LEGACY AG CREDIT, ACA

2021
Quarterly Report

For the Nine Months Ended September 30, 2021

REPORT OF MANAGEMENT

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

Derrell W. Chapman, CPA, Chief Executive Officer
November 9, 2021

Terry Milligan, Chairman, Board of Directors
November 9, 2021

Heather Johnson, CPA, Chief Financial Officer
November 9, 2021

Cheryl Scott, CPA, Chair, Audit Committee
November 9, 2021

Nine Months Ended September 30, 2021 Financial Report

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(dollars in thousands, except as noted)

The following commentary reviews the financial performance of the Legacy Ag Credit, ACA ("Legacy" or "association"), for the quarter ended September 30, 2021. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2020 Annual Report to Stockholders.

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

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

Significant Events:

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 September 30, 2021, including nonaccrual loans and sales contracts, were $320,544,766 compared to $299,170,905 at December 31, 2020, reflecting an increase of 7.14%. Nonaccrual loans as a percentage of total loans outstanding were 0.92% at September 30, 2021, compared to 0.79% at December 31, 2020.

The association recorded $109,768 in recoveries and $9,906 in charge-offs for the quarter ended September 30, 2021, and $8,338 in recoveries and $0 in charge-offs for the same period in 2020. The association's allowance for loan losses was 0.43% and 0.39% of total loans outstanding as of September 30, 2021, and December 31, 2020, respectively.

Risk Exposure

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

	September 30, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,947,552**	**76.3%**	$ 2,366,324	49.2%
Formally restructured	**917,495**	**23.7%**	2,443,488	50.8%
Total	**$ 3,865,047**	**100.0%**	$ 4,809,812	100.0%

Results of Operations

The association had net income of $1,060,596 and $2,936,034 for the three and nine months ended September 30, 2021, as compared to net income of $1,134,178 and $3,218,138 for the same period in 2020, reflecting a decrease of 6.49% and 8.77%. Net interest income was $2,272,810 and $6,704,551 for the three and nine months ended September 30, 2021, compared to $2,068,096 and $6,022,006 for the same period in 2020, reflecting an increase of 9.90% and 11.33%.

	Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 312,430,022**	**$ 10,712,382**	$ 283,606,951	$ 10,556,177
Interest-bearing liabilities	**257,729,652**	**4,007,831**	229,322,037	4,534,171
Impact of capital	**$ 54,700,370**		$ 54,284,914	
Net interest income		**$ 6,704,551**		$ 6,022,006

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.58%**	4.97%
Total yield on interest-earning assets	**4.58%**	4.97%
Cost of interest-bearing liabilities	**2.08%**	2.64%
Interest rate spread	**2.51%**	2.33%
Net interest income as a percentage of average earning assets	**2.87%**	2.84%

	Nine months ended: September 30, 2021 vs. September 30, 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,071,846**	**$ (915,641)**	**$ 156,205**
Interest expense	**561,163**	**(1,087,503)**	**(526,340)**
Net interest income	**$ 510,683**	**$ 171,862**	**$ 682,545**

Interest income for the three and nine months ended September 30, 2021, increased by $188,982 and $156,205, or 5.47% and 1.48% respectively, from the same period of 2020, primarily due to an increase in average loan volume, which was partially offset by decreasing yields on earning assets. Interest expense for the three and nine months ended September 30, 2021, decreased by $15,732 and $526,340, or 1.13% and 11.61%, from the same period of 2020 due to a decrease in the association's cost of funds partially offset by an increase in average debt volume. Average loan volume for the third quarter of 2021 was $317,781,803, compared to $291,459,780 in the third quarter of 2020. The average net interest rate spread on the loan portfolio for the third quarter of 2021 was 2.48%, compared to 2.39% in the third quarter of 2020.

