently defaulted:	**Recorded Investment at December 31, 2019**	Recorded Investment at December 31, 2018	Recorded Investment at December 31, 2017
Real estate mortgage	**$ 84,766**	$ 96,102	$ -
Total	**$ 84,766**	$ 96,102	$ -

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, 2019	December 31, 2018	December 31, 2017
Troubled debt restructurings:			
Real estate mortgage	**$ 304,873**	$ 329,574	$ 722,014
Total	**$ 304,873**	$ 329,574	$ 722,014

	TDRs on Nonaccrual Status*		
	December 31, 2019	December 31, 2018	December 31, 2017
Troubled debt restructurings:			
Real estate mortgage	**$ 142,547**	$ 167,327	$ 559,574
Total	**$ 142,547**	$ 167,327	$ 559,574

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

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2019	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Rural residential real estate	$ 23,832	$ 23,435	$ 3,500	$ 31,632	$ 2,383
Total	$ 23,832	$ 23,435	$ 3,500	$ 31,632	$ 2,383
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 872,859	$ 872,859	$ -	$ 902,774	$ 19,193
Total	$ 872,859	$ 872,859	$ -	$ 902,774	$ 19,193
Total impaired loans:					
Real estate mortgage	$ 872,859	$ 872,859	$ -	$ 902,774	$ 19,193
Rural residential real estate	23,832	23,435	3,500	31,632	2,383
Total	$ 896,691	$ 896,294	$ 3,500	$ 934,406	$ 21,576

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

	Recorded Investment at 12/31/2018	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,256,015	$ 1,268,895	$ -	$ 1,080,478	$ 29,751
Total	$ 1,256,015	$ 1,268,895	$ -	$ 1,080,478	$ 29,751
Total impaired loans:					
Real estate mortgage	$ 1,256,015	$ 1,268,895	$ -	$ 1,080,478	$ 29,751
Total	$ 1,256,015	$ 1,268,895	$ -	$ 1,080,478	$ 29,751

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

	Recorded Investment at 12/31/2017	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,189,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total	$ 1,189,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total impaired loans:					
Real estate mortgage	$ 1,189,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total	$ 1,189,718	$ 1,199,598	$ -	$ 924,367	$ 24,955

[a] 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, 2019, 2018 and 2017.

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

	2019	2018	2017
Interest income that would have been recognized under the original terms	**$ 81,292**	$ 100,768	$ 79,072
Less: interest income recognized	**(21,576)**	(29,751)	(24,955)
Foregone interest income	**$ 59,716**	$ 71,017	$ 54,117

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Rural Residential Real Estate	Total
Allowance for Credit Losses:						
Balance at December 31, 2018	$ 716,864	$ 116,845	$ 25,032	$ 1,769	$ 40,895	$ 901,405
Charge-offs	-	-	-	-	-	-
Recoveries	12,880	-	-	-	-	12,880
Provision for loan losses	111,766	(34,770)	51,501	1,145	(17,452)	112,190
Other	(174)	(5,034)	(25,731)	-	-	(30,939)
Balance at December 31, 2019	$ 841,336	$ 77,041	$ 50,802	$ 2,914	$ 23,443	$ 995,536
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 3,500	$ 3,500
Ending Balance: collectively evaluated for impairment	$ 841,336	$ 77,041	$ 50,802	$ 2,914	$ 19,943	$ 992,036
Ending Balance: loans acquired with deteriorated credit quality for the 3 years	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:						
Ending Balance at December 31, 2019	$ 610,035,381	$ 100,169,733	$ 26,635,129	$ 5,708,955	$ 10,363,711	$ 752,912,909
Ending balance for loans individually evaluated for impairment	$ 3,329,125	$ 70,093	$ -	$ -	$ 81,854	$ 3,481,072
Ending balance for loans collectively evaluated for impairment	$ 606,706,266	$ 100,099,640	$ 26,635,129	$ 5,708,955	$ 10,281,856	$ 749,431,846
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2017	$ 588,603	$ 98,896	$ 28,676	$ 5,607	$ -	$ 30,423	$ 752,205
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	128,261	18,133	(2,883)	(3,838)	(145)	10,472	150,000
Other	-	(184)	(761)	-	145	-	(800)
Balance at December 31, 2018	$ 716,864	$ 116,845	$ 25,032	$ 1,769	$ -	$ 40,895	$ 901,405
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 22,000	$ 22,000
Ending Balance: collectively evaluated for impairment	$ 716,864	$ 116,845	$ 25,032	$ 1,769	$ -	$ 18,895	$ 879,405
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2018	$ 588,061,652	$ 83,137,644	$ 24,762,954	$ 3,138,975	$ 30,473	$ 8,549,609	$ 707,681,307
Ending balance for loans individually evaluated for impairment	$ 3,123,575	$ -	$ -	$ -	$ -	$ 191,710	$ 3,315,285
Ending balance for loans collectively evaluated for impairment	$ 584,938,077	$ 83,137,644	$ 24,762,954	$ 3,138,975	$ 30,473	$ 8,357,899	$ 704,366,022
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2016	$ 587,998	$ 96,617	$ 25,352	$ 5,529	$ 36	$ 8,423	$ 723,955
Charge-offs	(1,312)	-	-	-	-	-	(1,312)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	1,312	-	-	-	-	22,000	23,312
Other	605	2,279	3,324	78	(36)	-	6,250
Balance at December 31, 2017	$ 588,603	$ 98,896	$ 28,676	$ 5,607	$ -	$ 30,423	$ 752,205
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 22,000	$ 22,000
Ending Balance: collectively evaluated for impairment	$ 588,603	$ 98,896	$ 28,676	$ 5,607	$ -	$ 8,423	$ 730,205
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2017	$ 543,636,132	$ 66,722,631	$ 20,499,763	$ 3,244,905	$ -	$ 6,210,409	$ 640,313,840
Ending balance for loans individually evaluated for impairment	$ 3,713,001	$ -	$ -	$ -	$ -	$ 489,042	$ 4,202,043
Ending balance for loans collectively evaluated for impairment	$ 539,923,131	$ 66,722,631	$ 20,499,763	$ 3,244,905	$ -	$ 5,721,367	$ 636,111,797
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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 3.52 percent, 3.46 percent and 3.36 percent of the issued stock of the Bank as of December 31, 2019, 2018 and 2017, respectively. As of those dates, the Bank's assets totaled $25.66 billion, $24.53 billion and $22.84 billion and members' equity totaled $1.84 billion, $1.78 billion and $1.67 billion, respectively. The Bank's earnings were $203.0 million, $190.5 million and $196.0 million during 2019, 2018 and 2017, respectively.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2019	2018	2017
Building and improvements	**$ 2,485,270**	$ 2,442,551	$ 2,456,722
Automobiles	**1,059,203**	1,178,185	1,185,596
Land and improvements	**1,348,234**	1,348,234	1,348,234
Furniture and equipment	**399,921**	392,166	384,495
Computer equipment and software	**187,744**	172,263	179,607
Construction in progress	**1,800**	-	-
	5,482,172	5,533,399	5,554,654
Accumulated depreciation	**(2,113,416)**	(1,931,605)	(1,818,634)
Total	**$ 3,368,756**	$ 3,601,794	$ 3,736,020

