MISSISSIPPI LAND BANK, ACA

2022
Quarterly Report
Second Quarter

MISSISSIPPI
LAND BANK

PART OF THE FARM CREDIT SYSTEM

For the Quarter Ended June 30, 2022

REPORT OF MANAGEMENT

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

Bartley T. Harris
President and CEO
August 9, 2022

Abbott R. Myers
Chairman, Board of Directors
August 9, 2022

Claire B. Pegram
Chief Financial Officer
August 9, 2022

W. Morgan Gulledge, Jr.
Chairman, Audit Committee
August 9, 2022

Second Quarter 2022 Financial Report

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MISSISSIPPI LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Mississippi Land Bank, ACA, referred to as the Association, for the quarter ended June 30, 2022. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2021 Annual Report to Stockholders.

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

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

Significant Events

In January 2022, the board of directors named Bartley T. Harris to succeed Craig B. Shideler as president and chief executive officer of the Association, and Mr. Harris assumed this role and all of its duties on April 1, 2022.

Conditions in North Mississippi

Throughout the Coronavirus Disease 2019 (also referred to as COVID-19) pandemic, the Association continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Despite these turbulent times, demand for retail loans has been historically high, and credit quality in the Association's territory has remained strong at a 99.6% total acceptable credit quality. However, after a prolonged pandemic period that has been characterized by both supply chain disruptions and geopolitical conflicts, which have impacted the availability and prices of relevant agricultural inputs, volatility in risk ratings could occur in future periods.

Inflationary pressures continued during the second quarter of 2022, with the largest contributors being increases in prices for gasoline, shelter and food. The quarterly average West Texas Intermediate oil price was nearly $109 per barrel during the second quarter of 2022, representing an increase of over 64% compared to the same period last year. Similarly, the Consumer Price Index for All Urban Consumers Less Food and Energy rose 6% for the 12-month period ending May 2022. Consequently, the Federal Open Market Committee increased the target Federal funds rate by a total of 150 basis points during the first half of 2022, including a 75-basis point increase in June, and it anticipates that ongoing increases will be appropriate during the remainder of 2022.

On June 30, 2022, the U.S. Department of Agriculture released an update to the 2022 Prospective Plantings report derived from recent farmer surveys. When compared to 2021 acreage, corn-planted area was estimated to be down about 4%, soybeans-planted acreage was estimated to be up about 1% and cotton-planted area was estimated to be up 11%. Additionally, in June 2022, the USDA projects that average price forecasts for 2022 for corn, soybeans, wheat, and cotton will increase significantly over the 2021/22 season. Lumber prices are declining due to increased interest rates and builder confidence deterioration.

Agricultural producers may be negatively affected during the remainder of 2022 by several factors, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges, economic slowdown, and adverse weather conditions. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

During 2022, the Farm Credit Bank of Texas (Bank) in its role as an information technology provider to the Association continued to modernize and roll out its service offering branded FarmView, an integrated suite of products for managing the full lending relationship, including sales management, origination, credit analysis, loan accounting, integrated cash management, and document management solutions. The FarmView platform provides benefits directly to the Association as well as its underlying retail borrowers.

Loan Portfolio

Total loans outstanding at June 30, 2022, including nonaccrual loans and sales contracts, were $947,800,207 compared to $926,065,090 at December 31, 2021, reflecting an increase of 2.4%. Nonaccrual loans as a percentage of total loans outstanding were 0.2% at June 30, 2022, compared to 0.2% at December 31, 2021.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended June 30, 2022, and $0 in recoveries and $0 in charge-offs for the same period in 2021. The Association's allowance for loan losses was 0.1% and 0.1% of total loans outstanding as of June 30, 2022, and December 31, 2021, respectively.

Agribusiness Loan Program

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

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA) and, therefore, the amount of ABE loans outstanding and due to MDA is included in "Loans" on the consolidated balance sheet with an offsetting liability at "Guaranteed obligations to government entities." ABE loans totaled $8,507,839 and $7,985,908 as of June 30, 2022 and December 31, 2021, respectively.