The association's return on average assets for the nine months ended September 30, 2021, was 1.22% compared to 1.47% for the same period in 2020. The association's return on average equity for the nine months ended September 30, 2021, was 6.29%, compared to 7.11% 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 (the bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2021	December 31, 2020
Note payable to the bank	**$ 265,919,019**	$ 242,927,735
Accrued interest on note payable	**450,549**	446,790
Total	**$ 266,369,568**	$ 243,374,525

The association operates under a general financing agreement ("GFA") with the bank. The current GFA is effective through September 30, 2022. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $265,919,019 as of September 30, 2021, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 2.08 percent at September 30, 2021. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase in note payable to the bank and related accrued interest payable since December 31, 2020, is due to the association's 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 $52,768,535 at September 30, 2021. The maximum amount the association may borrow from the bank as of September 30, 2021, was $316,674,470 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2022, 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 increased by $525,364 at September 30, 2021, compared to December 31, 2020. The association's debt as a ratio of members' equity was 4.21:1 as of September 30, 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 September 30, 2021, the association exceeded all regulatory capital requirements.

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

Relationship With the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the 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

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash	$ 129,769	$ 129,112
Loans	320,544,766	299,170,905
Less: allowance for loan losses	1,381,931	1,173,442
Net loans	319,162,835	297,997,463
Accrued interest receivable	1,805,556	1,262,126
Investment in and receivable from FCBT:		
Capital stock	4,627,995	4,627,995
Other	1,414,669	106,787
Premises and equipment, net	4,326,302	3,738,864
Other assets	251,792	162,045
Total assets	$ 331,718,918	$ 308,024,392
LIABILITIES		
Note payable to FCBT	$ 265,919,019	$ 242,927,735
Advance conditional payments	261	5,782
Accrued interest payable	450,516	446,790
Drafts outstanding	48,375	118,372
Other liabilities	1,679,744	1,430,074
Total liabilities	268,097,915	244,928,753
MEMBERS' EQUITY		
Capital stock and participation certificates	1,144,885	1,084,410
Unallocated retained earnings	62,470,304	62,004,242
Accumulated other comprehensive income (loss)	5,814	6,987
Total members' equity	63,621,003	63,095,639
Total liabilities and members' equity	$ 331,718,918	$ 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 September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 3,646,433**	$ 3,457,451	**$ 10,712,382**	$ 10,556,177
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**1,373,623**	1,389,355	**4,007,831**	4,534,171
Net interest income	**2,272,810**	2,068,096	**6,704,551**	6,022,006
PROVISION FOR LOAN LOSSES	**(26,396)**	(44,365)	**108,628**	(52,585)
Net interest income after provision for loan losses	**2,299,206**	2,112,461	**6,595,923**	6,074,591
NONINTEREST INCOME				
Income from FCBT:				
Patronage income	**532,502**	365,915	**1,265,597**	940,914
Loan fees	**144,863**	138,344	**448,921**	303,318
Refunds from Farm Credit System Insurance Corporation				44,048
Financially related services income	**12**	58	**141**	139
Gain (loss) on sale of premises and equipment, net	**-**	-	**70,884**	(2,852)
Other noninterest income	**9,010**	23,235	**90,877**	69,579
Total noninterest income	**686,387**	527,552	**1,876,420**	1,355,146
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,305,698**	957,883	**3,573,238**	2,697,785
Directors' expense	**21,945**	29,429	**112,130**	107,101
Purchased services	**119,509**	148,361	**380,637**	314,997
Travel	**56,723**	46,450	**155,620**	158,449
Occupancy and equipment	**136,416**	116,963	**407,776**	288,485
Communications	**26,998**	18,294	**85,091**	80,003
Advertising	**57,905**	22,112	**187,360**	68,758
Public and member relations	**42,616**	19,516	**143,575**	102,532
Supervisory and exam expense	**30,061**	28,694	**82,158**	78,852
Insurance Fund premiums	**80,100**	50,072	**234,792**	120,670
Other components of net periodic postretirement benefit cost	**1,537**	3,961	**4,610**	11,885
Other noninterest expense	**45,489**	64,100	**169,322**	182,082
Total noninterest expenses	**1,924,997**	1,505,835	**5,536,309**	4,211,599
Income before income taxes	**1,060,596**	1,134,178	**2,936,034**	3,218,138
NET INCOME	**1,060,596**	1,134,178	**2,936,034**	3,218,138
Other comprehensive income:				
Change in postretirement benefit plans	**(391)**	(391)	**(1,173)**	(1,173)
COMPREHENSIVE INCOME	**$ 1,060,205**	$ 1,133,787	**$ 2,934,861**	$ 3,216,965