The Association leases office space in Clarksdale, Cleveland, Indianola, Kosciusko and Louisville and, at times, other properties as the need arises. Lease expense was $50,367, $49,315 and $48,965 for 2019, 2018 and 2017, respectively. The Association primarily has month-to-month lease agreements in place, and as of December 31, 2019, minimum annual lease payments for 2020 are $6,180 and zero for years 2021 through 2024.

NOTE 6 — OTHER PROPERTY OWNED, NET:

At December 31, 2019, the Association held two residential properties with a total carrying amount of $195,606 and no allowance for loss on other property owned (OPO) based on recent net realizable value analyses. The Association held no OPO during the years ending December 31, 2018 and 2017. Additionally, the Association had no net gain or loss on OPO for the years ending December 31, 2019, 2018 and 2017.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2019	2018	2017
Captive insurance receivable	**$ 243,644**	$ 248,932	$ 254,226
Other	**177,127**	22,468	21,439
Total	**$ 420,771**	$ 271,400	$ 275,665

Other liabilities comprised the following at December 31:

	2019	2018	2017
Payroll and benefits payable	**$ 1,772,192**	$ 2,056,297	$ 1,392,393
Accumulated postretirement benefit obligation	**1,660,673**	1,489,092	1,649,886
Outstanding accounts payable	**439,168**	572,072	411,397
Insurance Fund premiums payable	**493,176**	459,492	699,517
Other	**398,662**	270,259	176,533
Total	**$ 4,763,871**	$ 4,847,212	$ 4,329,726

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, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2019, 2018 and 2017, was $616,715,410 at 2.78 percent, $579,172,359 at 2.79 percent and $520,600,139 at 2.28 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, 2019, 2018 and 2017, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2019, was $744,351,167, 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, 2019, 2018 and 2017, the Association was not subject to remedies associated with the covenants in the general financing agreement. Other than our funding relationship with the Bank, we have no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

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

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) or participation certificates (for rural home or farm-related business loans) is equal to 2.0 percent of the loan amount, up to a maximum amount of $1,000 per loan for loans made under the FLCA. Under the PCA, the investment in Class A capital stock or participation certificates is equal to 2.0 percent of the loan amount, up to a maximum of $1,000 per customer. Effective January 1, 2020, all new loans made by the Association, regardless of whether it was made under the FLCA or PCA, are subject to a stock requirement of 2.0 percent of the loan amount, up to a maximum amount of $1,000 per loan. 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 10.0 percent of the loan amount.

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.

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. Ownership of Class C stock shall not share in any patronage distributions, and redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2019, 2018 and 2017, 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 capital stock 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.

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:

	2019	2018	2017
Class A stock	**655,260**	643,809	622,465
Participation certificates	**15,683**	15,021	12,910
Total	**670,943**	658,830	635,375

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors 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 2019, 2018 and 2017, respectively:

Date Declared	Date Paid	Patronage
December 2019	**February 2020**	**$ 4,800,000**
December 2018	February 2019	4,100,000
December 2017	February 2018	3,510,000

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, 2019, 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.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2019:

Risk-adjusted:	**Regulatory Minimums**	**Conservation Buffer***	**Total**	**As of December 31, 2019**
Common equity tier 1 ratio	4.50%	2.50%	7.00%	15.80%
Tier 1 capital ratio	6.00%	2.50%	8.50%	15.80%
Total capital ratio	8.00%	2.50%	10.50%	15.93%
Permanent capital ratio	7.00%	0.00%	7.00%	15.82%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	16.13%
UREE leverage ratio	1.50%	0.00%	1.50%	17.14%

*The 2.5 percent capital conservation buffer for the risk-adjusted ratios will be phased in over a three-year period ending on December 31, 2019.

**Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

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 which 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 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 and 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, 2019:

	at December 31, 2019			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 129,082,961**	**$ 129,082,961**	**$ 129,082,961**	**$ 129,082,961**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**3,364,896**	**3,364,896**	**3,364,896**	**3,364,896**
Allowance for loan losses and reserve for credit losses subject to certain limitations*	**-**	**-**	**975,267**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(10,967,352)**	**(10,967,352)**	**(10,967,352)**	**(10,967,352)**
	$ 121,480,505	**$ 121,480,505**	**$ 122,455,772**	**$ 121,480,505**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 779,922,511**	**$ 779,922,511**	**$ 779,922,511**	**$ 779,922,511**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(10,967,352)**	**(10,967,352)**	**(10,967,352)**	**(10,967,352)**
Allowance for loan losses	**-**	**-**	**-**	**(947,511)**
	$ 768,955,159	**$ 768,955,159**	**$ 768,955,159**	**$ 768,007,648**

*Capped at 1.25 percent of risk-adjusted assets.

	at December 31, 2018			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 121,971,801	$ 121,971,801	$ 121,971,801	$ 121,971,801
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,268,899	3,268,899	3,268,899	3,268,899
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	874,990	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(10,123,802)	(10,123,802)	(10,123,802)	(10,123,802)
	$ 115,116,898	$ 115,116,898	$ 115,991,888	$ 115,116,898
Denominator:				
Risk-adjusted assets excluding allowance	$ 736,867,114	$ 736,867,114	$ 736,867,114	$ 736,867,114
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(10,123,802)	(10,123,802)	(10,123,802)	(10,123,802)
Allowance for loan losses	-	-	-	(853,245)
	$ 726,743,312	$ 726,743,312	$ 726,743,312	$ 725,890,067

*Capped at 1.25 percent of risk-adjusted assets.

