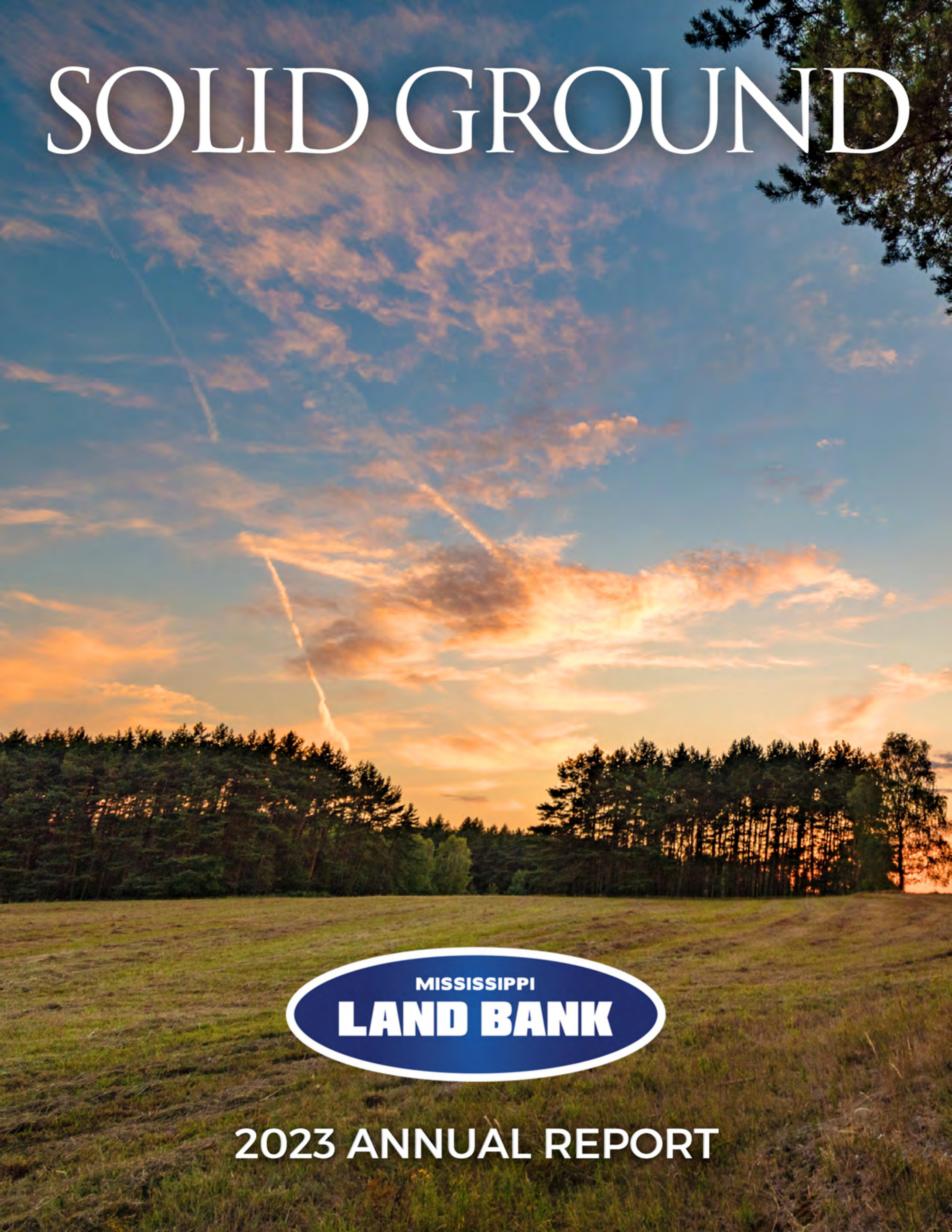
SOLID GROUND



MISSISSIPPI
LAND BANK

2023 ANNUAL REPORT

GROWING THE NEXT GENERATION

For the Cronkleton sisters, farming has always been a way of life. And through the years, they have come a long way from completing school work in the buddy seat of dad's combine.

On any given day you can find the fifth-generation farmers, Lexi (19), Lainey (18), and Natalie (15), cleaning up the shop, working in the field, or repairing a piece of equipment - just like any seasoned adult farmer.

At 6 o'clock on the dot, the girls' feet hit the floor toward their farming duties of the day. Their father, Nathan, gives direction for the tasks that need completing, and the work day commences.

Being homeschooled, the three Cronkleton girls have become self-starters and are able to contribute most of their days to the farm.

"We all started with picking up sticks at about age 6," Natalie said. "As we got older, the responsibilities grew with us."

Lainey said that the life skills and lessons learned on a farm are invaluable.

"First and probably most important, is a firm understanding of teamwork," Lainey said. "Communicating as a team, picking up one another's slack, and problem solving together are prime examples."

Along with a strong work ethic, the farm has taught the Cronkletons how to be methodical and organized while remaining flexible when the inevitable happens – something goes wrong.

"You can't quit, even when things are hard," Lexi said. "And you can't pick and choose your jobs. You have to be willing to do any and all of the work."

"WE ARE STEWARDS OF GOD'S LAND AND WE ARE CHARGED WITH TAKING CARE OF IT."

Whether the girls remain on the farm long term or pursue other careers, they will integrate these principles into whatever path they choose.

The girls say the quality time spent on the farm is precious and just downright fun.

"We do everything together as a family," Lainey explained. "This livelihood is a labor of love. You gotta have a lot of patience and a good sense of humor."

Faith, family, and farming go hand-in-hand for the Cronkletons, mom Amanda said.

"As a family, we have always aimed to honor the Lord with our lives," Amanda said. "The farm gives you an excellent opportunity to teach virtues like patience and love, and create godly, disciplined children."

"And like anything, it can be frustrating at times, like when you're trying to help conjugate Latin verbs in the combine, but Nathan and I remind ourselves to not grow weary in doing good things."

When the days are long, it makes it all worthwhile knowing that the work ethic, values, and character of our Mississippi Land Bank family are made stronger together.

Giving of yourself to serve the Lord and others – the Cronkletons are a testament to what Mississippi agriculture is all about.

Pictured left are Cronkleton sisters:
Lainey (18)
Natalie (15)
Lexi (19)

Originally from Ohio, the Cronkleton family farms corn, cotton, and soybeans in Mississippi and in Ohio.

