


2021 ANNUAL REPORT

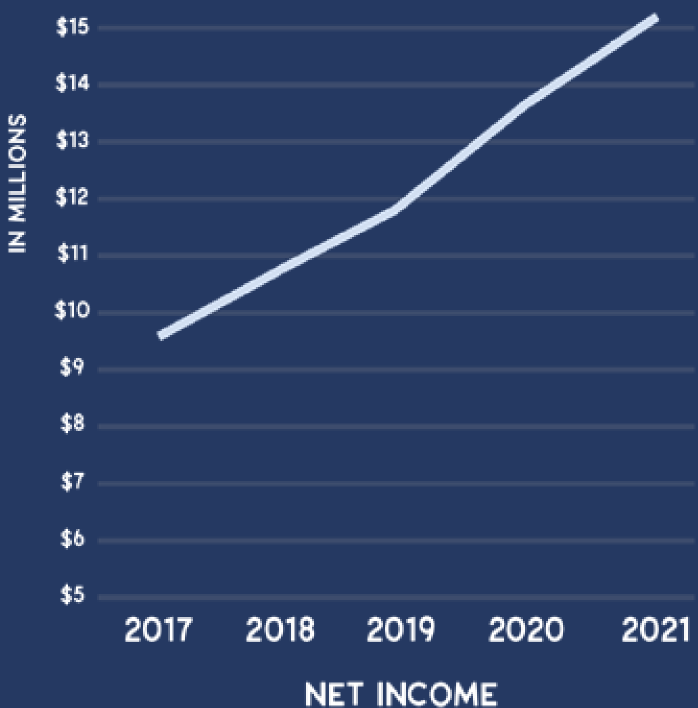
MISSISSIPPI LAND BANK

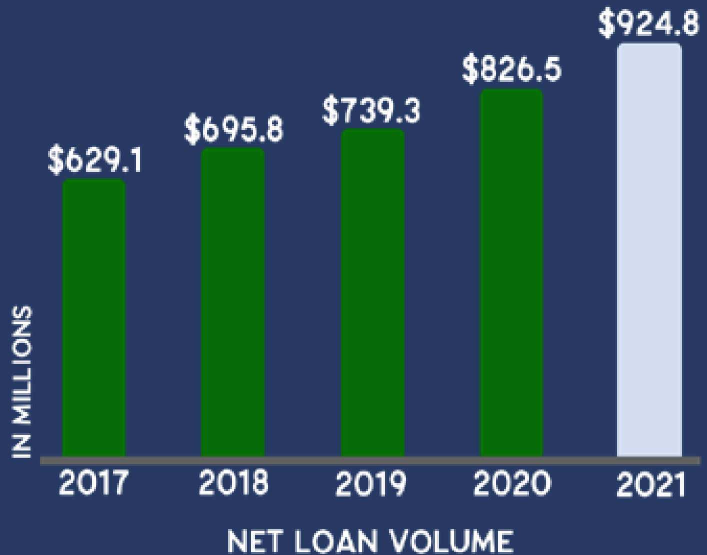
This is your place.

Year at a glance

Mississippi Land Bank had another record-breaking year. Net income exceeded $15.1 million, and outstanding loan volume increased over $98 million, or 11.9%. Despite some ongoing pandemic challenges in 2021, the Association continues to report excellent credit quality and a strong return on assets of 1.7%.

In 2021, we implemented a new end-to-end lending and loan accounting system to better serve our customers. We are excited to offer some new tools that will enhance the way we interact and communicate with our borrowers.





$959.4

million in total assets

$15.1

million in net income

1.7%

return on assets

2021
$6.25 MILLION

2020
$5.4 MILLION

2019
$4.8 MILLION

PATRONAGE RETURNS

Building relationships with our customers is at the core of what we do, and this year we're proud to return a record $6.25 million in cash patronage to our stockholders through our cooperative structure.

Since 1996, we have returned over $54 million to our stockholders through our patronage program.

A MESSAGE FROM THE CEO

At Mississippi Land Bank, we come to work every day with a sense of purpose. As a customer-owned cooperative and a Farm Credit institution, we have a mission to provide reliable credit and financial services so our members can be successful in agriculture and rural communities across North Mississippi.

We accomplish this mission by supporting rural Mississippi in every way we know how: by being advocates for agriculture, rooted in relationships and grounded in giving.

On behalf of your board of directors and staff at Mississippi Land Bank, it is our absolute pleasure to present the 2021 Annual Report. We had another incredible year of growth, reporting our highest-ever loan volume and net income, and returning our highest patronage ever to our customers.

Mississippi Land Bank is here for you, just as we've always been. Agricultural and rural lending is what we do, and we are committed to preparing our organization today by growing our staff and expanding our technology so we can meet your future credit needs.

As I reflect on my final year as your chief executive officer, thank you for helping our business soar and for making Mississippi Land Bank your lender of choice.

Craig B. Shideler
Chief Executive Officer

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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 11, 2022

Abbott R. Myers, Chairman, Board of Directors

March 11, 2022

Claire B. Pegram, Chief Financial Officer

March 11, 2022

W. Morgan Gulledge, Jr., Chairman, Audit Committee

March 11, 2022

J. Matthew Walden, Chief Operating Officer

March 11, 2022

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) comprises Lawson McClellan, Morgan Gulledge, Alan Blaine, Larry Davis, Jan Hill and Abbott Myers. In 2021 eight 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 2021.

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, 2021 (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, 2021.

Audit Committee Members

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

March 11, 2022

MISSISSIPPI LAND BANK, ACA

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

	2021	2020	2019	2018	2017
Balance Sheet Data					
Assets					
Cash	**$ 13**	$ 3	$ 6	$ 5	$ 6
Loans	**926,065**	827,620	740,314	696,697	629,859
Less: allowance for loan losses	**1,312**	1,153	996	901	752
Net loans	**924,753**	826,467	739,318	695,796	629,107
Investment in and receivable from the Farm Credit Bank of Texas	**17,248**	14,865	14,762	13,486	11,712
Other property owned, net	**-**	-	196	-	-
Other assets	**17,381**	16,904	16,389	14,857	14,466
Total assets	**$ 959,395**	$ 858,239	$ 770,671	$ 724,144	$ 655,291
Liabilities					
Obligations with maturities of one year or less	**$ 13,102**	$ 12,349	$ 13,483	$ 12,051	$ 9,219
Obligations with maturities greater than one year	**797,242**	706,038	625,935	587,870	528,803
Total liabilities	**810,344**	718,387	639,418	599,921	538,022
Members' Equity					
Capital stock and participation certificates	**3,820**	3,554	3,355	3,294	3,177
Unallocated retained earnings	**145,317**	136,447	128,002	120,883	114,223
Accumulated other comprehensive income (loss)	**(86)**	(149)	(104)	46	(131)
Total members' equity	**149,051**	139,852	131,253	124,223	117,269
Total liabilities and members' equity	**$ 959,395**	$ 858,239	$ 770,671	$ 724,144	$ 655,291
Statement of Income Data					
Net interest income	**$ 20,677**	$ 18,576	$ 17,821	$ 17,137	$ 16,177
(Provision for loan losses) loan loss reversal	**(153)**	(150)	(112)	(150)	(23)
Income from the Farm Credit Bank of Texas	**5,254**	3,992	3,083	2,693	2,247
Other noninterest income	**640**	1,103	367	551	237
Noninterest expense	**(11,298)**	(9,702)	(9,240)	(9,472)	(9,095)
Net income (loss)	**$ 15,120**	$ 13,819	$ 11,919	$ 10,759	$ 9,543
Key Financial Ratios for the Year					
Return on average assets	**1.7%**	1.8%	1.6%	1.6%	1.5%
Return on average members' equity	**10.3%**	10.0%	9.2%	8.8%	8.3%
Net interest income as a percentage of average earning assets	**2.4%**	2.5%	2.5%	2.6%	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)

	2021	2020	2019	2018	2017
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**15.5%**	16.3%	17.0%	17.2%	17.9%
Debt as a percentage of members' equity	**543.7%**	513.7%	487.2%	482.9%	458.8%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.1%
Common equity tier 1 ratio	**14.4%**	15.3%	15.8%	15.8%	16.4%
Tier 1 capital ratio	**14.4%**	15.3%	15.8%	15.8%	16.4%
Total capital ratio	**14.5%**	15.4%	15.9%	16.0%	16.5%
Permanent capital ratio	**14.4%**	15.3%	15.8%	15.9%	16.4%
Tier 1 leverage ratio	**14.6%**	15.7%	16.1%	16.2%	16.9%
UREE leverage ratio	**15.6%**	16.8%	17.1%	17.1%	18.0%
Net Income Distribution					
Cash dividends					
Patronage dividends:					
Cash	**$ 5,400**	$ 4,800	$ 4,100	$ 3,510	$ 2,900

*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, 2021. For more information, see Note 9 in the accompanying consolidated financial statements, "Members Equity," included in this annual report.

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, 2021, 2020 and 2019, 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.

Commodity Review and Outlook:

The first quarter of 2021 began normally with the application of payments to operating lines and scheduled term loans, along with the subsiding of rate conversions that began mid-2020. New business, however, continued at a record pace, and by March 2021, loan volume was once again in a growth cycle.