	at December 31, 2017			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 114,832,047	$ 114,832,047	$ 114,832,047	$ 114,832,047
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,167,938	3,167,938	3,167,938	3,167,938
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	774,434	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(10,178,307)	(10,178,307)	(10,178,307)	(10,178,307)
	$ 107,821,678	$ 107,821,678	$ 108,596,112	$ 107,821,678
Denominator:				
Risk-adjusted assets excluding allowance	$ 667,320,442	$ 667,320,442	$ 667,320,442	$ 667,320,442
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(10,178,307)	(10,178,307)	(10,178,307)	(10,178,307)
Allowance for loan losses	-	-	-	(752,205)
	$ 657,142,135	$ 657,142,135	$ 657,142,135	$ 656,389,930

*Capped at 1.25 percent 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, 2019:

	at December 31, 2019	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 129,082,961**	**$ 129,082,961**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**3,364,896**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(10,967,352)**	**-**
	$ 121,480,505	**$ 129,082,961**
Denominator:		
Total Assets	**$ 767,389,037**	**$ 767,389,037**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(14,314,157)**	**(14,314,157)**
	$ 753,074,880	**$ 753,074,880**

	at December 31, 2018			
	Tier 1 leverage ratio		UREE leverage ratio	
Numerator:				
Unallocated retained earnings	$	121,971,801	$	121,971,801
Common Cooperative Equities:				
Statutory minimum purchased borrower stock		3,268,899		-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions		(10,123,802)		-
Other regulatory required deductions		-		-
	$	115,116,898	$	121,971,801
Denominator:				
Total Assets	$	727,060,360	$	727,060,360
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital		(14,848,554)		(14,848,554)
	$	712,211,806	$	712,211,806

	at December 31, 2017			
	Tier 1 leverage ratio		UREE leverage ratio	
Numerator:				
Unallocated retained earnings	$	114,832,047	$	114,832,047
Common Cooperative Equities:				
Statutory minimum purchased borrower stock		3,167,938		-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions		(10,178,307)		-
	$	107,821,678	$	114,832,047
Denominator:				
Total Assets	$	652,937,065	$	652,937,065
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital		(14,397,370)		(14,397,370)
	$	638,539,695	$	638,539,695

The board of directors of the Association has promulgated a detailed and specific Capital Adequacy Plan (Plan) to address current and future needs of its borrowers. The framework of the Plan is based on the specific circumstances of the Association and its borrowers, as well as regulatory requirements of the FCA. The Plan defines and measures the Association's goals and performance in large part based on the District's financial performance standards for associations. At least quarterly, management and the board of directors review the Association's financial performance, key capital ratios, asset quality, the adequacy of the allowance for loan losses, the sufficiency of liquid funds and internal controls. The objectives of the board of directors, as outlined in the Plan, include, but are not limited to, sustained profitability and reasonable protection against risks inherent in the Association's operations, exceeding all minimum regulatory requirements and maximizing return on capital. A strong capital base, as outlined in the Plan, will afford the Association an opportunity to position itself to address the changing lending environment and provide the highest quality service to its shareholders.

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.

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

	2019	2018	2017
Prior service (credit) cost	**$ (52,362)**	$ (64,653)	$ (15,877)
Net actuarial loss (gain)	**156,657**	18,479	146,627
Total	**$ 104,295**	$ (46,174)	$ 130,750

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:

	2019	2018	2017
Accumulated other comprehensive income (loss) at January 1	**$ 46,174**	$ (130,750)	$ (115,208)
Actuarial gains(losses)	**(138,178)**	128,148	5,630
Prior service (cost) credit	**-**	64,653	-
Amortization of prior service (credit) costs included in salaries and employee benefits	**(12,291)**	(15,877)	(21,172)
Other comprehensive income (loss), net of tax	**(150,469)**	176,924	(15,542)
Accumulated other comprehensive income at December 31	**$ (104,295)**	$ 46,174	$ (130,750)

NOTE 10 — INCOME TAXES:

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

	2019	2018	2017
Deferred:			
Federal	**$ 28,601**	$ 16,031	$ (13,202)
State	**4,495**	2,519	(2,074)
Total deferred	**33,096**	18,550	(15,276)
Total provision for (benefit from) income taxes	**$ 33,096**	$ 18,550	$ (15,276)

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:

	2019	2018	2017
Federal tax at statutory rate	**$ 2,510,027**	$ 2,263,329	$ 3,330,345
State tax, net	**4,495**	2,519	(2,074)
Effect of nontaxable FLCA subsidiary	**(2,407,468)**	(2,292,928)	(3,487,227)
Effect of tax rate change	**-**	-	148,008
Patronage distributions	**(87,588)**	-	-
Prior period adjustment to NOL carryforward	**271,637**	-	-
Change in valuation allowance	**(269,628)**	49,659	6,656
Other	**11,621**	(4,029)	(10,984)
Provision for (benefit from) income taxes	**$ 33,096**	$ 18,550	$ (15,276)

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

	2019	2018	2017
Deferred Tax Assets			
Allowance for loan losses	**$ 9,161**	$ 7,152	$ 5,409
Loss carryforwards	**78,363**	350,001	302,085
Gross deferred tax assets	**87,524**	357,153	307,494
Deferred tax asset valuation allowance	**(87,524)**	(357,153)	(307,494)
Deferred Tax Liabilities			
Other	**(102,241)**	(69,145)	(50,594)
Gross deferred tax liabilities	**(102,241)**	(69,145)	(50,594)
Net deferred tax asset (liability)	**$ (102,241)**	$ (69,145)	$ (50,594)

At December 31, 2019, the Association had a net operating loss (NOL) carryover of $322,483 available to offset against future taxable income of which $91,956 will expire in 2034 and the remaining $230,527 will expire in 2037.

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded valuation allowances of $87,524, $357,153 and $307,494 during 2019, 2018 and 2017, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

Upon adoption of FASB guidelines for “Accounting for Uncertainty in Income Taxes” on January 1, 2007, the Association did not need to recognize a tax liability for any uncertain tax positions and at December 31, 2019, 2018 and 2017 did not recognize a tax liability for any uncertain tax positions.

The enactment of federal tax legislation in late December 2017, among other things, lowered the federal corporate tax from 35 percent to 21 percent beginning January 1, 2018. In accordance with GAAP, the change to the lower corporate tax rate led to a remeasurement of the deferred tax liabilities and deferred tax assets in 2017, the period of enactment. The benefit from income taxes in 2017 was primarily due to a decrease in deferred tax liabilities as a result of the revaluation. The decrease in deferred tax assets was offset by a valuation allowance; therefore, no income statement impact.

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 because 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 the nonqualified defined contribution 401(k) plan. Contributions of $96,470, $4,427 and $3,001 were made to this plan for the years ended December 31, 2019, 2018 and 2017. There were no payments made from the Supplemental 401(k) Plan to active employees during 2019, 2018 and 2017.

