LEGACY AG CREDIT, ACA

2021
Quarterly Report

For the Three Months Ended March 31, 2021

REPORT OF MANAGEMENT

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

Derrell W. Chapman, CPA, Chief Executive Officer

May 7, 2021

Terry Milligan, Chairman, Board of Directors

May 7, 2021

Heather Johnson, CPA, Chief Financial Officer

May 7, 2021

Cheryl Scott, CPA, Chair, Audit Committee

May 7, 2021

Three Months Ended 2021 Financial Report

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The following commentary reviews the financial performance of the Legacy Ag Credit, ACA ("Legacy" or "association"), for the quarter ended March 31, 2021. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2020 Annual Report to Stockholders.

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

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

Significant Events

Conditions in association's Territory

During 2021, agricultural producers may be negatively affected by several factors, including volatile commodity prices, export market disruptions, a slowing economy and weather-related challenges. The association is in the process of evaluating the potential impact of the historically low temperatures observed across its territory in February 2021. While the assessment of the full effect on the association's borrowers is on-going, this most recent weather event is not expected to have a significant adverse impact on the association's overall financial condition and results of operations. The association's loan portfolio is well-supported by industry diversification, conservative advance rates, and other credit enhancements. Additionally, a high percentage of the association's borrowers primarily rely on non-farm sources of income to repay their loans.

COVID Discussion

Legacy has been operating under a presidentially declared emergency since March 13, 2020 due to the Coronavirus Disease 2019 (also referred to as COVID-19). Additionally, the association has been operating under both state and local government level mandates across its 10-county territory during this time period. Despite these unprecedented times and conditions, the association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit.

The association has made changes to its operations as a result of COVID-19. The association initially operated under a restricted access environment for customers. Face-to-face meetings with customers were managed on an appointment only basis. Lobby access was closed to customers. The association staff worked remotely on a rotating basis. None of these actions resulted in diminished ability for the association to serve its members and prospective members.

Since May 6, 2020, the association has re-opened its lobby to customer access. However, as prescribed by various local governmental entities, employees are wearing face coverings when interacting with persons inside Legacy locations. Legacy provides face coverings to any person entering one of our office locations.

The association has actively assisted existing customers with modifications to loan terms, including the complete deferral of loan payments for a temporary time period if the customer was otherwise in good standing at the onset of the COVID-19 virus and the customer has been affected directly by COVID-19. Approximately thirty loans totaling $10 million were offered deferrals or interest-only payments for a temporary time. At the time of this report, none of these borrowers was in default and all had returned to normal payment status. Internal controls over financial reporting and disclosure controls and procedures continue to operate effectively and no material changes to the controls or financial systems have occurred or are contemplated.

Through March 31, 2021 and the date of this report, there have been no additional significant delinquencies or negative credit metrics impacting the credit quality of the association's loan portfolio related to COVID-19. The association is closely monitoring its loan portfolio and is particularly focused on sectors that may be pressured by COVID-19 and its related economic impacts, such as oil and gas, poultry, timber and beef cattle. The association has adjusted its portfolio monitoring and servicing practices and, if appropriate, will evaluate its allowance for loan losses as changes in outlook occur. Capital levels remained strong to support any adversity or continuing loan demand.

The overall impact of COVID-19 is evolving rapidly, and future events are uncertain. Challenging economic conditions are likely ahead, however, as COVID-19 has caused many countries, including the U.S., to impose restrictions on travel and public gatherings. The association will continue to closely monitor the situation in the coming quarters.

American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 ("Plan"), signed into law on March 11, 2021, includes provisions for the U.S. Department of Agriculture ("USDA") to pay $4 billion toward debt relief for socially disadvantaged farmers and ranchers with qualifying Farm Service Agency ("FSA") Direct and Guaranteed Farm Loans and Farm Storage Facility Loans ("FSFL"). Credit enhancement programs offered by the USDA/FSA have been an important part of Legacy's lending efforts, allowing the association increased exposure to the poultry industry in its loan portfolio. Legacy has identified a certain segment of its portfolio which could potentially qualify for debt relief under the Plan. Any such repayments could materially impact loan growth goals and net income for 2021 and beyond. It is too early to ascertain the exact impact on the portfolio; therefore, developments are being closely monitored.