OUR LEADERS, YOUR ADVOCATES

Mississippi Land Bank is led by a nine-member board of directors who advocate on your behalf and serve as your voice in the business of our association. Seven directors, elected by their fellow stockholders, are farmers who understand from personal experience the financing needs of our customers. The other two directors, appointed by their fellow board members, bring banking, investment and business expertise to the board. Together, they set the direction and policy for the cooperative and represent your best interests.

ALAN BLAINE

Chairman

Rice, corn, soybean & wheat farmer

Dundee, MS

LARRY DAVIS

Vice Chairman

Rice & soybean farmer

Shaw, MS

BECKY BEARD

Board-appointed Director

Accounting firm partner

Hernando, MS

WILLIAM COLE

Director

Crop insurance agency owner; row crop & cattle farmer

Batesville, MS

MORGAN GULLEDGE

Board-appointed Director

Investment company owner

Greenwood, MS

JAN HILL

Director

Cattle, cotton, soybean, corn & timber producer

Woodland, MS

KEITH MORTON

Director

Corn, soybean & wheat farmer

Faulkner, MS

GREG ROBBINS

Director

Corn & soybean farmer

New Albany, MS

DIRECTOR ABBOTT MYERS RETIRES

After 27 years of service on the Mississippi Land Bank board of directors, Abbott Myers has retired, effective December 31, 2023.

"The board, management, and I will miss Abbott's leadership. We are extremely grateful for his devotion and many years of service," said board Chairman Alan Blaine. "He has seen a lot of changes during this time with Mississippi Land Bank and has demonstrated leadership and played a large role in the association's success."

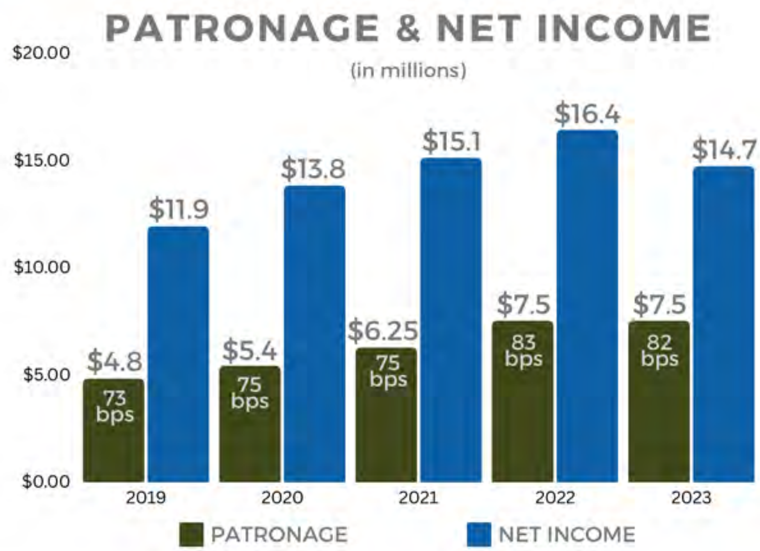
Myers' tenure included serving as chairman of the board for the past 18 years. During his time, he also represented the association on the Stockholder Advisory Committee (SAC) for the Tenth Farm Credit District and was the representative for the association on the Tenth District Farm Credit Council.

Mississippi Land Bank is thankful for Myers and the dedication, passion, and motivation he has given the association during the past 27 years.

STANDING ON SOLID GROUND

On behalf of the Mississippi Land Bank board of directors and staff, we are pleased to present the 2023 Annual Stockholders' Report, "Solid Ground."

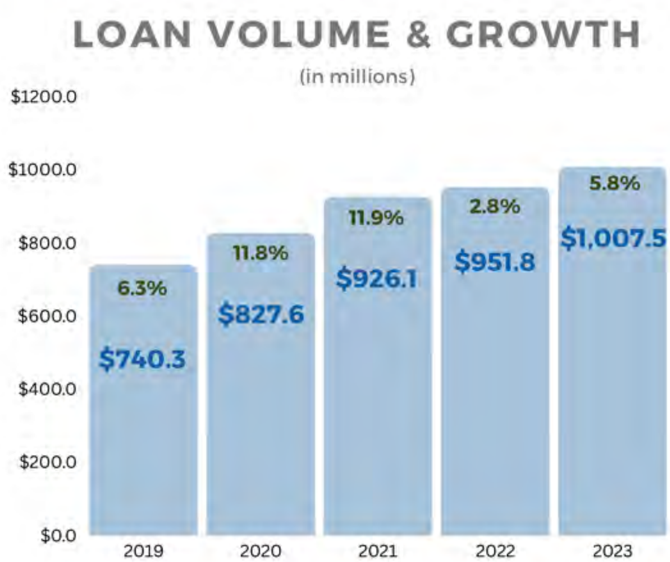
Amid rising interest rates, volatile commodity prices and geopolitical disruptions, the association is proud to report that net loan volume has eclipsed $1 billion, representing a year-over-year loan growth of approximately 6%.



We recognize the challenges of higher input costs and higher costs of goods in general, and the board is pleased to return $7.5 million, or 51% of our net income, in cash patronage to you, our member-owners.

Our hope is that by returning a portion of our profits to our stockholders, we are helping reinvest these dollars into local communities, the heartbeat of our territory.

Mississippi Land Bank is here to stand firmly with the next generation of farmers as they take the reins of their operations and the responsibilities of helping feed and clothe the world.



We are committed to investing in today's youth in agricultural organizations by offering scholarships and sponsoring events that advance their knowledge and skillsets.

We are also supportive of the young farmers stepping into lead roles and the beginning farmers taking a leap of faith – starting a farm from the ground up.

Whether you are looking to start your own farm, expand your current operation or buy that piece of land that will become a home for your family, we have the expertise to help you make the right decisions along the way.

At Mississippi Land Bank, we are committed to standing with you, our member-owners, as you take steps to ensure your operations are built on Solid Ground.

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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.

Mac Alan Blaine

Mac Alan Blaine, Chairman, Board of Directors

March 8, 2024

W. M. Gulledge

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

March 8, 2024

J. Matthew Walden

J. Matthew Walden, Interim Chief Executive Officer

March 8, 2024

Claire B. Pegram

Claire B. Pegram, Chief Financial Officer

March 8, 2024

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2023. In making the assessment, management used the framework in Internal Control— Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2023, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2023. A review of the assessment performed was reported to the Association's Audit Committee.