The DB Plan is noncontributory 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, 2019.

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 DB Plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Funded status of DB Plan	**66.2** %	68.0 %	69.7 %
Association's contribution	**$ 443,500**	$ 825,904	$ 857,730
Percentage of Association's contribution to total contributions	**5.4** %	8.4 %	7.4 %

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 68.0 percent, 70.1 percent and 73.4 percent at December 31, 2019, 2018 and 2017, 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. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing bases predicated on length of employment service. Employees hired before this date, who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

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	**2019**	2018	2017
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,489,092**	$ 1,649,886	$ 1,600,999
Service cost	**15,903**	18,875	18,402
Interest cost	**69,009**	65,234	72,391
Plan participants' contributions	**9,359**	15,915	21,913
Plan amendments	**-**	(64,653)	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**138,178**	(128,148)	(5,630)
Benefits paid	**(60,868)**	(68,017)	(58,189)
Accumulated postretirement benefit obligation, end of year	**$ 1,660,673**	$ 1,489,092	$ 1,649,886
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**51,509**	52,102	36,276
Plan participants' contributions	**9,359**	15,915	21,913
Benefits paid	**(60,868)**	(68,017)	(58,189)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,660,673)**	$ (1,489,092)	$ (1,649,886)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,660,673)**	$ (1,489,092)	$ (1,649,886)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 156,657**	$ 18,479	$ 146,627
Prior service cost (credit)	**(52,362)**	(64,653)	(15,877)
Net transition obligation (asset)	**-**	-	-
Total	**$ 104,295**	$ (46,174)	$ 130,750
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2019**	12/31/2018	12/31/2017
Discount rate	**3.45%**	4.75%	4.00%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.90%/6.40%**	7.30%/6.90%	7.70%/6.90%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2028/2029**	2027	2026

Total Cost	2019	2018	2017
Service cost	$ **15,903**	$ 18,875	$ 18,402
Interest cost	**69,009**	65,234	72,391
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(12,291)**	(15,877)	(21,172)
Unrecognized net loss (gain)	**-**	-	-
Net postretirement benefit cost	$ **72,621**	$ 68,232	$ 69,621
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)	$ **138,178**	$ (128,148)	$ (5,630)
Amortization of net actuarial loss (gain)	**-**	-	-
Prior service cost (credit)	**-**	(64,653)	-
Amortization of prior service cost	**12,291**	15,877	21,172
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	$ **150,469**	$ (176,924)	$ 15,542
AOCI Amounts Expected to be Amortized Into Expense in 2020			
Unrecognized net transition obligation (asset)	$ **-**	$ -	$ -
Unrecognized prior service cost	**(12,292)**	(12,291)	(15,877)
Unrecognized net loss (gain)	**-**	-	-
Total	$ **(12,292)**	$ (12,291)	$ (15,877)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2018**	12/31/2017	12/31/2016
Discount rate	**4.75%**	4.00%	4.60%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.30%/6.90%**	7.70%/6.90%	6.75%/6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026/2027**	2026	2025

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2020	$ **53,681**
Fiscal 2021	**51,694**
Fiscal 2022	**58,895**
Fiscal 2023	**59,508**
Fiscal 2024	**65,550**
Fiscal 2025–2029	**401,656**
Expected Contributions	
Fiscal 2020	$ **53,681**

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, 2019, 2018 and 2017 for the Association amounted to $7,334,347, $7,512,243 and $6,491,611. During 2019, 2018 and 2017, $2,280,564, $3,032,913 and $1,164,658 of new loans were made, and repayments totaled $2,458,460, $2,012,281 and $1,288,658, respectively. In the opinion of management, no such loans outstanding at December 31, 2019, 2018 and 2017 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. These expenses totaled $90,173, $90,821 and $93,967 in 2019, 2018 and 2017, respectively.

The Association received patronage payments from the Bank totaling $3,082,619, $2,693,030 and $2,246,664 during 2019, 2018 and 2017, 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.

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:

Loans Evaluated for Impairment

For certain loans evaluated for impairment under 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of 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 Farm Credit Bank of Texas

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 Bank's loan rates as well as on management estimates. For the purpose 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. This assumption implies that earnings on the Association's interest margin are used to fund operating expense and capital expenditure. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

Guaranteed obligations to government entities

Guaranteed obligations to government entities represent amounts owed to a state economic and commodity development agency by Association borrowers and guaranteed by the Association. As a result, quoted market process are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019, 2018 and 2017 for each of the fair value hierarchy values are summarized below:

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

December 31, 2019	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans	**$ -**	**$ -**	**$ 20,332**
Other property owned	**-**	**-**	**195,606**

December 31, 2018	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ -
Other property owned	-	-	-

December 31, 2017	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ -
Other property owned	-	-	-

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Farm Credit Bank of Texas	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk
Guaranteed obligations to government entities	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

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, 2019				
		Fair Value Measurement Using			
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 6,092**	**$ 6,092**	**$ -**	**$ -**	**$ 6,092**
Net loans	**739,318,135**	**-**	**-**	**735,501,884**	**735,501,884**
Total Assets	**$ 739,324,227**	**$ 6,092**	**$ -**	**$ 735,501,884**	**$ 735,507,976**
Liabilities:					
Note payable to Farm Credit Bank of Texas	**$ 616,715,410**	**$ -**	**$ -**	**$ 613,548,890**	**$ 613,548,890**
Guaranteed obligations to government entities	**7,641,070**	**-**	**-**	**7,601,837**	**7,601,837**
Total Liabilities	**$ 624,356,480**	**$ -**	**$ -**	**$ 621,150,727**	**$ 621,150,727**

	December 31, 2018				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 4,727	$ 4,727	$ -	$ -	$ 4,727
Net loans	695,795,722	-	-	673,075,645	673,075,645
Total Assets	$ 695,800,449	$ 4,727	$ -	$ 673,075,645	$ 673,080,372
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 579,172,359	$ -	$ -	$ 560,284,897	$ 560,284,897
Guaranteed obligations to government entities	7,310,433	-	-	7,072,032	7,072,032
Total Liabilities	$ 586,482,792	$ -	$ -	$ 567,356,929	$ 567,356,929

	December 31, 2017				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 5,551	$ 5,551	$ -	$ -	$ 5,551
Net loans	629,106,697	-	-	609,723,949	609,723,949
Total Assets	$ 629,112,248	$ 5,551	$ -	$ 609,723,949	$ 609,729,500
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 520,600,139	$ -	$ -	$ 504,579,629	$ 504,579,629
Guaranteed obligations to government entities	7,177,507	-	-	6,956,632	6,956,632
Total Liabilities	$ 527,777,646	$ -	$ -	$ 511,536,261	$ 511,536,261

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, 2019, $67,875,340 of commitments, $240,587 of standby letters of credit and $1,094 of commercial letters of credit were outstanding.