The spring planting season was slow, and a number of farmers were still planting in late May and early June. For a second consecutive year, higher than average rainfall made planting very difficult, with many unable to even get into the fields and repair damage done during the very wet 2020 harvest. Overall, crops were still behind by July. The late planting and cooler weather hindered Mississippi's crop from making up for the lost time, and many farmers rotated planted acreage from cotton to soybeans as a result.

By mid-2021, the economy began to show signs of stress. While unemployment rates were improving, the participation rate was believed to be low, masking a true unemployment rate much higher than published. Additionally, inflation began to rise above the Fed's target of 2%, and supply chain problems, a significant cause of inflation, came to the forefront of the news cycle.

In the central and south Mississippi delta portions of the Association's territory, historic rainfall caused major flooding and took many acres out of production for the year. For the state of Mississippi, approximately 1.5 million acres experienced weather-related damage at an estimated value of $870 million.

The crop situation caught up as much as it could by late summer and early fall, and crops were rated average to good overall. High yields and commodity prices helped to increase the overall estimated value of the state's agricultural economy. According to the Mississippi State University Extension Service, the estimated agricultural value generated by the state is $8.33 billion for 2021, a 19% increase over 2020.

- Poultry increased in value by 39% to $2.65 billion. Sharply higher feed and energy prices, however, continue to be a key concern for the poultry industry.
- Soybeans maintained the number two spot in 2021, with an estimated value of $1.49 billion, a 25% increase over 2020. Good export rates and strong domestic demand helped prices remain strong throughout 2021.
- Forestry increased 6% to an estimated value of $1.29 billion in 2021.

- Corn increased 129% to an estimated value of $748 million. This is primarily due to planted acreage increasing 43% over 2020. Strong exports to China also helped keep prices high.
- Cotton increased 27% to $58 million based solely on strong prices as growers planted 18% fewer acres. The cause of the fewer acres planted was a wet and cool planting season, causing some farmers to switch to soybeans.

The Association expects crop and livestock prices to remain higher in 2021 due primarily to lower inventories resulting from poor weather conditions and a continued recovery from the effects of the coronavirus. Additionally, timber prices are expected to increase in 2021 due to the opening of two mills in the Association's territory, and farm equipment values will likely remain high due to limited inventory. These gains are partially offset by continued supply chain interruptions and inflation. Overall, farmland values continue to be stable to increasing.

Significant Events:

The Association downgraded one participation loan with a recorded investment of $1,248,898 to nonaccrual during the second quarter of 2021. 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.

In March 2020, the Association received a refund of $140,408 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 2019, the Association received a refund of $144,243 from the 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.

Senior Officer Retirement:

In July 2021, Craig B. Shideler, president and chief executive officer of the Association, announced his decision to retire on March 31, 2022. Upon his announcement, the board placed in motion its plan to interview and appoint a new chief executive officer, and on January 19, 2022, Bart Harris was named chief executive officer-elect. Mr. Harris has nearly 15 years of experience with the Association in various lending and oversight capacities and will replace Mr. Shideler as chief executive officer on April 1, 2022.

Patronage Refunds Received From FCBT:

In December 2021, the Association received a direct loan patronage of $4,966,196 from the Farm Credit Bank of Texas (Bank), representing 66.9 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $234,545 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 $53,059 from the Bank, representing 100 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2020, the Association received a direct loan patronage of $3,698,404 from the Bank, representing 57.8 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received $275,487 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 $17,848 from the Bank, representing 100 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2019, the Association received a direct loan patronage of $2,729,658 from the 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.

Patronage Refunds by Association:

The following patronage distributions were declared and paid by the board of directors in 2021, 2020 and 2019, respectively:

Date Declared	Date Paid	Patronage
December 2021	**February 2022**	**$ 6,250,000**
December 2020	February 2021	5,400,000
December 2019	February 2020	4,800,000

For more than 31 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.

COVID Discussion:

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). COVID-19 cases reported in the U.S. and within the District have fluctuated widely in recent months due to several factors, including the emergence of new variants and associated governmental responses. 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 December 31, 2021, has increased 11.9% 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 99.5% total acceptable credit quality at December 31, 2021.

Inflationary pressures persisted during the fourth quarter. For the 12 months ending December 2021, the Consumer Price Index for All Urban Consumers increased by 7.0%, the largest 12-month increase since the period ending June 1982. According to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate declined to 3.9% in December, the lowest level observed since February 2020.

The West Texas Intermediate (WTI) crude oil futures price (front-month) increased to an average of about $77 per barrel during the fourth quarter of 2021. This represents a significant increase from the $43 per barrel average observed during the fourth quarter of 2020.

The U.S. Department of Agriculture (USDA) estimates that net farm income reached about $116.82 billion in 2021, a year-over-year increase of about 23.2%, and likely driven by higher cash receipts for both crop and livestock products compared to the prior year. Additionally, increased cash receipts were partially offset by lower government payments and higher farm production expenses. While direct government payments more than doubled in 2020, they fell to an estimated $27.2 billion in 2021. Despite the significant year-over-year decline, these payments remain elevated relative to historical standards.

According to USDA's December 2021 World Agricultural Supply and Demand Estimates report, average farm prices for corn, soybeans and cotton are estimated to have experienced significant appreciation during the 2020/21 marketing year. This trend is anticipated to continue for all crops during the 2021/22 marketing year. Farm prices for major livestock and dairy products, including steers, broilers, eggs and milk, similarly experienced price appreciation during calendar year 2021.

During 2022, 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:

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 $926,065,090, $827,620,014 and $740,313,671 as of December 31, 2021, 2020 and 2019, 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% of the total project cost or $200,000, whichever is less, and $200,000 or 30% 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 $7,985,908, $7,952,188 and $7,641,070 as of December 31, 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Association was participating in loans with other lenders. As of December 31, 2021, 2020 and 2019, these participations totaled $49,583,783, $48,508,642 and $44,706,184, or 5.3%, 5.9% and 6.0% of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $19,445,331, $12,641,765 and $10,947,715, or 2.1%, 1.5% and 1.5% of loans, respectively. The Association has also sold participations of $11,971,908, $1,752,921 and $1,919,383 as of December 31, 2021, 2020 and 2019, 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:

	2021		2020		2019	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,799,706**	**91.7%**	$ 609,278	79.0%	$ 711,154	65.0%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%	24,161	2.2%
Formally restructured	**162,145**	**8.3%**	162,205	21.0%	162,326	14.9%
Other property owned, net	**-**	**0.0%**	-	0.0%	195,606	17.9%
Total	**$ 1,961,851**	**100.0%**	$ 771,483	100.0%	$ 1,093,247	100.0%

At December 31, 2021, 2020 and 2019, loans that were considered impaired were $1,961,851, $771,483 and $897,641, representing 0.2%, 0.1% and 0.1% of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. The increase in nonaccrual loan volume during 2021 is primarily the result of one participation loan with a recorded investment of $1,248,898 downgraded to nonaccrual during the second quarter of 2021.

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. In May 2020, the Association acquired one residential property for $88,485 and one tract of bare land for $67,387. All four properties were sold during 2020, and the Association held no OPO at December 31, 2020. The Association held no OPO during the year ending December 31, 2021. The Association reported a net gain on sale of acquired property of $10,886 for the year ending December 31, 2020, and no net gain or loss on OPO for the years ending December 31, 2021 and 2019.

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:

	2021	2020	2019
Allowance for loan losses	**$ 1,311,830**	$ 1,152,554	$ 995,536
Allowance for loan losses to total loans	**0.1%**	0.1%	0.1%
Allowance for loan losses to nonaccrual loans	**72.9%**	189.2%	140.0%
Allowance for loan losses to impaired loans	**66.9%**	149.4%	110.9%
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, 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 2020 to 2021 and also from 2019 to 2020 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 and 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 $1,311,830, $1,152,554 and $995,536 at December 31, 2021, 2020 and 2019, 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, 2021, was $15,120,129 as compared to $13,844,980 for the year ended December 31, 2020, reflecting an increase of $1,275,149 or 9.2%. The Association's net income for the year ended December 31, 2019 was $11,919,413. Net income increased $1,925,567, or 16.2%, in 2020 versus 2019.

Net interest income for 2021, 2020 and 2019 was $20,677,491, $18,576,452 and $17,821,571, respectively, reflecting an increase of $2,101,039, or 11.3%, for 2021 versus 2020 and $754,881, or 4.2%, for 2020 versus 2019. 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:

	2021		2020		2019	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 866,918,066**	**$ 34,741,802**	$ 756,113,263	$ 33,672,059	$ 702,001,845	$ 34,850,959
Interest-bearing liabilities	**742,230,542**	**14,064,311**	639,672,043	15,095,607	593,126,277	17,029,388
Impact of capital	**$ 124,687,524**		$ 116,441,220		$ 108,875,568	
Net interest income		**$ 20,677,491**		$ 18,576,452		$ 17,821,571

	2021	2020	2019
	Average Yield	Average Yield	Average Yield
Yield on loans	**4.01%**	4.45%	4.96%
Cost of interest-bearing liabilities	**1.89%**	2.36%	2.87%
Interest rate spread	**2.12%**	2.09%	2.09%

	2021 vs. 2020			2020 vs. 2019		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 4,934,470**	**$ (3,864,727)**	**$ 1,069,743**	$ 2,686,361	$ (3,865,261)	$ (1,178,900)
Interest expense	**2,420,278**	**(3,451,574)**	**(1,031,296)**	1,336,375	(3,270,156)	(1,933,781)
Net interest income	**$ 2,514,192**	**$ (413,153)**	**$ 2,101,039**	$ 1,349,986	$ (595,105)	$ 754,881

Interest income for 2021 increased by $1,069,743, or 3.2%, compared with 2020, primarily due to a significant increase in average outstanding loan volume, offset by recent steady declines in average yield on loans. Interest expense for 2021 decreased by $1,031,296, or 6.8%, compared with 2020 due to a reduction in cost of interest-bearing liabilities experienced during 2021 as a result of the continued depressed interest rate environment, offset by an increase in average note payable to the Bank. The interest rate spread increased by 3 basis points to 2.12% in 2021 from 2.09% in 2020, primarily due to increased outstanding loan volume closed during the latter part of 2020 and during 2021 while interest rates were very low and outstanding loan volume was continually rising. 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 2021 was more significantly impacted by the increase in loan volume. However, this increase was offset by the reduction in both yield on loans and cost of funds, which is a direct result of the interest rate environment of 2021. While the rate environment remained competitive in 2021, the Association was able to generate new business and manage its existing portfolio. The Association anticipates increased profitability on these existing loans in the future. The interest rate spread remained the same at 2.09% in 2020 and 2019 primarily due to the competitive interest rate environment.

