2017 ANNUAL REPORT

MISSISSIPPI
LAND BANK

We Understand the Lay of the Land

Part of the Farm Credit System

EQUAL HOUSING LENDER

A Mixed Bag

Portfolio Diversification Helps Association Succeed

For over a century, Mississippi Land Bank has been a leader in rural lending in North Mississippi. We have helped families and individuals grow their businesses, enhance their operations, and improve their way of life.

One of the keys to our continued success as an association is the increased diversity of our portfolio and our membership. Not just a land lender for full-time farmers, we provide financing to a broad range of customers, from complex agribusiness companies to young people building their first rural homes. As such, we are thankful for the opportunity to help families like the Koehns and the Parkers achieve their goals, and farmers such as Floyd Anderson with his conservation efforts.

Floyd "Porgie" Anderson

Conservation Is a Way of Farming

Fifty years ago in the Mississippi Delta, a 40-bushel soybean yield was considered very good. Today, row-cropper Floyd "Porgie" Anderson averages about 70 bushels per acre.

"It's all about the water," says Anderson, who farms near Inverness with his wife, Penny, and son, Will. The key to higher yields, he maintains, is getting irrigation water to the roots of the plants rather than allowing it to evaporate or run off. But that's easier said than done, according to his Mississippi Land Bank loan officer, Rob Taylor.

"Porgie's approach is what makes the difference," says Taylor.

Anderson's approach involves precision land-leveling and furrow irrigation with "poly pipe," which allows him to deliver irrigation water to the soil at a prescribed rate. Any runoff is captured in ditches and rerouted to sloughs for re-use in irrigation and to help maintain the groundwater table. Meanwhile, the sloughs, which are in the Conservation Reserve Program, provide wildlife habitat.

Conversely, Anderson has returned abandoned catfish ponds to fertile, high-yielding farmland.

"We just try to do what makes the most sense, while being good stewards of our land," says Anderson, who was named 2016 Conservation Farmer of the Year by The Delta Council for his water and wildlife conservation efforts.

Tony and Sandra Parker

Home in a Barn

When Tony and Sandra Parker moved home to Corinth, Miss., from Michigan in 2007, their plan was to build a new house on the farm where Tony was reared. Instead, they made their home in the farm's old barn — and today they couldn't be happier with their unusual abode.

With financing from Mississippi Land Bank and help from two local carpenters, the couple designed and built their barn living quarters, room by room, without a blueprint. Heavily insulated and reinforced with steel and rebar, the former livestock and equipment building is now as structurally sound as when Tony's father built it in the 1950s.

Tony, a retired ag education teacher and school superintendent, uses about half of the structure to store farm equipment. The other half features a kitchen with walk-in pantry, a living area, an enormous master suite, two additional bedrooms and bathrooms, and two porches.

Now, eight years since moving in, the Parkers also have returned the 203-acre farm to productivity.

"This is all about my dedication to the farm that I grew up on and worked so hard with," says Tony. "The Land Bank has been a fantastic partner both in the barn project and in restoring livestock on the farm. We couldn't have done it without them."

Roger Koehn, right, with daughter Katie and son Seth

Local Mill Benefits Ag Community

Southern Seed & Feed, a thriving seed producer and manufacturer of livestock, pet and wildlife feeds, is one of the busiest places in Macon, Miss. But it didn't start out that way.

For owner Roger Koehn, the business has grown from a small traveling seed-cleaning service to a modern mill serving the region's agricultural community.

"If you'd told me 30 years ago where we'd be now, I'd never have believed you," he says.

Koehn started in the business in 1983 with a portable mill. Traveling from farm to farm to clean seed, he discovered a local need for quality feed. At the same time, farmers needed a market for their corn — and "one thing led to another," he says.

His first product — shelled corn with husks and debris removed — was a hit because no one else was selling it. By the late 1980s, Southern Seed & Feed Triple-Cleaned Corn had become known throughout the region, and soon Mississippi and Alabama farm-supply stores were stocking the company's products. Today Southern Seed & Feed produces a variety of feeds and formulates custom rations — all from grain purchased locally.

"The company greatly benefits this area," says Bart Harris of Mississippi Land Bank, which has financed an expansion and upgrades for the mill. "The amount of grain and seed purchased by Southern Seed & Feed from local farmers and producers makes the company a valuable asset to our local farm community."

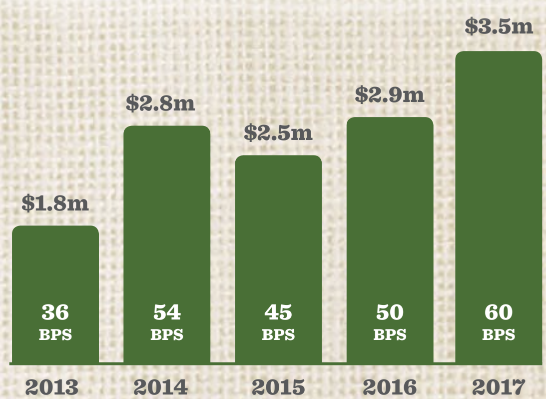
MISSISSIPPI LAND BANK

When we have a good year, you have a good year.

2017 was an outstanding year in both growth and income, and we are pleased to have distributed **$3.5 million** in cash patronage to you, our stockholders, in early 2018.

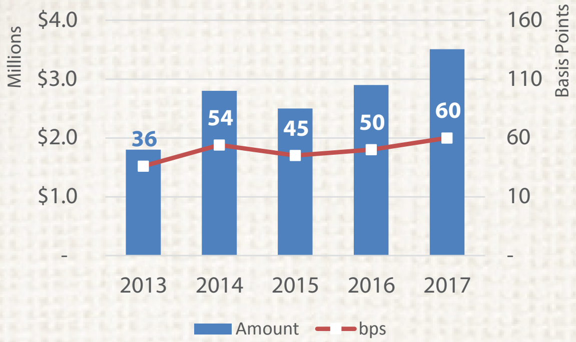
This year's patronage lowered your effective interest rate for 2017 by approximately **60 basis points (or .60 percent).**

Since 1996, Mississippi Land Bank has returned nearly **$33.5 million** to our customers. This is just one part of our proud heritage, and yet another reason to finance with us.

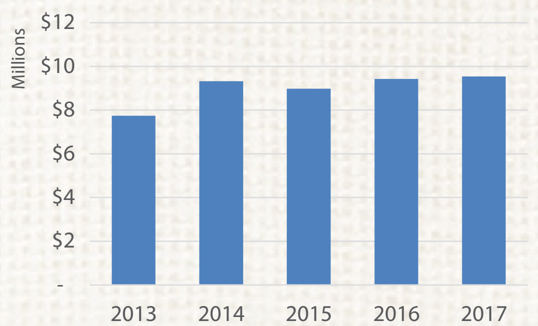


Recent Patronage Returns

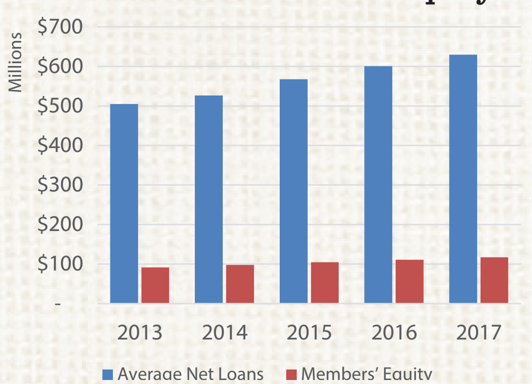
Cash Patronage



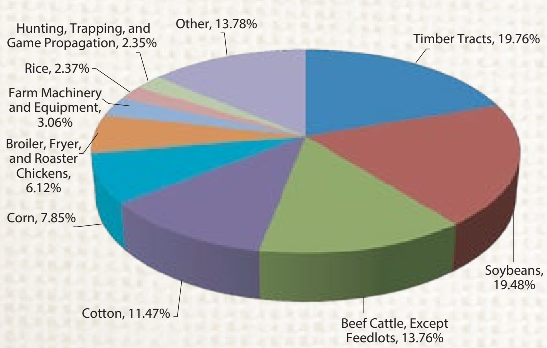
Net Income



Net Loans and Members' Equity



Commodities



Craig Shideler, CEO

Dear Stockholders,

It is my pleasure to present the 2017 Mississippi Land Bank Annual Report, which highlights the portfolio growth and diversity that your association has seen over the past year.

Last year, Mississippi Land Bank significantly increased its financing role in the sectors of poultry, ag aviation, cotton ginning and farm equipment. These exciting new loan opportunities have allowed us to diversify our business and broaden our horizons.

In 2017, the association had loan volume growth of nearly 4 percent, which generated more than $9.5 million of net income. A strong capital ratio allowed our borrower-owned cooperative to share income through our patronage program. As a result, we are returning $3.5 million of our 2017 earnings to you, our stockholders, which is the highest patronage payout in our history. This payment lowers your 2017 effective interest rate by approximately 60 basis points, which is outstanding, and brings to nearly $33.5 million the total amount of patronage that we have returned to our customers since 1996.

Mississippi Land Bank is blessed with dedicated employees and directors, and in 2017 it was truly a joy to work alongside these diligent, customer service-oriented team members, many of whom have strong ties to their communities and agriculture. We aren't just your lender. We're also farmers and landowners — people who have memberships in civic clubs and commodity organizations where, I'm proud to say, several of our employees hold leadership roles.

Mississippi Land Bank is a lender with a heart. We care about educating young people and helping those in need. In keeping with the seventh co-op principal — concern for community — last year we provided 11 scholarships to worthy students within our chartered territory, and assisted stockholders who suffered damage from floods and tornados.

To match the growing needs of our borrowers, we are continually evaluating how we do business every day. As technology becomes a larger part of our borrowers' daily operations, we are upgrading our technology and incorporating new business practices that give our loan officers more flexibility in how and where they conduct business. Technology is ever-changing, and our goal is to embrace those changes.

Marketing was another important focus of our operations last year. The association has an active marketing committee that is charged with managing the association's reputation risk and how we are perceived by the public. By expanding our digital footprint through online banking, our website and social media, we will continue to reach out to the next generation of farmers and landowners.

2017 also brought the introduction of the stockholder referral program, which rewards current stockholders with $250 for each referral of a new customer to the association. It is our way of saying "thank you" for being part of the Land Bank family.

Looking ahead to 2018, we will continue building on the solid foundation of our prior years' success. Our goals are not only to grow our loan volume and presence in our territory, but also to operate effectively and efficiently so that our members can enjoy a very competitive interest rate and generous patronage distribution. We thank you for your faith in the Mississippi Land Bank team and for helping make this year so memorable.

Sincerely,

Craig B. Shideler
Chief Executive Officer

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REPORT OF MANAGEMENT

The consolidated financial statements of Mississippi Land Bank, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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

Craig B. Shideler, Chief Executive Officer

March 14, 2018

Abbott R. Myers, Chairman, Board of Directors

March 14, 2018

Claire B. Pegram, Chief Financial Officer

March 14, 2018

Lawson McClellan, Chairman, Audit Committee

March 14, 2018

J. Matthew Walden, Chief Operating Officer

March 14, 2018

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Lawson McClellan, Alan Blaine, Morgan Gulledge, Jan Hill and Abbott Myers. In 2017, seven Committee meetings were held. The Committee oversees the scope of Mississippi Land Bank, ACA's (Association's) system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the Association's website. The Committee approved the appointment of PricewaterhouseCoopers LLP for 2017.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PricewaterhouseCoopers LLP is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2017 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The Committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication with Those Charged with Governance," and both PricewaterhouseCoopers LLP's and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PricewaterhouseCoopers LLP its independence from the Association. The Committee also reviewed the nonaudit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PricewaterhouseCoopers LLP such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2017.