J. Matthew Walden

J. Matthew Walden, Interim Chief Executive Officer

March 8, 2024

Claire B. Pegram

Claire B. Pegram, Chief Financial Officer

March 8, 2024

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) comprises W. Morgan Gulledge, Jr., Rebecca "Becky" Beard, Dr. Alan Blaine, Larry C. Davis, Jan D. Hill, and William Cole. In 2023, 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 (PwC) for 2023.

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

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2023 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication with Those Charged with Governance," and both PwC's and the Association's internal auditors directly provide reports on significant matters to the Committee.

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

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2023.

Audit Committee Members

W. Morgan Gulledge, Jr.
Becky Beard
Dr. Alan Blaine
William Cole
Larry C. Davis
Jan D. Hill

March 8, 2024

MISSISSIPPI LAND BANK, ACA

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

	2023	2022	2021	2020	2019
Balance Sheet Data					
Assets					
Cash	**$ 9**	$ 10	$ 13	$ 3	$ 6
Loans	**1,007,539**	951,774	926,065	827,620	740,314
Less: allowance for credit losses on loans	**1,273**	1,122	1,312	1,153	996
Net loans	**1,006,266**	950,652	924,753	826,467	739,318
Investment in and receivable from the Farm Credit Bank of Texas	**20,293**	18,770	17,248	14,865	14,762
Other property owned, net	**-**	-	-	-	196
Other assets	**22,893**	20,196	17,381	16,904	16,389
Total assets	**$ 1,049,461**	$ 989,628	$ 959,395	$ 858,239	$ 770,671
Liabilities					
Obligations with maturities of one year or less	**$ 13,235**	$ 13,327	$ 13,102	$ 12,349	$ 13,483
Obligations with maturities greater than one year	**870,464**	817,873	797,242	706,038	625,935
Total liabilities	**883,699**	831,200	810,344	718,387	639,418
Members' Equity					
Capital stock and participation certificates	**4,168**	3,951	3,820	3,554	3,355
Unallocated retained earnings	**161,422**	154,256	145,317	136,447	128,002
Accumulated other comprehensive income (loss)	**172**	221	(86)	(149)	(104)
Total members' equity	**165,762**	158,428	149,051	139,852	131,253
Total liabilities and members' equity	**$ 1,049,461**	$ 989,628	$ 959,395	$ 858,239	$ 770,671
Statement of Income Data					
Net interest income	**$ 23,193**	$ 22,152	$ 20,677	$ 18,576	$ 17,821
(Provision for loan losses) loan loss reversal	**(146)**	104	(153)	(150)	(112)
Income from the Farm Credit Bank of Texas	**2,894**	5,822	5,254	3,992	3,083
Other noninterest income	**342**	489	640	1,103	367
Noninterest expense	**(11,625)**	(12,128)	(11,298)	(9,702)	(9,240)
Net income (loss)	**$ 14,658**	$ 16,439	$ 15,120	$ 13,819	$ 11,919
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.7%	1.7%	1.8%	1.6%
Return on average members' equity	**8.8%**	10.5%	10.3%	10.0%	9.2%
Net interest income as a percentage of average earning assets	**2.4%**	2.4%	2.4%	2.5%	2.5%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

MISSISSIPPI LAND BANK, ACA

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

	2023	2022	2021	2020	2019
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**15.8%**	16.0%	15.5%	16.3%	17.0%
Debt as a percentage of members' equity	**533.1%**	524.7%	543.7%	513.7%	487.2%
Allowance for credit losses on loans as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.1%
Common equity tier 1 ratio	**14.8%**	14.5%	14.4%	15.3%	15.8%
Tier 1 capital ratio	**14.8%**	14.5%	14.4%	15.3%	15.8%
Total capital ratio	**14.9%**	14.6%	14.5%	15.4%	15.9%
Permanent capital ratio	**14.8%**	14.5%	14.4%	15.3%	15.8%
Tier 1 leverage ratio	**15.1%**	14.7%	14.6%	15.7%	16.1%
UREE leverage ratio	**14.7%**	14.3%	15.6%	16.8%	17.1%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 7,500**	$ 6,250	$ 5,400	$ 4,800	$ 4,100

The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2023. For more information, see Note 9, "Members Equity," in the accompanying consolidated financial statements.

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, 2023, 2022 and 2021, 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 infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- Weather-related, food safety, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- Disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- Changes in United States government support of the agricultural industry and the Farm Credit System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- Actions taken by the Federal Reserve System in implementing monetary policy; and
- Credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Significant Events:

In February 2022, two nonaccrual loans with a total recorded investment of $458,947 paid off. In December 2022, the Association received a partial payment of $814,778 on a participation loan that was classified as nonaccrual and, thus, reversed $104,342 of the specific allowance and charged off $97,091 of the recorded investment. The remaining balance due of $337,705 was restructured, and a $67,316 specific allowance remained on the loan at December 31, 2022. In June 2023, the remaining balance was paid in full, and the corresponding specific allowance was reversed.

During the second quarter of 2021, the Association downgraded one participation loan with a recorded investment of $1,248,898 to nonaccrual. The most recent net realizable value analysis showed that a specific allowance for loan losses in the amount of $268,750 was required and thus recorded during the second quarter.

In March 2020, the Association received a refund of $140,408 from the Farm Credit Services Insurance Corporation (FCSIC or Insurance Fund) for its share of excess fund balances in the allocated insurance reserve accounts.

In March 2019, the Association received a refund of $144,243 from the Insurance Fund for its share of excess fund balances in the allocated insurance reserve accounts.

Changes in Senior Officers

In mid-2022, Ronnie H. Sellers, senior vice president and chief credit officer of the Association, announced his decision to retire on January 15, 2023. Upon his retirement, Bobby Spinks was promoted to chief credit officer, and Chris Griffith was promoted to chief risk officer. Together, they oversee the credit department of the Association.

On February 27, 2023, Bartley T. Harris resigned from the office of chief executive officer. Upon his resignation, J. Matthew Walden was appointed interim chief executive officer and assumed all of the duties and responsibilities of this role.

On January 11, 2024, the board of directors announced that Chad E. Crow had been named as the Association's new chief executive officer. He comes to the Association with over 21 years of farm credit experience and will begin his tenure on April 8, 2024.