Noninterest income for 2021 increased by $798,992, or 15.7%, compared to 2020, due primarily to an increase in patronage income of $1,262,061, offset by a reduction in loan fees of $277,257 and a reduction in other noninterest income of $163,535. Throughout 2020, the Association saw a large number of loan servicing actions which resulted in an increased fee income. Additionally, the Association received a refund from the Insurance Fund of $140,408 in 2020 and no refund in 2021. Noninterest income for 2020 increased by $1,645,209, or 47.7%, compared with 2019, due primarily to an increase in patronage income of $909,120 and an increase in loan fees of $667,526, both of which were driven by the significant loan growth experienced in 2020.

Provisions for loan losses increased by $2,686, or 1.8%, compared with 2020, due primarily to an increase in outstanding loan volume. Provisions for loan losses increased by $37,880, or 33.8%, compared with 2019, also due primarily to an increase in outstanding loan volume.

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 increased $1,583,444 over 2020 primarily due to an increase of $778,748 in salaries and employee benefits and an increase in Insurance Funds premiums of $540,272, resulting from an increase in the premium rates to 16 basis points in 2021. Additionally, there were various other increases in noninterest expense line items, some of which are attributed to returning to a more normal work environment during 2021. Overall operating expenses increased $495,076 over 2019 primarily due to an increase of $733,645 in salaries and employee benefits, offset by a decrease of $107,507 in travel expense, $107,063 in directors expense and $23,660 in public and member relations expense, all of which can be attributed to modifications in meeting formats as a result of COVID-19.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in a net fee income capitalized as an adjustment to net income of $482,995 as of December 31, 2021, while an expense was capitalized as an adjustment to income of $176,280 and $321,740 as of December 31, 2020 and 2019, 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 $1,775,974, origination fees of $765,481 and amortization of $527,498 compose the net adjustment to income of $482,995 at December 31, 2021. 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.

Expenses for purchased services may include 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 $58,541, $52,609 and $90,173 in 2021, 2020 and 2019, respectively.

For the year ended December 31, 2021, the Association's return on average assets was 1.7%, as compared to 1.8% and 1.6% for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2021, the Association's return on average members' equity was 10.3%, as compared to 10.0% and 9.2% for the years ended December 31, 2020 and 2019, 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.

In response to the phase-out of LIBOR, the System, through collaboration of the Federal Farm Credit Banks Funding Corp (Funding Corp) and funding banks, have created a new variable rate option as an alternative to LIBOR. The new variable index rate is the Farm Credit-1Month SOFR Index (FCSI). The FCSI is a variable rate index published by the Funding Corp on its website and defined as the 12-month average of the 1 Year Farm Credit SOFR-indexed Floating Rate Note Spread in basis points plus the 1 Month Pay Fixed SOFR Swap Rate. In summary, this index reflects the System's average cost of borrowing dollars for one month at the SOFR rate. On November 23, 2020, the Bank began offering the FCSI as an option for variable index rate loans. The transition from LIBOR to FCSI 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 FCSI. 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.

On September 11, 2018, the FCA issued guidance to System institutions on planning and preparing for the expected phase-out of LIBOR, encouraging System institutions to develop a transition plan defining an orderly roadmap of actions that will reduce LIBOR exposures over time and prepare for the phase-out. On December 18, 2020, the FCA posted additional guidance to Farm Credit System institutions emphasizing that the ICE Benchmark Administration proposal, which would extend the publication end date of LIBOR tenors, is not intended to slow down the transition and that Farm Credit System institutions should continue reducing LIBOR exposures as soon as practicable.

The Association has developed its transition plan that accomplishes the following, of which several have been completed:

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

The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index. At December 31, 2021, loans maturing after the LIBOR expiration date of June 30, 2023, total $204,310.

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 $788,017,939, $696,761,495 and $616,715,410 as of December 31, 2021, 2020 and 2019, respectively, is recorded as a liability on the Association’s balance sheet. The note carried a weighted average interest rate of 1.89%, 1.95% and 2.78% at December 31, 2021, 2020 and 2019, 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 since December 31, 2020, is due to the significant increase the Association’s outstanding loan volume. Despite the increase in note payable to the Bank, accrued interest payable decreased since December 31, 2020, due to a reduction 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 $127,456,343, $120,602,934 and $113,479,803 at December 31, 2021, 2020 and 2019, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $929,778,508 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 2022. 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 $149,050,750, $139,851,857 and $131,252,304 at December 31, 2021, 2020 and 2019, respectively.

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% of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted 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, 2021, 2020 and 2019 was 14.4%, 15.3% and 15.8%, respectively.

Under regulations that became effective January 1, 2017, the Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5%, 6.0% and 8.0%, along with a capital conservation buffer of 2.5% applicable to each ratio, respectively. The 2.5% capital conservation buffer was phased in over a three-year period ending December 31, 2019. The Association's common equity tier 1 ratio was 14.4%, tier 1 capital ratio was 14.4% and total capital ratio was 14.5% at December 31, 2021. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0%, along with a leverage buffer of 1.0%, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5%. The Association's tier 1 leverage ratio was 14.6% and UREE leverage ratio was 15.6% at December 31, 2021. 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% must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

	Regulatory	Regulatory	As of December 31,		
Risk-weighted:	Minimums	Minimums with Buffer	**2021**	2020	2019
Common equity tier 1 ratio	4.50%	7.00%	**14.39%**	15.30%	15.80%
Tier 1 capital ratio	6.00%	8.50%	**14.39%**	15.30%	15.80%
Total capital ratio	8.00%	10.50%	**14.53%**	15.43%	15.93%
Permanent capital ratio	7.00%	7.00%	**14.41%**	15.32%	15.82%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	**14.63%**	15.74%	16.13%
UREE leverage ratio	1.50%	1.50%	**15.59%**	16.75%	17.14%

In 2021, 2020 and 2019, the Association paid patronage distributions of $5,400,039, $4,799,962 and $4,100,043, respectively. In December 2021, the board of directors approved a $6,250,000 patronage distribution to be paid in February 2022. 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 which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2021, the Association was not under written agreements with the Farm Credit Administration.

On January 5, 2021, the FCA posted an informational memorandum providing guidance to the Farm Credit System on managing challenges associated with COVID-19. The informational memorandum provided supplements on flood insurance requirements, consumer financial protection, and electronic delivery of borrower rights notices. On January 12, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement covers regulatory capital requirements for Paycheck Protection Program loans. On January 28, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement discusses matters related to association annual meetings and elections during the 2021 calendar year.

On February 5, 2021, the FCA posted an informational memorandum on maintaining and using stockholder lists. The informational memorandum provides institutions with guidance on maintaining the lists and using them to establish who should receive voting and financial information.

On June 30, 2021, the FCA posted an advance notice of proposed rulemaking to seek public comments on how to amend or restructure bank liquidity regulations. The FCA is considering whether to amend the existing liquidity regulatory framework so banks can better withstand crises that adversely impact liquidity. The comment period ended on November 27, 2021.

On August 26, 2021, the FCA published a proposed rule in the Federal Register on defining and establishing risk-weightings for high-volatility commercial real estate (HVCRE) exposures. The comment period ended on January 24, 2022.
On September 9, 2021, the FCA adopted a final rule on the tier 1/tier 2 capital framework. The rule clarifies the regulations, simplifies certain requirements, and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. It also codifies guidance provided in FCA Bookletter 068. On October 1, 2021, the FCA published the final rule on the tier 1/tier 2 capital framework in the Federal Register. The final rule became effective on January 1, 2022.

On December 8, 2021, the FCA posted an informational memorandum on managing the LIBOR transition. The informational memorandum provides institutions with guidance on the transition away from LIBOR, clarifies the meaning of new LIBOR contracts, and provides guidance on using alternative reference rates.

