MISSISSIPPI LAND BANK, ACA

2021
Quarterly Report
Third Quarter

MISSISSIPPI LAND BANK

PART OF THE FARM CREDIT SYSTEM

For the Quarter Ended September 30, 2021

REPORT OF MANAGEMENT

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

Craig B. Shideler President and CEO November 9, 2021	Abbott R. Myers Chairman, Board of Directors November 9, 2021
Claire B. Pegram Chief Financial Officer November 9, 2021	W. Morgan Gulledge, Jr. Chairman, Audit Committee November 9, 2021

Third Quarter 2021 Financial Report

Table of Contents

MISSISSIPPI LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Significant Events

The Association downgraded one participation loan with a recorded investment of $1,248,898 to nonaccrual during the second quarter. The most recent net realizable value analysis showed that a specific allowance for loan losses in the amount of $268,750 was required and thus recorded during the second quarter.

Conditions in North Mississippi

The United States continues to operate under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). During these unprecedented times, the Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Net loan volume outstanding at September 30, 2021, has increased 9.1 percent from December 31, 2020, indicating that demand for loan volume remains strong despite uncertain conditions. Additionally, many borrowers have taken advantage of the low interest rate environment. The credit quality of the Association continues to remain strong at 99.4 percent total acceptable credit quality at September 30, 2021.

The Association's funding bank, the Farm Credit Bank of Texas (Bank), has been able to maintain access to capital markets in order to redeem and replace preferred stock and callable debt, as well as fund incremental needs. Despite turbulent markets at times, the Association has not experienced any disruption in its access to liquidity in order to fund loans and daily operations.

The U.S. economy continued to gain momentum during the second quarter of 2021. However, as of October 1, 2021, the Federal Reserve Bank of Atlanta estimates that real GDP growth was about 2.3 percent during the third quarter of 2021, and according to the International Monetary Fund's 2021 World Economic Outlook, U.S. real GDP growth is expected to be 7.0 percent during 2021. The most recent data available from the U.S. Bureau of Labor Statistics indicates that the unemployment rate in Mississippi is 5.8 percent. Additionally, inflationary pressures persisted during the third quarter of 2021, and the annual inflation rate increased in July and August 2021, reaching 5.3 percent.

West Texas Intermediate (WTI) crude oil prices continued to rise during the third quarter of 2021, averaging slightly above $70 per barrel, up from $66 per barrel in the previous quarter. Similarly, WTI crude oil prices increased by about 72.0 percent year-over-year from an average of about $41 per barrel during the third quarter of 2020. In its September 2021 Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration estimated that WTI prices would average nearly $66 per barrel during 2021, up about $4 per barrel from the previous quarter.

In September 2021, the U.S. Department of Agriculture (USDA) presented its latest farm income forecast. Net farm income is forecasted at $113.03 billion in 2021, up $18.45 billion, or 19.5 percent, year-over-year. Total production expenses are forecasted to increase by about 3.5 percent in 2021 when adjusted for inflation. Farm sector assets and equity are both forecasted to increase by about 2.5 percent and 2.9 percent, respectively, while farm debt is forecasted to decrease by about 0.2 percent in real terms. After deteriorating since 2012, the debt-to-assets ratio is forecasted to fall (i.e., improve) in 2021. The bankruptcy rate and the debt service ratio are similarly forecasted to improve in 2021.

According to the USDA's September 2021 World Agricultural Supply and Demand Estimates report, average farm prices for corn, soybeans and cotton are still on track to experience double-digit growth during the 2021/22 marketing year. Steer prices are estimated to have averaged higher during the third quarter of 2021 compared to the prior quarter and are expected to continue rising during the fourth quarter of 2021. Additionally, steers, barrows and gilts, broilers, and turkey prices are also projected to experience double-digit year-over-year price growth in 2021. Lumber prices continued to decline this quarter but were still slightly higher year-over-year in 2021.