Risk Exposure

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

	June 30, 2022		December 31, 2021	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,362,900**	**93.6%**	$ 1,799,706	91.7%
Formally restructured	**162,119**	**6.4%**	162,145	8.3%
Total	**$ 2,525,019**	**100.0%**	$ 1,961,851	100.0%

Results of Operations

The Association had net income of $3,999,711 and $7,771,683 for the three and six months ended June 30, 2022, as compared to net income of $3,592,479 and $7,016,199 for the same periods in 2021, reflecting an increase of 11.3% and 10.8%, respectively. Net interest income was $5,405,570 and $10,944,177 for the three and six months ended June 30, 2022, compared to $5,131,593 and $10,157,523 for the same periods in 2021.

	Six Months Ended			
	June 30, 2022		June 30, 2021	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 920,557,159**	**$ 18,708,969**	$ 839,561,401	$ 16,967,554
Interest-bearing liabilities	**790,639,406**	**7,764,792**	715,129,356	6,810,031
Impact of capital	**$ 129,917,753**		$ 124,432,045	
Net interest income		**$ 10,944,177**		$ 10,157,523

	2022 Average Yield	2021 Average Yield
Yield on loans	**4.10%**	4.08%
Cost of interest-bearing liabilities	**1.98%**	1.92%
Interest rate spread	**2.12%**	2.16%
Net interest income as a percentage of average earning assets	**2.40%**	2.44%

	Six months ended: June 30, 2022 vs. June 30, 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,636,925**	**$ 104,490**	**$ 1,741,415**
Interest expense	**719,051**	**235,710**	**954,761**
Net interest income	**$ 917,874**	**$ (131,222)**	**$ 786,654**

Interest income for the three and six months ended June 30, 2022, increased by $847,017 and $1,741,415, or 9.9% and 10.3%, respectively, from the same period of 2021, primarily due to slight increases in yields on earning assets coupled with a significant increase in average loan volume. Interest expense for the three and six months ended June 30, 2022, increased by $573,040 and $954,761, or 16.6% and 14.0%, respectively, from the same period of 2021 due to an increase in cost of interest-bearing liabilities coupled with an increase in average debt volume. Average loan volume for the second quarter of 2022 was $927,814,554, compared to $854,522,908 in the second quarter of 2021. The average net interest rate spread on the loan portfolio for the second quarter of 2022 was 2.05%, compared to 2.13% in the second quarter of 2021.

The Association's return on average assets for the six months ended June 30, 2022, was 1.63% compared to 1.62% for the same period in 2021. The Association's return on average equity for the six months ended June 30, 2022, was 10.26%, compared to 9.86% for the same period in 2021.

Liquidity and Funding Sources

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

		June 30, 2022		December 31, 2021
Note payable to the Bank	**$**	**808,685,116**	$	788,017,939
Accrued interest on note payable		**1,382,405**		1,238,168
Total	**$**	**810,067,521**	$	789,256,107

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $808,685,116 as of June 30, 2022, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.08% at June 30, 2022. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2021, is due to the Association's increase in loan volume outstanding, coupled with a slight increase in 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 $127,524,135 at June 30, 2022. The maximum amount the Association may borrow from the Bank as of June 30, 2022, was $940,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 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 increased by $7,838,482 at June 30, 2022, compared to December 31, 2021. The Association's debt as a ratio of members' equity was 5.25:1 as of June 30, 2022, compared to 5.44:1 as of December 31, 2021.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of June 30, 2022, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

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

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2021 Annual Report of Mississippi Land Bank, ACA more fully describe the Association's relationship with the Bank.