Loan Portfolio

Total loans outstanding at March 31, 2021, including nonaccrual loans and sales contracts, were $307,769,524 compared to $299,170,905 at December 31, 2020, reflecting an increase of 2.87%. Nonaccrual loans as a percentage of total loans outstanding were 0.67% at March 31, 2021, compared to 0.79% at December 31, 2020.

The association recorded $900 in recoveries and $9,906 in charge-offs for the quarter ended March 31, 2021, and $1,500 in recoveries and $0 in charge-offs for the same period in 2020. The association's allowance for loan losses was 0.40% and 0.39% of total loans outstanding as of March 31, 2021, and December 31, 2020, respectively.

Risk Exposure

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

	March 31, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,054,926**	**68.5%**	$ 2,366,324	49.2%
Formally restructured	**944,078**	**31.5%**	2,443,488	50.8%
Total	**$ 2,999,004**	**100.0%**	$ 4,809,812	100.0%

Results of Operations

The association had net income of $983,301 for the three months ended March 31, 2021, as compared to net income of $1,026,080 for the same period in 2020, reflecting a decrease of 4.17%. Net interest income was $2,179,831 for the three ended March 31, 2021, compared to $1,957,214 for the same period in 2020.

	Three Months Ended			
	March 31, 2021		March 31, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 306,849,922**	**$ 3,482,282**	$ 276,154,124	$ 3,587,228
Interest-bearing liabilities	**251,134,678**	**1,302,451**	220,757,824	1,630,014
Impact of capital	**$ 55,715,244**		$ 55,396,300	
Net interest income		**$ 2,179,831**		$ 1,957,214

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.60%**	5.22%
Cost of interest-bearing liabilities	**2.10%**	2.97%
Interest rate spread	**2.50%**	2.25%
Net interest income as a percentage of average earning assets	**2.88%**	2.85%

	Three months ended: March 31, 2021 vs. March 31, 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 395,433**	**$ (500,379)**	**$ (104,946)**
Interest expense	**222,436**	**(549,999)**	**(327,563)**
Net interest income	**$ 172,997**	**$ 49,620**	**$ 222,617**

Interest income for the three ended March 31, 2021, decreased by $104,946, or 2.93% respectively, from the same period of 2020, primarily due to declines in yields on earning assets which were partially offset by an increase in average loan volume. Interest expense for the three months ended March 31,2021, decreased by $327,563, or 20.10%, from the same period of 2020 due to decrease in cost of interest-bearing liabilities, which was partially offset by an increase in average debt volume. Average loan volume for the first quarter of 2021 was $306,849,922, compared to $276,154,124 in the first quarter of 2020. The average net interest rate spread on the loan portfolio for the first quarter of 2021 was 2.50%, compared to 2.25% in the first quarter of 2020.

The association's return on average assets for the three months ended March 31, 2021, was 1.26% compared to 1.45% for the same period in 2020. The association's return on average equity for the three months ended March 31, 2021, was 6.44%, compared to 6.77% for the same period in 2020.

Liquidity and Funding Sources

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

	March 31, 2021	December 31, 2020
Note payable to the bank	**$253,995,200**	$ 242,927,735
Accrued interest on note payable	**447,124**	446,679
Total	**$254,442,324**	$ 243,374,414

The association operates under a general financing agreement ("GFA") with the bank. The current GFA is effective through September 30, 2021. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $253,995,200 as of March 31, 2021, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 2.10 percent at March 31, 2021. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase in note payable to the bank and related accrued interest payable since December 31, 2020, is due to the increase in loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $52,692,230 at March 31, 2021. The maximum amount the association may borrow from the bank as of March 31, 2021, was $304,884,008 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2021, 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.

Capital Resources

The association's capital position decreased by $1,465,112 at March 31, 2021, compared to December 31, 2020 due to payment of cash patronage in the amount of $2.47 million, partially offset by net earnings during the first quarter of 2021. The association's debt as a ratio of members' equity was 4.16:1 as of March 31, 2021, compared to 3.88:1 as of December 31, 2020.

FCA regulations require the association 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 March 31, 2021, the association exceeded all regulatory capital requirements.