Patronage Refunds Received from Farm Credit Bank of Texas

In December 2023, the Association received a direct loan patronage of $2,347,973 from the Farm Credit Bank of Texas (Bank), representing 28.7 basis points on the average daily balance of the Association's direct loan with the Bank, of which $1,643,581 was paid in cash and $704,392 was paid as allocated equity in the Bank. During 2023, the Association received $460,522 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 $78,149 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2022, the Association received a direct loan patronage of $5,395,505 from the Bank, representing 67.1 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $311,703 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 $114,427 from the Bank, representing 100 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2021, the Association received a direct loan patronage of $4,966,196 from the Bank, representing 66.9 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $234,545 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $53,059 from the Bank, representing 100 basis points on the Association's average balance of participations in the Bank's patronage pool program.

Patronage Refunds by Association

The following patronage distributions were declared and paid by the board of directors in 2023, 2022 and 2021, respectively:

Date Declared	Date Paid	Patronage
December 2023	**February 2024**	**$ 7,500,000**
December 2022	February 2023	7,500,000
December 2021	February 2022	6,250,000

For more than 33 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.

Conditions in North Mississippi:

The Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit amid above normal financial and macroeconomic volatility driven by factors such as an inverted yield curve and persistent high inflation. Federal Reserve officials continue to battle inflation by tightening monetary policy. Despite these turbulent times, credit quality at the Association has remained strong at 99.8% acceptable credit quality. However, volatility in risk ratings could occur in future periods as a result of the cost of inflation, relatively high cost of debt and underlying recession risk.

The Consumer Price Index for All Urban Consumers increased by 3.1% for the 12-month period ending January 2024, above the long-term target of approximately 2.0%. However, recent inflation rates represent significant declines from the four-decade high of 9.1% reached in June 2022. Since July 2023, the Federal Open Market Committee (FOMC) has maintained the target federal funds rate within the 5.25 – 5.50% range. At its January 2024 meeting, the FOMC stated that it does not expect it will be appropriate to reduce the target federal funds rate until it has gained greater confidence that inflation is moving sustainably toward 2.0%.

The U.S. Bureau of Labor Statistics indicated that the U.S. unemployment rate remained steady month-over-month at 3.7% in January 2024, down from 3.8% in October but up from 3.4% during the same period a year ago.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the fourth quarter of 2023 to an average of nearly $79 per barrel, down from an average of about $82 per barrel in the third quarter of 2023 and down approximately 5.0% compared to one year ago. In the February 2024 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be about $78 per barrel in 2024 and $75 per barrel in 2025.

In February 2024, the U.S. Department of Agriculture (USDA) released its 2024 farm income forecast and updated prior-year estimates. Nominal net farm income is estimated to have decreased year-over-year (YOY) by 16.0% to $155.9 billion in 2023 and is forecast to continue declining by approximately 25.5% in 2024. This decline comes on the heels of a record high increase of 30.3%

YOY in 2022. Total production expenses are estimated to have increased by 2.3% YOY in 2023 to approximately $438.3 billion and are forecast to continue rising in 2024. Direct government farm payments are estimated at $12.2 billion in 2023, down 21.8% from 2022. Additionally, direct government payments are forecast to decrease by 15.9% in 2024. Farm sector assets are estimated to have increased by 6.6% in 2023 and are forecast to continue rising by 4.7% in 2024, coupled with expected increases in the value of farm real estate assets. Similarly, equity is forecast to have increased by 6.8% in 2023 and to continue improving by 4.7% in 2024. The U.S. farm sector debt-to-asset ratio is estimated to have slightly improved YOY from 12.9% in 2022 to 12.7% in 2023 but is forecast to deteriorate marginally to 12.8% in 2024.

According to USDA's February 2024 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, wheat and soybeans are estimated to have increased by approximately 9.0%, 15.7% and 6.8%, respectively, during the 2022/23 marketing year, while the average farm price for upland cotton is estimated to have declined by 7.2%. The prices of these crops are projected to decrease during the 2023/24 season from a range of nearly 9.2% (cotton) to 26.6% (corn). Steer prices are estimated to have risen by an average of 21.6%.

Lack of adequate precipitation and soil moisture was a concern for agricultural producers across several regions of the country during 2023, and the year was among the driest and hottest on record for many cities. In 2024, the National Weather Service indicates that a strong El Niño is expected to continue through the rest of winter into early spring. The seasonal drought outlook from January through March 2024 indicates that an active southern storm track associated with El Niño conditions favors drought improvement.

During 2023, agricultural producers and processors were negatively impacted by several factors including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges and adverse weather conditions. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers rely on non-farm sources of income to repay their loans.

Commodity Review and Outlook:

The 2023 planting season enjoyed mild spring weather. This allowed corn producers to get off to a good start and as of mid-May, 98% of the crop had been planted. Soybean producers also got ahead of schedule, and by the first week of June, 93% of the crop was planted and 87% emerged, ahead of five-year averages. By mid-June Mississippi's cotton crop was planted and was expected to be a good crop. Despite favorable setups for both early and later plantings, drought conditions settled in during key growth stages of the crop over the summer, causing some acres to be abandoned. Cotton acres planted in 2023 were down significantly, and the crop's value ultimately decreased 35% from prior year. Drought conditions prevailed in 2023, but corn was largely unaffected because it was nearly matured before the extended dry spell. Even though drought conditions affected soybeans during key growth stages in some areas, the overall crop resulted in 2.15 million acres harvested for more than 122 million bushels. This is an estimated 57 bushels per acre, which is potentially a new record. Irrigation added insulation to help producers overcome the drought conditions.

The estimated total agricultural value generated by the state was $8.8 billion for 2023. That's a 10% decrease from the $9.7 billion in 2022 but still the second highest result on record. Decreased value is primarily a result of lower commodity prices during the year compared to last year's record high prices.

Poultry decreased in value in 2023 by $3.1 billion, which is a decrease of 22%. This followed a 48% increase of nearly $4 billion in 2022. The decrease was primarily due to lower prices from last year's records even though production was strong. Soybeans was the most produced row crop. It maintained the No. 2 spot in 2023 with an estimated value of $1.72 billion, a 9% decrease from 2022. This decrease was also primarily due to lower prices, but drought conditions contributed to lower but sustainable yields or abandoned acreage. Forestry was the third most valuable agricultural product at $1.5 billion, an increase of nearly 10% over 2022. Forestry in the northern half of the state has been bolstered by mill openings in the past two years in Alcorn and Montgomery counties, as well as a mill expansion in Grenada County. There was also a new mill announcement in Noxubee County, which is promising for the Association's territory. Corn was the fourth largest agricultural product and second most valuable row crop in 2023, with a value of $675 million, up from $643 million in 2022. The primary issue for corn in 2023 was mid-June hailstorms that damaged crops in the Delta region and Noxubee County. Cotton saw a significant reduction in planted acreage and value in 2023. The value was $397 million in 2023, a 35% decline from $615 million in 2022. This decline was primarily due to lower prices, lower planted acres and dry weather later in the season, which affected yields. Livestock, including cattle, calves, milk and hogs, saw an increase of nearly 16% to $509 million, and catfish was down almost 10% from $278 million in 2022 to $251 million. While a majority of these commodities saw deterioration in their market shares during the midst of a historical drought, the resilience of the local producers persevered.