Relationship With the Bank:

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

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

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

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

Summary:

Over the past 31 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.

pwc

Report of Independent Auditors

To the Board of Directors of Mississippi Land Bank, ACA

Opinion

We have audited the accompanying consolidated financial statements of Mississippi Land Bank, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2021, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2021, 2020 and 2019, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

PricewaterhouseCoopers LLP, 835 W. 6th Street, Suite 1600, Austin, TX 78703
T: (512) 447 1300, www.pwc.com/us

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2021 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Austin, Texas
March 11, 2022

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2021	2020	2019
Assets			
Cash	**$ 12,503**	$ 2,726	$ 6,092
Loans	**926,065,090**	827,620,014	740,313,671
Less: allowance for loan losses	**1,311,830**	1,152,554	995,536
Net loans	**924,753,260**	826,467,460	739,318,135
Accrued interest receivable	**12,796,342**	12,504,423	12,599,238
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**14,689,950**	12,675,385	11,808,570
Other	**2,558,072**	2,189,759	2,953,400
Other property owned, net	**-**	-	195,606
Premises and equipment	**3,917,221**	3,687,021	3,368,756
Other assets	**667,403**	712,106	420,771
Total assets	**$ 959,394,751**	$ 858,238,880	$ 770,670,568
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 788,017,939**	$ 696,761,495	$ 616,715,410
Guaranteed obligations to government entities	**7,985,908**	7,952,188	7,641,070
Accrued interest payable	**1,238,168**	1,324,048	1,578,424
Drafts outstanding	**840,714**	1,538,151	3,919,475
Patronage distributions payable	**6,250,013**	5,400,052	4,800,014
Other liabilities	**6,011,259**	5,411,089	4,763,871
Total liabilities	**810,344,001**	718,387,023	639,418,264
Members' Equity			
Capital stock and participation certificates	**3,820,300**	3,554,195	3,354,715
Unallocated retained earnings	**145,316,993**	136,446,864	128,001,884
Accumulated other comprehensive income (loss)	**(86,543)**	(149,202)	(104,295)
Total members' equity	**149,050,750**	139,851,857	131,252,304
Total liabilities and members' equity	**$ 959,394,751**	$ 858,238,880	$ 770,670,568

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,		
	2021	2020	2019
Interest Income			
Loans	**$ 34,741,802**	$ 33,672,059	$ 34,850,959
Total interest income	**34,741,802**	33,672,059	34,850,959
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**14,064,311**	15,095,602	17,029,020
Advance conditional payments	**-**	5	368
Total interest expense	**14,064,311**	15,095,607	17,029,388
Net interest income	**20,677,491**	18,576,452	17,821,571
Provision for loan losses	**152,686**	150,000	112,120
Net interest income after provision for losses	**20,524,805**	18,426,452	17,709,451
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**5,253,800**	3,991,739	3,082,619
Loan fees	**512,703**	789,960	122,434
Financially related services income	**1,019**	1,289	1,277
Gain on other property owned, net	**-**	10,886	-
Gain on sale of premises and equipment, net	**84,783**	95,904	70,619
Other noninterest income	**41,540**	205,075	172,695
Total noninterest income	**5,893,845**	5,094,853	3,449,644
Noninterest Expenses			
Salaries and employee benefits	**7,302,636**	6,523,888	5,790,243
Insurance Fund premiums	**1,107,533**	567,261	493,176
Travel	**443,715**	404,221	511,728
Occupancy and equipment	**417,395**	357,059	355,940
Purchased services	**410,688**	330,158	349,099
Advertising	**368,540**	389,074	383,130
Supervisory and exam expense	**292,415**	274,111	264,725
Directors' expense	**211,197**	174,140	281,203
Public and member relations	**186,315**	184,362	208,022
Communications	**113,288**	113,380	111,230
Other components of net periodic postretirement benefit cost	**39,047**	44,083	56,718
Other noninterest expense	**392,337**	339,925	401,372
Total noninterest expenses	**11,285,106**	9,701,662	9,206,586
Income before income taxes	**15,133,544**	13,819,643	11,952,509
Provision for (benefit from) income taxes	**13,415**	(25,337)	33,096
NET INCOME	**15,120,129**	13,844,980	11,919,413
Other comprehensive income:			
Change in postretirement benefit plans	**62,659**	(44,907)	(150,469)
COMPREHENSIVE INCOME	**$ 15,182,788**	$ 13,800,073	$ 11,768,944

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	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
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
Comprehensive income	-	13,844,980	(44,907)	13,800,073
Capital stock/participation certificates issued	848,420	-	-	848,420
Capital stock/participation certificates retired	(648,940)	-	-	(648,940)
Patronage dividends:				
Cash	-	(5,400,000)	-	(5,400,000)
Balance at December 31, 2020	3,554,195	136,446,864	(149,202)	139,851,857
Comprehensive income	-	15,120,129	62,659	15,182,788
Capital stock/participation certificates issued	857,990	-	-	857,990
Capital stock/participation certificates retired	(591,885)	-	-	(591,885)
Patronage dividends:				
Cash	-	(6,250,000)	-	(6,250,000)
Balance at December 31, 2021	**$ 3,820,300**	**$ 145,316,993**	**$ (86,543)**	**$ 149,050,750**

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,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	**$ 15,120,129**	$ 13,844,980	$ 11,919,413
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**152,686**	150,000	112,120
Gain on sale of other property owned, net	**-**	(10,886)	-
Depreciation	**803,554**	970,272	835,084
Gain on sale of premises and equipment, net	**(84,783)**	(95,904)	(70,619)
(Increase) decrease in accrued interest receivable	**(291,919)**	94,815	(1,615,058)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(368,313)**	763,641	(424,950)
Decrease (increase) in other assets	**44,703**	(291,335)	(149,371)
(Decrease) increase in accrued interest payable	**(85,880)**	(254,376)	190,686
Increase (decrease) in other liabilities	**669,419**	610,660	(264,679)
Net cash provided by operating activities	**15,959,596**	15,781,867	10,532,626
Cash flows from investing activities:			
Increase in loans, net	**(98,895,764)**	(88,103,897)	(44,298,993)
Cash recoveries of loans previously charged off	**-**	-	12,880
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(2,014,565)**	(866,815)	(850,670)
Purchases of premises and equipment	**(690,648)**	(785,674)	(175,084)
Proceeds from sales of premises and equipment	**192,365**	233,392	130,500
Proceeds from sales of other property owned	**-**	362,364	-
Net cash used in investing activities	**(101,408,612)**	(89,160,630)	(45,181,367)
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**91,256,444**	80,046,085	37,543,051
Increase in guaranteed obligations to government entities	**33,720**	311,118	330,637
(Decrease) increase in drafts outstanding	**(697,437)**	(2,381,324)	815,896
Issuance of capital stock and participation certificates	**857,990**	848,420	530,050
Retirement of capital stock and participation certificates	**(591,885)**	(648,940)	(469,485)
Patronage distributions paid	**(5,400,039)**	(4,799,962)	(4,100,043)
Net cash provided by financing activities	**85,458,793**	73,375,397	34,650,106
Net increase (decrease) in cash	**9,777**	(3,366)	1,365
Cash at the beginning of the year	**2,726**	6,092	4,727
Cash at the end of the year	**$ 12,503**	$ 2,726	$ 6,092

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,		
	2021	2020	2019
Supplemental schedule of noncash investing and financing activities:			
Loans exchanged for agricultural mortgage-backed securities			
Loans transferred to other property owned	**$ -**	$ 155,872	$ 195,606
Loans charged off	**-**	1,331	-
Patronage distributions declared	**6,250,000**	5,400,000	4,800,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**6,590**	8,349	(30,869)
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 14,039,162**	$ 15,404,357	$ 16,979,246

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 which 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, 2021, 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, 2021, 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% 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. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the Association.

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.

Use of Estimates

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

The accounting and reporting policies of the Association conform to 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 the current year's 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 January 2021, the FASB issued an update to Reference Rate Reform 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 impact on the Association's financial condition or its results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2020, and the impact of adoption was not material to the Association's financial condition or results of operations.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the

Association’s financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 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. A concession is generally granted in order to minimize the Association’s economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), or circumstances indicate that collection of principal and/or interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, 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 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a “9” to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including 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.

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% 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% of the average outstanding balance of borrowings from the Bank to a maximum of 5% of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

G. 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% of eligible pay for the year ended December 31, 2021, made on their behalf into various investment alternatives.

   The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC Plan of $274,155, $234,734 and $235,318 for the years ended December 31, 2021, 2020 and 2019 respectively. For the DB Plan, the Association recognized pension costs of $762,268, $419,439 and $443,500 for the years ended December 31, 2021, 2020 and 2019, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100% of employee contributions up to 3.0% of eligible earnings and to match 50% of employee contributions for the next 2.0% of employee contributions, up to a maximum employer contribution of 4.0% of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $211,478, $187,499 and $192,427 for the years ended December 31, 2021, 2020 and 2019, 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 $9,614, $7,021 and $96,470 for the years ended December 31, 2021, 2020 and 2019, 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 multiemployer 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% 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% 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% 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:

	2021		2020		2019	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 755,429,312**	**81.6%**	$ 682,837,477	82.5%	$ 599,443,104	80.9%
Production and intermediate term	**110,547,397**	**11.9%**	93,812,069	11.3%	98,321,824	13.3%
Agribusiness:						
Processing and marketing	**27,493,138**	**3.0%**	20,206,199	2.5%	22,192,686	3.0%
Farm-related business	**8,975,778**	**1.0%**	8,993,963	1.1%	3,095,945	0.4%
Loans to cooperatives	**522,468**	**0.1%**	1,667,945	0.2%	1,230,550	0.2%
Rural residential real estate	**15,785,271**	**1.7%**	11,781,508	1.4%	10,320,906	1.4%
Communication	**4,763,267**	**0.5%**	6,970,056	0.9%	5,708,656	0.8%
Water and waste water	**1,299,561**	**0.1%**	1,041,994	0.1%	-	0.0%
Energy	**1,248,898**	**0.1%**	308,803	0.0%	-	0.0%
Total	**$ 926,065,090**	**100.0%**	$ 827,620,014	100.0%	$ 740,313,671	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, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 22,826,726	$ 4,108,360	$ -	$ -	$ 22,826,726	$ 4,108,360
Real estate mortgage	-	5,485,695	19,445,331	-	19,445,331	5,485,695
Communication	4,763,267	-	-	-	4,763,267	-
Production and intermediate term	-	2,377,853	-	-	-	2,377,853
Water and waste water	1,299,561	-	-	-	1,299,561	-
Energy	1,248,898	-	-	-	1,248,898	-
Total	$ 30,138,452	$ 11,971,908	$ 19,445,331	$ -	$ 49,583,783	$ 11,971,908

Geographic Distribution:

County	2021	2020	2019
Noxubee	**8.6%**	10.5%	10.3%
Coahoma	**8.5%**	7.7%	7.0%
Sunflower	**5.0%**	3.8%	3.1%
Bolivar	**4.6%**	4.3%	4.2%
DeSoto	**4.3%**	2.7%	2.9%
Tunica	**4.1%**	4.8%	4.8%
Oktibbeha	**3.9%**	3.0%	3.0%
Panola	**3.9%**	5.9%	6.4%
Lee	**3.6%**	1.7%	1.9%
Monroe	**3.6%**	1.7%	1.6%
Lowndes	**3.5%**	3.2%	3.3%
Tate	**2.8%**	3.9%	4.2%
Tallahatchie	**2.6%**	6.7%	6.2%
Lafayette	**2.4%**	1.5%	1.8%
Quitman	**2.2%**	4.6%	4.5%
Alcorn	**2.0%**	2.0%	1.9%
Calhoun	**1.8%**	2.2%	2.4%
Union	**1.7%**	1.3%	1.2%
Chickasaw	**1.5%**	2.1%	2.4%
Clay	**1.4%**	1.3%	2.1%
Pontotoc	**1.3%**	1.7%	1.9%
Marshall	**1.2%**	2.8%	2.9%
Winston	**1.2%**	1.7%	1.7%
Other Counties	**8.8%**	10.7%	10.9%
Other States	**15.5%**	8.2%	7.4%
	100.0%	100.0%	100.0%

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

	2021		2020		2019	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Soybeans	**$ 247,000,932**	**26.7%**	$ 202,059,292	24.4%	$ 169,230,440	22.9%
Timber	**183,248,870**	**19.8%**	168,212,121	20.3%	144,389,545	19.5%
Cotton	**142,680,235**	**15.4%**	135,798,886	16.4%	127,274,250	17.2%
Livestock, except dairy and poultry	**103,093,956**	**11.1%**	99,143,238	12.0%	103,017,240	13.9%
Corn	**78,478,579**	**8.5%**	67,673,108	8.2%	50,543,623	6.8%
Poultry and eggs	**42,095,199**	**4.5%**	41,942,985	5.1%	39,383,283	5.3%
Recreational property	**25,763,946**	**2.8%**	24,035,337	2.9%	19,335,862	2.6%
Rural home loans	**20,685,684**	**2.2%**	15,988,372	1.9%	13,306,374	1.8%
Other field crops, including cash grains	**20,665,968**	**2.2%**	18,051,186	2.2%	25,942,880	3.5%
Catfish	**14,434,902**	**1.6%**	3,986,392	0.5%	3,438,529	0.5%
Rice	**13,554,059**	**1.5%**	14,269,491	1.7%	14,977,880	2.0%
Communication	**4,763,267**	**0.5%**	6,970,056	0.8%	5,708,656	0.8%
Paper and allied products	**3,965,550**	**0.4%**	4,181,433	0.5%	6,192,625	0.8%
Other	**25,633,943**	**2.8%**	25,308,117	3.1%	17,572,484	2.4%
Total	**$ 926,065,090**	**100.0%**	$ 827,620,014	100.0%	$ 740,313,671	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% (or 97% 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,		
	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	**$ 7,459**	$ 544,816	$ 626,388
Past due	**1,792,248**	64,462	84,766
Total nonaccrual loans	**1,799,706**	609,278	711,154
Impaired accrual loans:			
Restructured accrual loans	**162,145**	162,205	162,326
Accrual loans 90 days or more past due	**-**	-	24,161
Total impaired accrual loans	**162,145**	162,205	186,487
Total impaired loans	**$ 1,961,851**	$ 771,483	$ 897,641

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

	December 31, 2021	December 31, 2020	December 31, 2019
Nonaccrual loans:			
Real estate mortgage	**$ 550,808**	$ 609,278	$ 711,154
Energy	**1,248,898**	-	-
Total nonaccrual loans	**1,799,706**	609,278	711,154
Accruing restructured loans:			
Real estate mortgage	**162,145**	162,205	162,326
Total accruing restructured loans	**162,145**	162,205	162,326
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	**1,961,851**	771,483	897,641
Other property owned	**-**	-	195,606
Total nonperforming assets	**$ 1,961,851**	$ 771,483	$ 1,093,247

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:

	2021		2020		2019	
Real estate mortgage						
Acceptable	**99.5**	%	99.4	%	99.3	%
OAEM	**0.1**		0.2		0.2	
Substandard/doubtful	**0.4**		0.4		0.5	
	100.0		100.0		100.0	
Production and intermediate term						
Acceptable	**99.6**		100.0		100.0	
OAEM	**0.4**		-		-	
Substandard/doubtful	**-**		-		-	
	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	**100.0**		91.8		84.1	
OAEM	**-**		8.2		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	
Energy						
Acceptable	**-**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**100.0**		-		-	
	100.0		100.0		100.0	
Water and waste water						
Acceptable	**100.0**		100.0		-	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		-	
Rural residential real estate						
Acceptable	**99.7**		99.4		99.2	
OAEM	**-**		0.2		0.2	
Substandard/doubtful	**0.3**		0.4		0.6	
	100.0		100.0		100.0	
Total Loans						
Acceptable	**99.3**		99.3		98.9	
OAEM	**0.2**		0.4		0.6	
Substandard/doubtful	**0.5**		0.3		0.5	
	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, 2021, 2020 and 2019:

December 31, 2021:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 270,694**	**$ 458,947**	**$ 729,641**	**$ 765,696,794**	**$ 766,426,435**	**$ -**
Production and intermediate term	**210,204**	**-**	**210,204**	**112,021,731**	**112,231,935**	**-**
Processing and marketing	**-**	**-**	**-**	**27,525,018**	**27,525,018**	**-**
Rural residential real estate	**-**	**-**	**-**	**15,834,952**	**15,834,952**	**-**
Farm-related business	**-**	**-**	**-**	**9,007,392**	**9,007,392**	**-**
Communication	**-**	**-**	**-**	**4,763,550**	**4,763,550**	**-**
Water and waste water	**-**	**-**	**-**	**1,300,036**	**1,300,036**	**-**
Energy	**-**	**1,248,898**	**1,248,898**	**-**	**1,248,898**	**-**
Loans to cooperatives	**-**	**-**	**-**	**523,216**	**523,216**	**-**
Total	**$ 480,898**	**$ 1,707,845**	**$ 2,188,743**	**$ 936,672,689**	**$ 938,861,432**	**$ -**

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	$ -

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

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, 2021, the total recorded investment of troubled debt restructured loans was $169,604, including $7,459 classified as nonaccrual and $162,145 classified as accrual. There was no specific allowance for loan losses related to the loans based on current net realizable value analyses. As of December 31, 2021, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

The Association had no loans meet the designation for troubled debt restructuring classification during the years ended December 31, 2021, 2020 and 2019. For loans qualifying under enacted federal guidance in 2020, certain COVID modifications have been appropriately excluded from TDR analysis.

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, 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 reductions in principal or interest. 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, 2021**	Recorded Investment at December 31, 2020	Recorded Investment at December 31, 2019
Real estate mortgage	**$ -**	$ -	$ 84,766
Total	**$ -**	$ -	$ 84,766

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, 2021	December 31, 2020	December 31, 2019
Troubled debt restructurings:			
Real estate mortgage	**$ 162,145**	$ 162,205	$ 304,873
Total	**$ 162,145**	$ 162,205	$ 304,873

	TDRs in Nonaccrual Status*		
	December 31, 2021	December 31, 2020	December 31, 2019
Troubled debt restructurings:			
Real estate mortgage	**$ 7,459**	$ 45,410	$ 142,547
Total	**$ 7,459**	$ 45,410	$ 142,547

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

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2021	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Energy and water/waste water	$ 1,248,898	$ 1,249,938	$ 268,750	$ 799,943	$ 1,984
Total	$ 1,248,898	$ 1,249,938	$ 268,750	$ 799,943	$ 1,984
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 712,059	$ 703,499	$ -	$ 607,772	$ 3,608
Total	$ 712,059	$ 703,499	$ -	$ 607,772	$ 3,608
Total impaired loans:					
Real estate mortgage	$ 712,059	$ 703,499	$ -	$ 607,772	$ 3,608
Energy and water/waste water	1,248,898	1,249,938	268,750	799,943	1,984
Total	$ 1,960,958	$ 1,953,437	$ 268,750	$ 1,407,715	$ 5,592

	Recorded Investment at 12/31/2020	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 770,983	$ 770,983	$ -	$ 769,606	$ 23,553
Total	$ 770,983	$ 770,983	$ -	$ 769,606	$ 23,553
Total impaired loans:					
Real estate mortgage	$ 770,983	$ 770,983	$ -	$ 769,606	$ 23,553
Total	$ 770,983	$ 770,983	$ -	$ 769,606	$ 23,553

	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.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2021, 2020 and 2019.