For the remainder of 2021, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, economic uncertainty, and weather-related challenges. However, farmers in the Association's territory utilize risk management tools, such as federally sponsored crop insurance programs and forward, futures and options contracts, to mitigate risk and enhance margins. Additionally, the Association's loan portfolio is well-supported by industry diversification, and many of the Association's borrowers rely on non-farm sources of income to repay their loans. The Association's portfolio continues to be supported by strong credit quality, robust levels of capital and high diversification.

Loan Portfolio

Total loans outstanding at September 30, 2021, including nonaccrual loans and sales contracts, were $903,238,690 compared to $827,620,014 at December 31, 2020, reflecting an increase of 9.1 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.2 percent at September 30, 2021, compared to 0.1 percent at December 31, 2020.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended September 30, 2021, and $0 in recoveries and $0 in charge-offs for the same period in 2020. The Association's allowance for loan losses was 0.1 percent and 0.1 percent of total loans outstanding as of September 30, 2021, and December 31, 2020, respectively.

Agribusiness Loan Program

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.

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 $7,568,517 and $7,952,188 as of September 30, 2021 and December 31, 2020, respectively.

Risk Exposure

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

	September 30, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,187,226**	**93.1%**	$ 609,278	79.0%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**162,155**	**6.9%**	162,205	21.0%
Total	**$ 2,349,381**	**100.0%**	$ 771,483	100.0%

Results of Operations

The Association had net income of $3,728,344 and $10,744,544 for the three and nine months ended September 30, 2021, as compared to net income of $3,607,498 and $10,104,072 for the same period in 2020, reflecting an increase of 3.4 percent and 6.3 percent, respectively. Net interest income was $5,242,906 and $15,400,429 for the three and nine months ended September 30, 2021, compared to $4,751,180 and $13,934,708 for the same period in 2020.

	Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 853,468,471**	**$ 25,797,569**	$ 742,611,786	$ 25,590,062
Interest-bearing liabilities	**728,772,731**	**10,397,140**	626,778,836	11,655,354
Impact of capital	**$ 124,695,740**		$ 115,832,950	
Net interest income		**$ 15,400,429**		$ 13,934,708

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.04%**	4.60%
Cost of interest-bearing liabilities	**1.91%**	2.48%
Interest rate spread	**2.13%**	2.12%
Net interest income as a percentage of average earning assets	**2.41%**	2.51%

	Nine months ended: September 30, 2021 vs. September 30, 2020 Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 3,816,565**	**$ (3,609,058)**	**$ 207,507**
Interest expense	**1,894,864**	**(3,153,078)**	**(1,258,214)**
Net interest income	**$ 1,921,701**	**$ (455,980)**	**$ 1,465,721**

Interest income for the three and nine months ended September 30, 2021, increased by $459,501 and $207,507, or 5.5 percent and 0.8 percent, respectively, from the same period of 2020, primarily due to declines in yields on earning assets offset by an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2021, decreased by $32,225 and $1,258,210, or 0.9 percent and 10.8 percent, from the same period of 2020 due to a decrease in interest rates offset by an increase in average debt volume. Average loan volume for the third quarter of 2021 was $880,827,066, compared to $768,358,361 in the third quarter of 2020. The average net interest rate spread on the loan portfolio for the third quarter of 2021 was 2.09 percent compared to 2.12 percent in the third quarter of 2020.

The Association's return on average assets for the nine months ended September 30, 2021, was 1.61 percent compared to 1.74 percent for the same period in 2020. The Association's return on average equity for the nine months ended September 30, 2021, was 9.88 percent, compared to 9.91 percent for the same period in 2020.