The Association expects tighter profit margins in 2024 as commodity prices decrease, coupled with the current interest rate environment. Cattle has seen supplies tighten in recent years, leading to expectations of continued improved pricing. Poultry demand is expected to remain strong, but prices have fallen in comparison to the record highs that were seen in 2021 and 2022. Farmland values are expected to continue to be stable to increasing, driven by high demand, low inventories and possible opportunities pending interest rate reductions. Other areas of the nation have seen farmland values jump 30 to 40% in the last few years, while farmland in the Association's territory has only increased approximately half of that seen across the country. As a result, many investors are looking into the southern regions, which is continuing to increase demand. The overall land market in Mississippi has remained stable to increasing due in large part to limited inventory on the market. Used equipment values have seen some declines, with higher inputs and pressure on commodity prices; however, new equipment values remain strong with limited supply. Timber harvest in 2023 was on par with historical highs similar to those in 2005. The negative impact of interest rates on housing starts is driving price and demand for timber down; however, there is a possibility for rate decreases in 2024.

Adoption of New Accounting Standard:

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance-sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment at January 1, 2023, reflecting a decrease in the Association's ACL of $8,090 on outstanding loans and unfunded commitments and a corresponding increase in retained earnings.

Refer to Note 2, "Summary of Significant Accounting Policies," in the accompanying consolidated financial statements for disclosures of additional accounting pronouncements that may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Loan Portfolio:

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

The composition of the Association's loan portfolio, including principal less funds held of $1,007,539,164, $951,773,413 and $926,065,090 as of December 31, 2023, 2022 and 2021, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses," in the accompanying consolidated financial statements.

Purchase and Sales of Loans:

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

Loans made under the ABE may be for a maximum of 15 years at a zero percent interest rate. The ABE allows for a loan in an amount not to exceed 20% of the total project cost or $250,000, whichever is less, and $250,000 or 30% for agribusinesses that are retrofitting operations. Typical eligible industries include manufacturers, aquaculture, horticulture and agricultural-related industries while eligible projects include buildings and equipment.

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA), and, therefore, the amount of ABE loans outstanding and due to MDA is included in Loans on the consolidated balance sheet with an offsetting liability at Guaranteed obligations to government entities. ABE loans totaled $10,596,794, $8,901,457 and $7,985,908 as of December 31, 2023, 2022 and 2021, respectively.

During 2023, 2022 and 2021, the Association was participating in loans with other lenders. As of December 31, 2023, 2022 and 2021, these participations totaled $59,599,068, $50,350,202 and $49,583,783, or 5.9%, 5.3% and 5.3% of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $17,395,156, $18,600,554 and $19,445,331, or 1.7%, 2.0% and 2.1% of loans, respectively. The Association has also sold participations of $14,822,996, $11,850,990 and $11,971,908 as of December 31, 2023, 2022 and 2021, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

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

	2023		2022		2021	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual loans	**$ 424,283**	**100.0%**	$ 435,070	100.0%	$ 1,799,706	100.0%
Nonperforming assets	**$ 424,283**	**100.0%**	$ 435,070	100.0%	$ 1,799,706	100.0%

At December 31, 2023, 2022 and 2021, nonperforming loans were $424,283, $435,070 and $1,799,706, representing 0.0%, 0.1% and 0.2% of loan volume, respectively. While the balance of nonaccrual loans did not change materially during 2023, there was activity within this classification. Most notably, one participation loan with a recorded investment of $337,705 paid off in June 2023, and two loans with a total recorded investment of $352,808 were downgraded to nonaccrual status during the year. The decrease in nonaccrual loan volume during 2022 is primarily the result of a large partial payment of $814,778 on a participation loan in late December, coupled with the payoff of two nonaccrual loans with a total recorded investment of $458,947 in February.

At December 31, 2023, 2022 and 2021 the Association did not have any other property owned (OPO), nor did it have any accruing loans 90 days or more past due. Additionally, the Association reported no net gain or loss on OPO for the years ending December 31, 2023, 2022 and 2021.

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 Credit Losses on Loans:

Effective January 1, 2023, the Association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based either upon appraisals performed by in-house appraisers or, as necessary, independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are 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 and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $1,272,602, $1,121,579 and $1,311,830 at December 31, 2023, 2022 and 2021, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. The allowance for loan losses is based upon estimates that consider the general financing strength of the agricultural economy, loan portfolio composition, credit administration and the portfolio's prior loan loss experience.

Results of Operations:

The Association's net income for the year ended December 31, 2023, was $14,658,345 as compared to $16,438,644 for the year ended December 31, 2022, reflecting a decrease of $1,780,299, or 10.8%. The Association's net income for the year ended December 31, 2021 was $15,120,130. Net income increased $1,318,513, or 8.7%, in 2022 versus 2021.

Net interest income for 2023, 2022 and 2021 was $23,193,359, $22,151,510 and $20,677,491, respectively, reflecting increases of $1,041,849, or 4.7%, for 2023 versus 2022 and $1,474,019, or 7.1%, for 2022 versus 2021. 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:

	2023		2022		2021	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 956,322,495**	**$ 46,301,179**	$ 933,866,555	$ 39,277,164	$ 866,918,066	$ 34,741,802
Interest-bearing liabilities	**819,537,555**	**23,107,820**	803,589,203	17,125,654	742,230,542	14,064,311
Impact of capital	**$ 136,784,940**		$ 130,277,352		$ 124,687,524	
Net interest income		**$ 23,193,359**		$ 22,151,510		$ 20,677,491

	2023 Average Yield	2022 Average Yield	2021 Average Yield
Yield on loans	**4.84%**	4.21%	4.01%
Cost of interest-bearing liabilities	**2.82%**	2.13%	1.89%
Interest rate spread	**2.02%**	2.08%	2.12%