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

	2021	2020	2019
Interest income which would have been recognized under the original terms	**$ 97,072**	$ 76,482	$ 81,292
Less: interest income recognized	**(5,592)**	(23,553)	(21,576)
Foregone interest income	**$ 91,480**	$ 52,929	$ 59,716

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:									
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	(140,250)	22,722	(2,848)	(1,547)	268,589	1,271	4,329	420	152,686
Other	18	(9,040)	17,282	-	161	(1,326)	(85)	(420)	6,590
Balance at December 31, 2021	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ 268,750	$ 1,385	$ 28,550	$ -	$ 1,311,830
Ending Balance: individually evaluated for impairment	-	$ -	$ -	$ -	$ 268,750	$ -	$ -	$ -	$ 268,750
Ending Balance: collectively evaluated for impairment	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ -	$ 1,385	$ 28,550	$ -	$ 1,043,080
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2021	$ 766,426,435	$ 112,231,935	$ 37,055,626	$ 4,763,550	$ 1,248,898	$ 1,300,036	$ 15,834,952	$ -	$ 938,861,432
Ending balance for loans individually evaluated for impairment	$ 3,185,277	$ -	$ -	$ -	$ 1,248,898	$ -	$ 42,269	$ -	$ 4,476,444
Ending balance for loans collectively evaluated for impairment	$ 763,241,158	$ 112,231,935	$ 37,055,626	$ 4,763,550	$ -	$ 1,300,036	$ 15,792,683	$ -	$ 934,384,987
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:									
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	158,336	(4,750)	(6,224)	399	(64)	1,440	863	-	150,000
Other	1,020	572	6,693	-	64	-	-	-	8,349
Balance at December 31, 2020	$ 999,361	$ 72,863	$ 51,271	$ 3,313	$ -	$ 1,440	$ 24,306	$ -	$ 1,152,554
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500	$ -	$ 3,500
Ending Balance: collectively evaluated for impairment	$ 999,361	$ 72,863	$ 51,271	$ 3,313	$ -	$ 1,440	$ 20,806	$ -	$ 1,149,054
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2020	$ 693,536,935	$ 95,457,973	$ 30,986,105	$ 6,970,458	$ 309,721	$ 1,042,056	$ 11,821,189	$ -	$ 840,124,437
Ending balance for loans individually evaluated for impairment	$ 2,871,246	$ -	$ -	$ -	$ -	$ -	$ 50,855		$ 2,922,101
Ending balance for loans collectively evaluated for impairment	$ 690,665,689	$ 95,457,973	$ 30,986,105	$ 6,970,458	$ 309,721	$ 1,042,056	$ 11,770,334	$ -	$ 837,202,336
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	International	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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	$ 606,706,256	$ 100,099,640	$ 26,635,129	$ 5,708,955	$ -	$ -	$ 10,281,857	$ -	$ 749,431,837
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 3.58%, 3.52% and 3.52% of the issued stock of the Bank as of December 31, 2021, 2020 and 2019. As of those dates, the Bank's assets totaled $33.09 billion, $28.23 billion and $25.66 billion and members' equity totaled $2.00 billion, $1.99 billion and $1.84 billion. The Bank's earnings were $254.6 million, $251.1 million and $203.0 million during 2021, 2020 and 2019.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2021	2020	2019
Building and improvements	**$ 3,012,351**	$ 2,595,317	$ 2,485,270
Automobiles	**1,110,872**	1,187,452	1,059,203
Land and improvements	**958,700**	1,348,234	1,348,234
Furniture and equipment	**449,222**	442,213	399,921
Computer equipment and software	**296,460**	258,255	187,744
Construction in progress	**350,926**	-	1,800
	6,178,531	5,831,471	5,482,172
Accumulated depreciation	**(2,261,310)**	(2,144,450)	(2,113,416)
Total	**$ 3,917,221**	$ 3,687,021	$ 3,368,756

The Association leases office space in Clarksdale, Cleveland, Indianola, Kosciusko and Louisville and, at times, other properties as the need arises. Lease expense was $61,500, $55,435 and $50,367 for 2021, 2020 and 2019, respectively. Lease agreements are in place for two of the leased locations while the remainder are on month-to-month agreements. Minimum annual lease payments for the next five years are as follows:

	Operating Leases
2022	$ 55,500
2023	55,500
2024	55,500
2025	16,900
2026	-
Thereafter	-
Total lease payments	$ 183,400

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 based on recent net realizable value analyses. During 2020, the Association acquired one additional residential property and one tract of bare land. All four properties were sold during 2020, and no other property owned was held by the Association at December 31, 2020. Additionally, the Association held no other property owned at December 31, 2021.

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

	2021	2020	2019
Gain (loss) on sale, net	**$ -**	$ 33,245	$ -
Operating income (expense), net	**-**	(22,359)	-
Net gain (loss) on other property owned	**$ -**	$ 10,886	$ -

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2021	2020	2019
Captive insurance receivable	**$ 289,796**	$ 279,516	$ 243,644
Right-of-use asset	**212,135**	270,822	57,362
Other	**165,472**	161,768	119,765
Total	**$ 667,403**	$ 712,106	$ 420,771

Other liabilities comprised the following at December 31:

	2021	2020	2019
Payroll and benefits payable	**$ 2,181,817**	$ 1,666,636	$ 1,772,192
Accumulated postretirement benefit obligation	**1,682,747**	1,723,445	1,660,673
Insurance Fund premiums payable	**1,107,533**	567,261	493,176
Outstanding accounts payable	**439,735**	417,743	439,168
Lease liability	**212,135**	270,822	57,362
Other	**387,292**	765,182	341,300
Total	**$ 6,011,259**	$ 5,411,089	$ 4,763,871

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association’s loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association’s indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association’s assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank’s cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days’ prior written notice, or in all other circumstances, upon giving the Bank 120 days’ prior written notice.

The total amount and the weighted average interest rate of the Association’s direct loan from the Bank at December 31, 2021, 2020 and 2019, was $788,017,939 at 1.89%, $696,761,495 at 1.95% and $616,715,410 at 2.78%, 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, 2021, 2020 and 2019, the Association’s note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2021, was $929,778,508, 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, 2021, 2020 and 2019, 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% of the loan amount, up to a maximum amount of $1,000 per loan. Prior to January 1, 2020, loans made under the PCA were subject to a stock requirement of 2% 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 all subject to a stock requirement of 2% of the loan amount, up to a maximum amount of $1,000. 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% 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. Our bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

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, 2021, 2020 and 2019, the Association had no share of 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:

	2021	2020	2019
Class A stock	**741,236**	691,782	655,260
Participation certificates	**22,824**	19,057	15,683
Total	**764,060**	710,839	670,943

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 dividends and patronage distributions were declared and paid in 2021, 2020 and 2019, respectively:

Date Declared	Date Paid	Patronage
December 2021	**February 2022**	**$ 6,250,000**
December 2020	February 2021	5,400,000
December 2019	February 2020	4,800,000

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-weighted assets are calculated differently than in the past. As of December 31, 2021, 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:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	**2021**	2020	2019
Common equity tier 1 ratio	4.50%	7.00%	**14.39%**	15.30%	15.80%
Tier 1 capital ratio	6.00%	8.50%	**14.39%**	15.30%	15.80%
Total capital ratio	8.00%	10.50%	**14.53%**	15.43%	15.93%
Permanent capital ratio	7.00%	7.00%	**14.41%**	15.32%	15.82%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	**14.63%**	15.74%	16.13%
UREE leverage ratio	1.50%	1.50%	**15.59%**	16.75%	17.14%

Risk-weighted 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-weighted 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-weighted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-weighted 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 7 years, allocated equities held for a minimum of 7 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 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-weighted 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-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5% must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	at December 31, 2021			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 145,358,141**	**$ 145,358,141**	**$ 145,358,141**	**$ 145,358,141**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**3,796,672**	**3,796,672**	**3,796,672**	**3,796,672**
Allowance for loan losses and reserve for credit losses subject to certain limitations*	**-**	**-**	**1,350,789**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,697,769)**	**(12,697,769)**	**(12,697,769)**	**(12,697,769)**
	$ 136,457,044	**$ 136,457,044**	**$ 137,807,833**	**$ 136,457,044**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 961,037,481**	**$ 961,037,481**	**$ 961,037,481**	**$ 961,037,481**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(12,697,769)**	**(12,697,769)**	**(12,697,769)**	**(12,697,769)**
Allowance for loan losses	**-**	**-**	**-**	**(1,311,830)**
	$ 948,339,712	**$ 948,339,712**	**$ 948,339,712**	**$ 947,027,882**

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

	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

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

	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)
Other regulatory required deductions	-	-	-	-
	$ 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% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

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

	at December 31, 2021	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 145,358,141**	**$ 145,358,141**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**3,796,672**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(12,697,769)**	**-**
	$ 136,457,044	**$ 145,358,141**
Denominator:		
Total Assets	**$ 949,101,747**	**$ 949,101,747**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(16,647,396)**	**(16,647,396)**
	$ 932,454,351	**$ 932,454,351**