Liquidity and Funding Sources

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

	September 30, 2021	December 31, 2020
Note payable to the Bank	**$ 769,378,947**	$ 696,761,495
Accrued interest on note payable	**1,182,211**	1,324,048
Total	**$ 770,561,158**	$ 698,085,543

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $769,378,947 as of September 30, 2021, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.84 percent at September 30, 2021. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank is a direct correlation to the increased loan volume reported at September 30, 2021. The decrease in related accrued interest payable since December 31, 2020, however, is due to a decrease in the Association's weighted average interest rate on the note payable to the Bank.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $123,838,518 at September 30, 2021. The maximum amount the Association may borrow from the Bank as of September 30, 2021, was $900,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2021. As borrower payments are received, they are applied to the Association's note payable to the Bank.

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

Capital Resources

The Association's capital position increased by $10,961,307 at September 30, 2021, compared to December 31, 2020. The Association's debt as a ratio of members' equity was 5.20:1 as of September 30, 2021, compared to 5.14:1 as of December 31, 2020.

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

Significant Recent Accounting Pronouncements

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

Relationship with the Farm Credit Bank of Texas

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

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Mississippi Land Bank, ACA, P.O. Box 667, Senatobia, Mississippi 38668-0667, or calling (662) 562-9671. The annual and quarterly stockholder reports for the Association are also available on its website at *www.mslandbank.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Jessica.Stanford@mslandbank.com.*

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEETS

		September 30, 2021 (unaudited)		December 31, 2020
ASSETS				
Cash	$	**4,153**	$	2,726
Loans		**903,238,690**		827,620,014
Less: allowance for loan losses		**1,311,830**		1,152,554
Net loans		**901,926,860**		826,467,460
Accrued interest receivable		**13,037,054**		12,504,423
Investment in and receivable from the Farm Credit Bank of Texas:				
Capital stock		**12,675,385**		12,675,385
Other		**204,844**		2,189,759
Premises and equipment, net		**3,643,347**		3,687,021
Other assets		**4,001,187**		712,106
Total assets	**$**	**935,492,830**	$	858,238,880
LIABILITIES				
Note payable to the Farm Credit Bank of Texas	**$**	**769,378,947**	$	696,761,495
Guaranteed obligations to government entities		**7,568,517**		7,952,188
Accrued interest payable		**1,182,211**		1,324,048
Drafts outstanding		**1,431,840**		1,538,151
Patronage distributions payable		**13**		5,400,052
Other liabilities		**5,118,138**		5,411,089
Total liabilities		**784,679,666**		718,387,023
MEMBERS' EQUITY				
Capital stock and participation certificates		**3,777,360**		3,554,195
Unallocated retained earnings		**147,191,408**		136,446,864
Accumulated other comprehensive income (loss)		**(155,604)**		(149,202)
Total members' equity		**150,813,164**		139,851,857
Total liabilities and members' equity	**$**	**935,492,830**	$	858,238,880