	2023 vs. 2022			2022 vs. 2021		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 944,474**	**$ 6,079,541**	**$ 7,024,015**	$ 2,682,961	$ 1,852,401	$ 4,535,362
Interest expense	**339,875**	**5,642,291**	**5,982,166**	1,162,685	1,898,616	3,061,301
Net interest income	**$ 604,599**	**$ 437,250**	**$ 1,041,849**	$ 1,520,276	$ (46,215)	$ 1,474,061

Interest income for 2023 increased by $7,024,015, or 17.9%, compared to 2022, primarily due to an increase in average outstanding loan volume coupled with substantial increased yields on loans. Interest expense for 2023 increased by $5,982,166, or 34.9%, compared to 2022 due to the significant increase in cost of interest-bearing liabilities experienced during 2023 as a result of increases in the interest rate environment coupled with an increase in the average note payable to the Bank. The interest rate spread decreased by 6 basis points to 2.02% in 2023 from 2.08% in 2022 primarily due to a continued environment of significantly rising interest rates still impacting 2023 activity. 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 evidence in the table above, net interest income for 2023 was significantly impacted by both the increase in volume and the increase in interest rates. While interest rates increased slightly in 2023, the Association was able to generate new business and manage its existing portfolio. The Association anticipates increased profitability on these existing loans in the future. The interest rate spread decreased by 4 basis points to 2.08% in 2022 from 2.12% in 2021, primarily due to an environment of significantly rising interest rates in 2022.

Noninterest income for 2023 decreased by $3,074,691, or 48.7%, compared to 2022, due primarily to the reduction in patronage from the Bank of $2,927,996. The Bank notified the associations in September 2023 that it had reduced its anticipated patronage payout due to various limitations on earnings capacity in the current rate environment coupled with several deteriorated credits. As a result, patronage paid was reduced from 67.1 basis points on the average daily balance of the Association's direct loan with the

Bank in 2022 to 28.7 basis points paid in 2023. Additionally, there was a reduction in loan fees of $140,587. Noninterest income for 2022 increased by $416,855, or 7.1%, compared to 2021, due primarily to an increase in patronage income from the Bank of $567,835, offset by a reduction in loan fees of $96,665 and a reduction in gain on the sale of equipment of $75,512.

Provisions for loan losses increased by $250,767 or 240.3%, compared to 2022, due primarily to increased loan volume throughout the year driving the CECL allowance calculation up as well as a specific allowance of $117,195 recorded in December 2023. In 2022, provision for loan losses decreased by $257,028, or 168.3%, compared to 2021 due primarily to a nonaccrual participation loan paydown just prior to year-end.

Operating expenses consist primarily of salaries and employee benefits, travel expenses and Insurance Fund premiums. Additionally, expenses related to advertising, occupancy and equipment and purchased services comprise a significant portion of the remaining operating expenses. Travel expenses primarily consist of expenses related to commercial travel, such as airfare and hotel, and expenses related to Association automobiles, such as fuel, maintenance and depreciation. Advertising expense primarily consists of the cost of advertising in various media outlets. Occupancy and equipment is composed of rent expense, utilities and depreciation, and purchased services is composed of goods and services that the Association purchases either from the Bank or from a third party who has been engaged to provide a service, such as legal counsel or audit and review expenses. Overall operating expenses decreased $531,563, or 4.4% over 2022. The main driver of the change was a decrease in salaries and benefits of $977,071, primarily due to the retirement in January 2023 of a long tenured executive employee, the unplanned departure of the CEO in February 2023 and other employee turnover during the year, coupled with a reduction in incentive paid in 2023 of $588,545. Additionally, there was a year-over-year decrease in the Farm Credit System Insurance Corporation (FCSIC) insurance premiums of $128,987. These decreases were offset by increases in various operating expense accounts, most notably purchased services of $284,630, occupancy and equipment of $131,975, and director expense of $79,920. Increases in these expenses are due to additional expenses related to contract services entered into by the Association, additional director meetings that took place during 2023, and the opening of a new branch office as well as the renovation of the current administrative headquarters. Overall, 2022 operating expenses increased $837,960 over 2021 primarily due to an increase in Insurance Funds premiums of $395,157 resulting from an increase in the premium rates to 20 basis points in 2022. Additionally, there were various other increases in noninterest expense line items, some of which are attributed to returning to a more normal work environment during 2022.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the net capitalization of costs of $335,482, $182,696 and $482,995 as of December 31, 2023, 2022 and 2021, respectively. The net amount is included as an adjustment to yield and is composed of four components:

- The capitalization of current year origination costs, primarily salaries and benefits, which will be fully amortized over the life of the loans;
- The capitalization of current year loan origination fees, which will be fully amortized over the life of the loans;
- Amortization of the active loan portfolio's deferred origination costs and fees; and
- The adjustment to fully recognize the deferred costs and fees of all loans that paid out during the current year.

Origination costs consisted of salaries and benefits totaling $1,401,177, origination fees totaling $690,512 and amortization of $375,183. Together these amounts compose the net adjustment to income of $335,482 at December 31, 2023.

Expenses for purchased services may include administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges individual associations directly for these services based on each association's proportionate usage. These expenses totaled $107,845, $59,664 and $58,541 in 2023, 2022 and 2021, respectively. FCSIC expense totaled $1,373,703, $1,502,690 and $1,107,533 in 2023, 2022 and 2021, respectively. 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, 2023, the Association's return on average assets was 1.5%, as compared to 1.7% and 1.7% for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2023, the Association's return on average members' equity was 8.8%, as compared to 10.5% and 10.3% for the years ended December 31, 2022 and 2021, respectively. The majority of this decrease can be attributed to the reduction in patronage received from the Bank.

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 $857,631,905, $807,290,650 and $788,017,939 as of December 31, 2023, 2022 and 2021, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.23%, 2.50% and 1.89% at December 31, 2023, 2022 and 2021, 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, 2022, is due to an increase in the Association's outstanding loan volume coupled with increased interest rates. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $136,186,312, $132,792,803 and $127,456,343 at December 31, 2023, 2022 and 2021, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,014,707,098 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, 2026 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 2024. 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 $165,762,339, $158,427,653 and $149,050,750 at December 31, 2023, 2022 and 2021, respectively.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0% of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2023, 2022 and 2021 was 14.8%, 14.5% and 14.4%, respectively.