	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

	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	-
Other required member purchased stock held <5 years		
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(10,967,352)	-
Other regulatory required deductions	-	-
	$ 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

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:

	2021	2020	2019
Prior service (credit) cost	**$ (27,778)**	$ (40,070)	$ (52,362)
Net actuarial loss (gain)	**114,321**	189,272	156,657
Total	**$ 86,543**	$ 149,202	$ 104,295

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:

	2021	2020	2019
Accumulated other comprehensive income (loss) at January 1	**$ (149,202)**	$ (104,295)	$ 46,174
Actuarial gains (losses)	**71,194**	(32,615)	(138,178)
in salaries and employee benefits	**(8,535)**	(12,292)	(12,291)
Other comprehensive income (loss), net of tax	**62,659**	(44,907)	(150,469)
Accumulated other comprehensive income at December 31	**$ (86,543)**	$ (149,202)	$ (104,295)

NOTE 10 — INCOME TAXES:

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

	2021	2020	2019
Deferred:			
Federal	$ **11,593**	$ (21,896)	$ 28,601
State	**1,822**	(3,441)	4,495
Total deferred	**13,415**	(25,337)	33,096
Total provision for (benefit from) income taxes	$ **13,415**	$ (25,337)	$ 33,096

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:

	2021	2020	2019
Federal tax at statutory rate	$ **3,178,044**	$ 2,902,125	$ 2,510,027
State tax, net	**1,822**	(3,441)	4,495
Effect of nontaxable FLCA subsidiary	**(3,185,839)**	(2,902,095)	(2,407,468)
Patronage distributions	**-**	(25,581)	(87,588)
Prior period adjustment to NOL carryforward	**-**	-	271,637
Change in valuation allowance	**22,434**	210	(269,628)
Other	**(3,046)**	3,445	11,621
Provision for (benefit from) income taxes	$ **13,415**	$ (25,337)	$ 33,096

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

	2021	2020	2019
Deferred Tax Assets			
Allowance for loan losses	$ **10,202**	$ 9,370	$ 9,161
Loss carryforwards	**99,966**	78,363	78,363
Gross deferred tax assets	**110,168**	87,733	87,524
Deferred tax asset valuation allowance	**(110,168)**	(87,733)	(87,524)
Deferred Tax Liabilities			
Other	**(90,319)**	(76,904)	(102,241)
Gross deferred tax liabilities	**(90,319)**	(76,904)	(102,241)
Net deferred tax asset (liability)	$ **(90,319)**	$ (76,904)	$ (102,241)

At December 31, 2021, the Association had a net operating loss (NOL) carryover of $411,383 available to offset against future taxable income of which $91,956 will expire in 2034, $230,527 will expire in 2037, and the remaining $88,900 has an indefinite carryforward period and is limited to 80% of taxable income. The provision for income taxes recorded in 2021 was primarily the result of the year-over-year increase in deferred net loan income.

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 $110,168, $87,733 and $87,524 during 2021, 2020 and 2019, respectively. The Association will continue to evaluate the realizability of the deferred tax asset 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, 2021, 2020 and 2019 did not recognize a tax liability for any uncertain tax positions.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

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

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

The Association elected to participate in the nonqualified defined contribution 401(k) plan. Contributions of $9,614, $7,021 and $96,470 were made to this plan for the years ended December 31, 2021, 2020 and 2019. There were no payments made from the Supplemental 401(k) Plan to active employees during 2021, 2020 and 2019.

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, 2021.

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

a. Assets contributed to the multiemployer 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, 2021, 2020 and 2019:

	2021	2020	2019
Funded status of DB Plan	**70.5** %	62.6 %	66.2 %
Association's contribution	**$ 762,268**	$ 419,439	$ 443,500
Percentage of Association's contribution to total contributions	**5.0** %	7.0 %	5.4 %

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 72.0%, 64.3% and 72.5% at December 31, 2021, 2020 and 2019, 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 multiemployer 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 basis 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% 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% 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	2021	2020	2019
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,723,445**	$ 1,660,673	$ 1,489,092
Service cost	**21,263**	19,347	15,903
Interest cost	**47,582**	56,375	69,009
Plan participants' contributions	**4,140**	4,255	9,359
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**(71,194)**	32,615	138,178
Benefits paid	**(42,489)**	(49,820)	(60,868)
Accumulated postretirement benefit obligation, end of year	**$ 1,682,747**	$ 1,723,445	$ 1,660,673
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**38,349**	45,565	51,509
Plan participants' contributions	**4,140**	4,255	9,359
Benefits paid	**(42,489)**	(49,820)	(60,868)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,682,747)**	$ (1,723,445)	$ (1,660,673)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (1,682,747)**	$ (1,723,445)	$ (1,660,673)
Amounts Recognized in Accumulated Other Comprehensive Income			
Prior service cost (credit)	**$ (27,778)**	$ (40,070)	$ (52,362)
Net actuarial loss (gain)	**114,321**	189,272	156,657
Total	**$ 86,543**	$ 149,202	$ 104,295
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2021**	12/31/2020	12/31/2019
Discount rate	**3.15%**	2.80%	3.45%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.80%/6.00%**	6.90%/6.40%	6.90%/6.40%
Health care cost trend rate assumed for next year - Rx	**6.80%**	6.60%	6.90%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2030/2030**	2028/2029	2028

Total Cost		**2021**		2020		2019
Service cost	**$**	**21,263**	$	19,347	$	15,903
Interest cost		**47,582**		56,375		69,009
Expected return on plan assets		**-**		-		-
Amortization of:						
Unrecognized net transition obligation (asset)		**-**		-		-
Unrecognized prior service cost		**(12,292)**		(12,292)		(12,291)
Unrecognized net loss (gain)		**3,757**		-		-
Net postretirement benefit cost	**$**	**60,310**	$	63,430	$	72,621
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)	**$**	**(71,194)**	$	32,615	$	138,178
Amortization of net actuarial loss (gain)		**(3,757)**		-		-
Prior service cost (credit)		**-**		-		-
Amortization of prior service cost		**12,292**		12,292		12,291
Recognition of prior service cost		**-**		-		-
Amortization of transition liability (asset)		**-**		-		-
Total recognized in other comprehensive income	**$**	**(62,659)**	$	44,907	$	150,469
AOCI Amounts Expected to be Amortized Into Expense in 2022						
Unrecognized net transition obligation (asset)	**$**	**-**	$	-	$	-
Unrecognized prior service cost		**(12,292)**		(12,292)		(12,292)
Unrecognized net loss (gain)		**-**		3,757		-
Total	**$**	**(12,292)**	$	(8,535)	$	(12,292)
Weighted-Average Assumptions Used to Determine Benefit Cost						
Measurement date		**12/31/2020**		12/31/2019		12/31/2018
Discount rate		**2.80%**		3.45%		4.75%
Health care cost trend rate assumed for next year (pre-/post-65) - medical		**6.60%/6.20%**		6.90%/6.40%		7.30%/6.90%
Ultimate health care cost trend rate		**4.50%**		4.50%		4.50%
Year that the rate reaches the ultimate trend rate		**2029/2029**		2028		2027

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)		
Fiscal 2022	**$**	**50,906**
Fiscal 2023		**53,771**
Fiscal 2024		**60,232**
Fiscal 2025		**66,903**
Fiscal 2026		**73,593**
Fiscal 2027–2031		**427,071**
Expected Contributions		
Fiscal 2022	**$**	**50,906**

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, 2021, 2020 and 2019 for the Association amounted to $7,093,005, $7,114,278 and $7,334,347. During 2021, 2020 and 2019, $2,077,939, $1,659,162 and $2,280,564 of new loans were made, and repayments totaled $2,099,212, $1,879,231 and $2,458,640, respectively. In the opinion of management, no such loans outstanding at December 31, 2021, 2020 and 2019 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 $58,541, $52,609 and $90,173 in 2021, 2020 and 2019, respectively.

The Association received patronage payments from the Bank totaling $5,253,800, $3,991,739 and $3,082,619 during 2021, 2020 and 2019, 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

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

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.