Audit Committee Members

Lawson McClellan
Alan Blaine
Morgan Gulledge
Jan Hill
Abbott Myers

March 14, 2018

MISSISSIPPI LAND BANK, ACA

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

	2017	2016	2015	2014	2013
Balance Sheet Data					
Assets					
Cash	**$ 6**	$ 15	$ 10	$ 7	$ 41
Loans	**629,859**	603,094	597,273	560,898	525,615
Less: allowance for loan losses	**752**	724	705	690	362
Net loans	**629,107**	602,370	596,568	560,208	525,253
Investment in and receivable from the Farm Credit Bank of Texas	**11,712**	12,435	11,053	9,601	9,988
Other property owned, net	**-**	-	60	60	791
Other assets	**14,466**	12,953	13,096	11,763	12,484
Total assets	**$ 655,291**	$ 627,773	$ 620,787	$ 581,639	$ 548,557
Liabilities					
Obligations with maturities of one year or less	**$ 9,219**	$ 10,263	$ 8,150	$ 8,356	$ 6,190
Obligations with maturities greater than one year	**528,803**	506,350	508,022	475,448	450,822
Total liabilities	**538,022**	516,613	516,172	483,804	457,012
Members' Equity					
Capital stock and participation certificates	**3,177**	3,085	3,062	2,932	2,831
Unallocated retained earnings	**114,223**	108,190	101,662	95,185	88,660
Accumulated other comprehensive income (loss)	**(131)**	(115)	(109)	(282)	54
Total members' equity	**117,269**	111,160	104,615	97,835	91,545
Total liabilities and members' equity	**$ 655,291**	$ 627,773	$ 620,787	$ 581,639	$ 548,557
Statement of Income Data					
Net interest income	**$ 16,177**	$ 16,008	$ 15,337	$ 14,898	$ 14,650
(Provision for loan losses) or loan loss reversal	**(23)**	(24)	2	(600)	(1,003)
Income from the Farm Credit Bank of Texas	**2,247**	2,331	2,246	2,110	2,059
Other noninterest income	**237**	200	324	1,377	473
Noninterest expense	**(9,095)**	(9,085)	(8,932)	(8,460)	(8,438)
Net income (loss)	**$ 9,543**	$ 9,430	$ 8,977	$ 9,325	$ 7,741
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.5%	1.5%	1.7%	1.5%
Return on average members' equity	**8.3%**	8.7%	8.8%	9.8%	8.7%
Net interest income as a percentage of average earning assets	**2.7%**	2.7%	2.7%	2.8%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.1%	0.3%

MISSISSIPPI LAND BANK, ACA

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

	2017	2016	2015	2014	2013
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**17.9%**	17.7%	16.9%	16.8%	16.7%
Debt as a percentage of members' equity	**458.8%**	464.7%	493.4%	494.5%	499.2%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.1%
Common equity tier 1 ratio	**16.4%**	n/a	n/a	n/a	n/a
Tier 1 capital ratio	**16.4%**	n/a	n/a	n/a	n/a
Total capital ratio	**16.5%**	n/a	n/a	n/a	n/a
Permanent capital ratio	**16.4%**	16.2%	15.6%	15.9%	15.3%
Tier 1 leverage ratio	**16.9%**	n/a	n/a	n/a	n/a
UREE leverage ratio	**18.0%**	n/a	n/a	n/a	n/a
Net Income Distribution		-	-	-	-
Patronage dividends:		-	-	-	-
Cash	**$ 2,900**	$ 2,503	$ 2,800	$ 1,800	$ 2,000

* Effective January 1, 2017 the new regulatory capital ratios were implemented by the Association. Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Mississippi Land Bank, ACA, including its wholly-owned subsidiaries, Mississippi, PCA and Mississippi Land Bank, FLCA (collectively called the Association) for the years ended December 31, 2017, 2016 and 2015, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

In December 2017, the Association received a direct loan patronage of $1,975,508 from the Farm Credit Bank of Texas (Bank), representing 39 basis points on the average daily balance of the Association's direct loan with the Bank. During 2017, the Association received $200,082 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $50,178 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In September 2016, the Association charged-off the remaining balance of $59,710 related to a participation loan that was acquired in 2013. In June 2015, one nonaccrual participation loan was sold at foreclosure for an amount in excess of the loan's carrying value. Upon receipt of its portion of the sales proceeds, the Association paid off the loan and recorded a recovery of $50,841.

For more than 27 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans, with maturities ranging from one to 30 years. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $629,858,902, $603,093,591 and $597,272,935 as of December 31, 2017, 2016 and 2015, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses," included in this annual report.

Purchase and Sales of Loans:

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

Loans made under the ABE may be for a maximum of 15 years at a zero percent interest rate. The ABE allows for a loan in an amount not to exceed 20 percent of the total project cost or $200,000, whichever is less, and $200,000 or 30 percent for agribusinesses that are retrofitting operations. Typical eligible industries include manufacturers, aquaculture, horticulture and agricultural-related industries while eligible projects include buildings and equipment.

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA) and, therefore, the amount of ABE loans outstanding and due to MDA is included in "Loans" on the consolidated balance sheet with an offsetting liability at "Guaranteed obligations to government entities." ABE loans totaled $7,177,507, $6,445,893 and $5,356,879 as of December 31, 2017, 2016 and 2015, respectively.

During 2017, 2016 and 2015, the Association was participating in loans with other lenders. As of December 31, 2017, 2016 and 2015, these participations totaled $25,948,645, $29,916,603 and $29,522,677, or 4.1 percent, 4.8 percent and 4.9 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $8,040,995, $800,000 and $0, or 1.3 percent, 0.1 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $6,657,431, $6,742,581 and $6,933,002 as of December 31, 2017, 2016 and 2015, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2017		2016		2015	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,025,013**	**86.3%**	$ 713,834	96.2%	$ 900,991	72.6%
90 days past due and still accruing interest	**-**	**0.0%**	28,283	3.8%	262,709	21.2%
Formally restructured	**162,440**	**13.7%**	-	0.0%	17,263	1.4%
Other property owned, net	**-**	**0.0%**	-	0.0%	59,711	4.8%
Total	**$ 1,187,453**	**100.0%**	$ 742,117	100.0%	$ 1,240,674	100.0%

At December 31, 2017, 2016 and 2015, loans that were considered impaired were $1,187,453, $742,117 and $1,180,963, representing 0.2 percent, 0.1 percent and 0.2 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. At December 31, 2017, the Association held no acquired property.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

To help mitigate and diversify credit risk, the Association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2017	2016	2015
Allowance for loan losses	**$ 752,205**	$ 723,955	$ 705,331
Allowance for loan losses to total loans	**0.1%**	0.1%	0.1%
Allowance for loan losses to nonaccrual loans	**73.4%**	101.4%	78.3%
Allowance for loan losses to impaired loans	**63.3%**	97.6%	59.7%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

Each quarter the Association employs a rigorous allowance evaluation model consisting of four facets, each related to the allowance for loan losses, in order to determine an appropriate level of allowance to carry on the Association's consolidated balance sheet. The first facet is a general allowance calculation based upon the risk rating of each individual loan in the Association's portfolio. The second is a specific allowance calculation derived from calculations, analyses and communications among the branch vice presidents and members of the Association's Asset-Liability Committee (ALCO). The third facet is based upon the results of the quarterly stress testing model performed by the branch vice presidents and members of the ALCO. The fourth facet is a general economy and commodity evaluation in which the ALCO evaluates the current market for each commodity, as well as general economic factors such as unemployment. Management also evaluates the Association's historical losses and the relationship of these losses to the current level of allowance. The final results are evaluated for reasonableness by the Association's ALCO and presented to the board of directors for approval. The slight increase in allowance for loan losses from 2016 to 2017 was primarily due to an increase in the specific allowance on one substandard loan. The slight increase in allowance for loan losses from 2015 to 2016 is primarily related to the results of the quarterly stress testing model.

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $752,205, $723,955 and $705,331 at December 31, 2017, 2016 and 2015, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. The allowance for loan losses is based upon estimates that consider the general financial strength of the agricultural economy, loan portfolio composition, credit administration and the portfolio's prior loan loss experience.

Results of Operations:

The Association's net income for the year ended December 31, 2017, was $9,543,473 as compared to $9,430,486 for the year ended December 31, 2016, reflecting an increase of $112,987, or 1.2 percent. The Association's net income for the year ended December 31, 2015 was $8,977,457. Net income increased $453,029, or 5.1 percent, in 2016 versus 2015.

Net interest income for 2017, 2016 and 2015 was $16,177,089, $16,007,867 and $15,337,386, respectively, reflecting increases of $169,222, or 1.1 percent, for 2017 versus 2016 and $670,481, or 4.4 percent, for 2016 versus 2015. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2017		2016		2015	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 603,782,069**	**$ 27,346,995**	$ 600,513,750	$ 26,246,762	$ 567,722,496	$ 24,771,804
Interest-bearing liabilities	**506,758,145**	**11,169,906**	509,336,750	10,238,895	481,931,098	9,434,418
Impact of capital	**$ 97,023,924**		$ 91,177,000		$ 85,791,398	
Net interest income		**$ 16,177,089**		$ 16,007,867		$ 15,337,386

	2017 Average Yield	2016 Average Yield	2015 Average Yield
Yield on loans	**4.53%**	4.37%	4.36%
Cost of interest-bearing liabilities	**2.20%**	2.01%	1.96%
Interest rate spread	**2.33%**	2.36%	2.40%

	2017 vs. 2016			2016 vs. 2015		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 142,848**	**$ 957,385**	**$ 1,100,233**	$ 1,430,814	$ 44,144	$ 1,474,958
Interest expense	**(51,835)**	**982,846**	**931,011**	536,493	267,984	804,477
Net interest income	**$ 194,683**	**$ (25,461)**	**$ 169,222**	$ 894,321	$ (223,840)	$ 670,481

Interest income for 2017 increased by $1,100,233, or 4.2 percent, compared to 2016, primarily due to an increase in average yield on loan volume coupled with a slight increase in average loan volume. Interest expense for 2017 increased by $931,011, or 9.1 percent, compared to 2016 primarily due to an increase in the average cost of funds coupled with a slight increase in note payable to the Bank. The interest rate spread decreased by 3 basis points to 2.33 percent in 2017 from 2.36 percent in 2016, primarily due to increased competition in an environment of rising interest rates. The Association uses a risk-based approach when pricing new loans; however, current market conditions in each of the respective branch territories also impact interest rate spreads. As evidenced in the table above, net interest income for 2017 was more significantly impacted by the increase in interest rates. The rise in cost of funds coupled with compressions of interest rate spread due to the current competitive interest rate environment put pressure on the ability to generate net interest income. However, this increase in rates was offset by the additional loan volume that was outstanding during the year. The interest rate spread decreased by 4 basis points to 2.36 percent in 2016 from 2.40 percent in 2015, again, primarily due to increased competition in an environment of rising rates.

Noninterest income for 2017 decreased by $46,762, or 1.9 percent, compared to 2016, due primarily to a reduction in patronage income from the Bank offset by the loss on the disposal of acquired property realized in 2016. Noninterest income for 2016 decreased by $39,180, or 1.5 percent, compared to 2015, primarily due to increases in patronage income from the Bank and gains on the sale of premises and equipment, offset by the loss realized on the disposal of acquired property.

Operating expenses consist primarily of salaries, employee benefits and Insurance Fund premiums. Additionally, expenses related to travel, occupancy and equipment, advertising and purchased services comprise a significant portion of the remaining operating expenses. Travel expenses primarily consist of expenses related to commercial travel, such as airfare, and expenses related to Association automobiles, such as fuel, maintenance and depreciation. Occupancy and equipment is comprised of rent expense, utilities and depreciation, while advertising expense primarily consists of the cost of advertising in various media outlets. Purchased services is comprised of services that the Association purchases either from the Bank or from a third party who has been engaged to provide a service, such as legal counsel or audit and review expenses. Overall operating expenses increased $15,869 over 2016, primarily due to increases in travel expenses of $95,044 and purchased services of $90,953, offset by a decrease in both salaries and benefits expense as well as Insurance Fund premiums of $96,962 and $106,475, respectively. Overall operating expenses increased $170,405 over 2015, primarily due to an increase in the premium rate for the Insurance Fund totaling $226,957, offset by a decrease in salaries and employee benefits of $115,904.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in a net expense capitalized as an adjustment to income of $511,296, $475,619 and $773,957 as of December 31, 2017, 2016 and 2015, respectively. This net amount is comprised of two components – the capitalization of origination costs, primarily salaries and benefits, and the capitalization of loan origination fees – which will be amortized over the life of the loans. Origination costs totaling $1,070,572 and origination fees of $559,276 comprise the net adjustment to income of $511,296 at December 31, 2017. See Note 12 to the consolidated financial statements, “Related Party Transactions,” included in this annual report, for more information about expenses allocated to the Association.