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	-	3,218,138	(1,173)	3,216,965
Capital stock/participation certificates and allocated retained earnings issued	125,420			125,420
Capital stock/participation certificates and allocated retained earnings retired	(126,680)			(126,680)
Patronage paid		(2,365,866)		(2,365,866)
Balance at September 30, 2020	$ 1,077,405	$ 60,709,411	$ 24,911	$ 61,811,727
Balance at December 31, 2020	$ 1,084,410	$ 62,004,242	$ 6,987	$ 63,095,639
Comprehensive income	-	2,936,034	(1,173)	2,934,861
Capital stock/participation certificates and allocated retained earnings issued	210,600			210,600
Capital stock/participation certificates and allocated retained earnings retired	(150,125)			(150,125)
Patronage paid		(2,469,972)		(2,469,972)
Balance at September 30, 2021	**$ 1,144,885**	**$ 62,470,304**	**$ 5,814**	**$ 63,621,003**

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

Unaudited

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 adopted the guidance in the first quarter of 2021 and the impact was not material to the institution's financial condition or 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 June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations.

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

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 263,874,927**	$ 242,553,449
Production and intermediate term	**12,637,853**	11,487,905
Agribusiness:		
Loans to cooperatives	**3,232,067**	3,342,306
Processing and marketing	**16,433,735**	17,704,087
Farm-related business	**2,747,223**	3,055,217
Communication	**7,120,508**	8,899,085
Energy	**4,889,010**	4,700,512
Water and waste water	**2,810,961**	3,038,933
Rural residential real estate	**6,798,482**	4,389,411
Total	**$ 320,544,766**	$ 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 September 30, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ -	$ 10,192,121	$ -	$ -	$ -	$ 10,192,121
Production and intermediate term	5,954,464	-	-	-	5,954,464	-
Agribusiness	22,413,026	-	-	-	22,413,026	-
Communication	7,120,508	-	-	-	7,120,508	-
Energy	4,889,010	-	-	-	4,889,010	-
Water and waste water	2,810,961	-	-	-	2,810,961	-
Total	$ 43,187,969	$ 10,192,121	$ -	$ -	$ 43,187,969	$ 10,192,121

The association is authorized under the Farm Credit Act to accept “advance conditional payment” (ACPs) from borrowers. To the extent the borrower’s access to such ACP 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 $261 and $5,782 at September 30, 2021, and December 31, 2020, respectively.

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

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 1,796,414**	$ 2,333,469
Production and intermediate term	**152,020**	32,855
Energy	**999,118**	-
Total nonaccrual loans	**2,947,552**	2,366,324
Accruing restructured loans:		
Real estate mortgage	**917,495**	2,443,488
Total accruing restructured loans	**917,495**	2,443,488
Total nonperforming assets	**$ 3,865,047**	$ 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:

	September 30, 2021		December 31, 2020	
Real estate mortgage				
Acceptable	**98.3**	%	95.5	%
OAEM	**0.6**		3.4	
Substandard/doubtful	**1.1**		1.2	
	100.0		100.1	
Production and intermediate term				
Acceptable	**98.3**		76.5	
OAEM	**0.2**		23.2	
Substandard/doubtful	**1.5**		0.3	
	100.0		100.0	
Agribusiness				
Acceptable	**100.0**		95.4	
OAEM	**-**		4.6	
	100.0		100.0	
Energy and water/waste water				
Acceptable	**87.0**		100.0	
Substandard/doubtful	**13.0**		-	
	100.0		100.0	
Communication				
Acceptable	**100.0**		100.0	
	100.0		100.0	
Rural residential real estate				
Acceptable	**100.0**		100.0	
	100.0		100.0	
Total loans				
Acceptable	**98.3**		95.1	
OAEM	**0.5**		4.0	
Substandard/doubtful	**1.2**		0.9	
	100.0	%	100.0	%