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

Relationship With the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2020 Annual Report of Legacy Ag Credit, 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 Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at *www.legacyaca.com.* Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

LEGACY AG CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

		March 31, 2021 (unaudited)		December 31, 2020
ASSETS				
Cash	$	128,851	$	129,112
Loans		307,769,524		299,170,905
Less: allowance for loan losses		1,231,329		1,173,442
Net loans		306,538,195		297,997,463
Accrued interest receivable		1,623,017		1,262,126
Investment in and receivable from the FCBT:				
Capital stock		4,627,995		4,627,995
Other		530,156		106,787
Premises and equipment, net		3,941,755		3,738,864
Other assets		619,189		162,045
Total assets	$	318,009,158	$	308,024,392
LIABILITIES				
Note payable to FCBT	$	253,995,200	$	242,927,735
Advance conditional payments		6,838		5,782
Accrued interest payable		447,128		446,790
Drafts outstanding		131,913		118,372
Dividends payable		129		-
Other liabilities		1,797,423		1,430,074
Total liabilities		256,378,631		244,928,753
MEMBERS' EQUITY				
Capital stock and participation certificates		1,106,360		1,084,410
Unallocated retained earnings		60,517,571		62,004,242
Accumulated other comprehensive income (loss)		6,596		6,987
Total members' equity		61,630,527		63,095,639
Total liabilities and members' equity	$	318,009,158	$	308,024,392

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
INTEREST INCOME		
Loans	**$ 3,482,282**	$ 3,587,228
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**1,302,451**	1,630,014
Net interest income	**2,179,831**	1,957,214
PROVISION FOR LOAN LOSSES	66,893	(2,794)
Net interest income after provision for loan losses	**2,112,938**	1,960,008
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**361,458**	284,735
Loan fees	**167,799**	42,178
Refunds from Farm Credit System Insurance Corporation		44,048
Financially related services income	**72**	72
Gain (loss) on sale of premises and equipment, net	**69,915**	(3,052)
Other noninterest income	**36,997**	18,734
Total noninterest income	**636,241**	386,715
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,097,783**	830,328
Directors' expense	**43,989**	45,337
Purchased services	**163,294**	85,731
Travel	**47,725**	64,092
Occupancy and equipment	**123,933**	84,998
Communications	**27,870**	30,178
Advertising	**56,825**	32,229
Public and member relations	**40,108**	24,089
Supervisory and exam expense	**28,694**	27,346
Insurance Fund premiums	**76,155**	35,182
Other components of net periodic postretirement benefit cost	**1,537**	2,647
Other noninterest expense	**57,965**	58,486
Total noninterest expenses	**1,765,878**	1,320,643
NET INCOME	**983,301**	1,026,080
Other comprehensive income:		
Change in postretirement benefit plans	**(391)**	(391)
COMPREHENSIVE INCOME	**$ 982,910**	$ 1,025,689

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 1,078,665	$ 59,857,139	$ 26,084	$ 60,961,888
Comprehensive income	-	1,026,080	(391)	1,025,689
Capital stock/participation certificates and allocated retained earnings issued	27,470			27,470
Capital stock/participation certificates and allocated retained earnings retired	(40,355)			(40,355)
Patronage payable		(2,365,000)		(2,365,000)
Balance at March 31, 2020	$ 1,065,780	$ 58,518,219	$ 25,693	$ 59,609,692
Balance at December 31, 2020	$ 1,084,410	$ 62,004,242	$ 6,987	$ 63,095,639
Comprehensive income	-	983,301	(391)	982,910
Capital stock/participation certificates and allocated retained earnings issued	63,340			63,340
Capital stock/participation certificates and allocated retained earnings retired	(41,390)			(41,390)
Patronage payable		(2,469,972)		(2,469,972)
Balance at March 31, 2021	**$ 1,106,360**	**$ 60,517,571**	**$ 6,596**	**$ 61,630,527**

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

Unaudited (dollar amounts in thousands, except per share amounts and as otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Legacy Ag Credit, ACA (Agricultural Credit 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 Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt, and Wood in the state of Texas. The association is a lending institution of the System, which was established by Acts of Congress to meet the needs of American agriculture.

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

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

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

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.