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

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash	$ 8,614	$ 12,503
Loans	947,800,207	926,065,090
Less: allowance for loan losses	1,311,830	1,311,830
Net loans	946,488,377	924,753,260
Accrued interest receivable	10,331,662	12,796,342
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	14,689,950	14,689,950
Other	2,424,343	2,558,072
Premises and equipment, net	3,932,136	3,917,221
Other assets	3,245,886	667,403
Total assets	$ 981,120,968	$ 959,394,751
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 808,685,116	$ 788,017,939
Guaranteed obligations to government entities	8,507,839	7,985,908
Accrued interest payable	1,382,405	1,238,168
Drafts outstanding	860,270	840,714
Dividends payable	243	6,250,013
Other liabilities	4,795,863	6,011,259
Total liabilities	824,231,736	810,344,001
MEMBERS' EQUITY		
Capital stock and participation certificates	3,893,245	3,820,300
Unallocated retained earnings	153,088,676	145,316,993
Accumulated other comprehensive income (loss)	(92,689)	(86,543)
Total members' equity	156,889,232	149,050,750
Total liabilities and members' equity	$ 981,120,968	$ 959,394,751

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
INTEREST INCOME				
Loans	**$ 9,430,865**	$ 8,583,848	**$ 18,708,969**	$ 16,967,554
Total interest income	**9,430,865**	8,583,848	**18,708,969**	16,967,554
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**4,025,295**	3,452,255	**7,764,792**	6,810,031
Total interest expense	**4,025,295**	3,452,255	**7,764,792**	6,810,031
Net interest income	**5,405,570**	5,131,593	**10,944,177**	10,157,523
PROVISION FOR LOAN LOSSES	**-**	102,686	**-**	152,686
Net interest income after provision for loan losses	**5,405,570**	5,028,907	**10,944,177**	10,004,837
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**1,273,901**	1,101,354	**2,542,715**	2,203,082
Loan fees	**129,008**	133,415	**238,594**	249,659
Financially related services income	**374**	385	**453**	508
Gain (loss) on sale of premises and equipment, net	**(17,862)**	31,117	**(17,862)**	84,932
Other noninterest income	**57,490**	32,998	**62,871**	36,784
Total noninterest income	**1,442,911**	1,299,269	**2,826,771**	2,574,965
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,653,081**	1,766,632	**3,680,700**	3,736,697
Insurance Fund premiums	**443,650**	267,939	**737,030**	526,766
Travel	**132,069**	126,911	**218,223**	188,385
Occupancy and equipment	**131,712**	101,602	**258,281**	203,353
Supervisory and exam expense	**80,932**	75,111	**161,864**	150,222
Advertising	**80,768**	125,136	**105,714**	145,361
Public and member relations	**68,786**	50,018	**176,229**	94,155
Directors' expense	**65,499**	46,975	**170,813**	84,064
Purchased services	**38,989**	69,338	**106,637**	129,840
Communications	**32,758**	32,845	**51,052**	58,794
Training	**21,284**	18,684	**35,181**	19,624
Other components of net periodic postretirement benefit cost	**9,980**	9,762	**19,960**	19,523
Other insurance expense	**-**	100	**130,186**	120,786
Other noninterest expense	**76,010**	44,036	**120,659**	82,168
Total noninterest expenses	**2,835,518**	2,735,089	**5,972,529**	5,559,738
Income before income taxes	**4,012,963**	3,593,087	**7,798,419**	7,020,064
Provision for (benefit from) income taxes	**13,252**	608	**26,736**	3,865
NET INCOME	**3,999,711**	3,592,479	**7,771,683**	7,016,199
Other comprehensive income:				
Change in postretirement benefit plans	**(3,073)**	(2,134)	**(6,146)**	(4,268)
Other comprehensive income, net of tax	**(3,073)**	(2,134)	**(6,146)**	(4,268)
COMPREHENSIVE INCOME	**$ 3,996,638**	$ 3,590,345	**$ 7,765,537**	$ 7,011,931