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 8,830,015**	$ 8,370,514	**$ 25,797,569**	$ 25,590,062
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**3,587,109**	3,619,334	**10,397,140**	11,655,350
Advance conditional payments	**-**	-	**-**	4
Total interest expense	**3,587,109**	3,619,334	**10,397,140**	11,655,354
Net interest income	**5,242,906**	4,751,180	**15,400,429**	13,934,708
PROVISION FOR LOAN LOSSES	**-**	-	**152,686**	50,000
Net interest income after provision for loan losses	**5,242,906**	4,751,180	**15,247,743**	13,884,708
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**1,100,913**	814,301	**3,303,995**	2,467,402
Loan fees	**153,061**	286,838	**402,720**	576,897
Gain (loss) on sale of premises and equipment, net	**-**	11,336	**84,932**	96,719
Financially related services income	**167**	202	**675**	852
Gain (loss) on other property owned, net	**-**	14,923	**-**	12,125
Other noninterest income	**245**	3,525	**37,028**	208,581
Total noninterest income	**1,254,386**	1,131,125	**3,829,350**	3,362,576
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,795,361**	1,509,166	**5,533,936**	4,890,428
Insurance Fund premiums	**278,494**	163,001	**805,261**	390,115
Purchased services	**124,294**	130,580	**254,134**	253,745
Travel	**119,234**	95,042	**307,619**	286,832
Advertising	**103,989**	86,972	**249,350**	271,171
Occupancy and equipment	**80,615**	95,624	**283,969**	228,980
Supervisory and exam expense	**61,261**	58,568	**211,483**	199,000
Directors' expense	**35,665**	23,396	**119,729**	128,411
Public and member relations	**35,403**	31,024	**129,558**	135,439
Training	**35,143**	3,302	**54,767**	17,099
Communications	**27,504**	26,063	**86,298**	83,925
Other insurance expense	**10,676**	371	**131,462**	101,585
Other components of net periodic postretirement benefit cost	**8,823**	11,021	**26,468**	33,062
Other noninterest expense	**49,909**	45,203	**132,073**	138,825
Total noninterest expenses	**2,766,371**	2,279,333	**8,326,107**	7,158,617
Income before income taxes	**3,730,921**	3,602,972	**10,750,986**	10,088,667
Provision for (benefit from) income taxes	**2,577**	(4,526)	**6,442**	(15,405)
NET INCOME	**3,728,344**	3,607,498	**10,744,544**	10,104,072
Other comprehensive income:				
Change in postretirement benefit plans	**(2,134)**	(3,073)	**(6,402)**	(9,219)
COMPREHENSIVE INCOME	**$ 3,726,210**	$ 3,604,425	**$ 10,738,142**	$ 10,094,853

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 3,354,715	$ 128,001,884	$ (104,295)	$ 131,252,304
Comprehensive income	-	10,104,072	(9,219)	10,094,853
Capital stock/participation certificates issued	614,135	-	-	614,135
Capital stock/participation certificates retired	(490,225)	-	-	(490,225)
Balance at September 30, 2020	$ 3,478,625	$ 138,105,956	$ (113,514)	$ 141,471,067
Balance at December 31, 2020	$ 3,554,195	$ 136,446,864	$ (149,202)	$ 139,851,857
Comprehensive income	-	10,744,544	(6,402)	10,738,142
Capital stock/participation certificates issued	670,275	-	-	670,275
Capital stock/participation certificates retired	(447,110)	-	-	(447,110)
Balance at September 30, 2021	**$ 3,777,360**	**$ 147,191,408**	**$ (155,604)**	**$ 150,813,164**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Mississippi Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the 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), which was established by Acts of Congress to meet the needs of American agriculture.

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

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

In January 2021, the Financial Accounting Standards Board (FASB) issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The guidance has no effect on the institution's financial condition and its results of operations.

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

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after

December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

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

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 736,665,479**	$ 682,837,477
Production and intermediate term	**106,219,024**	93,812,069
Agribusiness:		
Processing and marketing	**28,514,319**	20,206,199
Farm-related business	**8,864,496**	8,993,963
Loans to cooperatives	**398,724**	1,667,945
Rural residential real estate	**15,245,122**	11,781,508
Communication	**4,771,732**	6,970,056
Water and waste water	**1,310,896**	1,041,994
Energy	**1,248,898**	308,803
Total	**$ 903,238,690**	$ 827,620,014

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ -	$ -	$ 16,162,800	$ -	$ 16,162,800	$ -
Agribusiness	23,644,707	4,194,717	-	-	23,644,707	4,194,717
Communication	4,771,732	-	-	-	4,771,732	-
Production and intermediate term	-	1,476,848	-	-	-	1,476,848
Water and waste water	1,310,896	-	-	-	1,310,896	-
Energy	1,248,898	-	-	-	1,248,898	-
Total	$ 30,976,233	$ 5,671,565	$ 16,162,800	$ -	$ 47,139,033	$ 5,671,565

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $13,816,168 and $9,970,378 at September 30, 2021, and December 31, 2020, respectively.