Because 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:

	2019				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 4,420**	**$ 4,418**	**$ 4,528**	**$ 4,456**	**$ 17,822**
(Provision for) reversal of loan losses	**-**	**13**	**(50)**	**(75)**	**(112)**
Noninterest income (expense), net	**(1,682)**	**(1,386)**	**(1,353)**	**(1,369)**	**(5,790)**
Net income	**$ 2,738**	**$ 3,045**	**$ 3,125**	**$ 3,012**	**$ 11,920**

	2018				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,169	$ 4,298	$ 4,353	$ 4,317	$ 17,137
(Provision for) reversal of loan losses	-	(50)	(50)	(50)	(150)
Noninterest income (expense), net	(1,494)	(1,609)	(1,503)	(1,622)	(6,228)
Net income	$ 2,675	$ 2,639	$ 2,800	$ 2,645	$ 10,759

	2017				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,014	$ 4,027	$ 4,122	$ 4,014	$ 16,177
(Provision for) reversal of loan losses	(22)	(1)	-	-	(23)
Noninterest income (expense), net	(1,972)	(1,697)	(1,619)	(1,323)	(6,611)
Net income	$ 2,020	$ 2,329	$ 2,503	$ 2,691	$ 9,543

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 10, 2020, 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, 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, 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 Mississippi Land Bank, ACA (Association) serves its 32-county territory through its main administrative and lending office at 5509 Highway 51 N, Senatobia, MS 38668, (662) 562-9671. Additionally, there are six branch lending offices and three part-time branches located throughout the territory. The Association owns the office buildings in Senatobia, Starkville, Tupelo and Corinth, free of debt. The Association leases the office buildings in Clarksdale, Cleveland, Indianola, Kosciusko and Louisville.

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 13, "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 Farm Credit Bank of Texas (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 Mississippi Land Bank, ACA, 5509 Highway 51 North, P.O.

Box 667, Senatobia, Mississippi, 38668, or by calling (662) 562-9671. Copies of the Association's quarterly stockholder reports are available on its website at *www.mslandbank.com*. The Association's annual stockholder report is also available on its website at *www.mslandbank.com* 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, 2019, 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:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Abbott Myers	Chairman	2017	2020
Dr. Alan Blaine	Vice Chairman	2018	2021
Larry C. Davis *	Director	2019	2021
Jan D. Hill	Director	2017	2020
Keith Morton	Director	2017	2020
Calvin W. Ozier, Jr.	Director	2019	2022
Greg Robbins	Director	2019	2022
W. Morgan Gulledge, Jr.	Director-Elected Director	2019	2022
Lawson McClellan	Director-Elected Director	2018	2021
Craig B. Shideler	President and Chief Executive Officer	1990	
Ronnie Sellers	Executive Vice President and Chief Credit Officer	1990	
J. Matthew Walden	Chief Operating Officer	2003	
Claire B. Pegram	Chief Financial Officer	2008	

*Director Travis Satterfield retired from the board of directors effective December 31, 2018, and was replaced on January 8, 2019, by board-appointed director Larry C. Davis, who will serve the remainder of Mr. Satterfield's term.

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes. All directors served on the Compensation Committee for the Association in 2019, and other committee service is noted below.

Abbott Myers, age 69. Mr. Myers owns and operates a 7,200-acre farm in Tunica County, farming rice, corn, soybeans and wheat. He serves as secretary of the board of directors of Coahoma Electric Association and is a director of the Mississippi Rice Council. He is the past district chairman of Soil Conservation, past chairman of Tunica Academy, past director of YMD, FSA Committee and NRCS. He is a member of Farm Bureau, Delta Council, the American Soybean Association and the NRA. Mr. Myers currently serves as a member of the Stockholder Advisory Committee (SAC) for the Tenth Farm Credit District and has previously served as chairman of the SAC. He also represents the Association on the Tenth Farm Credit Council. Mr. Myers serves as an elder and clerk of the Session of Tunica Presbyterian Church. He and his wife, Sheryl, reside in Dundee, Mississippi. Mr. Myers serves as chairman of the Association's board of directors and also serves as a member of the Association's Audit Committee.

Dr. Alan Blaine, age 60. Dr. Blaine has a Ph.D. in agronomy from Mississippi State University. Dr. Blaine owns and operates a timber, hay and cattle farm in central Mississippi. He is a partner/owner in Southern Ag Consulting, Inc., a crop consulting firm, and also a partner/owner in Alliance Ag Risk Management. Dr. Blaine is a Certified Crop Adviser and a licensed Crop Consultant. He is a member of Mississippi Farm Bureau, Oktibbeha County Forestry Association, and a life member of the American Soybean Association, the Mississippi Soybean Association, the Mississippi Cattlemen's Association and the National Rifle Association. He and his wife, Emily, are members of Friendship Baptist Church. They are the parents of four children and have four grandchildren.

Dr. Blaine serves as vice chairman of the Association's board of directors and also serves as a member of the Association's Audit Committee.

Larry C. Davis, age 68. Mr. Davis began farming in Bolivar County in 1980 and owns and operates Larry Davis Farms Partnership which is headquartered in Shaw, Mississippi. The farming operation consists of 7,200 acres in Bolivar and Washington counties where they grow rice and soybeans as their primary crops. Mr. Davis farms with his two sons. He is a member of Delta Council and the Bolivar County Farm Bureau, where he currently serves on the soybean advisory board. He also serves on the Mississippi Rice Council Board and is a member of the Mississippi Rice Promotion Board. He serves as a Drainage Commissioner for Central Drainage District in Bolivar County. He is a member of the Bolivar Church of Christ and served as an elder for 18 years. His hobbies include hunting, church activities and spending time with his grandchildren. He and his wife, Candy, have four children and reside in Shaw.

Jan D. Hill, age 70. Mr. Hill has been a full-time farmer since 1970. He owns approximately 4,000 acres in Chickasaw County and farms approximately 1,800 of those acres raising beef cattle, cotton, soybeans, and corn. Mr. Hill has served on the Chickasaw County FSA Committee, the Mississippi Farm Bureau State Board and presently serves on the Farm Bureau County Board. He is a member of the Corn Promotion Board and Pleasant Grove Baptist Church, where he serves as a deacon. Mr. Hill and his wife, Judy, have one son and four grandchildren and reside in Woodland. Mr. Hill also serves as a member of the Association's Audit Committee.