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 3,554,195	$ 136,446,864	$ (149,202)	$ 139,851,857
Comprehensive income	-	7,016,200	(4,268)	7,011,932
Capital stock/participation certificates issued	461,360	-	-	461,360
Capital stock/participation certificates retired	(318,250)	-	-	(318,250)
Balance at June 30, 2021	$ 3,697,305	$ 143,463,064	$ (153,470)	$ 147,006,899
Balance at December 31, 2021	$ 3,820,300	$ 145,316,993	$ (86,543)	$ 149,050,750
Comprehensive income	-	7,771,683	(6,146)	7,765,537
Capital stock/participation certificates issued	369,435	-	-	369,435
Capital stock/participation certificates retired	(296,490)	-	-	(296,490)
Balance at June 30, 2022	**$ 3,893,245**	**$ 153,088,676**	**$ (92,689)**	**$ 156,889,232**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Mississippi Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Webster, Winston and Yalobusha in the state of Mississippi. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders.

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

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled, “Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures.” The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The guidance has no effect on the Association’s financial condition and 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. New contracts entered into before December 31, 2021, will either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate. These actions are necessary to facilitate an orderly transition. The Association adopted the practical expedients provided for by this guidance in the first quarter of 2020.

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

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance was applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the employee benefit plan disclosures.

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

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2022, are not necessarily indicative of the results to be expected for the year ended December 31, 2022. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2022 Amount**	December 31, 2021 Amount
Production agriculture:		
Real estate mortgage	**$ 768,163,543**	$ 755,429,312
Production and intermediate term	**117,679,429**	110,547,397
Agribusiness:		
Processing and marketing	**28,375,504**	27,493,138
Farm-related business	**9,124,153**	8,975,778
Loans to cooperatives	**1,202,474**	522,468
Rural residential real estate	**15,228,164**	15,785,271
Communication	**4,746,326**	4,763,267
Water and waste water	**2,031,716**	1,299,561
Energy	**1,248,898**	1,248,898
Total	**$ 947,800,207**	$ 926,065,090

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 25,172,573	$ 3,962,423	$ -	$ -	$ 25,172,573	$ 3,962,423
Real estate mortgage	-	5,364,435	18,718,684	-	18,718,684	5,364,435
Communication	4,746,326	-	-	-	4,746,326	-
Production and intermediate term	1,198,444	2,096,154	-	-	1,198,444	2,096,154
Energy	1,248,898	-	-	-	1,248,898	-
Water and waste water	2,031,716	-	-	-	2,031,716	-
Total	$ 34,397,957	$ 11,423,012	$ 18,718,684	$ -	$ 53,116,641	$ 11,423,012

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $12,549,527 and $10,983,462 at June 30, 2022, and December 31, 2021, respectively.

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

	June 30, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	**$ 1,114,002**	$ 550,808
Energy	**1,248,898**	1,248,898
Total nonaccrual loans	**2,362,900**	1,799,706
Accruing restructured loans:		
Real estate mortgage	**162,119**	162,145
Total accruing restructured loans	**162,119**	162,145
Total nonperforming loans	**2,525,019**	1,961,851
Total nonperforming assets	**$ 2,525,019**	$ 1,961,851

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

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

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

	June 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**99.6** %	99.5 %
OAEM	**0.1**	0.1
Substandard/doubtful	**0.3**	0.4
	100.0	100.0
Production and intermediate term		
Acceptable	**99.6**	99.6
OAEM	**0.4**	0.4
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**62.0**	51.0
OAEM	**-**	-
Substandard/doubtful	**38.0**	49.0
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.8**	99.7
OAEM	**-**	-
Substandard/doubtful	**0.2**	0.3
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	-
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	-
Total loans		
Acceptable	**99.4**	99.3
OAEM	**0.2**	0.2
Substandard/doubtful	**0.4**	0.5
	100.0 %	100.0 %