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

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 883,280	$ 609,278
Production and intermediate term	55,048	-
Energy	1,248,898	-
Total nonaccrual loans	2,187,226	609,278
Accruing restructured loans:		
Real estate mortgage	162,155	162,205
Total accruing restructured loans	162,155	162,205
Total nonperforming loans	2,349,381	771,483
Other property owned	-	-
Total nonperforming assets	$ 2,349,381	$ 771,483

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

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

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

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**99.3** %	99.4 %
OAEM	**0.2**	0.2
Substandard/doubtful	**0.5**	0.4
	100.0	100.0
Production and intermediate term		
Acceptable	**99.5**	100.0
OAEM	**0.4**	-
Substandard/doubtful	**0.1**	-
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	94.6
OAEM	**-**	5.4
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**51.2**	100.0
OAEM	**-**	-
Substandard/doubtful	**48.8**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.7**	99.4
OAEM	**-**	0.2
Substandard/doubtful	**0.3**	0.4
	100.0	100.0
Total loans		
Acceptable	**99.2**	99.3
OAEM	**0.2**	0.4
Substandard/doubtful	**0.6**	0.3
	100.0 %	100.0 %

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	**$ 1,208,523**	**$ -**	**$ 1,208,523**	**$ 746,736,293**	**$ 747,944,816**	**$ -**
Production and intermediate term	**14,594**	**55,048**	**69,642**	**107,792,002**	**107,861,644**	**-**
Processing and marketing	**-**	**-**	**-**	**28,529,861**	**28,529,861**	**-**
Rural residential real estate	**-**	**-**	**-**	**15,293,828**	**15,293,828**	**-**
Farm-related business	**-**	**-**	**-**	**8,913,833**	**8,913,833**	**-**
Communication	**-**	**-**	**-**	**4,772,009**	**4,772,009**	**-**
Water and waste water	**-**	**-**	**-**	**1,311,366**	**1,311,366**	**-**
Energy	**-**	**1,198,940**	**1,198,940**	**49,958**	**1,248,898**	**-**
Loans to cooperatives	**-**	**-**	**-**	**399,489**	**399,489**	**-**
Total	**$ 1,223,117**	**$ 1,253,988**	**$ 2,477,105**	**$ 913,798,639**	**$ 916,275,744**	**$ -**

December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 768,550	$ -	$ 768,550	$ 692,768,385	$ 693,536,935	$ -
Production and intermediate term	-	-	-	95,457,973	95,457,973	-
Processing and marketing	-	-	-	20,231,262	20,231,262	-
Rural residential real estate	-	-	-	11,821,189	11,821,189	-
Farm-related business	-	-	-	9,085,792	9,085,792	-
Communication	-	-	-	6,970,458	6,970,458	-
Loans to cooperatives	-	-	-	1,669,051	1,669,051	-
Water and waste water	-	-	-	1,042,056	1,042,056	-
Energy	-	-	-	309,721	309,721	-
Total	$ 768,550	$ -	$ 768,550	$ 839,355,887	$ 840,124,437	$ -

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

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

As of September 30, 2021, the total recorded investment of troubled debt restructured loans was $169,614, including 7,459 classified as nonaccrual and $162,155 classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. As of September 30, 2021, and as of December 31, 2020, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

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 quarter ending September 30, 2021.

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 we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring. For the loans listed below meeting the requirements for a TDR designation, all were granted an interest rate that was considered lower than market rate for new debt with similar risk.