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 retroactive basis for all periods. The adoption of this guidance will 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 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 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 March 31, 2021, are not necessarily indicative of the results to be expected for the year ended December 31, 2021. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 250,229,389**	$ 242,553,449
Production and intermediate term	**13,169,582**	11,487,905
Agribusiness:		
Loans to cooperatives	**2,815,796**	3,342,306
Processing and marketing	**16,505,917**	17,704,087
Farm-related business	**3,054,699**	3,055,217
Communication	**8,881,195**	8,899,085
Energy	**5,112,204**	4,700,512
Water and waste water	**3,024,944**	3,038,933
Rural residential real estate	**4,975,798**	4,389,411
Total	**$ 307,769,524**	$ 299,170,905

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ -	$ 10,362,113	$ -	$ -	$ -	$ 10,362,113
Production and intermediate term	8,205,442	-	-	-	8,205,442	-
Agribusiness	22,731,968	-	-	-	22,731,968	-
Communication	8,881,195	-	-	-	8,881,195	-
Energy	5,112,204	-	-	-	5,112,204	-
Water and waste water	3,024,944	-	-	-	3,024,944	-
Total	$ 47,955,753	$ 10,362,113	$ -	$ -	$ 47,955,753	$ 10,362,113

The association is authorized under the Farm Credit Act to accept "advance conditional payment" (ACP) from borrowers. To the extent the borrower's access to such ACP balances is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payment are included in other liabilities. ACP balances are not insured, and interest is generally paid by the association on such balances. ACP balances were $6,838 and $5,782 at March 31, 2021, and December 31, 2020, respectively.

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

	March 31, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 2,022,094**	$ 2,333,469
Production and intermediate term	**32,833**	32,855
Total nonaccrual loans	**2,054,927**	2,366,324
Accruing restructured loans:		
Real estate mortgage	**944,078**	2,443,488
Total accruing restructured loans	**944,078**	2,443,488
Total nonperforming assets	**$ 2,999,005**	$ 4,809,812

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:

	March 31, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**97.7** %	95.5 %
OAEM	**1.3**	3.4
Substandard/doubtful	**1.0**	1.1
	100.0	100.0
Production and intermediate term		
Acceptable	**81.5**	76.5
OAEM	**18.3**	23.2
Substandard/doubtful	**0.2**	0.3
	100.0	100.0
Agribusiness		
Acceptable	**95.1**	95.4
OAEM	**4.9**	4.6
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**87.7**	100.0
OAEM	**-**	-
Substandard/doubtful	**12.3**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**96.7**	95.1
OAEM	**2.2**	4.0
Substandard/doubtful	**1.1**	0.9
	100.0 %	100.0 %

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

March 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**
Real estate mortgage	**$ 697,642**	**$ 202,475**	**$ 900,117**	**$ 250,730,370**	**$ 251,630,487**
Production and intermediate term	**247,056**	**-**	**247,056**	**13,060,787**	**13,307,843**
Loans to cooperatives	**-**	**-**	**-**	**2,820,139**	**2,820,139**
Processing and marketing	**-**	**-**	**-**	**16,542,344**	**16,542,344**
Farm-related business	**-**	**-**	**-**	**3,059,110**	**3,059,110**
Communication	**-**	**-**	**-**	**8,881,693**	**8,881,693**
Energy	**-**	**-**	**-**	**5,125,666**	**5,125,666**
Water and waste water	**-**	**-**	**-**	**3,035,227**	**3,035,227**
Rural residential real estate	**-**	**-**	**-**	**4,990,032**	**4,990,032**
Total	**$ 944,698**	**$ 202,475**	**$ 1,147,173**	**$ 308,245,368**	**$ 309,392,541**

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
Real estate mortgage	$ 1,136,229	$ -	$ 1,136,229	$ 242,434,642	$ 243,570,871
Production and intermediate term	-	-	-	11,648,064	11,648,064
Loans to cooperatives	-	-	-	3,342,875	3,342,875
Processing and marketing	-	-	-	17,731,304	17,731,304
Farm-related business	-	-	-	3,059,643	3,059,643
Communication	-	-	-	8,899,594	8,899,594
Energy	-	-	-	4,710,956	4,710,956
Water and waste water	-	-	-	3,069,217	3,069,217
Rural residential real estate	-	-	-	4,400,507	4,400,507
Total	$ 1,136,229	$ -	$ 1,136,229	$ 299,296,802	$ 300,433,031

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 (TDR) 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 March 31, 2021, the total recorded investment of troubled debt restructured loans was $2,007,497, all classified as nonaccrual, with specific allowance for loan losses of $287,330. The specific allowance is determined quarterly through a net realizable value analysis for each individual loan asset. As of March 31, 2021 and December 31, 2020, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded on loan modifications for the quarter ending March 31, 2021.