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

June 30, 2022	**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	**$ 837,117**	**$ -**	**$ 837,117**	**$ 776,192,246**	**$ 777,029,363**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**118,961,291**	**118,961,291**	**-**
Processing and marketing	**-**	**-**	**-**	**28,461,449**	**28,461,449**	**-**
Rural residential real estate	**-**	**-**	**-**	**15,273,967**	**15,273,967**	**-**
Farm-related business	**-**	**-**	**-**	**9,170,137**	**9,170,137**	**-**
Communication	**-**	**-**	**-**	**4,750,198**	**4,750,198**	**-**
Water and waste water	**-**	**-**	**-**	**2,034,001**	**2,034,001**	**-**
Energy	**-**	**1,248,898**	**1,248,898**	**-**	**1,248,898**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,202,578**	**1,202,578**	**-**
Agricultural export finance	**-**	**-**	**-**	**(19)**	**(19)**	**-**
Total	**$ 837,117**	**$ 1,248,898**	**$ 2,086,015**	**$ 956,045,848**	**$ 958,131,863**	**$ -**

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	$ -

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

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

As of June 30, 2022, the total recorded investment of troubled debt restructured loans was $163,374, including $1,242 classified as nonaccrual and $162,132 classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. As of June 30, 2022, and 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 requirements for troubled debt restructuring designation during the six months ended June 30, 2022, nor did it have any meet the requirements for the same period in 2021.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). The Association had no charge-offs recorded at the modification date for the quarter ending June 30, 2022.

The predominant form of concession granted for troubled debt restructuring is interest rate reduction, although other forms of concession could include deferral of principal or principal or interest reductions. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring. For the loans listed below meeting the requirements for a TDR designation, all were granted an interest rate that was considered lower than market rate for new debt with similar risk. No principal or interest was forgiven as part of the concessions.

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

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Real estate mortgage	$ 163,374	$ 162,145	$ 1,242	$ 7,459
Total	$ 163,374	$ 162,145	$ 1,242	$ 7,459

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

Additional impaired loan information is as follows:

	June 30, 2022			December 31, 2021		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Energy and water/waste water	**$ 1,248,898**	**$ 1,249,938**	**$ 268,750**	$ 1,248,898	$ 1,249,938	$ 268,750
Total	**$ 1,248,898**	**$ 1,249,938**	**$ 268,750**	$ 1,248,898	$ 1,249,938	$ 268,750
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,275,254**	**$ 1,277,019**	**$ -**	$ 712,059	$ 703,499	$ -
Total	**$ 1,275,254**	**$ 1,277,019**	**$ -**	$ 712,059	$ 703,499	$ -
Total impaired loans:						
Real estate mortgage	**$ 1,275,254**	**$ 1,277,019**	**$ -**	$ 712,059	$ 703,499	$ -
Energy and water/waste water	**1,248,898**	**1,249,938**	**268,750**	1,248,898	1,249,938	268,750
Total	**$ 2,524,152**	**$ 2,526,957**	**$ 268,750**	$ 1,960,957	$ 1,953,437	$ 268,750

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

	For the Three Months Ended			
	June 30, 2022		June 30, 2021	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Energy and water/waste water	**$ 1,235,174**	**$ -**	$ 658,760	$ 1,006
Total	**$ 1,235,174**	**$ -**	$ 658,760	$ 1,006
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,312,844**	**$ 2,628**	$ 728,053	$ 4,972
Total	**$ 1,312,844**	**$ 2,628**	$ 728,053	$ 4,972
Total impaired loans:				
Real estate mortgage	**$ 1,312,844**	**$ 2,628**	$ 728,053	$ 4,972
Energy and water/waste water	**1,235,174**	**-**	658,760	1,006
Total	**$ 2,548,018**	**$ 2,628**	$ 1,386,813	$ 5,978

	For the Six Months Ended			
	June 30, 2022		June 30, 2021	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Energy and water/waste water	**$ 1,242,036**	**$ -**	$ 337,607	$ 1,984
Total	**$ 1,242,036**	**$ -**	$ 337,607	$ 1,984
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 795,380**	**$ 24,312**	$ 743,133	$ 10,033
Total	**$ 795,380**	**$ 24,312**	$ 743,133	$ 10,033
Total impaired loans:				
Real estate mortgage	**$ 795,380**	**$ 24,312**	$ 743,133	$ 10,033
Energy and water/waste water	**1,242,036**	**-**	337,607	1,984
Total	**$ 2,037,416**	**$ 24,312**	$ 1,080,740	$ 12,017