Keith Morton, age 48. Mr. Morton began farming in 1987. Keith and his wife, Beth, own and operate Morton Farms, Inc., which is comprised of approximately 1,000 acres of cropland where he raises corn, soybeans and wheat. Mr. Morton has served on the Mississippi Farm Bureau Federation board of directors and as President of the Mississippi Soybean Association, where he is on the board of directors. He has served as chairman of the Mississippi Soybean Promotion Board and continues to serve as a board member. He has also served as the Mississippi Farm Bureau Soybean Commodity Chairman and as Tippah County Farm Bureau President. Mr. Morton and his wife, Beth, reside in Falkner.

Calvin W. Ozier, Jr., age 70. Mr. Ozier is the CEO of UWT Logistics, LLC. He raises beef cattle and timber on approximately 400 acres in Marshall County. He is a current board member and past president of both the Marshall County Cattlemen's Association and the Marshall County Forestry Association. Mr. Ozier is also past president of the Southeastern Warehouse Association. He is a member of First Evangelical Church in Memphis, Tennessee. He and his wife, Brenda, reside in Memphis, Tennessee, and enjoy spending time at their residence on the farm in Marshall County. The Oziers are the parents of three adult children and enjoy 13 grandchildren.

Greg Robbins, age 54. Mr. Robbins owns and operates a 4,500-acre row crop and timber farm primarily in Benton County, where he raises 1,650 acres of soybeans and corn. He earned a BBA from the University of Mississippi in 1986. He formerly managed Chilli Creek Plantation, an outfitting service catering to clientele from across the U.S. He also owned and operated RFI Tree Nursery from 2000-2011. He is a past member of the New Albany Zoning Board, the New Albany Endowment for Education Board and the Mississippi State Extension Advisory Committee. He currently serves on the Chilli Creek Drainage Committee. Mr. Robbins is a lifelong member of First United Methodist Church in New Albany, where he has served on various committees. He and his wife, Jill, have three children and two grandchildren and reside in New Albany.

W. Morgan Gulledge, Jr., age 64. Mr. Gulledge was born and raised in Leland, Mississippi, and graduated from Mississippi State University. He has also attended the Graduate School of Banking at Louisiana State University and the University of Georgia School of Executive Development. Mr. Gulledge has held numerous advisory and board positions in community and charity organizations and is an active member of the First Presbyterian Church of Greenwood. He is the owner and manager of Gulledge Capital, LLC and Portadown Land Company, LLC. He and his wife, Patricia, have three children and five grandchildren. Mr. Gulledge is a member of the Association's Audit Committee, where he currently serves as vice chairman.

Lawson McClellan, age 76. Mr. McClellan began working with Renasant Bank (formerly The Peoples Bank and Trust) in 1965, working his way up to chief information officer and division vice president before his retirement. He was born in Corinth, Mississippi, and graduated from Tupelo High School and Mississippi State University. He is also a graduate of the Mississippi School of Banking and the Graduate School of Banking at Louisiana State University. He has served on several community service boards and civic clubs. Mr. McClellan and his wife, Sandra, are members of Camp Creek Baptist Church in Guntown, Mississippi. Mr. McClellan is a member of the Association's Audit Committee, where he currently serves as chairman.

Craig B. Shideler, age 65. Mr. Shideler has worked with the Farm Credit System since June 1978. He was formerly the president of the FLBA of Senatobia and divisional vice president for North Mississippi for both the FLCA and PCA operations. He is a

graduate of the Graduate School of Banking at Louisiana State University. He has been employed with the Association since January 1, 1990, serving as senior vice president until he was promoted to executive vice president on January 1, 2001. On February 1, 2016, Mr. Shideler was named chief executive officer of the Association.

Ronnie H. Sellers, age 62. Mr. Sellers has worked with the Farm Credit System since November 1982. He holds a license as state certified general appraiser and is a graduate of the Southeastern School of Banking. Mr. Sellers has been employed with the Association since January 1, 1990, serving the majority of his tenure as vice president branch manager of the Clarksdale branch office. Mr. Sellers was promoted to vice president capital markets in May 2012 and served in that capacity until February 1, 2016, when he was named chief credit officer of the Association.

J. Matthew Walden, age 47. Mr. Walden joined the Farm Credit System in December 2003 as controller and was promoted to chief operating officer in January 2015. He formerly served in tax accounting and financial reporting with International Paper Company. He holds a license as a Certified Public Accountant in the states of Mississippi and Tennessee. He is a graduate of the Graduate School of Banking at Louisiana State University, as well as the Southeastern School of Commercial Lending.

Claire B. Pegram, age 37. Mrs. Pegram joined the Farm Credit System in December 2008 as assistant controller for the Association and was promoted to chief financial officer in January 2015. She previously worked in the assurance department of Ernst & Young LLP, and she holds a license as a Certified Public Accountant in the states of Mississippi and Tennessee.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $1,000 per day, except for the chairman, who received $1,250 per day, for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2019 was paid at the IRS-approved rate of 58.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served					
Name	Board Meetings	Audit Committee	Compensation Committee	Other Official Activities	Compensation for Committee Service	Total Compensation in 2019
Abbott Myers	12	4	3	9	$ 200	$ 25,100
Dr. Alan Blaine	12	9	3	9	3,600	24,000
Larry C. Davis	11	3	3	4	1,000	15,200
Jan D. Hill	12	6	3	7	1,400	19,800
Keith Morton	12	1	3	6	-	17,400
Calvin W. Ozier, Jr.	11	1	3	5	-	15,200
James Gordon Robison*	5	1	1	6	-	10,200
Greg Robbins	7	-	2	2	-	8,200
W. Morgan Gulledge, Jr.	12	8	3	6	4,650	22,050
Lawson McClellan	11	9	3	11	5,600	33,500
					$ 16,450	$ 190,650

* James Gordon Robison did not seek re-election in 2019. Greg Robbins was elected to serve as stockholder-elected director for that region.