The Association has no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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		TDRs in Nonaccrual Status*	
	September 30, 2021	December 31, 2020	**September 30, 2021**	December 31, 2020
Real estate mortgage	**$ 169,614**	$ 162,205	**$ 7,459**	$ 45,410
Total	**$ 169,614**	$ 162,205	**$ 7,459**	$ 45,410

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

Additional impaired loan information is as follows:

	September 30, 2021			December 31, 2020		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Energy and water/waste water	**$ 1,248,898**	**$ 1,249,938**	**$ 268,750**	$ -	$ -	$ -
Total	**$ 1,248,898**	**$ 1,249,938**	**$ 268,750**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,036,408**	**$ 1,040,014**	**$ -**	$ 770,983	$ 770,983	$ -
Production and intermediate term	**55,048**	**55,048**	**-**	-	-	-
Total	**$ 1,091,456**	**$ 1,095,062**	**$ -**	$ 770,983	$ 770,983	$ -
Total impaired loans:						
Real estate mortgage	**$ 1,036,408**	**$ 1,040,014**	**$ -**	$ 770,983	$ 770,983	$ -
Production and intermediate term	**55,048**	**55,048**	**-**	-	-	-
Energy and water/waste water	**1,248,898**	**1,249,938**	**268,750**	-	-	-
Total	**$ 2,340,354**	**$ 2,345,000**	**$ 268,750**	$ 770,983	$ 770,983	$ -

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

	For the Three Months Ended			
	September 30, 2021		September 30, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Energy and water/waste water	**$ 1,248,898**	**$ -**	$ -	$ -
Total	**$ 1,248,898**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 562,056**	**$ 3,637**	$ 751,751	$ 4,975
Production and intermediate term	**17,887**	**372**	-	-
Total	**$ 579,943**	**$ 4,009**	$ 751,751	$ 4,975
Total impaired loans:				
Real estate mortgage	**$ 562,056**	**$ 3,637**	$ 751,751	$ 4,975
Production and intermediate term	**17,887**	**372**	-	-
Energy and water/waste water	**1,248,898**	**-**	-	-
Total	**$ 1,828,841**	**$ 4,009**	$ 751,751	$ 4,975

	For the Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Energy and water/waste water	**$ 647,524**	**$ 1,984**	$ -	$ -
Total	**$ 647,524**	**$ 1,984**	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 490,956**	**$ 11,897**	$ 823,225	$ 17,878
Production and intermediate term	**6,028**	**1,458**	-	-
Total	**$ 496,984**	**$ 13,355**	$ 823,225	$ 17,878
Total impaired loans:				
Real estate mortgage	**$ 490,956**	**$ 11,897**	$ 823,225	$ 17,878
Production and intermediate term	**6,028**	**1,458**	-	-
Energy and water/waste water	**647,524**	**1,984**	-	-
Total	**$ 1,144,508**	**$ 15,339**	$ 823,225	$ 17,878

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at June 30, 2021	$ 889,979	$ 63,548	$ 58,144	$ 2,574	$ 269,833	$ 27,645	$ 107	$ 1,311,830
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	-	-	-	-	-	-	-	-
Other	(16,435)	25,581	(10,033)	(805)	316	1,483	(107)	-
Balance at September 30, 2021	$ 873,544	$ 89,129	$ 48,111	$ 1,769	$ 270,149	$ 29,128	$ -	$ 1,311,830
Balance at December 31, 2020	$ 999,361	$ 72,863	$ 51,271	$ 3,313	$ 1,440	$ 24,306	$ -	$ 1,152,554
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(125,835)	25,306	(20,442)	(1,544)	269,874	4,907	420	152,686
Other	18	(9,040)	17,282	-	(1,165)	(85)	(420)	6,590
Balance at September 30, 2021	$ 873,544	$ 89,129	$ 48,111	$ 1,769	$ 270,149	$ 29,128	$ -	$ 1,311,830
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 268,750	$ -	$ -	$ 268,750
Collectively evaluated for impairment	873,544	89,129	48,111	1,769	1,399	29,128	-	1,043,080
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at September 30, 2021	$ 873,544	$ 89,129	$ 48,111	$ 1,769	$ 270,149	$ 29,128	$ -	$ 1,311,830
Balance at June 20, 2020	$ 766,236	$ 57,757	$ 161,803	$ 2,837	$ 1,633	$ 26,979	$ -	$ 1,017,245
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	-	-	-	-	-	-	-	-
Other	407	(1,796)	7,977	(7)	(21)	(5,085)	-	1,475
Balance at September 30, 2020	$ 766,643	$ 55,961	$ 169,780	$ 2,830	$ 1,612	$ 21,894	$ -	$ 1,018,720
Balance at December 31, 2019	$ 841,336	$ 77,041	$ 50,802	$ 2,914	$ -	$ 23,443	$ -	$ 995,536
Charge-offs	(1,331)	-	-	-	-	-	-	(1,331)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(74,382)	(22,635)	147,102	(84)	1,548	(1,549)	-	50,000
Other	1,020	1,555	(28,124)	-	64	-	-	(25,485)
Balance at September 30, 2020	$ 766,643	$ 55,961	$ 169,780	$ 2,830	$ 1,612	$ 21,894	$ -	$ 1,018,720
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	766,643	55,961	169,780	2,830	1,612	21,894	-	1,018,720
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at September 30, 2020	$ 766,643	$ 55,961	$ 169,780	$ 2,830	$ 1,612	$ 21,894	$ -	$ 1,018,720