For the year ended December 31, 2017, the Association’s return on average assets was 1.5 percent, as compared to 1.5 percent and 1.5 percent for the years ended December 31, 2016 and 2015, respectively. For the year ended December 31, 2017, the Association’s return on average members’ equity was 8.3 percent, as compared to 8.7 percent and 8.8 percent for the years ended December 31, 2016 and 2015, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association’s loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $520,600,139, $499,018,312 and $501,821,755 as of December 31, 2017, 2016 and 2015, respectively, is recorded as a liability on the Association’s balance sheet. The note carried a weighted average interest rate of 2.28 percent, 2.02 percent and 1.95 percent at December 31, 2017, 2016 and 2015, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association’s assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2016, is due to an increase in the Association’s outstanding loan volume coupled with a rise in the cost of interest-bearing liabilities The Association’s own funds, which represent the amount of the Association’s loan portfolio funded by the Association’s equity, were $100,141,175, $95,780,522 and $88,274,451 at December 31, 2017, 2016 and 2015, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2017, was $620,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2018, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days’ prior written notice, or in all other circumstances, upon giving the Bank 120 days’ prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2018. As borrower payments are received, they are applied to the Association’s note payable to the Bank.

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

Capital Resources:

The Association’s capital position remains strong, with total members’ equity of $117,269,387, $111,159,681 and $104,615,407 at December 31, 2017, 2016 and 2015, respectively.

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. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association’s permanent capital ratio at December 31, 2017, 2016 and 2015 was 16.4 percent, 16.2 percent and 15.6 percent, respectively.

Under the new regulations, the Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The 2.5 percent capital conservation buffer will be phased in over a three year period ending on December 31, 2019. The Association’s common equity tier 1 ratio was 16.4 percent, tier 1 capital ratio was 16.4 percent, and total capital ratio was 16.5 percent at December 31, 2017. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association’s tier 1 leverage ratio was 16.9 percent and UREE leverage ratio was 18.0 percent at December 31, 2017. As of December 31, 2017, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The CET1 capital ratio is an indicator of the institution’s highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution’s quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Prior to January 1, 2017, the core surplus ratio measured available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the quality of capital that existed to maintain stable earnings and financial strength. The total surplus ratio measured available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the reserves existing to protect borrowers’ investments in the Association. The following table reflects the Association’s capital ratios at December 31:

	2016	2015	2014	2013	2012	Regulatory Minimum
Core surplus ratio	15.7%	15.1%	15.4%	14.8%	14.7%	3.50%
Total surplus ratio	15.7%	15.1%	15.4%	14.8%	14.7%	7.00%

In 2017, 2016 and 2015, the Association paid patronage distributions of $2,900,213, $2,503,152 and $2,799,979, respectively. In December 2017, the board of directors approved a $3,510,000 patronage distribution to be paid in February 2018. See Note 9 to the consolidated financial statements, “Members’ Equity,” included in this annual report, for further information.

Significant Recent Accounting Pronouncements:

In August 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled “Targeted Improvements to Accounting for Hedging Activities.” The guidance better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association is evaluating the impact of adoption on the Association’s financial condition and its results of operations.

In March 2017, the FASB issued guidance entitled “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.” The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association’s financial condition but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled “Classification of Certain Cash Receipts and Cash Payments.” The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association’s financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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 becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled “Leases.” The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled “Recognition and Measurement of Financial Assets and Liabilities.” The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association’s financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled “Revenue from Contracts with Customers.” The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association determined the effect was not material to its financial condition or results of operations and will not change its current recognition practices.

Regulatory Matters:

At December 31, 2017, the Association was not under written agreements with the Farm Credit Administration.

On July 28, 2016, the Farm Credit Administration published a final regulation to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule were as follows:

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System’s capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also replaces the existing net collateral ratio with a tier 1 leverage ratio and is applicable to all banks and associations. The permanent capital ratio will continue to remain in effect with the final rule.

The new capital requirements became effective January 1, 2017, with a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. The Association is in compliance with the required minimum capital standards and met the conservation buffers as of December 31, 2017.

On June 12, 2014, the Farm Credit Administration approved a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations,
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System banks, and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014. FCA anticipates release of a final rule in the first quarter of 2018. The Association does not currently hold any investments.

Other Matters:

New U.S. tax laws resulting from legislation commonly known as the Tax Cuts and Jobs Acts of 2017 (TCJA) were enacted in late 2017. Among other things, the TCJA changed the federal corporate tax rate from 35 percent to 21 percent. The Bank is exempt from federal and certain other income taxes as provided by the Farm Credit Act; however, the change in the federal corporate tax rate will have a financial statement impact for year-end 2017 for District associations that will require the revaluation of any deferred taxes (assets or liabilities), which will result in either a tax expense or tax benefit to the income statement. While the full impact of the TCJA is difficult to predict and may not be fully known for several years, changes that could affect the associations' business and customers include, but are not limited to, modifications to deductions surrounding interest expense and equipment purchases, tax incentives related to renewable energy initiatives, deductions impacting agricultural producers who sell their products to cooperatives and the overall changes in the competitive environment impacting financial institutions.

Relationship with the Bank:

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

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

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

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

Summary:

Over the past 27 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

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Report of Independent Auditors

To the Board of Directors of Mississippi Land Bank, ACA

We have audited the accompanying consolidated financial statements of Mississippi Land Bank, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2017, December 31, 2016 and December 31, 2015, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Land Bank, ACA and its subsidiaries as of December 31, 2017, December 31, 2016 and December 31, 2015, and the results of their operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 14, 2018

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MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2017	2016	2015
Assets			
Cash	**$ 5,551**	$ 15,381	$ 9,582
Loans	**629,858,902**	603,093,591	597,272,935
Less: allowance for loan losses	**752,205**	723,955	705,331
Net loans	**629,106,697**	602,369,636	596,567,604
Accrued interest receivable	**10,454,938**	9,032,522	9,257,246
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**10,114,430**	10,179,025	9,593,360
Other	**1,598,161**	2,255,501	1,459,916
Other property owned, net	**-**	-	59,711
Premises and equipment	**3,736,020**	3,657,542	3,598,101
Other assets	**275,665**	263,352	241,633
Total assets	**$ 655,291,462**	$ 627,772,959	$ 620,787,153
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 520,600,139**	$ 499,018,312	$ 501,821,755
Guaranteed obligations to government entities	**7,177,507**	6,445,893	5,356,879
Accrued interest payable	**1,025,562**	886,002	843,073
Drafts outstanding	**1,379,139**	2,860,240	1,135,067
Patronage distributions payable	**3,510,002**	2,900,215	2,500,162
Other liabilities	**4,329,726**	4,502,616	4,514,810
Total liabilities	**538,022,075**	516,613,278	516,171,746
Members' Equity			
Capital stock and participation certificates	**3,176,875**	3,085,100	3,061,800
Unallocated retained earnings	**114,223,262**	108,189,789	101,662,509
Accumulated other comprehensive income (loss)	**(130,750)**	(115,208)	(108,902)
Total members' equity	**117,269,387**	111,159,681	104,615,407
Total liabilities and members' equity	**$ 655,291,462**	$ 627,772,959	$ 620,787,153

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	2016	2015
Interest Income			
Loans	**$ 27,346,995**	$ 26,246,762	$ 24,771,804
Total interest income	**27,346,995**	26,246,762	24,771,804
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**11,169,891**	10,238,895	9,434,418
Advance conditional payments	**15**	-	-
Total interest expense	**11,169,906**	10,238,895	9,434,418
Net interest income	**16,177,089**	16,007,867	15,337,386
Provision for Loan Losses	**23,312**	23,541	(1,999)
Net interest income after provision for losses	**16,153,777**	15,984,326	15,339,385
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,246,664**	2,331,311	2,246,096
Loan fees	**101,969**	115,959	214,986
Financially related services income	**1,751**	2,100	2,255
(Loss) gain on other property owned, net	**-**	(48,234)	3,779
Gain on sale of premises and equipment, net	**85,410**	92,769	61,955
Other noninterest income	**48,471**	37,122	41,136
Total noninterest income	**2,484,265**	2,531,027	2,570,207
Noninterest Expenses			
Salaries and employee benefits	**5,796,736**	5,893,698	6,009,602
Insurance Fund premiums	**699,517**	805,992	579,035
Travel	**445,124**	350,080	354,641
Advertising	**385,010**	366,984	336,804
Purchased services	**378,900**	287,947	283,016
Occupancy and equipment	**301,939**	326,601	344,182
Directors' expense	**274,333**	233,033	206,679
Supervisory and exam expense	**240,046**	215,716	183,026
Public and member relations	**170,998**	172,200	159,228
Communications	**87,046**	85,155	87,927
Other noninterest expense	**330,196**	356,570	379,431
Total noninterest expenses	**9,109,845**	9,093,976	8,923,571
Income before income taxes	**9,528,197**	9,421,377	8,986,021
(Benefit from) provision for income taxes	**(15,276)**	(9,109)	8,564
NET INCOME	**9,543,473**	9,430,486	8,977,457
Other comprehensive income:			
Change in postretirement benefit plans	**(15,542)**	(6,306)	172,822
COMPREHENSIVE INCOME	**$ 9,527,931**	$ 9,424,180	$ 9,150,279

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2014	$ 2,931,720	$ 95,185,052	$ (281,724)	$ 97,835,048
Comprehensive income	-	8,977,457	172,822	9,150,279
Capital stock/participation certificates issued	495,890	-	-	495,890
Capital stock/participation certificates retired	(365,810)	-	-	(365,810)
Patronage dividends:				
Cash	-	(2,500,000)	-	(2,500,000)
Balance at December 31, 2015	3,061,800	101,662,509	(108,902)	104,615,407
Comprehensive income	-	9,430,486	(6,306)	9,424,180
Capital stock/participation certificates issued	465,630	-	-	465,630
Capital stock/participation certificates retired	(442,330)	-	-	(442,330)
Prior year patronage distributions paid				
Cash	-	(3,206)	-	(3,206)
Patronage dividends:				
Cash	-	(2,900,000)	-	(2,900,000)
Balance at December 31, 2016	3,085,100	108,189,789	(115,208)	111,159,681
Comprehensive income	-	9,543,473	(15,542)	9,527,931
Capital stock/participation certificates issued	509,630	-	-	509,630
Capital stock/participation certificates retired	(417,855)	-	-	(417,855)
Patronage dividends:				
Cash	-	(3,510,000)	-	(3,510,000)
Balance at December 31, 2017	**$ 3,176,875**	**$ 114,223,262**	**$ (130,750)**	**$ 117,269,387**

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	**$ 9,543,473**	$ 9,430,486	$ 8,977,457
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses or (loan loss reversal)	**23,312**	23,541	(1,999)
Loss (gain) on sale of other property owned, net	**-**	48,234	(3,779)
Depreciation	**702,738**	729,516	617,644
Gain on sale of premises and equipment, net	**(85,410)**	(92,769)	(61,955)
(Increase) decrease in accrued interest receivable	**(1,422,416)**	224,724	(1,199,649)
Decrease (increase) in other receivable from the Farm Credit Bank of Texas	**657,340**	(795,585)	(779,322)
Increase in other assets	**(12,313)**	(21,719)	(18,980)
Increase in accrued interest payable	**139,560**	42,927	93,240
(Decrease) increase in other liabilities	**(182,182)**	(18,835)	497,099
Net cash provided by operating activities	**9,364,102**	9,570,520	8,119,756
Cash flows from investing activities:			
Increase in loans, net	**(27,166,160)**	(6,327,516)	(36,818,619)
Cash recoveries of loans previously charged off	**-**	-	50,841
Proceeds from redemption (purchase) of invesment in the Farm Credit Bank of Texas	**64,595**	(585,665)	(672,660)
Purchases of premises and equipment	**(452,769)**	(484,809)	(478,887)
Proceeds from sales of premises and equipment	**156,500**	211,500	111,300
Proceeds from sales of other property owned	**-**	90,877	138,660
Net cash used in investing activities	**(27,397,834)**	(7,095,613)	(37,669,365)
Cash flows from financing activities:			
Net draws on (repayment of) note payable to the Farm Credit Bank of Texas	**21,581,827**	(2,803,443)	32,181,403
Increase (decrease) in guaranteed obligations to government entities	**731,614**	1,089,014	299,297
(Decrease) increase in drafts outstanding	**(1,481,101)**	1,725,173	(258,501)
Issuance of capital stock and participation certificates	**509,630**	465,630	495,890
Retirement of capital stock and participation certificates	**(417,855)**	(442,330)	(365,810)
Patronage distributions paid	**(2,900,213)**	(2,503,152)	(2,799,979)
Net cash provided by (used in) financing activities	**18,023,902**	(2,469,108)	29,552,300
Net (decrease) increase in cash	**(9,830)**	5,799	2,691
Cash at the beginning of the year	**15,381**	9,582	6,891
Cash at the end of the year	**$ 5,551**	$ 15,381	$ 9,582
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ -**	$ 79,400	$ 134,881
Loans charged off	**1,312**	4,581	5,227
Patronage distributions declared	**3,510,000**	2,900,000	2,500,000
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 11,114,593**	$ 10,215,938	$ 9,341,177

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

MISSISSIPPI LAND BANK, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Mississippi Land Bank, ACA, including its wholly-owned subsidiaries, Mississippi, PCA and Mississippi Land Bank, FLCA (collectively called the Association), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Webster, Winston and Yalobusha in the state of Mississippi.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2017, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2017, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2.0 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank. The Association also serves as an intermediary in offering credit life insurance.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas and District Associations' Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Mississippi, PCA and Mississippi Land Bank, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements: In August 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association is evaluating the impact of adoption on the Association's financial condition and its results of operations.