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

September 30, 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	**$ 772,012**	**$ 1,136,136**	**$ 1,908,148**	**$ 263,511,022**	**$ 265,419,170**
Production and intermediate term	**85,840**	**-**	**85,840**	**12,721,323**	**12,807,163**
Loans to cooperatives	**-**	**-**	**-**	**3,236,753**	**3,236,753**
Processing and marketing	**-**	**-**	**-**	**16,467,957**	**16,467,957**
Farm-related business	**-**	**-**	**-**	**2,751,141**	**2,751,141**
Communication	**-**	**-**	**-**	**7,120,910**	**7,120,910**
Energy	**-**	**959,152**	**959,152**	**3,950,242**	**4,909,394**
Water and waste water	**-**	**-**	**-**	**2,821,219**	**2,821,219**
Rural residential real estate	**-**	**-**	**-**	**6,816,615**	**6,816,615**
Total	**$ 857,852**	**$ 2,095,288**	**$ 2,953,140**	**$ 319,397,182**	**$ 322,350,322**

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 (TDRs) are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of September 30, 2021, the total recorded investment of troubled debt restructured loans was $1,562,171, all classified as nonaccrual, with specific allowance for loan losses of $268,173. The specific allowance is determined quarterly through a net realizable value analysis for each individual loan asset. As of September 30, 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 we no charge-offs recorded on loan modifications for the quarter ending September 30, 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 we assess all of the 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 TDRs		TDRs in Nonaccrual Status*	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Real estate mortgage	$ 1,562,171	$ 3,508,629	$ 644,675	$ 1,065,141
Production and intermediate term	-	8,236	-	8,236
Total	$ 1,562,171	$ 3,516,865	$ 644,675	$ 1,073,377

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

Additional impaired loan information is as follows:

	September 30, 2021			December 31, 2020		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 644,675**	**$ 644,675**	**$268,173**	$ 1,090,199	$1,102,092	$ 300,442
Production and intermediate term	**-**	**-**	**-**	8,237	8,817	9,069
Energy and water/waste water	**999,118**	**999,950**	**250,000**	-	-	-
Total	**$1,643,793**	**$ 1,644,625**	**$518,173**	$ 1,098,436	$1,110,909	$ 309,511
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$2,069,234**	**$ 2,103,806**	**$ -**	$ 3,686,758	$3,721,349	$ -
Production and intermediate term	**152,020**	**509,160**	**-**	24,619	384,459	-
Total	**$2,221,254**	**$ 2,612,966**	**$ -**	$ 3,711,377	$4,105,808	$ -
Total impaired loans:						
Real estate mortgage	**$2,713,909**	**$ 2,748,481**	**$268,173**	$ 4,776,957	$4,823,441	$ 300,442
Production and intermediate term	**152,020**	**509,160**	**-**	32,856	393,276	9,069
Energy and water/waste water	**999,118**	**999,950**	**250,000**	-	-	-
Total	**$3,865,047**	**$ 4,257,591**	**$518,173**	$ 4,809,813	$5,216,717	$ 309,511