The aggregate compensation paid to directors in 2019, 2018 and 2017 was $190,650, $138,400 and $166,800, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $89,519, $97,063 and $106,533 in 2019, 2018 and 2017, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Association employees, including senior officers, can earn compensation above base salary through an annual success-sharing incentive plan. The term of the plan is each calendar year beginning January 1 through December 31. The plan is based upon the achievement of predetermined Association performance goals for return on assets, noninterest income, efficiency ratio, net loan growth, credit quality, delinquency volume and public relations. The plan places more emphasis on earnings than any other factor in the plan and is approved by the board of directors annually. All full-time employees who have been employed at least three months are eligible to earn an individual incentive based upon their individual performance objectives. The following criteria is also used for determining eligibility for the incentive pay: (1) the Association must not be in default of the general financing agreement with the Farm Credit Bank of Texas; (2) the Association cannot receive an overall rating of "unsatisfactory" on credit administration by the Internal Credit Review and/or FCA examinations; (3) the employee's branch office cannot receive an overall rating of "unsatisfactory" on credit administration; (4) there must be material income from operations beyond what is needed to fund the incentive plan; and (5) eligible employees must receive an annual performance rating of "meets standard of good competent performance" on their individual performance reviews.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2019, 2018 and 2017. 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	Year	Salary	Bonus	Change in Pension Value	Deferred/ Perquisite	Other	Total
Craig B. Shideler President/ Chief Executive Officer	**2019**	**$ 432,729**	**$ 129,815**	**$ 498,395**	**$ 6,546**	**$ 11,666**	**$ 580,756**
	2018	399,015	147,630	(249,342)	6,663	5,924	559,232
	2017	359,014	116,675	204,615	6,149	5,291	487,129
Aggregate Number of Senior Officers and other highly compensated employees							
(5)	**2019**	**$ 1,012,411**	**$ 357,355**	**$ 1,496,333**	**$ 27,262**	**$ 8,263**	**$ 1,405,291**
(5)	2018	960,840	428,846	48,611	27,242	7,718	1,424,647
(5)	2017	910,245	318,097	966,486	28,317	6,141	1,262,800

Following is a brief description of the items included in the above table:

- Salary – Compensation earned and paid during the respective year.
- Bonus – Incentive compensation earned in current year but paid to employees in the following year.
- Perquisite – Benefit derived from personal use of Association-owned vehicles. These amounts are calculated at the IRS-established rate and are included in earnings of those employees assigned Association vehicles for use in normal operations.
- Other – Value of group term life insurance provided by the Association on behalf of its employees. According to IRS guidelines, value of insurance provided in excess of $50,000 must be added to the employees' taxable earnings.

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 included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2019:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2019
Craig B. Shideler President/ Chief Executive Officer	Farm Credit Bank of Texas Pension Plan	43.474	$ 3,671,910	$ -
Aggregate Number of Senior Officers (2)	Farm Credit Bank of Texas Pension Plan	40.311	$ 7,441,377	$ -

Pension Benefits Table Narrative Disclosure

The CEO and certain other senior officers of the Association participate in the Farm Credit Bank of Texas Pension Plan (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.

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 2019 at the IRS-approved rate of 58.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2019, 2018 and 2017.

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

The Association has no directors, director nominees or senior officers involved in certain legal proceedings described in FCA Regulation §620.5(k) within the previous five years. Legal proceedings include, but are not limited to, bankruptcy, conviction or naming in a criminal proceeding and judgment or finding limiting a right to engage in a business.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association engaged the independent accounting firm of PricewaterhouseCoopers LLP to perform the annual audit of the Association's consolidated financial statements included in this annual report. During 2019, the Association incurred audit fees totaling $68,259 to PricewaterhouseCoopers LLP. In addition, PricewaterhouseCoopers LLP performed tax services for the Association in 2019 as approved by the Association's Audit Committee. The Association incurred tax preparation fees totaling $14,400 to PricewaterhouseCoopers LLP. The Association also incurred $900 of non-audit service fees, which were specifically pre-approved by the Association Audit Committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association currently has no relationships with any unincorporated business entities.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 10, 2020, 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 (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of 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 standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to 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 the 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

According to the YBS Demographic and Penetration Report as of June 30, 2019, which is based on USDA-NASS 2017 Census of Agriculture data, of the 17,828 farm operators in the Association territory, 5.7% are classified young, 26.9% are classified beginning, and 90.8% are classified small. The Census uses categories that are slightly different from the FCA definitions of YBS farmers, but the Census is the best available measure of our marketplace. USDA defines a farm as "any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year." The Association's minimum standards for YBS lending require the following:

YBS Class	Percentage of Total Loans	Percentage of Loan Volume
Young	>10%	>10%
Beginning	>10%	>10%
Small	>30%	>30%

The Association's YBS loans for the past three years are presented in the table below as a percentage of the total number of loans outstanding on December 31.

	Young	**Beginning**	**Small**
2019	**20.8%**	**47.3%**	**62.9%**
2018	21.2%	51.1%	70.3%
2017	21.2%	48.7%	66.4%

The Association's goal over the succeeding three-year period is to reach the following percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	**Beginning**	**Small**
2020	21.0%	47.5%	63.1%
2021	21.2%	47.7%	63.3%
2022	21.4%	47.9%	63.5%

The Association continues to provide credit to YBS farmers and ranchers at high levels, as presented by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.

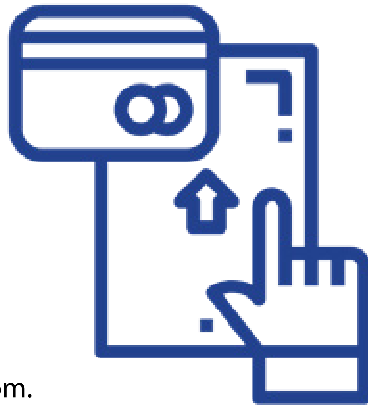
From all of us at Mississippi Land Bank, we thank you for allowing us to be a part of your dreams. 2019 was an absolutely oustanding year. We look forward to helping you achieve your goals in 2020 and beyond.

Life is mobile.

NOW YOUR BANKING IS, TOO.

Doing business with Mississippi Land Bank has never been easier! Online service and mobile application offer two great ways to manage your accounts, whenever it's most convenient for you. All it takes is a computer, smartphone, or tablet to:

- Make loan payments from a business or personal checking account
- Set up recurring payments
- Track your account history, including your loan payments, online transactions, patronage and stock in the Association
- Send and receive secure messages regarding your accounts
- Opt-in to our eStatements feature and recieve communication electronically



To use either service for the first time, simply request access online at www.MSLandBank.com.

Follow Us

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Keep up with all things **#MSLandBank** on Facebook, Instagram, Twitter and LinkedIn!

Check our social media platforms to find out what's making us **#LandBankProud**. Whether we're sharing a customer story or live-tweeting from an event, we love to show up and support agriculture.

We also want to hear from you!

Do you have an exciting picture or story to share? Let us know! Email us at MLBSocialMedia@MSLandBank.com.