In March 2017, the FASB issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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 becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association determined the effect was not material to its financial condition or results of operations and will not change its current recognition practices.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs and funds held balances. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program, are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

Each quarter the Association employs a rigorous allowance evaluation model consisting of four facets, each related to the allowance for loan losses, in order to determine an appropriate level of allowance to carry on the Association's consolidated balance sheet. The first facet is a general allowance calculation based upon the risk rating of each individual loan in the Association's portfolio. The second is a specific allowance calculation derived from calculations, analyses and communications among the branch vice presidents and members of the Association's Asset-Liability Committee (ALCO). The third facet is based upon the results of the quarterly stress testing model performed by the branch vice presidents and members of the ALCO. The fourth facet is a general economy and commodity evaluation in which the ALCO evaluate the current market for each commodity, as well as general economic factors such as unemployment. Management also evaluates the Association's historical losses and the relationship of these losses to the current level of allowance. The final results are evaluated for reasonableness by the Association's ALCO and presented to the board of directors for approval.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2.0 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2.0 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5.0 percent of the average outstanding balance of borrowings from the Bank.

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

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Guaranteed Obligations to Government Entities: Guaranteed obligations to government entities represent amounts owed to state economic and community development agency by Association borrowers and guaranteed by the Association.

H. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

I. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB Plan) or the defined contribution plan (DC Plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB Plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB Plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB Plan.

   Participants in the DC Plan generally include employees who elected to transfer from the DB Plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC Plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2017, made on their behalf into various investment alternatives.

   The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC Plan of $172,952, $175,830 and $167,243 for the years ended December 31, 2017, 2016 and 2015, respectively. For the DB Plan, the Association recognized pension costs of $857,730, $1,084,755 and $807,996 for the years ended December 31, 2017, 2016 and 2015, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $166,480, $169,318 and $156,749 for the years ended December 31, 2017, 2016 and 2015, respectively.

   In addition to the DB Plan, the DC Plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $3,001, $784 and $100 for the years ended December 31, 2017, 2016 and 2015, respectively.

   In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet.

J. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will, therefore, impact future tax payments." A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

New U.S. tax laws resulting from legislation commonly known as the Tax Cuts and Jobs Acts of 2017 (TCJA) were enacted in late 2017. Among other things, the TCJA changed the federal corporate tax rate from 35 percent to 21 percent. FLCA subsidiaries are exempt from federal and state income tax; however, the change in the federal corporate tax rate will have a financial statement impact for year-end 2017 on ACAs and PCA subsidiaries that will require the revaluation of any deferred taxes (assets or liabilities) in the year of enactment (2017). This will result in either a tax expense or tax benefit to the income statement.

K. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

L. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, “Fair Value Measurements.”

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management’s assessment of the customer’s creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2017		2016		2015	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 534,367,052**	**84.8%**	$ 513,752,691	85.2%	$ 509,766,332	85.4%
Production and intermediate term	**65,651,022**	**10.4%**	59,704,160	9.9%	53,216,158	8.9%
Agribusiness:						
Processing and marketing	**14,632,996**	**2.3%**	16,208,096	2.7%	19,046,324	3.2%
Farm-related business	**4,107,619**	**0.7%**	4,325,970	0.7%	6,123,984	1.0%
Loans to cooperatives	**1,673,345**	**0.3%**	1,577,708	0.3%	384,688	0.1%
Rural residential real estate	**6,183,100**	**1.0%**	4,191,566	0.7%	3,865,643	0.6%
Communication	**3,243,768**	**0.5%**	3,195,285	0.5%	1,755,747	0.3%
Energy	**-**	**0.0%**	138,115	0.0%	1,470,571	0.2%
Water and waste water	**-**	**0.0%**	-	0.0%	1,643,488	0.3%
Total	**$ 629,858,902**	**100.0%**	$ 603,093,591	100.0%	$ 597,272,935	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2017:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 18,486,776	$ -	$ -	$ -	$ 18,486,776	$ -
Real estate mortgage	4,218,101	6,657,431	8,040,995	-	12,259,096	6,657,431
Communication	3,243,768	-	-	-	3,243,768	-
Total	$ 25,948,645	$ 6,657,431	$ 8,040,995	$ -	$ 33,989,640	$ 6,657,431

Geographic Distribution:

County	2017	2016	2015
Noxubee	**11.1%**	9.9%	9.7%
Panola	**6.0%**	6.1%	5.3%
Coahoma	**5.2%**	5.4%	4.6%
Tate	**5.1%**	5.4%	4.9%
Bolivar	**4.9%**	5.0%	5.1%
Tallahatchie	**4.8%**	4.7%	4.4%
Quitman	**4.7%**	5.0%	4.7%
Sunflower	**4.2%**	4.3%	4.3%
Marshall	**3.8%**	4.6%	8.4%
Tunica	**3.4%**	3.5%	3.2%
DeSoto	**3.4%**	3.2%	3.0%
Oktibbeha	**3.3%**	3.1%	3.1%
Chickasaw	**2.8%**	2.8%	2.5%
Alcorn	**2.4%**	2.6%	2.9%
Clay	**2.3%**	2.3%	2.2%
Pontotoc	**2.2%**	2.6%	2.3%
Lowndes	**2.1%**	1.5%	1.3%
Lee	**2.0%**	2.0%	2.3%
Monroe	**1.8%**	1.6%	1.6%
Winston	**1.7%**	1.3%	1.4%
Lafayette	**1.5%**	1.6%	1.5%
Union	**1.3%**	1.2%	1.2%
Choctaw	**1.2%**	1.1%	1.0%
Other Counties	**11.9%**	12.0%	12.2%
Other States	**6.9%**	7.2%	6.9%
Totals	**100.0%**	100.0%	100.0%

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

	2017		2016		2015	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Timber	**$ 136,179,407**	**21.6%**	$ 131,670,473	21.8%	$ 128,322,039	21.5%
Soybeans	**128,792,238**	**20.4%**	120,220,383	19.9%	123,493,419	20.7%
Livestock, except dairy and poultry	**100,668,312**	**16.0%**	101,717,711	16.9%	106,456,097	17.8%
Cotton	**74,453,716**	**11.8%**	68,598,141	11.4%	69,370,649	11.6%
Corn	**49,168,988**	**7.8%**	51,077,827	8.5%	49,737,567	8.3%
Poultry and eggs	**38,166,529**	**6.1%**	33,012,752	5.5%	31,436,487	5.3%
Farm and garden machinery equipment	**20,455,983**	**3.2%**	12,257,786	2.0%	3,052,724	0.5%
Rice	**16,270,968**	**2.6%**	17,105,833	2.8%	18,457,171	3.1%
Recreational property	**15,852,651**	**2.5%**	17,973,101	3.0%	16,397,021	2.7%
Other field crops, including cash grains	**14,188,812**	**2.3%**	15,228,641	2.5%	14,888,858	2.5%
Rural home loans	**9,586,847**	**1.5%**	5,876,219	1.0%	8,276,583	1.4%
Paper and allied products	**5,364,795**	**0.9%**	4,015,242	0.7%	4,060,170	0.7%
Catfish	**3,261,204**	**0.5%**	2,960,668	0.5%	1,906,234	0.3%
Communication	**3,243,768**	**0.5%**	3,195,285	0.5%	1,755,747	0.3%
Other	**14,204,684**	**2.3%**	18,183,529	3.0%	19,662,169	3.3%
Total	**$ 629,858,902**	**100.0%**	$ 603,093,591	100.0%	$ 597,272,935	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum.

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

	December 31, 2017	December 31, 2016	December 31, 2015
Nonaccrual loans:			
Real estate mortgage	**$ 1,025,013**	$ 713,834	$ 900,991
Total nonaccrual loans	**1,025,013**	713,834	900,991
Accruing restructured loans:			
Real estate mortgage	**162,440**	-	-
Production and intermediate term	**-**	-	17,263
Total accruing restructured loans	**162,440**	-	17,263
Accruing loans 90 days or more past due:			
Real estate mortgage	**-**	28,283	132,234
Rural residential real estate	**-**	-	130,475
Total accruing loans 90 days or more past due	**-**	28,283	262,709
Total nonperforming loans	**1,187,453**	742,117	1,180,963
Other property owned	**-**	-	59,711
Total nonperforming assets	**$ 1,187,453**	$ 742,117	$ 1,240,674

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

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

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2017		2016		2015	
Real estate mortgage						
Acceptable	**99.2**	%	99.1	%	99.2	%
OAEM	**0.2**		0.4		0.3	
Substandard/doubtful	**0.6**		0.5		0.5	
	100.0		100.0		100.0	
Production and intermediate term						
Acceptable	**100.0**		99.9		98.8	
OAEM	**-**		-		1.2	
Substandard/doubtful	**-**		0.1		0.0	
	100.0		100.0		100.0	
Loans to cooperatives						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Processing and marketing						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Farm-related business						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Communication						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Energy						
Acceptable	**-**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	-		100.0		100.0	
Water and waste water						
Acceptable	**-**		-		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	-		-		100.0	
Rural residential real estate						
Acceptable	**92.4**		88.4		87.0	
OAEM	**0.5**		1.9		2.2	
Substandard/doubtful	**7.1**		9.7		10.8	
	100.0		100.0		100.0	
Total Loans						
Acceptable	**99.3**		99.2		99.1	
OAEM	**0.1**		0.3		0.4	
Substandard/doubtful	**0.6**		0.5		0.5	
	100.0	%	100.0	%	100.0	%

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2017, 2016 and 2015:

December 31, 2017:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 620,585**	**$ 582,345**	**$ 1,202,930**	**$ 542,433,202**	**$ 543,636,132**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**66,722,631**	**66,722,631**	**-**
Processing and marketing	**-**	**-**	**-**	**14,644,362**	**14,644,362**	**-**
Rural residential real estate	**46,324**	**-**	**46,324**	**6,164,085**	**6,210,409**	**-**
Farm-related business	**-**	**-**	**-**	**4,181,419**	**4,181,419**	**-**
Communication	**-**	**-**	**-**	**3,244,905**	**3,244,905**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,673,982**	**1,673,982**	**-**
Total	**$ 666,909**	**$ 582,345**	**$ 1,249,254**	**$ 639,064,586**	**$ 640,313,840**	**$ -**

December 31, 2016:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 753,458	$ 38,988	$ 792,446	$ 520,920,274	$ 521,712,720	$ 28,283
Production and intermediate term	73,514	-	73,514	60,587,497	60,661,011	-
Processing and marketing	-	-	-	16,230,764	16,230,764	-
Farm-related business	-	-	-	4,399,308	4,399,308	-
Rural residential real estate	-	-	-	4,209,723	4,209,723	-
Communication	-	-	-	3,195,888	3,195,888	-
Loans to cooperatives	-	-	-	1,578,007	1,578,007	-
Energy	-	-	-	138,692	138,692	-
Total	$ 826,972	$ 38,988	$ 865,960	$ 611,260,153	$ 612,126,113	$ 28,283

December 31, 2015:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 711,841	$ 132,234	$ 844,075	$ 517,136,770	$ 517,980,845	$ 132,234
Production and intermediate term	-	-	-	54,038,237	54,038,237	-
Processing and marketing	-	-	-	19,164,440	19,164,440	-
Farm-related business	-	-	-	6,204,170	6,204,170	-
Rural residential real estate	46,804	130,475	177,279	3,704,524	3,881,803	130,475
Communication	-	-	-	1,756,140	1,756,140	-
Water and waste water	-	-	-	1,646,677	1,646,677	-
Energy	-	-	-	1,473,013	1,473,013	-
Loans to cooperatives	-	-	-	384,856	384,856	-
Total	$ 758,645	$ 262,709	$ 1,021,354	$ 605,508,827	$ 606,530,181	$ 262,709

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

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

As of December 31, 2017, the Association held three TDR loans, classified as real estate mortgage, with a total recorded investment of $722,014, of which $559,574 was classified as nonaccrual and $162,440 was classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. The Association had one loan meet the requirements for a troubled debt restructuring designation during the twelve months ended December 31, 2017. The premodification outstanding recorded investment was $483,331 and represents the recorded investment of the loan as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment of $485,767 represents the recorded investment of the loan as of the quarter end the restructuring occurred. As of December 31, 2017, there were no commitments to lend additional funds to the borrowers.