The predominant form of concession granted for troubled debt restructuring includes principal and interest reductions. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the association assess all modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. 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 TDR		TDR in Nonaccrual Status*	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Real estate mortgage	$ 1,999,525	$ 3,508,629	$ 1,055,447	$ 1,065,141
Production and intermediate term	7,972	8,236	7,972	8,236
Total	$ 2,007,497	$ 3,516,865	$ 1,063,419	$ 1,073,377

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

Additional impaired loan information is as follows:

	March 31, 2021			December 31, 2020		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 793,193**	**$ 798,663**	**$ 278,513**	$ 1,090,199	$ 1,102,092	$ 300,442
Production and intermediate term	**7,972**	**8,817**	**8,817**	8,237	8,817	9,069
Total	**$ 801,165**	**$ 807,480**	**$ 287,330**	$ 1,098,436	$ 1,110,909	$ 309,511
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 2,172,979**	**$ 2,215,408**	**$ -**	$ 3,686,758	$ 3,721,349	$ -
Production and intermediate term	**24,861**	**383,801**	**-**	24,619	384,459	-
Total	**$ 2,197,840**	**$ 2,599,209**	**$ -**	$ 3,711,377	$ 4,105,808	$ -
Total impaired loans:						
Real estate mortgage	$ 2,966,172	$ 3,014,071	$ 278,513	$ 4,776,957	$ 4,823,441	$ 300,442
Production and intermediate term	32,833	392,618	8,817	32,856	393,276	9,069
Total	**$ 2,999,005**	**$ 3,406,689**	**$ 287,330**	$ 4,809,813	$ 5,216,717	$ 309,511

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

	For the Quarter & Year Ended March 31, 2021		For the Quarter & Year Ended March 31, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 796,246**	**$ -**	$ 1,373,474	$ -
Production and intermediate term	**8,045**	**-**	9,685	-
Total	**$ 804,291**	**$ -**	$ 1,383,159	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$2,216,750**	**$ 36,714**	$ 4,459,069	$ 45,852
Production and intermediate term	**24,613**	**618**	2,364	150
Total	**$2,241,363**	**$ 37,332**	$ 4,461,433	$ 46,002
Total impaired loans:				
Real estate mortgage	**$3,012,996**	**$ 36,714**	$ 5,832,543	$ 45,852
Production and intermediate term	**32,658**	**618**	12,049	150
Total	**$3,045,654**	**$ 37,332**	$ 5,844,592	$ 46,002

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	Total
Allowance for Credit Losses:							
Balance at December 31, 2020	$ 750,304	$ 362,065	$ 45,392	$ 4,184	$ 6,668	$ 4,829	$ 1,173,442
Charge-offs	(9,906)	-	-	-	-	-	(9,906)
Recoveries	-	900	-	-	-	-	900
Provision for loan losses	29,573	(18,195)	(607)	600	55,717	(195)	66,893
Balance at March 31, 2021	$ 769,971	$ 344,770	$ 44,785	$ 4,784	$ 62,385	$ 4,634	$ 1,231,329
Ending Balance:							
Individually evaluated for impairment	$ 8,817	$ 278,513	$ -	$ -	$ -	$ -	$ 287,330
Collectively evaluated for impairment	761,154	66,257	44,785	4,784	62,385	4,634	943,999
Balance at March 31, 2021	$ 769,971	$ 344,770	$ 44,785	$ 4,784	$ 62,385	$ 4,634	$ 1,231,329
Balance at December 31, 2019	$ 719,322	$ 460,952	$ 51,437	$ 3,566	$ 6,069	$ 3,987	$ 1,245,333
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	1,500	-	-	-	-	1,500
Provision for loan losses	(2,571)	(3,739)	3,663	(109)	(326)	288	(2,794)
Balance at March 31, 2020	$ 716,751	$ 458,713	$ 55,100	$ 3,457	$ 5,743	$ 4,275	$ 1,244,039
Ending Balance:							
Individually evaluated for impairment	$ 405,518	$ 9,825	$ -	$ -	$ -	$ -	$ 415,343
Collectively evaluated for impairment	311,233	448,888	55,100	3,457	5,743	4,275	828,696
Balance at March 31, 2020	$ 716,751	$ 458,713	$ 55,100	$ 3,457	$ 5,743	$ 4,275	$ 1,244,039