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at March 31, 2022	$ 862,326	$ 59,512	$ 79,999	$ 3,162	$ 270,584	$ 36,007	$ 240	$ 1,311,830
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	38,182	14,026	(39,582)	(1,393)	(478)	(10,515)	(240)	-
Other	-	-	-	-	-	-	-	-
Balance at June 30, 2022	$ 900,508	$ 73,538	$ 40,417	$ 1,769	$ 270,106	$ 25,492	$ -	$ 1,311,830
Balance at December 31, 2021	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ 270,135	$ 28,550	$ -	$ 1,311,830
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	41,379	(13,007)	(25,288)	3	(29)	(3,058)	-	-
Other	-	-	-	-	-	-	-	-
Balance at June 30, 2022	$ 900,508	$ 73,538	$ 40,417	$ 1,769	$ 270,106	$ 25,492	$ -	$ 1,311,830
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 268,750	$ -	$ -	$ 268,750
Collectively evaluated for impairment	900,508	73,538	40,417	1,769	1,356	25,492	-	1,043,080
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at June 30, 2022	$ 900,508	$ 73,538	$ 40,417	$ 1,769	$ 270,106	$ 25,492	$ -	$ 1,311,830
Balance at March 31, 2021	$ 885,751	$ 49,331	$ 53,917	$ 3,215	$ 188,838	$ 23,980	$ -	$ 1,205,032
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	4,228	14,771	(943)	(641)	80,995	3,750	527	102,687
Other	-	(554)	5,170	-	-	(85)	(420)	4,111
Balance at June 30, 2021	$ 889,979	$ 63,548	$ 58,144	$ 2,574	$ 269,833	$ 27,645	$ 107	$ 1,311,830
Balance at December 30, 2020	$ 999,361	$ 72,863	$ 51,271	$ 3,313	$ 1,440	$ 24,306	$ -	$ 1,152,554
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(109,400)	(275)	(10,409)	(739)	269,558	3,424	527	152,686
Other	18	(9,040)	17,282	-	(1,165)	(85)	(420)	6,590
Balance at June 30, 2021	$ 889,979	$ 63,548	$ 58,144	$ 2,574	$ 269,833	$ 27,645	$ 107	$ 1,311,830
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 268,750	$ -	$ -	$ 268,750
Collectively evaluated for impairment	889,979	63,548	58,144	2,574	1,083	27,645	107	1,043,080
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Balance at June 30, 2021	$ 889,979	$ 63,548	$ 58,144	$ 2,574	$ 269,833	$ 27,645	$ 107	$ 1,311,830

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at June 30, 2022	$ 777,029,363	$ 118,961,291	$ 38,834,164	$ 4,750,198	$ 3,282,899	$ 15,273,967	$ (19)	$ 958,131,863
Individually evaluated for impairment	$ 2,615,075	$ -	$ -	$ -	$ 1,248,898	$ 37,540	$ -	$ 3,901,513
Collectively evaluated for impairment	$ 774,414,287	$ 118,961,291	$ 38,834,164	$ 4,750,198	$ 2,034,001	$ 15,236,427	$ -	$ 954,230,368
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at December 31, 2021	$ 766,426,435	$ 112,231,935	$ 37,055,626	$ 4,763,550	$ 2,548,934	$ 15,834,952	$ -	$ 938,861,432
Individually evaluated for impairment	$ 3,185,277	$ -	$ -	$ -	$ 1,248,898	$ 42,269	$ -	$ 4,476,444
Collectively evaluated for impairment	$ 763,241,158	$ 112,231,935	$ 37,055,626	$ 4,763,550	$ 1,300,036	$ 15,792,683	$ -	$ 934,384,988
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Requirements Including Capital Conservation Buffers	**As of June 30, 2022**	As of December 30, 2021
Common equity tier 1 ratio	7.00%	**14.38%**	14.39%
Tier 1 capital ratio	8.50%	**14.38%**	14.39%
Total capital ratio	10.50%	**14.52%**	14.53%
Permanent capital ratio	7.00%	**14.40%**	14.41%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	**14.58%**	14.63%
UREE leverage ratio	1.50%	**14.17%**	15.59%