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

As of December 31, 2016, the Association held two TDR loans, classified as real estate mortgage, with a total recorded investment of $227,251, which was classified as nonaccrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. The Association had no loan meet the requirements for a troubled debt restructuring designation during the 12 months ended December 31, 2016. As of December 31, 2016, there were no commitments to lend additional funds to the borrowers.

As of December 31, 2015, the Association held three TDR loans with a total recorded investment of $267,489. Two of the loans were classified as real estate mortgage, had a total recorded investment of $250,226 and were classified as nonaccrual. One of the loans was classified as production and intermediate term with a total recorded investment of $17,263, which was classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. One loan with a recorded investment of $17,263 met the requirements for a troubled debt restructuring designation during the 12 months ended December 31, 2015. The premodification outstanding recorded investment was $16,664 and represents the recorded investment of the loan as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment of $17,263 represents the recorded investment of the loan as of the quarter end the restructuring occurred. As of December 31, 2015, there were no commitments to lend additional funds to the borrowers.

The Association had no loans that met the accounting criteria as a TDR and that occurred within the previous 12 months of that year and for which there was a payment default during the periods ending December 31, 2017, 2016 and 2015. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2017	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,186,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total	$ 1,186,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total impaired loans:					
Real estate mortgage	$ 1,186,718	$ 1,199,598	$ -	$ 924,367	$ 24,955
Total	$ 1,186,718	$ 1,199,598	$ -	$ 924,367	$ 24,955

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

	Recorded Investment at 12/31/2016	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 741,840	$ 759,246	$ -	$ 781,892	$ 2,437
Total	$ 741,840	$ 759,246	$ -	$ 781,892	$ 2,437
Total impaired loans:					
Real estate mortgage	$ 741,840	$ 759,246	$ -	$ 781,892	$ 2,437
Total	$ 741,840	$ 759,246	$ -	$ 781,892	$ 2,437

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

	Recorded Investment at 12/31/2015	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 123,174	$ 136,054	$ 7,050	$ 134,098	$ -
Total	$ 123,174	$ 136,054	$ 7,050	$ 134,098	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 908,887	$ 961,837	$ -	$ 903,517	$ 15,340
Production and intermediate term	17,125	17,125	-	11,791	138
Rural residential real estate	129,693	129,693	-	132,118	9,562
Total	$ 1,055,705	$ 1,108,655	$ -	$ 1,047,426	$ 25,040
Total impaired loans:					
Real estate mortgage	$ 1,032,061	$ 1,097,891	$ 7,050	$ 1,037,615	$ 15,340
Production and intermediate term	17,125	17,125	-	11,791	138
Rural residential real estate	129,693	129,693	-	132,118	9,562
Total	$ 1,178,879	$ 1,244,709	$ 7,050	$ 1,181,524	$ 25,040

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2017, 2016 and 2015.

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

	2017	2016	2015
Interest income which would have been recognized under the original terms	**$ 79,072**	$ 53,190	$ 85,629
Less: interest income recognized	**(24,955)**	(2,437)	(25,040)
Foregone interest income	**$ 54,117**	$ 50,753	$ 60,589

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2016	$ 587,998	$ 96,617	$ 25,352	$ 5,529	$ 36	$ 8,423	$ 723,955
Charge-offs	(1,312)	-	-	-	-	-	(1,312)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	1,312	-	-	-	-	22,000	23,312
Adjustment due to merger	-	-	-	-	-	-	-
Other	605	2,279	3,324	78	(36)	-	6,250
Balance at December 31, 2017	$ 588,603	$ 98,896	$ 28,676	$ 5,607	$ -	$ 30,423	$ 752,205
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 22,000	$ 22,000
Ending Balance: collectively evaluated for impairment	$ 588,603	$ 98,896	$ 28,676	$ 5,607	$ -	$ 8,423	$ 730,205
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2017	$ 543,636,132	$ 66,722,631	$ 20,499,763	$ 3,244,905	$ -	$ 6,210,409	$ 640,313,840
Ending balance for loans individually evaluated for impairment	$ 3,713,001	$ -	$ -	$ -	$ -	$ 489,042	$ 4,202,043
Ending balance for loans collectively evaluated for impairment	$ 539,923,131	$ 66,722,631	$ 20,499,763	$ 3,244,905	$ -	$ 5,721,367	$ 636,111,797
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2015	$ 573,240	$ 87,429	$ 29,249	$ 726	$ 258	$ 7,618	$ 6,811	$ 705,331
Charge-offs	(4,581)	-	-	-	-	-	-	(4,581)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	18,970	10,524	(1,865)	4,881	(2,963)	(7,618)	1,612	23,541
Other	369	(1,336)	(2,032)	(78)	2,741	-	-	(336)
Balance at December 31, 2016	$ 587,998	$ 96,617	$ 25,352	$ 5,529	$ 36	$ -	$ 8,423	$ 723,955
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 587,998	$ 96,617	$ 25,352	$ 5,529	$ 36	$ -	$ 8,423	$ 723,955
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2016	$ 521,712,720	$ 60,661,011	$ 22,208,079	$ 3,195,888	$ 138,692	$ -	$ 4,209,723	$ 612,126,113
Ending balance for loans individually evaluated for impairment	$ 742,117	$ -	$ -	$ -	$ -	$ -	$ -	$ 742,117
Ending balance for loans collectively evaluated for impairment	$ 520,970,603	$ 60,661,011	$ 22,208,079	$ 3,195,888	$ 138,692	$ -	$ 4,209,723	$ 611,383,996
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2014	$ 564,815	$ 85,138	$ 31,543	$ 245	$ 1,301	$ 1,662	$ 5,155	$ 689,859
Charge-offs	(5,227)	-	-	-	-	-	-	(5,227)
Recoveries	50,841	-	-	-	-	-	-	50,841
Provision for loan losses	(35,084)	14,316	8,599	481	(464)	8,497	1,656	(1,999)
Other	(2,105)	(12,025)	(10,893)	-	(579)	(2,541)	-	(28,143)
Balance at December 31, 2015	$ 573,240	$ 87,429	$ 29,249	$ 726	$ 258	$ 7,618	$ 6,811	$ 705,331
Ending Balance: individually evaluated for impairment	$ 51,050	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,050
Ending Balance: collectively evaluated for impairment	$ 522,190	$ 87,429	$ 29,249	$ 726	$ 258	$ 7,618	$ 6,811	$ 654,281
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2015	$ 517,980,845	$ 54,038,237	$ 25,753,466	$ 1,756,140	$ 1,473,013	$ 1,646,677	$ 3,881,803	$ 606,530,181
Ending balance for loans individually evaluated for impairment	$ 1,522,805	$ 17,263	$ -	$ -	$ -	$ -	$ 130,475	$ 1,670,543
Ending balance for loans collectively evaluated for impairment	$ 516,458,040	$ 54,020,974	$ 25,753,466	$ 1,756,140	$ 1,473,013	$ 1,646,677	$ 3,751,328	$ 604,859,638
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owns 3.36 percent of the issued stock of the Bank as of December 31, 2017. As of that date, the Bank's assets totaled $22.84 billion and members' equity totaled $1.67 billion. The Bank's earnings were $196.0 million during 2017.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2017	2016	2015
Building and improvements	**$ 2,456,722**	$ 2,447,039	$ 2,447,039
Land and improvements	**1,348,234**	1,344,259	1,344,259
Automobiles	**1,185,596**	1,071,582	898,448
Furniture and equipment	**384,495**	370,756	364,077
Computer equipment and software	**179,607**	172,841	195,147
	5,554,654	5,406,477	5,248,970
Accumulated depreciation	**(1,818,634)**	(1,748,935)	(1,650,869)
Total	**$ 3,736,020**	$ 3,657,542	$ 3,598,101

The Association leases office space in Clarksdale, Cleveland, Indianola, Kosciusko, Louisville and New Albany. Lease expense was $48,965, $49,140 and $49,140 for 2017, 2016 and 2015, respectively. The Association currently has month-to-month lease agreements with each of its lessors except for one. Minimum annual lease payments for the next five years are as follows:

	Operating
2018	$ 2,100
2019	350
2020	-
2021	-
2022	-
Thereafter	-
Total	2,450

NOTE 6 — OTHER PROPERTY OWNED, NET:

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

	2017	2016	2015
Gain (loss) on sale, net	**$ -**	$ (47,509)	$ 4,237
Operating income (expense), net	-	(725)	(458)
Net gain (loss) on other property owned	**$ -**	$ (48,234)	$ 3,779

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets as of December 31, 2017, 2016 and 2015 were $275,665, $263,352 and $241,633, respectively. The majority of the balance is comprised of a long-term receivable from the Farm Credit Captive Insurance Company of $254,226, $239,645 and $224,604 as of the end of 2017, 2016 and 2015, respectively.

Other liabilities as of December 31, 2017, 2016 and 2015 were $4,329,726, $4,502,616 and $4,514,810, respectively. The primary components of this balance include the accumulated other postretirement benefit obligation of $1,649,886, $1,600,999 and

$1,571,923 as of the end of 2017, 2016 and 2015, respectively, the employee incentive payable of $1,083,149, $1,033,735 and $1,580,407 as of the end of 2017, 2016 and 2015, respectively, and Insurance Fund premiums payable of $699,517, $805,992 and $579,035, as of the end of 2017, 2016 and 2015, respectively. See Note 11, "Employee Benefit Plans," for additional information regarding the accumulated other postretirement benefit obligation.

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2018, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2017, 2016 and 2015, was $520,600,139 at 2.28 percent, $499,018,312 at 2.02 percent and $501,821,755 at 1.95 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2017, 2016 and 2015, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2017, was $620,000,000, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2017, 2016 and 2015, the Association was not subject to remedies associated with the covenants in the general financing agreement. Other than our funding relationship with the Bank, we have no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) or participation certificates (for rural home or farm-related business loans) is equal to 2.0 percent of the loan amount, up to a maximum amount of $1,000 per loan for loans made under the FLCA. Under the PCA, the investment in Class A capital stock or participation certificates is equal to 2.0 percent of the loan amount, up to a maximum of $1,000 per customer. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10.0 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2017, 2016 and 2015, respectively:

Date Declared	Date Paid	Patronage
December 2017	**February 2018**	**$ 3,510,000**
December 2016	February 2017	2,900,000
December 2015	February 2016	2,500,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past. As of December 31, 2017, the Association is not prohibited from retiring stock or distributing earnings.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2017:

Risk-adjusted:	**Regulatory Minimums**	**Conservation Buffer***	**Total**	**As of December 31, 2017**
Common equity tier 1 ratio	4.50%	2.50%	7.00%	16.41%
Tier 1 capital ratio	6.00%	2.50%	8.50%	16.41%
Total capital ratio	8.00%	2.50%	10.50%	16.53%
Permanent capital ratio	7.00%	0.00%	7.00%	16.43%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	16.89%
UREE leverage ratio	1.50%	0.00%	1.50%	17.98%

*The 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019. There is no phase-in of the leverage buffer.

**Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-adjusted assets are calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement, less certain regulatory required deductions including the amount of allocated investments in other System institutions, divided by average assets less regulatory deductions subject to tier 1 capital.

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

The components of the Association's risk-adjusted capital, based on 90 day average balances, were as follows at December 31, 2017:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 114,832,047	$ 114,832,047	$ 114,832,047	$ 114,832,047
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,167,938	3,167,938	3,167,938	3,167,938
Allowance for loan losses and reserve for credit losses subject to certain limitations*			774,434	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(10,178,307)	(10,178,307)	(10,178,307)	(10,178,307)
Other regulatory required deductions	-	-	-	-
	$ 107,821,678	$ 107,821,678	$ 108,596,112	$ 107,821,678
Denominator:				
Risk-adjusted assets excluding allowance	$ 667,320,442	$ 667,320,442	$ 667,320,442	$ 667,320,442
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(10,178,307)	(10,178,307)	(10,178,307)	(10,178,307)
Allowance for loan losses	-	-	-	(752,205)
	$ 657,142,135	$ 657,142,135	$ 657,142,135	$ 656,389,930

*Capped at 1.25% of risk-adjusted assets

The components of the Association's non-risk-adjusted capital, based on 90 day average balances, were as follows at December 31, 2017:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 114,832,047	$ 114,832,047
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,167,938	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(10,178,307)	-
Other regulatory required deductions	-	-
	$ 107,821,678	$ 114,832,047
Denominator:		
Total Assets	$ 652,937,065	$ 652,937,065
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(14,397,370)	(14,397,370)
	$ 638,539,695	$ 638,539,695

The board of directors of the Association has promulgated a detailed and specific Capital Adequacy Plan (Plan) to address the current and future needs of its borrowers. The framework of the Plan is based on the specific circumstances of the Association and its borrowers, as well as regulatory requirements of the FCA. The Plan defines and measures the Association's goals and performance in large part based on the District's financial performance standards for associations. At least quarterly, management and the board of directors review the Association's financial performance, key capital ratios, asset quality, the adequacy of the allowance for loan losses, the sufficiency of liquid funds and internal controls. The objectives of the board of directors, as outlined in the Plan, include, but are not limited to, sustained profitability and reasonable protection against risks inherent in the Association's operations, exceeding all minimum regulatory requirements and maximizing return on capital. A strong capital base, as outlined in the Plan, will afford the Association an opportunity to position itself to address the changing lending environment and provide the highest quality service to its stockholders.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2017	2016	2015
Class A stock	**622,465**	606,246	601,182
Participation certificates	**12,910**	10,774	11,178
Total	**635,375**	617,020	612,360

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

	2017	2016	2015
Prior service (credit) cost	**$ (15,877)**	$ (37,049)	$ (58,221)
Net actuarial loss (gain)	**146,627**	152,257	167,123
Total	**$ 130,750**	$ 115,208	$ 108,902

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2017	2016	2015
Accumulated other comprehensive income (loss) at January 1	**$ (115,208)**	$ (108,902)	$ (281,724)
Actuarial gains (losses)	**5,630**	13,220	164,735
Amortization of prior service (credit) costs included in salaries and employee benefits	**(21,172)**	(21,172)	(23,235)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**-**	1,646	31,322
Other comprehensive income (loss), net of tax	**(15,542)**	(6,306)	172,822
Accumulated other comprehensive income at December 31	**$ (130,750)**	$ (115,208)	$ (108,902)

NOTE 10 — INCOME TAXES:

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

	2017	2016	2015
Deferred:			
Federal	**$ (13,202)**	$ (8,324)	$ 7,826
State	**(2,074)**	(785)	738
Total deferred	**(15,276)**	(9,109)	8,564
Total provision for (benefit from) income taxes	**$ (15,276)**	$ (9,109)	$ 8,564

The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2017	2016	2015
Federal tax at statutory rate	**$ 3,330,345**	$ 3,297,482	$ 3,145,107
State tax, net	**314,004**	310,905	296,539
Effect of nontaxable FLCA subsidiary	**(3,816,023)**	(3,546,529)	(3,454,619)
Effect of tax rate change	**148,008**	-	-
Change in valuation allowance	**6,656**	(110,925)	21,537
Other	**1,734**	39,958	-
Provision for (benefit from) income taxes	**$ (15,276)**	$ (9,109)	$ 8,564

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

	2017	2016	2015
Deferred Tax Assets			
Allowance for loan losses	**$ 5,409**	$ 8,868	$ 8,907
Loss carryforwards	**302,085**	291,970	402,857
Gross deferred tax assets	**307,494**	300,838	411,764
Deferred tax asset valuation allowance	**(307,494)**	(300,838)	(411,764)
Deferred Tax Liabilities			
Other	**(50,594)**	(65,871)	(74,978)
Gross deferred tax liabilities	**(50,594)**	(65,871)	(74,978)
Net deferred tax asset (liability)	**$ (50,594)**	$ (65,871)	$ (74,978)

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings.

The Association recorded valuation allowances of $307,494, $300,838 and $411,764 during 2017, 2016 and 2015, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly

Upon adoption of FASB guidelines for "Accounting for Uncertainty in Income Taxes" on January 1, 2007, the Association did not need to recognize a tax liability for any uncertain tax positions and at December 31, 2017, 2016 and 2015 did not recognize a tax liability for any uncertain positions.

The enactment of federal tax legislation in late December 2017, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning in 2018. In accordance with GAAP, the change to the lower corporate tax rate led to a revaluation of our deferred tax liabilities and deferred tax assets in the period of enactment (2017). The benefit from income taxes in 2017 was primarily due to a decrease in deferred tax liabilities as a result of the revaluation. The decrease in deferred tax assets was offset by a valuation allowance; therefore, no income statement impact.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

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

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

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

The Association elected to participate in the nonqualified defined contribution 401(k) plan. Contributions of $3,001, $784 and $100 were made to this plan for the years ended December 31, 2017, 2016 and 2015. There were no payments made from the Supplemental 401(k) Plan to active employees during 2017, 2016 and 2015.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB Plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the District as a whole and is presented in the District's Annual Report to Stockholders. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB Plan as of December 31, 2017.

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

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Funded status of DB Plan	**69.7** %	66.4 %	66.8 %
Association's contribution	**$ 857,730**	$ 1,084,755	$ 807,996
Percentage of Association's contribution to total	**7.4** %	9.2 %	7.6 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB Plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 73.4 percent, 70.6 percent and 72.5 percent at December 31, 2017, 2016 and 2015, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2017**	2016	2015
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,600,999**	$ 1,571,923	$ 1,702,239
Service cost	**18,402**	16,984	18,540
Interest cost	**72,391**	72,409	76,270
Plan participants' contributions	**21,913**	27,279	30,366
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**(5,630)**	(13,220)	(164,735)
Benefits paid	**(58,189)**	(74,376)	(90,757)
Accumulated postretirement benefit obligation, end of year	**$ 1,649,886**	$ 1,600,999	$ 1,571,923
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**36,276**	47,097	60,391
Plan participants' contributions	**21,913**	27,279	30,366
Benefits paid	**(58,189)**	(74,376)	(90,757)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,649,886)**	$ (1,600,999)	$ (1,571,923)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,649,886)**	$ (1,600,999)	$ (1,571,923)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 146,627**	$ 152,257	$ 167,123
Prior service cost (credit)	**(15,877)**	(37,049)	(58,221)
Net transition obligation (asset)	**-**	-	-
Total	**$ 130,750**	$ 115,208	$ 108,902
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2017**	12/31/2016	12/31/2015
Discount rate	**4.00%**	4.60%	4.70%
Health care cost trend rate assumed for next year (pre-/post-65) - medical/Rx	**7.70%/6.90%**	6.75%/6.50%	7.00%/6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026**	2025	2025

Total Cost	**2017**	2016	2015
Service cost	**$ 18,402**	$ 16,984	$ 18,540
Interest cost	**72,391**	72,409	76,270
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(21,172)**	(21,172)	(23,235)
Unrecognized net loss (gain)	**-**	1,646	31,322
Net postretirement benefit cost	**$ 69,621**	$ 69,867	$ 102,897
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ (5,630)**	$ (13,220)	$ (164,735)
Amortization of net actuarial loss (gain)	**-**	(1,646)	(31,322)
Prior service cost (credit)	**-**	-	-
Amortization of prior service cost	**21,172**	21,172	23,235
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ 15,542**	$ 6,306	$ (172,822)
AOCI Amounts Expected to be Amortized Into Expense in 2016			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**(15,877)**	(21,172)	(21,172)
Unrecognized net loss (gain)	**-**	-	1,646
Total	**$ (15,877)**	$ (21,172)	$ (19,526)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2016**	12/31/2015	12/31/2014
Discount rate	**4.60%**	4.70%	4.55%
Health care cost trend rate assumed for next year (pre-/post-65) - medical/Rx	**6.75%/6.50%**	7.00%/6.50%	7.25%/6.75%
Ultimate health care cost trend rate	**4.50%**	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	**2025**	2025	2024

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2018	**$ 52,579**
Fiscal 2019	**68,760**
Fiscal 2020	**62,390**
Fiscal 2021	**59,261**
Fiscal 2022	**67,456**
Fiscal 2023-2027	**398,742**
Expected Contributions	
Fiscal 2018	**$ 52,579**

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $6,491,611, $6,615,611 and $7,187,357 at December 31, 2017, 2016 and 2015, respectively. During 2017, $1,164,658 of new loans were made, and repayments totaled $1,288,658. In the opinion of management, no such loans outstanding at December 31, 2017, 2016 and 2015 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $93,967, $84,987 and $84,670 in 2017, 2016 and 2015, respectively.

The Association received patronage payments from the Bank totaling $2,246,664, $2,331,311 and $2,246,096 during 2017, 2016 and 2015, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

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

Other Property Owned

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

Note Payable to the Farm Credit Bank of Texas

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

Guaranteed obligations to government entities

Guaranteed obligations to government entities represent amounts owed to a state economic and community development agency by Association borrowers and guaranteed by the Association. As a result, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

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

December 31, 2017	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**-**

December 31, 2016	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ -
Other property owned	-	-	-

December 31, 2015	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ 116,124
Other property owned	-	-	59,711

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

The Association revised fair value measurements for the reporting of certain loans measured at fair value on a nonrecurring basis using Level 3 inputs at December 31, 2016 and 2015. The disclosure was revised to report impaired loans with specific reserves only. The Level 3 fair value was disclosed as $713,834 in the 2016 Annual Report, for the December 31, 2016 disclosure, and has been revised to $0. The Level 3 fair value was disclosed as $849,941 in the 2015 Annual Report, for December 31, 2015 disclosure, and has been revised to $116,124.

Management has evaluated the impact of these errors and concluded that the amounts are immaterial to previously issued financial statements; however, it has elected to revise the reporting of certain loans measured at fair value on a nonrecurring basis in order to correctly present such amounts. The correction had no effect on the balance sheet, the statement of comprehensive income, earnings or the financial ratios.