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2021		September 30, 2020		**September 30, 2021**		September 30, 2020	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 643,884**	**$ -**	$ 1,169,225	$ -	**$ 653,154**	**$ -**	$ 1,252,747	$ -
Production and intermediate term	**-**	**1,069**	8,777	-	**-**	**1,069**	9,208	-
Energy and water/waste water	**999,118**	**-**	-	-	**518,019**	**-**	-	-
Total	**$ 1,643,002**	**$ 1,069**	$ 1,178,002	$ -	**$ 1,171,173**	**$ 1,069**	$ 1,261,955	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 1,860,130**	**$ 90,141**	$ 3,759,199	$ 43,050	**$ 1,904,616**	**$ 140,788**	$ 3,964,141	$ 155,721
Production and intermediate term	**152,020**	**1,393**	15,407	2,820	**142,592**	**81,255**	6,392	3,520
Total	**$ 2,012,150**	**$ 91,534**	$ 3,774,606	$ 45,870	**$ 2,047,208**	**$ 222,043**	$ 3,970,533	$ 159,241
Total impaired loans:								
Real estate mortgage	**$ 2,504,014**	**$ 90,141**	$ 4,928,424	$ 43,050	**$ 2,557,770**	**$ 140,788**	$ 5,216,888	$ 155,721
Production and intermediate term	**$ 152,020**	**$ 2,462**	$ 24,184	$ 2,820	**$ 142,592**	**$ 82,324**	$ 15,600	$ 3,520
Energy and water/waste water	**$ 999,118**	**$ -**	$ -	$ -	**$ 518,019**	**$ -**	$ -	$ -
Total	**$ 3,655,152**	**$ 92,603**	$ 4,952,608	$ 45,870	**$ 3,218,381**	**$ 223,112**	$ 5,232,488	$ 159,241

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 June 30, 2021	$ 971,950	$ 326,729	$ 43,933	$ 3,781	$ 6,044	$ 5,646	$ 1,358,083
Recoveries		50,245	-	-	-	-	50,245
Provision for loan losses	11,689	(27,927)	(7,344)	(745)	(2,176)	106	(26,397)
Balance at September 30, 2021	$ 983,639	$ 349,047	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931
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		109,767	-	-	-	-	109,767
Provision for loan losses	243,241	(122,786)	(8,803)	(1,148)	(2,800)	923	108,628
Balance at September 30, 2021	$ 983,639	$ 349,046	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931
Ending Balance:							
Individually evaluated for impairment	$ 268,173	$ -	$ -	$ -	$ 250,000	$ -	$ 518,173
Collectively evaluated for impairment	715,466	349,047	36,589	3,036	(246,132)	5,752	863,758
Balance at September 30, 2021	$ 983,639	$ 349,047	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931
Balance at June 30, 2020	$ 698,305	$ 460,744	$ 67,311	$ 3,460	$ 7,823	$ 3,370	$ 1,241,013
Recoveries	-	8,338	-	-	-	-	8,338
Provision for loan losses	(6,224)	(44,547)	5,947	(17)	(152)	628	(44,365)
Balance at September 30, 2020	$ 692,081	$ 424,535	$ 73,258	$ 3,443	$ 7,671	$ 3,998	$ 1,204,986
Balance at December 31, 2019	$ 719,322	$ 460,952	$ 51,437	$ 3,566	$ 6,069	$ 3,987	$ 1,245,333
Recoveries	900	11,338	-	-	-	-	12,238
Provision for loan losses	(28,139)	(47,756)	21,821	(123)	1,602	10	(52,585)
Balance at September 30, 2020	$ 692,083	$ 424,534	$ 73,258	$ 3,443	$ 7,671	$ 3,997	$ 1,204,986
Ending Balance:							
Individually evaluated for impairment	$ 358,830	$ 9,321	$ -	$ -	$ -	$ -	$ 368,151
Collectively evaluated for impairment	333,251	415,214	73,258	3,443	7,671	3,998	836,835
Balance at September 30, 2020	$ 692,081	$ 424,535	$ 73,258	$ 3,443	$ 7,671	$ 3,998	$ 1,204,986