OUR LEADERSHIP

Mississippi Land Bank is led by a nine-member board of directors. Elected by their fellow stockholders, seven directors are farmers who understand from personal experience the financing needs of our customers. The other two directors, appointed by their fellow board members, bring banking, investment and business expertise to the board. Together, they set the direction and policy for the cooperative and represent the best interests of the Mississippi Land Bank customer-stockholders, to whom they are accountable.

BOARD OF DIRECTORS

ABBOTT R. MYERS

Chairman

Rice, corn, soybean and wheat farmer

Dundee, Miss.

ALAN BLAINE

Vice Chairman

Timber, hay and cattle producer and crop consultant

Starkville, Miss.

W. MORGAN GULLEDGE, JR.

Board-Appointed Director

Investment company owner

Greenwood, Miss.

JAN D. HILL

Director

Beef cattle, cotton, soybean, corn and timber producer

Woodland, Miss.

LAWSON MCCLELLAN

Board-Appointed Director

Retired commercial banker

Guntown, Miss.

J. KEITH MORTON

Director

Corn, soybean and wheat farmer

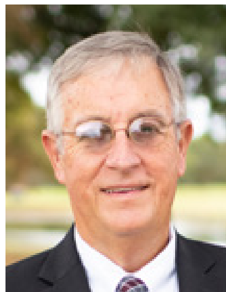
Falkner, Miss.

CALVIN W. OZIER, JR.

Director

Beef cattle farmer and timber operator

Holly Springs, Miss.



LARRY C. DAVIS

Director

Rice and soybean farmer

Shaw, Miss.

GREG ROBBINS

Director

Corn and soybean farmer

New Albany, Miss.

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BRANCH OFFICES

CLARKSDALE
2653 NORTH STATE ST.
CLARKSDALE, MS 38614
(662) 627-4784

CLEVELAND
3598A HWY. 61 N.
CLEVELAND, MS 38732
(662) 843-2421

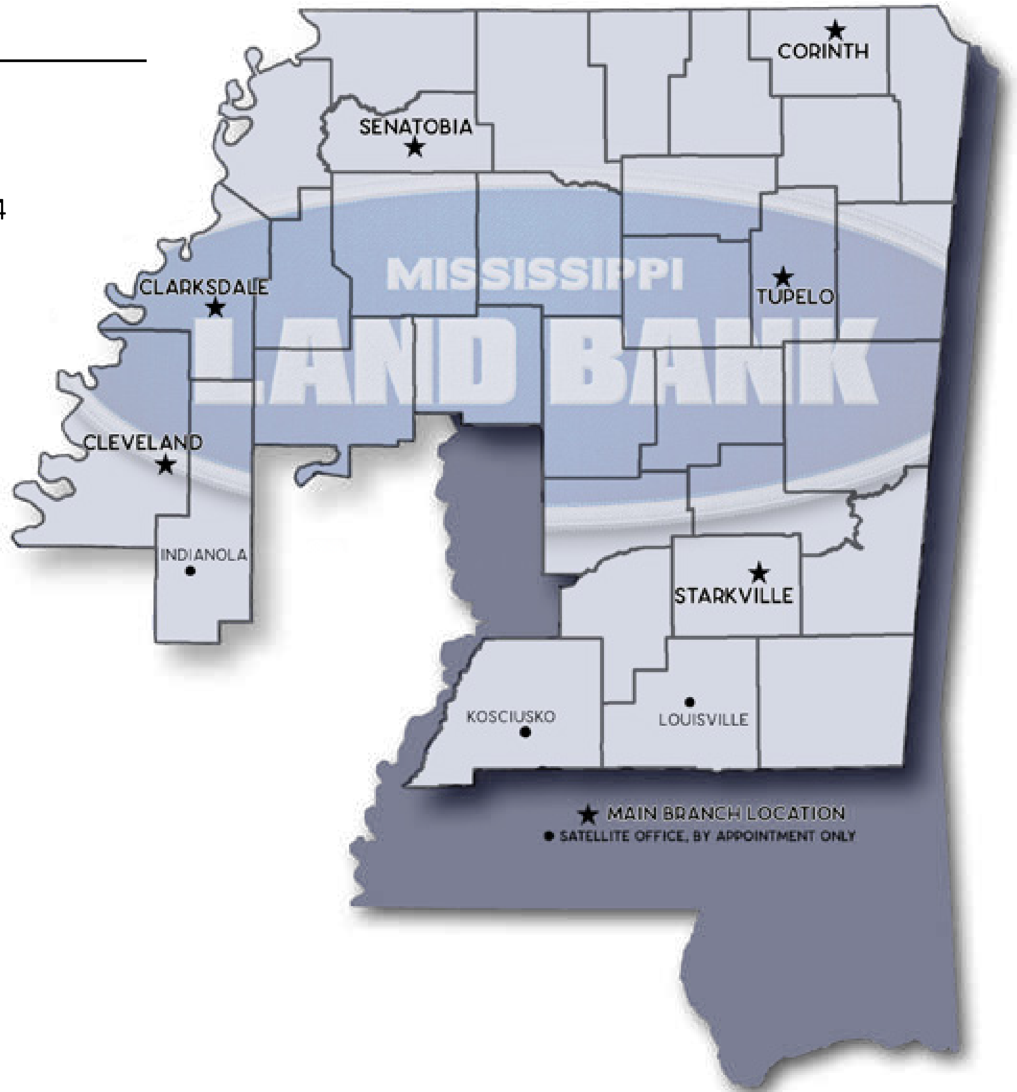
CORINTH
2101 HWY. 72 E.
CORINTH, MS 38834
(662) 286-0020

SENATOBIA*
5509 HWY. 51 N.
SENATOBIA, MS 38668
(662) 562-9664

STARKVILLE
972 HWY. 12 E.
STARKVILLE, MS 39759
(662) 323-8150

TUPELO
3517 TOM WATSON DRIVE
SALTILLO, MS 38866
(662) 842-1202

*ASSOCIATION HEADQUARTERS



SATELLITE OFFICES (BY APPOINTMENT ONLY)

INDIANOLA
100 COURT AVENUE
INDIANOLA, MS 38751
(662) 719-6518

LOUISVILLE
110 S. COLUMBUS AVE.
LOUISVILLE, MS 39339
(662) 316-8892

KOSCIUSKO
106 E. WASHINGTON ST.
KOSCIUSKO, MS 39090
(662) 567-7735

Mississippi Land Bank, ACA
P.O. Box 667
Senatobia, MS 38668-0667

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