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Farm Credit Bank of Texas	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk
Guaranteed obligations to government entities	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2017				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 5,551**	**$ 5,551**	**$ -**	**$ -**	**$ 5,551**
Net loans	**629,106,697**	**-**	**-**	**609,723,949**	**609,723,949**
Total Assets	**$ 629,112,248**	**$ 5,551**	**$ -**	**$ 609,723,949**	**$ 609,729,500**
Liabilities:					
Note payable to Farm Credit Bank of Texas	**$ 520,600,139**	**$ -**	**$ -**	**$ 504,579,629**	**$ 504,579,629**
Guaranteed obligations to government entities	**7,177,507**	**-**	**-**	**6,956,632**	**6,956,632**
Total Liabilities	**$ 527,777,646**	**$ -**	**$ -**	**$ 511,536,261**	**$ 511,536,261**

	December 31, 2016				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 15,381	$ 15,381	$ -	$ -	$ 15,381
Net loans	601,655,802	-	-	588,726,302	588,726,302
Total Assets	$ 601,671,183	$ 15,381	$ -	$ 588,726,302	$ 588,741,683
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 499,018,312	$ -	$ -	$ 488,294,478	$ 488,294,478
Guaranteed obligations to government entities	6,445,893	-	-	6,307,372	6,307,372
Total Liabilities	$ 505,464,205	$ -	$ -	$ 494,601,850	$ 494,601,850

	December 31, 2015				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 9,582	$ 9,582	$ -	$ -	$ 9,582
Net loans	596,422,994	-	-	587,455,121	587,455,121
Total Assets	$ 596,432,576	$ 9,582	$ -	$ 587,455,121	$ 587,464,703
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 501,821,755	$ -	$ -	$ 494,276,315	$ 494,276,315
Guaranteed obligations to government entities	5,356,879	-	-	5,276,332	5,276,332
Total Liabilities	$ 507,178,634	$ -	$ -	$ 499,552,647	$ 499,552,647

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, “Summary of Significant Accounting Policies,” the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2017, $56,340,544 of commitments and $357,841 of commercial letters of credit were outstanding.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2017				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 4,014**	**$ 4,027**	**$ 4,122**	**$ 4,014**	**$ 16,177**
(Provision for) reversal of loan losses	**(22)**	**(1)**	**-**	**-**	**(23)**
Noninterest income (expense), net	**(1,972)**	**(1,697)**	**(1,619)**	**(1,323)**	**(6,611)**
Net income	**$ 2,020**	**$ 2,329**	**$ 2,503**	**$ 2,691**	**$ 9,543**

	2016				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,956	$ 4,097	$ 4,079	$ 3,876	$ 16,008
(Provision for) reversal of loan losses	-	(19)	(5)	-	(24)
Noninterest income (expense), net	(2,191)	(1,561)	(1,768)	(1,034)	(6,554)
Net income	$ 1,765	$ 2,517	$ 2,306	$ 2,842	$ 9,430

	2015				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,835	$ 3,823	$ 3,879	$ 3,800	$ 15,337
(Provision for) reversal of loan losses	(49)	-	51	-	2
Noninterest income (expense), net	(1,911)	(1,634)	(1,604)	(1,213)	(6,362)
Net income	$ 1,875	$ 2,189	$ 2,326	$ 2,587	$ 8,977

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 14, 2018, which is the date the financial statements were issued or available to be issued. There are no subsequent events to this report.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

The Mississippi Land Bank, ACA (Association) serves its 32-county territory through its main administrative and lending office at 5509 Highway 51 North, P.O. Box 667, Senatobia, MS 38668, (662) 562-9671. Additionally, there are six primary branch lending offices and four part-time branches located throughout the territory. The Association owns the office buildings in Senatobia, Starkville, Tupelo and Corinth, free of debt. The Association leases the office buildings in Clarksdale, Cleveland, Indianola, Kosciusko, Louisville and New Albany.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

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

DESCRIPTION OF LIABILITIES

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

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association’s financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders’ investment in the Association.

The annual and quarterly stockholder reports of the Bank and of the Texas Farm Credit District (District) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or by calling (512) 483-9204. Copies of the Bank and District annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Mississippi Land Bank, ACA, 5509 Highway 51 North, P.O. Box 667, Senatobia, Mississippi, 38668, or by calling (662) 562-9671. Copies of the Association's quarterly stockholder reports are available on its website at *www.mslandbank.com*. The Association's annual stockholder report is also available on its website at *www.mslandbank.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2017, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data," included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Abbott Myers	Chairman	2017	2020
Alan Blaine	Vice Chairman	2015	2018
Jan D. Hill	Director	2017	2020
Keith Morton	Director	2017	2020
Calvin W. Ozier, Jr.	Director	2016	2019
James Gordon Robison	Director	2016	2019
Travis Satterfield	Director	2015	2018
W. Morgan Gulledge, Jr.	Director-Elected Director	2016	2019
Lawson McClellan	Director-Elected Director	2015	2018
Craig B. Shideler	President and Chief Executive Officer	1990	
Ronnie Sellers	Executive Vice President and Chief Credit Officer	1990	
J. Matthew Walden	Chief Operating Officer	2003	
Claire B. Pegram	Chief Financial Officer	2008	

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

Abbott Myers, age 67. Mr. Myers owns and operates a 7,200 acre farm in Tunica County, farming rice, corn, soybeans and wheat. He serves as secretary of the board of directors of Coahoma Electric Association and is a director of the Mississippi Rice Council. He is the past district chairman of Soil Conservation, past chairman of Tunica Academy, past director of YMD, FSA Committee and NRCS. He is a member of Farm Bureau, Delta Council, the American Soybean Association and the NRA. Mr. Myers currently serves as a member of the Stockholder Advisory Committee (SAC) for the Tenth Farm Credit District and has previously served as chairman of the SAC. He also represents the Association on the Tenth Farm Credit Council. Mr. Myers serves as an elder and clerk of the Session of Tunica Presbyterian Church. He and his wife, Sheryl, reside in Dundee, Mississippi.

Alan Blaine, age 58. Dr. Blaine has a Ph.D. in agronomy from Mississippi State University. Dr. Blaine owns and operates a timber, hay and cattle farm in central Mississippi. He is a partner/owner in Southern Ag Consulting, Inc., a crop consulting firm, and also a partner/owner in Alliance Ag Risk Management. Dr. Blaine is a Certified Crop Adviser and a licensed Crop Consultant. He is a member of Mississippi Farm Bureau, Oktibbeha County Forestry Association, and a life member of the American Soybean Association, the Mississippi Soybean Association, the Mississippi Cattlemen's Association and the National Rifle Association. He and his wife, Emily, are members of Friendship Baptist Church. They are the parents of four children and have three grandchildren.

Jan D. Hill, age 68. Mr. Hill has been a full-time farmer since 1970. He owns and operates a farm in Chickasaw County, raising beef cattle, cotton, soybeans, corn and timber on 2,300 acres. Mr. Hill has served on the Chickasaw County FSA Committee, the Mississippi Farm Bureau State Board and presently serves on the Farm Bureau County Board. He is a member of the Corn

Promotion Board and Pleasant Grove Baptist Church, where he serves as a deacon. Mr. Hill and his wife, Judy, have one son and four grandchildren and reside in Woodland.

Keith Morton, age 46. Mr. Morton began farming in 1987. Keith and his wife, Beth, own and operate Morton Farms, Inc., which is comprised of approximately 1,000 acres of cropland where he raises corn, soybeans and wheat. Mr. Morton has served on the Mississippi Farm Bureau Federation board of directors and as president of the Mississippi Soybean Association, where he is on the board of directors. He has served as chairman of the Mississippi Soybean Promotion Board and continues to serve as a board member. He has also served as the Mississippi Farm Bureau Soybean Commodity Chairman and as Tippah County Farm Bureau President.

Calvin W. Ozier, Jr., age 68. Mr. Ozier is the president of UWT Logistics, LLC. He raises beef cattle and timber on 400 acres in Marshall County. He is a current board member and past president of both Marshall County Cattlemen's Association and Marshall County Forestry Association. Mr. Ozier is also past president of the Southeastern Warehouse Association. He is a member of First Evangelical Church in Memphis, Tennessee. He and his wife, Brenda, reside in Marshall County.

James Gordon Robison, age 75. Mr. Robison is the president of Robison Brothers Farms, Inc. He is a beef cattle, dairy and row crop farmer of 2,200 acres in northern Lee County. He is a committee member of Town Creek Waste Water Management, a board member of the Cedar Hill Fire Department and a member of the Lee County Cattlemen's Association. He also serves as president of the Lee County Farm Bureau and as Brotherhood Director of Camp Creek Baptist Church. He and his wife, Joyce, reside in Guntown, Mississippi.

Travis Satterfield, age 76. Mr. Satterfield is a graduate of Delta State University and is currently associated with Satterfield Farms, which produces rice, soybeans, corn and wheat in Benoit, Mississippi, where he and his wife, Nancy, reside. Mr. Satterfield also currently serves on the board of directors for Delta Council and Bolivar County Farm Bureau. Mr. and Mrs. Satterfield have four sons and are members of Benoit Union Baptist Church.

W. Morgan Gulledge, Jr., age 62. Mr. Gulledge was born and raised in Leland, Mississippi, and graduated from Mississippi State University. He has also attended the Graduate School of Banking at Louisiana State University and the University of Georgia School of Executive Development. Mr. Gulledge has held numerous advisory and board positions in community and charity organizations and is an active member of the First Presbyterian Church of Greenwood. He is currently the owner and manager of Gulledge Capital, LLC and Portadown Land Company, LLC. He and his wife, Patricia, have three children and three grandchildren.

Lawson McClellan, age 74. Mr. McClellan began working with Renasant Bank (formerly The Peoples Bank and Trust) in 1965, working his way up to chief information officer and division vice president before his retirement. He was born in Corinth, Mississippi, and graduated from Tupelo High School and Mississippi State University. He is also a graduate of the Mississippi School of Banking and the Graduate School of Banking at Louisiana State University. He has served on several community service boards and civic clubs. Lawson and his wife, Betty, are members of Camp Creek Baptist Church in Guntown, Mississippi.

Craig B. Shideler, age 63. Mr. Shideler has worked with the Farm Credit System since June 1978. He was formerly the president of the FLBA of Senatobia and divisional vice president for North Mississippi for both the FLCA and PCA operations. He is a graduate of the Graduate School of Banking at Louisiana State University. He has been employed with the Association since January 1, 1990, serving as senior vice president until he was promoted to executive vice president on January 1, 2001. On February 1, 2016, Mr. Shideler was named chief executive officer of the Association.

Ronnie L. Sellers, age 60. Mr. Sellers has worked with the Farm Credit System since November 1982. He holds a license as state certified general appraiser and is a graduate of the Southeastern School of Banking. Mr. Sellers has been employed with the Association since January 1, 1990, serving the majority of his tenure as vice president branch manager of the Clarksdale branch office. Mr. Sellers was promoted to vice president capital markets in May 2012 and served in that capacity until February 1, 2016, when he was named chief credit officer of the Association.

J. Matthew Walden, age 45. Mr. Walden joined the Farm Credit System in December 2003 as controller and was promoted to chief operating officer in January 2015. He formerly served in tax accounting and financial reporting with International Paper Company. He holds a license as a Certified Public Accountant in the state of Tennessee. He is a graduate of the Graduate School of Banking at Louisiana State University, as well as the Southeastern School of Commercial Lending.