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2021	$747,944,816	$ 107,861,644	$ 37,843,182	$ 4,772,009	$ 2,560,265	$15,293,828	$ -	$ 916,275,744
Individually evaluated for impairment	$ 3,602,840	$ 55,048	$ -	$ -	$ 1,248,898	$ 44,511	$ -	$ 4,951,297
Collectively evaluated for impairment	$744,341,976	$ 107,806,596	$ 37,843,182	$ 4,772,009	$ 1,311,367	$15,249,317	$ -	$ 911,324,447
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at December 31, 2020	$693,536,935	$ 95,457,973	$ 30,986,105	$ 6,970,458	$ 1,351,777	$11,821,189	$ -	$ 840,124,437
Individually evaluated for impairment	$ 2,871,246	$ -	$ -	$ -	$ -	$ 50,855	$ -	$ 2,922,101
Collectively evaluated for impairment	$690,665,689	$ 95,457,973	$ 30,986,105	$ 6,970,458	$ 1,351,777	$11,770,334	$ -	$ 837,202,336
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	**Regulatory Requirements Including Capital Conservation Buffers**	**As of September 30, 2021**	**As of December 31, 2020**
Common equity tier 1 ratio	7.00%	14.51%	15.30%
Tier 1 capital ratio	8.50%	14.51%	15.30%
Total capital ratio	10.50%	14.66%	15.43%
Permanent capital ratio	7.00%	14.53%	15.32%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	14.83%	15.74%
UREE leverage ratio	1.50%	15.82%	16.75%

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

	September 30, 2021			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 142,791,635**	**$ 142,791,635**	**$ 142,791,635**	**$ 142,791,635**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**3,743,915**	**3,743,915**	**3,743,915**	**3,743,915**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**1,356,762**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,675,385)**	**(12,675,385)**	**(12,675,385)**	**(12,675,385)**
Other regulatory required deductions	**-**	**-**	**-**	**-**
	$ 133,860,165	**$ 133,860,165**	**$ 135,216,927**	**$ 133,860,165**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 935,154,414**	**$ 935,154,414**	**$ 935,154,414**	**$ 935,154,414**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(12,675,385)**	**(12,675,385)**	**(12,675,385)**	**(12,675,385)**
Allowance for loan losses				**(1,317,802)**
	$ 922,479,029	**$ 922,479,029**	**$ 922,479,029**	**$ 921,161,227**

	at December 31, 2020			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 137,525,751	$ 137,525,751	$ 137,525,751	$ 137,525,751
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,514,634	3,514,634	3,514,634	3,514,634
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	1,099,214	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(11,818,201)	(11,818,201)	(11,818,201)	(11,818,201)
Other regulatory required deductions	-	-	-	-
	$ 129,222,184	$ 129,222,184	$ 130,321,398	$ 129,222,184
Denominator:				
Risk-adjusted assets excluding allowance	$ 856,507,031	$ 856,507,031	$ 856,507,031	$ 856,507,031
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(11,818,201)	(11,818,201)	(11,818,201)	(11,818,201)
Allowance for loan losses				(1,020,207)
	$ 844,688,830	$ 844,688,830	$ 844,688,830	$ 843,668,623