	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 September 30, 2021	$ 265,419,168	$ 12,807,164	$ 22,455,851	$ 7,120,910	$ 7,730,614	$ 6,816,615	$ 322,350,322
Individually evaluated for impairment	$ 2,713,909	$ 152,020	$ -	$ -	$ 999,118	$ -	$ 3,865,047
Collectively evaluated for impairment	$ 262,705,259	$ 12,655,144	$ 22,455,851	$ 7,120,910	$ 6,731,496	$ 6,816,615	$ 318,485,275
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 Minimums**	**As of September 30, 2021**
Common equity tier 1 ratio	4.50%	19.71%
Tier 1 capital ratio	6.00%	19.71%
Total capital ratio	8.00%	20.19%
Permanent capital ratio	7.00%	19.81%
Non-risk-adjusted:		
Tier 1 leverage ratio	4.00%	17.88%
Unallocated retained earnings and equivalents (UREE) leverage ratio	1.50%	18.96%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2021:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 41,068,871	$ 41,068,871	$ 41,068,871	$ 41,068,871
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,136,075	1,136,075	1,136,075	1,136,075
Nonqualified allocated equities not subject to retirement	20,081,509	20,081,509	20,081,509	20,081,509
Allowance for loan losses and reserve for credit losses subject to certain limitations			1,379,827	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(4,627,995)	(4,627,995)	(4,627,995)	(4,627,995)
	$ 57,658,460	**$ 57,658,460**	**$ 59,038,287**	**$ 57,658,460**
Denominator:				
Risk-adjusted assets excluding allowance	$ 297,107,229	$ 297,107,229	$ 297,107,229	$ 297,107,229
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(4,627,995)	(4,627,995)	(4,627,995)	(4,627,995)
Allowance for loan losses				(1,379,827)
	$ 292,479,234	**$ 292,479,234**	**$ 292,479,234**	**$ 291,099,407**
Calculated Ratio	**19.71%**	**19.71%**	**20.19%**	**19.81%**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 41,068,871	$ 41,068,871
Statutory minimum purchased borrower stock	1,136,075	-
Nonqualified allocated equities not subject to retirement	20,081,509	20,081,509
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(4,627,995)	-
	$ 57,658,460	**$ 61,150,380**
Denominator:		
Total Assets	$ 329,060,326	$ 329,060,326
Regulatory Adjustments and Deductions:		-
Regulatory deductions included in tier 1 capital	(6,527,453)	(6,527,453)
	$ 322,532,873	**$ 322,532,873**
Calculated Ratio	**17.88%**	**18.96%**

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

Accum Other Comp Income (Loss)

September 30, 2021	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 5,814**	**$ -**	**$ 5,814**

September 30, 2020	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 24,911	$ -	$ 24,911

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

	2021	2020
Accumulated other comprehensive income (loss) at January 1	**$ 6,987**	$ 26,084
Amortization of prior service (credit) costs included in salaries and employee benefits	**(1,173)**	(1,173)
Accumulated other comprehensive income (loss) at September 30	**$ 5,814**	$ 24,911

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 recurring basis are summarized below:

September 30, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$1,125,621**	**$1,125,621**

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.

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 nine months ended September 30:

Three months ended September 30:	Other Benefits	
	2021	2020
Service cost	**$ 2,069**	$ 2,097
Interest cost	**1,928**	2,255
Amortization of prior service (credits) costs	**(391)**	(391)
Net periodic benefit cost	**$ 3,606**	$ 3,961

Nine months ended September 30:	Other Benefits	
	2021	2020
Service cost	**$ 6,207**	$ 6,292
Interest cost	**5,783**	6,766
Amortization of prior service (credits) costs	**(1,173)**	(1,173)
Net periodic benefit cost	**$ 10,817**	$ 11,885

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2021, was $286,788 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 September 30, 2021,

$28,969 of contributions have been made. The association presently anticipates contributing an additional $7,656 to fund the defined benefit pension plan in 2021 for a total of $36,625.

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 November 9, 2021, which is the date the financial statements were issued or available to be issued and has determined there are no other significant events requiring disclosure.