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2021	$251,827,841	$ 13,110,572	$ 22,421,887	$ 8,881,693	$ 8,160,893	$4,990,031	$309,392,917
Individually evaluated for impairment	$ 2,966,172	$ 32,833	$ -	$ -	$ -	$ -	$ 2,999,005
Collectively evaluated for impairment	$248,861,669	$ 13,077,739	$ 22,421,887	$ 8,881,693	$ 8,160,893	$4,990,031	$306,393,912
Ending Balance at December 31, 2020	$243,570,871	$ 11,648,064	$ 24,133,822	$ 8,899,594	$ 7,780,173	$4,400,507	$300,433,031
Individually evaluated for impairment	$ -	$ 32,856	$ 4,776,956	$ -	$ -	$ -	$ 4,809,812
Collectively evaluated for impairment	$243,570,871	$ 11,615,208	$ 19,356,866	$ 8,899,594	$ 7,780,173	$4,400,507	$295,623,219

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 March 31, 2021**
Common equity tier 1 ratio	7.00%	20.27%
Tier 1 capital ratio	8.50%	20.27%
Total capital ratio	10.50%	20.69%
Permanent capital ratio	7.00%	20.36%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	18.36%
UREE leverage ratio	1.50%	19.50%

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**41,077,027**	**41,077,027**	**41,077,027**	**41,077,027**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**1,089,861**	**1,089,861**	**1,089,861**	**1,089,861**
Nonqualified allocated equities not subject to retirement	**19,650,429**	**19,650,429**	**19,650,429**	**19,650,429**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**1,191,635**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(4,614,001)**	**(4,614,001)**	**(4,614,001)**	**(4,614,001)**
	57,203,316	57,203,316	58,394,951	57,203,316
Denominator:				
Risk-adjusted assets excluding allowance	**286,802,593**	**286,802,593**	**286,802,593**	**286,802,593**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(4,614,001)**	**(4,614,001)**	**(4,614,001)**	**(4,614,001)**
Allowance for loan losses				**(1,191,635)**
	282,188,592	282,188,592	282,188,592	280,996,957

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**41,077,027**	**41,077,027**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**1,089,861**	**-**
Nonqualified allocated equities not subject to retirement	**19,650,429**	**19,650,429**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(4,614,001)**	**-**
	57,203,316	**60,727,456**
Denominator:		
Total Assets	**317,231,353**	**317,231,353**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(5,742,993)**	**(5,742,993)**
	311,488,360	311,488,360

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

Accum Other Comp Income (Loss)			
March 31, 2021	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 6,596**	**$ -**	**$ 6,596**

March 31, 2020	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 25,693	$ -	$ 25,693

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	2021	**2020**
Accumulated other comprehensive income (loss) at January 1	**$ 6,987**	$ 26,084
Amortization of prior service (credit) costs included in salaries and employee benefits	**(391)**	(391)
Other comprehensive income (loss), net of tax	**(391)**	(391)
Accumulated other comprehensive income (loss) at March 31	**$ 6,596**	$ 25,693

NOTE 4 — INCOME TAXES:

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

NOTE 5 — FAIR VALUE MEASUREMENTS:

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

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

March 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 513,835**	**$ 513,835**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 1,181,225	$ 1,181,225

*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.

Information About Recurring and Nonrecurring Level 3 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. Legacy utilizes 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 13 to the 2020 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

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.

Cash

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

Loans

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

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

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and three months ended March 31:

Three months ended March 31:	Other Benefits	
	2021	2020
Service cost	**$ 2,069**	$ 2,097
Interest cost	**1,928**	2,256
Amortization of prior service (credits) costs	**(391)**	(391)
Net periodic benefit cost	**$ 3,606**	$ 3,962

The association's liability for the unfunded accumulated obligation for these benefits at March 31, 2021, was $285,298 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 defined benefit Plan Sponsor (FCBT Board of Directors) recommended in September 2020 that the district associations make up a shortfall in the pension plan funding in 2021, based on current assumptions including projected future funding costs and rate of return on plan assets. As of March 31, 2021, $9,656 of contributions have been made. The association presently anticipates contributing an additional $28,969 to fund the defined benefit pension plan shortfall in 2021 for a total of $38,625.

NOTE 9 — 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 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 7, 2021, 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.