Under regulations that became effective January 1, 2017, the Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5%, 6.0% and 8.0%, along with a capital conservation buffer of 2.5% applicable to each ratio, respectively. The Association's common equity tier 1 ratio was 14.8%, tier 1 capital ratio was 14.8% and total capital ratio was 14.9% at December 31, 2023. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0%, along with a leverage buffer of 1.0%, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5%. The Association's tier 1 leverage ratio was 15.1% and UREE leverage ratio was 14.7% at December 31, 2023. For additional information related to Association capital and related requirements and restrictions, refer to Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

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

	Regulatory	Regulatory	As of December 31,		
Risk-weighted:	Minimums	Minimums with Buffer	**2023**	2022	2021
Common equity tier 1 ratio	4.50%	7.00%	**14.77%**	14.50%	14.39%
Tier 1 capital ratio	6.00%	8.50%	**14.77%**	14.50%	14.39%
Total capital ratio	8.00%	10.50%	**14.88%**	14.63%	14.53%
Permanent capital ratio	7.00%	7.00%	**14.79%**	14.52%	14.41%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	**15.10%**	14.74%	14.63%
UREE leverage ratio	1.50%	1.50%	**14.69%**	14.34%	15.59%

In 2023, 2022 and 2021, the Association paid patronage distributions of $7,499,837, $6,249,770 and $5,400,039, respectively. In December 2023, the board of directors approved a $7,500,000 patronage distribution to be paid in February 2024. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Significant Recent Accounting Pronouncements:

On January 1, 2023, the Association adopted the FASB guidance titled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance-sheet credit exposures. This guidance is applied on a modified retrospective basis. This framework requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net decrease in the entity's ACL of $8,090 and a corresponding increase in retained earnings.

Also adopted effective January 1, 2023, was the updated guidance titled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers who are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

The following table presents the balance sheet impact to the allowance for credit losses and capital upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 1,121,579	$ 3,378	$ 1,124,957
Liabilities:			
Allowance for credit losses on unfunded commitments	27,777	(11,468)	16,309
Retained earnings:			
Unallocated retained earnings, net of tax	154,255,637	(8,090)	154,263,727

In December 2022, the Financial Accounting Standards Board (FASB) issued an update titled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2021, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2023, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The guidance has no impact on the Association's financial condition or results of operations.

Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be September 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief.

In March 2022, the FASB issued an update titled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of this guidance did not impact the Association's financial condition or results of operation as the System does not have a current derivative hedging strategy in which the last-of-layer method is used.

Regulatory Matters:

At December 31, 2023, the Association was under Special Supervision with the Farm Credit Administration (FCA). Measures have been taken to satisfy certain FCA requirements, and the Association anticipates fully meeting all requirements and being released from the written agreement in 2024.

On January 13, 2023, FCA issued an advance notice of proposed rulemaking on the regulatory capital framework for Farmer Mac. The comment period ended on April 26, 2023.

On October 5, 2023, the FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish institution board reporting requirements. The final rule will become effective on January 1, 2025.

On October 12, 2023, FCA approved a final rule on young, beginning and small (YBS) farmer and rancher activity, effective February 1, 2024. The objectives of the rule are to expand the YBS activities of direct-lender associations to a diverse population of borrowers, to reinforce the supervisory responsibilities of the banks that fund the direct-lender associations and require the banks to annually review and approve the associations' YBS programs, and to require each direct-lender association to enhance the strategic plan for its YBS program. FCA will transition to a new YBS reporting system in 2024 to provide a clearer picture of YBS lending by allowing the agency to better break down and categorize loan data.

Relationship With the Bank:

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

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

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

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

Summary:

Over the past 33 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.

Report of Independent Auditors

To the Board of Directors of Mississippi Land Bank, ACA

Opinion

We have audited the accompanying consolidated financial statements of Mississippi Land Bank, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2023, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2023 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

PricewaterhouseCoopers LLP

Austin, Texas
March 8, 2024

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2023	**2022**	**2021**
Assets			
Cash	**$ 8,752**	$ 10,012	$ 12,503
Loans	**1,007,539,164**	951,773,413	926,065,090
Less: allowance for credit losses on loans	**1,272,602**	1,121,579	1,311,830
Net loans	**1,006,266,562**	950,651,834	924,753,260
Accrued interest receivable	**18,191,757**	15,431,716	12,796,342
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**17,031,912**	16,024,290	14,689,950
Other	**3,260,832**	2,745,701	2,558,072
Premises and equipment	**4,283,668**	4,137,706	3,917,221
Other assets	**417,195**	626,358	667,403
Total assets	**$ 1,049,460,678**	$ 989,627,617	$ 959,394,751
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 857,631,905**	$ 807,290,650	$ 788,017,939
Guaranteed obligations to government entities	**10,596,794**	8,901,457	7,985,908
Accrued interest payable	**2,235,271**	1,681,005	1,238,168
Drafts outstanding	**717,084**	182,438	840,714
Patronage distributions payable	**7,500,406**	7,500,243	6,250,013
Other liabilities	**5,016,879**	5,644,171	6,011,259
Total liabilities	**883,698,339**	831,199,964	810,344,001
Members' Equity			
Capital stock and participation certificates	**4,168,360**	3,950,590	3,820,300
Unallocated retained earnings	**161,422,072**	154,255,637	145,316,993
Accumulated other comprehensive income (loss)	**171,907**	221,426	(86,543)
Total members' equity	**165,762,339**	158,427,653	149,050,750
Total liabilities and members' equity	**$ 1,049,460,678**	$ 989,627,617	$ 959,394,751