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

	September 30, 2021	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 142,791,635**	**$ 142,791,635**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**3,743,915**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(12,675,385)**	**-**
Other regulatory required deductions	**-**	**-**
	$ 133,860,165	**$ 142,791,635**
Denominator:		
Total Assets	**$ 921,535,426**	**$ 921,535,426**
Regulatory Adjustments and Deductions:		**-**
Regulatory deductions included in tier 1 capital	**(18,692,026)**	**(18,692,026)**
	$ 902,843,400	**$ 902,843,400**

	at December 31, 2020	
	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 137,525,751	$ 137,525,751
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,514,634	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(11,818,201)	-
Other regulatory required deductions	-	-
	$ 129,222,184	$ 137,525,751
Denominator:		
Total Assets	$ 840,960,461	$ 840,960,461
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(20,040,279)	(20,040,279)
	$ 820,920,182	$ 820,920,182

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes. The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2021	**2020**
Accumulated other comprehensive income (loss) at January 1	**$(149,202)**	$(104,295)
Actuarial gains/(losses)	**2,817**	-
Amortization of prior service (credit) costs included in salaries and employee benefits	**(9,219)**	(9,219)
Other comprehensive income (loss), net of tax	**(6,402)**	(9,219)
Accumulated other comprehensive income (loss) at September 30	**$ (155,604)**	$ (113,514)

NOTE 4 — INCOME TAXES:

Mississippi Land Bank, ACA and its subsidiary, Mississippi, PCA, are subject to federal and certain other income taxes. The Association operates 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 dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends.

Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will, therefore, impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the nine months ended September 30, 2021 and 2020, the Association carried a deferred tax asset of $123,838 and $90,051, respectively, with a full valuation allowance recorded against the net asset.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2020 Annual Report to Stockholders for a more complete description.

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

September 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**141,429**	**-**	**-**	**141,429**
Total assets	**141,429**	**-**	**-**	**141,429**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 121,393	$ -	$ -	$ 121,393
Total assets	$ 121,393	$ -	$ -	$ 121,393

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

September 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$1,198,940**	**$1,198,940**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 15,013	$ 15,013
Other property owned	-	-	-	-

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

The Association also participates in letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. At September 30, 2021, the Association had $306,781 in outstanding standby letters of credit and $2,407 in outstanding commercial letters of credit, all issued primarily in conjunction with participation loans.

Uncertainty of Fair Value Measurements

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.

Valuation Techniques

As more fully discussed in Note 2 to the 2020 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

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

Standby Letters of Credit

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

Commitments to Extend Credit

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30:

	Other Benefits	
	2021	2020
Service cost	**$ 15,948**	$ 14,511
Interest cost	**35,687**	42,282
Amortization of prior service (credits) costs	**(9,219)**	(9,219)
Amortization of net actuarial (gain) loss	**2,818**	-
Net periodic benefit cost	**$ 45,234**	$ 47,574

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2021, was $1,775,081 and is included in other liabilities on the balance sheet.

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

The structure of the District's defined benefit (DB) pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January with the expense amortized monthly to the “Salaries and employee benefits” line item on the consolidated statement of comprehensive income. The remaining unamortized amount is included in “Other assets” on the consolidated balance sheet.

The following table represents DB contributions made, amounts amortized into expense and the remaining unamortized contribution amounts as of September 30:

	2021	2020
DB contribution	$ 762,268	$ 419,439
YTD amortization	(571,701)	(314,579)
Remaining contribution	$ 190,567	$ 104,860

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 9, 2021.