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

	June 30, 2022			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 149,105,207**	**$ 149,105,207**	**$ 149,105,207**	**$ 149,105,207**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**3,875,565**	**3,875,565**	**3,875,565**	**3,875,565**
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	**(14,689,950)**	**(14,689,950)**	**(14,689,950)**	**(14,689,950)**
	$ 138,290,822	**$ 138,290,822**	**$ 139,641,611**	**$ 138,290,822**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 976,645,951**	**$ 976,645,951**	**$ 976,645,951**	**$ 976,645,951**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(14,689,950)**	**(14,689,950)**	**(14,689,950)**	**(14,689,950)**
Allowance for loan losses	**-**	**-**	**-**	**(1,311,830)**
	$ 961,956,001	**$ 961,956,001**	**$ 961,956,001**	**$ 960,644,171**

	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

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

	June 30, 2022	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 149,105,207**	**$ 149,105,207**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**3,875,565**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(14,689,950)**	**(14,689,950)**
	$ 138,290,822	**$ 134,415,257**
Denominator:		
Total Assets	**$ 965,333,639**	**$ 965,333,639**
Regulatory Adjustments and Deductions:		**-**
Regulatory deductions included in tier 1 capital	**(16,641,061)**	**(16,641,061)**
	$ 948,692,578	**$ 948,692,578**

	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

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

	2022	**2021**
Accumulated other comprehensive income (loss) at January 1	**$ (86,543)**	$ (149,202)
Actuarial gains/(losses)	**-**	1,878
Amortization of prior service (credit) costs included in salaries and employee benefits	**(6,146)**	(6,146)
Other comprehensive income (loss), net of tax	**(6,146)**	(4,268)
Accumulated other comprehensive income (loss) at June 30	**$ (92,689)**	$ (153,470)

NOTE 4 — INCOME TAXES:

Mississippi Land Bank, ACA and its subsidiary, Mississippi, PCA, are subject to federal and certain other income taxes. The Association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends.

Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will, therefore, impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50% probability), based on management's estimate, that they will not be realized. For the six months ended June 30, 2022 and 2021, the Association carried a deferred tax asset of $110,168 and $123,379, respectively, with a full valuation allowance recorded against the net asset.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2021 Annual Report to Stockholders for a more complete description.

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

June 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 137,870**	**$ -**	**$ -**	**$ 137,870**
Total assets	**137,870**	**-**	**-**	**137,870**

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

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

June 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$980,148**	**$ 980,148**
Other property owned	**-**	**-**	**-**	**-**

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	-	-	-	-

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

The Association also participates in letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. At June 30, 2022, the Association had $182,066 in outstanding standby letters of credit and $19,255 in outstanding commercial letters of credit, all issued primarily in conjunction with participation loans.

Uncertainty of Fair Value Measurements

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

Valuation Techniques

As more fully discussed in Note 2 to the 2021 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2021 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. 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 the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

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

Standby Letters of Credit

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

Commitments to Extend Credit

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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

	Other Benefits	
	2022	2021
Service cost	**$ 9,491**	$ 10,632
Interest cost	**26,106**	23,791
Amortization of prior service (credits) costs	**(6,146)**	(4,268)
Net periodic benefit cost	**$ 29,451**	$ 30,155

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2022, was $1,718,343 and is included in other liabilities on the balance sheet.

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

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

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

	2022	2021
DB Plan contribution	**$ 369,229**	$ 762,268
YTD amortization	**(184,614)**	(381,134)
Remaining contribution	**$ 184,615**	$ 381,134

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 9, 2022, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 9, 2022.