Claire B. Pegram, age 35. Mrs. Pegram joined the Farm Credit System in December 2008 as assistant controller for the Association and was promoted to chief financial officer in January 2015. She previously worked in the assurance department of Ernst & Young LLP, and she holds a license as a Certified Public Accountant in the state of Tennessee.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $800 per day, except for the chairman, who received $1,000 per day, for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2017 was paid at the IRS-approved rate of 56.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served					
Name	Board Meetings	Audit Committee	Compensation Committee	Other Official Activities	Compensation for Committee Service	Total Compensation in 2017
Abbott Myers	11	7	2	7	$ 3,300	$ 20,400
Alan Blaine	11	7	2	5	2,700	16,400
Jan D. Hill	11	7	2	13	4,300	22,000
Keith Morton	9	0	2	7	-	12,100
Calvin W. Ozier, Jr.	11	0	2	11	-	16,900
James Gordon Robison	11	0	2	11	-	16,900
Travis Satterfield	11	0	2	7	-	13,700
W. Morgan Gulledge, Jr.	11	7	2	8	3,500	18,000
Lawson McClellan	11	10	2	10	4,300	30,400
					$ 18,100	$ 166,800

The aggregate compensation paid to directors in 2017, 2016 and 2015 was $166,800, $143,600 and $130,200, respectively. The aggregate amount for reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $106,533, $88,932 and $75,729 in 2017, 2016 and 2015, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Association employees, including senior officers, can earn compensation above base salary through an annual success-sharing incentive plan. The term of the plan is each calendar year beginning January 1 through December 31. The plan is based upon the achievement of predetermined Association performance goals for return on assets, noninterest income, efficiency ratio, net loan growth, credit quality, delinquency volume and public relations. The plan places more emphasis on earnings than any other factor in the plan and is approved by the board of directors annually. All full-time employees who have been employed at least three months are eligible to earn an individual incentive based upon their individual performance objectives. The following criteria is also used for determining eligibility for the incentive pay: (1) the Association must not be in default of the general financing agreement with the Farm Credit Bank of Texas; (2) the Association cannot receive an overall rating of “unsatisfactory” on credit administration by the Internal Credit Review and/or FCA examinations; (3) the employee’s branch office cannot receive an overall rating of “unsatisfactory” on credit administration; (4) there must be material income from operations beyond what is needed to fund the incentive plan; and (5) eligible employees must receive an annual performance rating of “meets standard of good competent performance” on their individual performance reviews.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2017, 2016 and 2015. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of individual or number in group	Year	Salary	Bonus	Change in Pension Value	Deferred/ Perquisite	Other	Total
Craig B. Shideler	**2017**	**$ 359,014**	**$ 116,675**	**$ 204,615**	**$ 6,149**	**$ 5,291**	**$ 487,129**
President/	2016	300,012	116,010	219,871	5,312	4,356	425,690
Chief Executive Officer	2015	273,906	104,340	(22,703)	5,116	3,944	387,306
Aggregate number of senior officers and other highly compensated							
(5)	**2017**	**$ 910,245**	**$ 318,097**	**$ 966,486**	**$ 28,317**	**$ 6,141**	**$1,262,800**
(5)	2016	916,990	330,650	1,053,748	27,978	7,681	1,283,299
(6)	2015	1,102,228	479,027	543,897	25,491	10,678	1,617,424

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

- Salary – Compensation earned and paid during the respective year.
- Bonus – Incentive compensation earned in current year but paid to employees in the following year.
- Perquisite – Benefit derived from personal use of Association-owned vehicles. These amounts are calculated at the IRS established rate and are included in earnings of those employees assigned Association vehicles for use in normal operations.
- Other – Value of group term life insurance provided by the Association on behalf of its employees. According to IRS guidelines, value of insurance provided in excess of $50,000 must be added to the employees' taxable earnings.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2017:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2017
Craig B. Shideler	Farm Credit Bank of Texas Pension Plan	41.41	$ 3,422,857	$ -

Pension Benefits Table Narrative Disclosure

The CEO of the Association participates in the Farm Credit Bank of Texas Pension Plan (Pension Plan), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

Employees assigned Association automobiles are taxed on personal usage based upon IRS regulations. Employees who use their personal automobiles for business purposes were reimbursed during 2017 at the IRS-approved rate of 56.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2017, 2016 and 2015.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no directors, director nominees or senior officers involved in certain legal proceedings described in FCA Regulation §620.5(k) within the previous five years. Legal proceedings include, but are not limited to, bankruptcy, conviction or naming in a criminal proceeding and judgment or finding limiting a right to engage in a business.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association engaged the independent accounting firm of PricewaterhouseCoopers LLP to perform the annual audit of the Association's consolidated financial statements included in this annual report. During 2017, the Association incurred audit fees totaling $45,586 to PricewaterhouseCoopers LLP. In addition, PricewaterhouseCoopers LLP performed tax services for the Association in 2017 as approved by the Association's Audit Committee. The Association incurred tax preparation fees totaling $9,000 to PricewaterhouseCoopers LLP.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association currently has no relationships with any unincorporated business entities.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 14, 2018, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for “young,” “beginning” and “small” farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The June 2017 demographic study indicated that compared to the 2012 USDA Census of Agriculture for Mississippi (Census), the Association’s borrowers classified as “young,” “beginning” and “small” represent 4.2 percent, 17.8 percent and 90.7 percent, respectively, of total farm operators in the Association’s territory. The Census uses categories that are slightly different from the FCA definitions of YBS farmers, but the Census is the best available measure of our marketplace. USDA defines a farm as “any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year.” The Association’s minimum standards for YBS lending require the following:

YBS Class	**Percentage of Total Loans**	**Percentage of Loan Volume**
Young	>10%	>10%
Beginning	>10%	>10%
Small	>30%	>30%

The Association’s YBS loans for the past three years are presented in the table below as a percentage of the total number of loans outstanding on December 31.

	Young	**Beginning**	**Small**
2017	**21.2%**	**48.7%**	**66.4%**
2016	21.4%	51.3%	71.6%
2015	21.0%	50.0%	71.4%

The Association’s goal over the succeeding three-year period is to reach the following percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	**Beginning**	**Small**
2018	21.4%	48.9%	66.6%
2019	21.6%	49.1%	66.8%
2020	21.8%	49.3%	67.0%

The Association continues to provide credit to YBS farmers and ranchers at high levels, as presented by the above comparative data. Emphasis on this area of the Association’s lending business will continue to be a priority.

Customer Referral Program

At Mississippi Land Bank, we value our customers, and appreciate it when you refer new business to the association. As a way to say thank you for referrals, we started a program in April last year that rewards members of the Mississippi Land Bank family with a $250 referral fee.

To be eligible to receive the $250 referral fee, you must meet the following guidelines:

- The referral must be a new customer of the association.
- You and the applicant must notify the loan officer that it is a referral loan.
- The loan must close within six (6) months of the initial notification.
- The loan must be at least $25,000.
- Only one reward will be paid per new customer.
- For regulatory reasons, referrals are not eligible on consumer purpose loans — those loans where the proceeds are used for personal/consumer purposes rather than for agriculture or land.

For more information, please contact your local branch office.

Emergency Relief Program

Farm and ranch communities are like families, and their connections extend across the country, especially in times of need. Mississippi Land Bank's Emergency Relief Program provides borrowers with emergency relief support when disasters strike, such as a house fire, tornado damage, flooding, or any other similar disaster. The assistance may include purchasing bottled water, meals, clothing, tarps or other relief supplies.

In 2017, Hurricane Harvey dramatically impacted the livelihoods of families in Texas, and — as a member of the Texas District of the Farm Credit System — we did our part to help. Mississippi Land Bank made a contribution to the State of Texas Agriculture Relief (STAR) Fund, which provides funds directly to impacted farmers and ranchers.

Many of our employees, directors and customers also showed their generosity by joining us in contributing to the STAR Fund. The funds were used to rebuild crucial structures and restore operations, and aided Texas agricultural communities in recovering from the damage caused by wind and floods.

Social Media

In a world driven by innovation and technology, Mississippi Land Bank understands that it is vital to maintain an online presence and expand our digital footprint through social media. A major part of our 2018 marketing strategy involves extending our reach online.

We are proud to now have active accounts on Facebook, Twitter, Instagram and LinkedIn, and we encourage our stockholders to keep up with our activities via social media.

All of these platforms are tools that will allow us to broaden our horizons and remain one of the leading rural lenders in North Mississippi.

Our Leadership:

Mississippi Land Bank is led by a nine-member board of directors. Elected by their fellow stockholders, seven directors are farmers who understand from personal experience the financing needs of our customers. The other two directors, appointed by their fellow board members, bring banking, investment and business expertise to the board. Together, they set the direction and policy for the cooperative and represent the best interests of the Mississippi Land Bank customer-stockholders, to whom they are accountable.

Board of Directors

Abbott R. Myers
Chairman

Rice, corn, soybean and wheat farmer

Dundee, Miss.

Mac Alan Blaine
Vice Chairman

Timber, hay and cattle producer and crop consultant

Starkville, Miss.

W. Morgan Gulledge Jr.
Board-Appointed Director

Investment company owner

Greenwood, Miss.

Jan D. Hill
Director

Beef cattle, cotton, soybean, corn and timber producer

Woodland, Miss.

Lawson McClellan
Board-Appointed Director

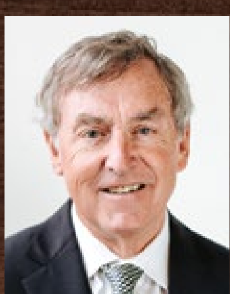
Retired commercial banker

Guntown, Miss.

J. Keith Morton
Director

Corn, soybean and wheat farmer

Falkner, Miss.



Calvin W. Ozier Jr.
Director

Beef cattle farmer and timber operator

Holly Springs, Miss.

James Gordon Robison
Director

Beef cattle, dairy and row crop farmer

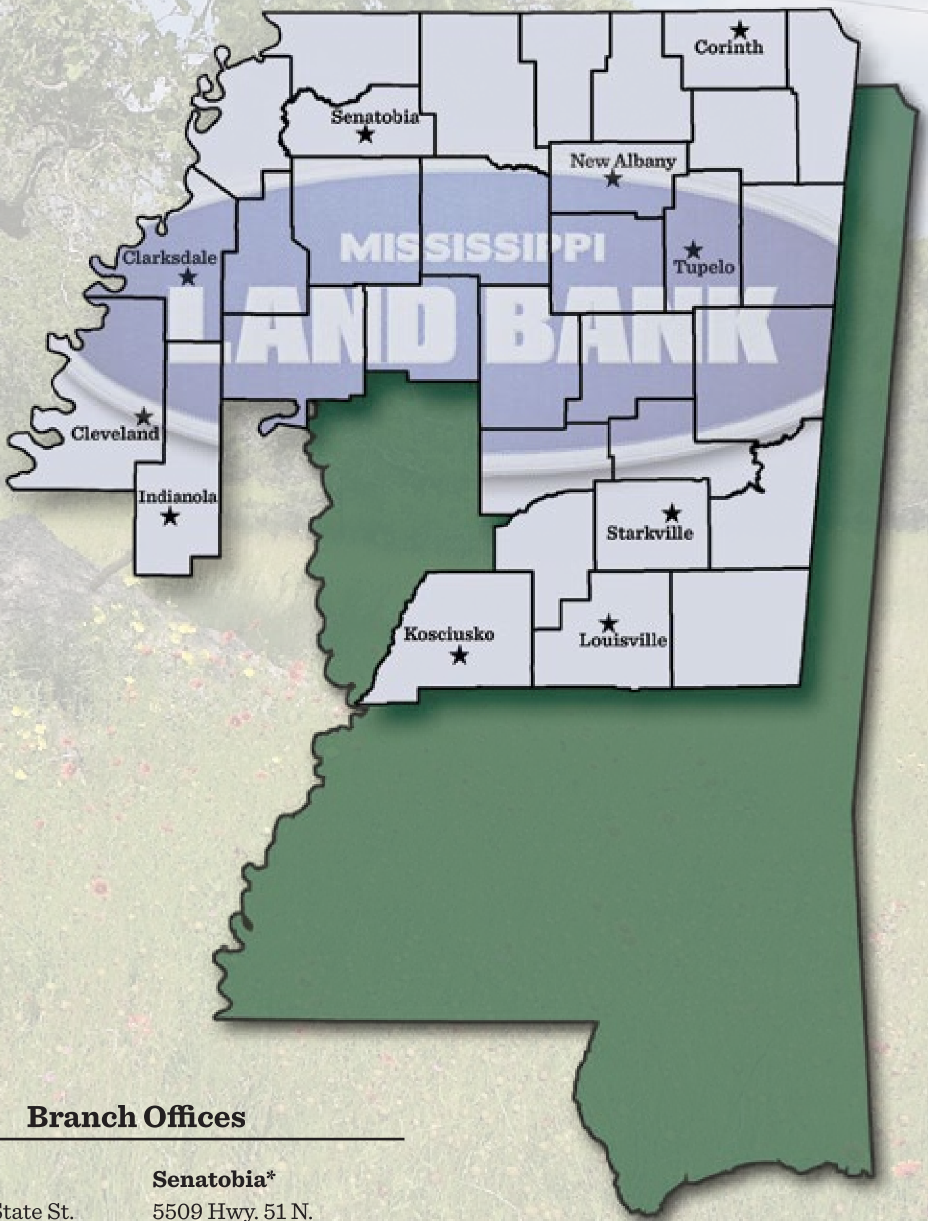
Guntown, Miss.

Travis Satterfield
Director

Rice, soybean, corn and wheat farmer

Benoit, Miss.

100 Years of Cultivating Relationships in North Mississippi



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Starkville, MS 39759
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