Note Payable to the Farm Credit Bank of Texas

The note payable to the Bank is not regularly traded; thus, 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's estimate. 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 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. 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, 2021, 2020 and 2019 for each of the fair value hierarchy values are summarized below:

December 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 139,972**	**$ -**	**$ -**	**$ 139,972**
Total assets	**$ 139,972**	**$ -**	**$ -**	**$ 139,972**

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

December 31, 2019	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 106,557	$ -	$ -	$ 106,557
Total assets	$ 106,557	$ -	$ -	$ 106,557

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

December 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 980,148**	**$ 980,148**
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	-	-	-	-

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

About 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 consider 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, 2021 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 12,503**	**$ 12,503**	**$ -**	**$ -**	**$ 12,503**
Net loans	**923,773,112**	**-**	**-**	**902,889,435**	**902,889,435**
Total Assets	**$ 923,785,615**	**$ 12,503**	**$ -**	**$ 902,889,435**	**$ 902,901,938**
Liabilities:					
Note payable to Farm Credit Bank of Texas	**$ 788,017,939**	**$ -**	**$ -**	**$ 770,223,363**	**$ 770,223,363**
Guaranteed obligations to government entities	**7,985,908**	**-**	**-**	**7,805,575**	**7,805,575**
Total Liabilities	**$ 796,003,847**	**$ -**	**$ -**	**$ 778,028,938**	**$ 778,028,938**

	December 31, 2020 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 2,726	$ 2,726	$ -	$ -	$ 2,726
Net loans	826,467,460	-	-	828,385,980	828,385,980
Total Assets	$ 826,470,186	$ 2,726	$ -	$ 828,385,980	$ 828,388,706
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 696,761,495	$ -	$ -	$ 698,391,608	$ 698,391,608
Guaranteed obligations to government entities	7,952,188	-	-	7,970,793	7,970,793
Total Liabilities	$ 704,713,683	$ -	$ -	$ 706,362,401	$ 706,362,401

	December 31, 2019 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 6,092	$ 6,902	$ -	$ -	$ 6,902
Net loans	739,318,135	-	-	735,501,884	735,501,884
Total Assets	$ 739,324,227	$ 6,902	$ -	$ 735,501,884	$ 735,508,786
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

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. 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 December 31, 2021, $62,687,719 of commitments, $261,666 of standby letters of credit and $13,672 of commercial letters of credit were outstanding.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2021				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 5,026**	**$ 5,131**	**$ 5,243**	**$ 5,277**	**$ 20,677**
(Provision for) reversal of loan losses	**(50)**	**(103)**	**-**	**-**	**(153)**
Noninterest income (expense), net	**(1,552)**	**(1,436)**	**(1,515)**	**(901)**	**(5,404)**
Net income	**$ 3,424**	**$ 3,592**	**$ 3,728**	**$ 4,376**	**$ 15,120**

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,605	$ 4,578	$ 4,751	$ 4,642	$ 18,576
(Provision for) reversal of loan losses	-	(50)	-	(100)	(150)
Noninterest income (expense), net	(1,545)	(1,091)	(1,144)	(801)	(4,581)
Net income	$ 3,060	$ 3,437	$ 3,607	$ 3,741	$ 13,845

	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

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 11, 2022, which is the date the financial statements were issued or available to be issued, and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

The Mississippi Land Bank, ACA (Association) serves its 32-county territory through its main administrative office at 5509 Highway 51 North, Senatobia, Mississippi 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. In December 2021, the Association purchased a new building in Senatobia, Mississippi, and the Senatobia branch office will move into that location in mid-2022 once renovations are complete.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

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

DESCRIPTION OF LIABILITIES

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

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association’s financial condition may be impacted by factors that affect the 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 calling (662) 562-9671. Copies of the Association's quarterly stockholder reports are also 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, 2021, 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	2020	2023
Dr. Alan Blaine	Vice Chairman	2021	2024
Larry C. Davis	Director	2021	2024
Jan D. Hill	Director	2020	2023
Keith Morton	Director	2020	2023
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	2021	2024
Craig B. Shideler	President and Chief Executive Officer	1990	
Ronnie H. Sellers	Senior Vice President and Chief Credit Officer	1990	
J. Matthew Walden	Chief Operating Officer	2003	
Claire B. Pegram	Chief Financial Officer	2008	

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

Abbott Myers, age 71. 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 a member 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 62. 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 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 five 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 70. Mr. Davis began farming in Bolivar County in 1980 and owns and operates Larry Davis Farms Partnership which is headquartered in Shaw, Mississippi. The partnership operates 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. Mr. Davis also serves as a member of the Association's Audit Committee.

Jan D. Hill, age 72. 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 50. 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 72. 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 57. Mr. Robbins owns and operates a 4,500-acre row crop and timber farm in Benton County where he raises 1,700 acres of soybeans and corn. He earned a BBA from the University of Mississippi in 1986. He formerly owned and operated Chilli Creek Plantation and RFI Tree Nursery. 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 is a member of the American Soybean Association and the National Corn Growers Association. Mr. Robbins is a lifelong member of First United Methodist Church in New Albany where he serves on the board of trustees. He and his wife, Jill, have three children and three grandchildren and reside in New Albany.

W. Morgan Gulledge, Jr., age 66. 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 six grandchildren. Mr. Gulledge is a member of the Association's Audit Committee, where he currently serves as chairman.

Lawson McClellan, age 78. 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 vice chairman.

Craig B. Shideler, age 67. 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 64. 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 49. 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 39. 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 2021 was paid at the IRS-approved rate of 56.0 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 2021**
Abbott Myers	7	8	3	8	$ 6,650	$ 22,900
Dr. Alan Blaine	6	7	3	7	5,400	16,400
Larry C. Davis	7	8	3	7	5,400	17,400
Jan D. Hill	7	7	3	3	5,400	15,400
Keith Morton	6	3	3	8	3,000	14,200
Calvin W. Ozier, Jr.	7	3	3	11	3,000	18,700
Greg Robbins	6	3	3	8	3,000	14,200
W. Morgan Gulledge, Jr.	7	8	3	4	6,400	17,400
Lawson McClellan	7	8	3	7	5,900	19,775
					$ 44,150	$ 156,375

The aggregate compensation paid to directors in 2021, 2020 and 2019 was $156,375, $122,650 and $190,650, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $12,347, $24,171 and $89,519 in 2021, 2020 and 2019, respectively. The year-over-year decline in reimbursement for travel and related expenses is directly related to the effects of the coronavirus pandemic on the frequency and types of meetings and events held during 2021 and 2020.

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, average 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 compensation committee annually. All full-time employees who have been employed at least three months are eligible to earn an individual incentive based upon their respective established 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 a minimally acceptable performance review.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2021, 2020 and 2019. 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/	**2021**	**$ 468,900**	**$ 157,495**	**$ (276,704)**	**$ 27,844**	**$ 8,569**	**$ 662,808**
Chief Executive Officer	2020	470,697	188,279	569,170	7,957	8,538	675,471
	2019	432,729	129,815	498,395	6,546	11,666	580,756
Aggregate Number of Senior Officers and other highly compensated employees							
(5)	**2021**	**$ 1,048,443**	**$ 391,416**	**$ (333,535)**	**$ 127,309**	**$ 6,191**	**$ 1,573,359**
(5)	2020	1,000,728	414,148	381,602	27,670	24,114	1,466,660
(5)	2019	1,012,411	357,355	1,496,333	27,262	8,263	1,405,291

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

- Salary – Gross salary, including retention plan compensation for certain senior officers.
- Bonus – Incentive compensation earned in current year but paid to employees in the following year.
- Change in Pension Value – Change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
- Deferred/Perquisite – Includes contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, premiums paid for life insurance, and benefit derived from personal use of Association-owned vehicles.
- Other – Value of group term life insurance provided by the Association on behalf of its employees.

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

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 2021 at the IRS-approved rate of 56.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2021, 2020 and 2019.

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.

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, 2021:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2021
Craig B. Shideler President/ Chief Executive Officer	Farm Credit Bank of Texas Pension Plan	45.583	$ 3,964,376	$ -
Aggregate Number of Senior Officers (1)	Farm Credit Bank of Texas Pension Plan	41.144	$ 3,962,127	$ -

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% of FAC60 times “Years of Benefit Service” and (b) 0.50% 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% joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

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 2021, the Association incurred audit fees totaling $130,889 to PricewaterhouseCoopers LLP. In addition, PricewaterhouseCoopers LLP performed tax services for the Association in 2021 as approved by the Association’s Audit Committee. The Association incurred tax preparation fees totaling $11,000 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 11, 2022, 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, 2021, 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**
2021	**20.2%**	**48.4%**	**63.8%**
2020	20.8%	48.4%	67.7%
2019	20.8%	47.3%	62.9%

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**
2022	20.3%	48.5%	63.9%
2023	20.3%	48.5%	63.9%
2024	20.4%	48.6%	64.0%

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.

OUR LEADERSHIP

Mississippi Land Bank is led by a nine-member board of directors. Seven directors, elected by their fellow stockholders, 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.

BOARD OF DIRECTORS

ABBOTT MYERS

Chairman

Rice, corn, soybean and wheat farmer

Dundee, Miss.

ALAN BLAINE

Vice Chairman

Timber, hay and cattle producer and crop consultant

Starkville, Miss.

LARRY DAVIS

Director

Rice and soybean farmer

Shaw, Miss.

MORGAN GULLEDGE

Board-Appointed Director

Investment company owner

Greenwood, Miss.

JAN HILL

Director

Beef cattle, cotton, soybean, corn and timber producer

Woodland, Miss.

LAWSON McCLELLAN

Board-Appointed Director

Retired commercial banker

Guntown, Miss.

KEITH MORTON

Director

Corn, soybean and wheat farmer

Falkner, Miss.

CALVIN OZIER

Director

Beef cattle farmer and timber operator

Holly Springs, Miss.

GREG ROBBINS

Director

Corn and soybean farmer

New Albany, Miss.

Rooted in Relationships

At Mississippi Land Bank, our roots in North Mississippi run deep.

As one of our core values, we are devoted to developing trusted, long-term relationships with our borrowers. These connections are unique, and we view these partnerships as a community of fellow stewards of the land.

Advocates for Agriculture

For more than 100 years, we've supported the industry that helps feed and fuel the world.

We love the farming way of life and understand the importance it plays in our state. Agriculture is Mississippi's number one industry, and it's our goal to make sure our farmers have the resources they need to be successful.

Grounded in Giving

We care deeply for the communities we serve and strive to make Mississippi the best place to call home.

Whether it's supporting the youth in agriculture and wildlife stewardship, helping a college student through one of our 12 scholarships or raising money and gathering food to feed hungry Mississippians, we are committed to helping our communities thrive.

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