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,		
	2023	**2022**	**2021**
Interest Income			
Loans	**$ 46,301,179**	$ 39,277,164	$ 34,741,802
Total interest income	**46,301,179**	39,277,164	34,741,802
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**23,107,231**	17,125,612	14,064,311
Advance conditional payments	**589**	42	-
Total interest expense	**23,107,820**	17,125,654	14,064,311
Net interest income	**23,193,359**	22,151,510	20,677,491
Provision for loan losses (loan loss reversal)	**146,425**	(104,342)	152,686
Net interest income after provision for losses (loan loss reversal)	**23,046,934**	22,255,852	20,524,805
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,893,639**	5,821,635	5,253,800
Loan fees	**275,451**	416,038	512,703
Gain on sale of premises and equipment, net	**58,286**	9,271	84,783
Other noninterest income	**8,633**	63,756	42,559
Total noninterest income	**3,236,009**	6,310,700	5,893,845
Noninterest Expenses			
Salaries and employee benefits	**6,311,721**	7,288,792	7,302,636
Insurance Fund premiums	**1,373,703**	1,502,690	1,107,533
Purchased services	**754,975**	470,345	410,688
Occupancy and equipment	**604,000**	472,025	417,395
Travel	**510,133**	524,495	443,715
Advertising	**422,004**	397,140	368,540
Directors' expense	**382,432**	302,512	211,197
Supervisory and exam expense	**355,517**	329,209	292,415
Public and member relations	**284,514**	266,318	186,315
Communications	**136,703**	108,108	113,288
Other components of net periodic postretirement benefit cost	**42,179**	39,919	39,047
Other noninterest expense	**413,622**	421,513	392,337
Total noninterest expenses	**11,591,503**	12,123,066	11,285,106
Income before income taxes	**14,691,440**	16,443,486	15,133,544
Provision for income taxes	**33,095**	4,842	13,415
NET INCOME	**14,658,345**	16,438,644	15,120,129
Other comprehensive income:			
Change in postretirement benefit plans	**(49,519)**	307,969	62,659
COMPREHENSIVE INCOME	**$ 14,608,826**	$ 16,746,613	$ 15,182,788

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 3,554,195	$ 136,446,864	$ (149,202)	$ 139,851,857
Comprehensive income	-	15,120,129	62,659	15,182,788
Capital stock/participation certificates issued	857,990	-	-	857,990
Capital stock/participation certificates retired	(591,885)	-	-	(591,885)
Patronage dividends:				
Cash	-	(6,250,000)	-	(6,250,000)
Balance at December 31, 2021	3,820,300	145,316,993	(86,543)	149,050,750
Comprehensive income	-	16,438,644	307,969	16,746,613
Capital stock/participation certificates issued	626,145	-	-	626,145
Capital stock/participation certificates retired	(495,855)	-	-	(495,855)
Patronage dividends:				
Cash	-	(7,500,000)	-	(7,500,000)
Balance at December 31, 2022	3,950,590	154,255,637	221,426	158,427,653
Cumulative effect of a change in accounting principle	-	8,090	-	8,090
Balance at January 1, 2023	3,950,590	154,263,727	221,426	158,435,743
Comprehensive income	-	14,658,345	(49,519)	14,608,826
Capital stock/participation certificates issued	631,475	-	-	631,475
Capital stock/participation certificates retired	(413,705)	-	-	(413,705)
Patronage dividends:				
Cash	-	(7,500,000)	-	(7,500,000)
Balance at December 31, 2023	**$ 4,168,360**	**$ 161,422,072**	**$ 171,907**	**$ 165,762,339**

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,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Net income	**$ 14,658,345**	$ 16,438,644	$ 15,120,129
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**146,425**	(104,342)	152,686
Depreciation	**755,358**	642,122	803,554
Allocated equity patronage from FCBT	**(704,392)**	-	-
Gain on sale of premises and equipment, net	**(58,286)**	(9,271)	(84,783)
Increase in accrued interest receivable	**(2,760,041)**	(2,635,374)	(291,919)
Increase in other receivables from the Farm Credit Bank of Texas	**(515,131)**	(187,629)	(368,313)
Decrease in other assets	**209,163**	41,045	44,703
Increase (decrease) in accrued interest payable	**554,266**	442,837	(85,880)
(Decrease) increase in other liabilities	**(667,834)**	(47,937)	669,419
Net cash provided by operating activities	**11,617,873**	14,580,095	15,959,596
Cash flows from investing activities:			
Increase in loans, net	**(56,131,392)**	(26,108,986)	(98,895,764)
Cash recoveries of loans previously charged off	**3,711**	-	-
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(303,230)**	(1,334,340)	(2,014,565)
Purchases of premises and equipment	**(785,238)**	(632,764)	(690,648)
Proceeds from sales of premises and equipment	**307,845**	83,000	192,365
Net cash used in investing activities	**(56,908,304)**	(27,993,090)	(101,408,612)
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**50,341,255**	19,272,711	91,256,444
Increase in guaranteed obligations to government entities	**1,695,337**	915,549	33,720
Increase (decrease) in drafts outstanding	**534,646**	(658,276)	(697,437)
Issuance of capital stock and participation certificates	**631,475**	626,145	857,990
Retirement of capital stock and participation certificates	**(413,705)**	(495,855)	(591,885)
Patronage distributions paid	**(7,499,837)**	(6,249,770)	(5,400,039)
Net cash provided by financing activities	**45,289,171**	13,410,504	85,458,793
Net (decrease) increase in cash	**(1,260)**	(2,491)	9,777
Cash at the beginning of the year	**10,012**	12,503	2,726
Cash at the end of the year	**$ 8,752**	$ 10,012	$ 12,503

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,		
	2023	**2022**	**2021**
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	**$ -**	$ 97,091	$ -
Patronage distributions declared	**7,500,000**	7,500,000	6,250,000
Transfer of allowance for credit losses on loans from (into) reserve for credit losses on unfunded commitments	**8,976**	11,182	6,590
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 22,553,608**	$ 17,018,658	$ 14,039,162

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, 2023, 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, 2023, the District consisted of the Bank, one FLCA and 12 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% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

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 Farm Credit 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. The Bank's Annual Report to Stockholders discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the Bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the financial statements) of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

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

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

A. Recently Issued or Adopted Accounting Pronouncements:

On January 1, 2023, the Association adopted the FASB guidance titled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance-sheet credit exposures. This guidance is applied on a modified retrospective basis. This framework requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net decrease in the entity's ACL of $8,090 and a corresponding increase in retained earnings.

Also adopted effective January 1, 2023, was the updated guidance titled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers who are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

The following table presents the balance sheet impact to the allowance for credit losses and capital upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 1,121,579	$ 3,378	$ 1,124,957
Liabilities:			
Allowance for credit losses on unfunded commitments	27,777	(11,468)	16,309
Retained earnings:			
Unallocated retained earnings, net of tax	154,255,637	(8,090)	154,263,727

In December 2022, the Financial Accounting Standards Board (FASB) issued an update titled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance titled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform).” The guidance provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2021, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2023, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The guidance has no impact on the Association’s financial condition or results of operations.

Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be September 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief.

In March 2022, the FASB issued an update titled “Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method.” Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB’s efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of this guidance did not impact the Association’s financial condition or results of operation as the System does not have a current derivative hedging strategy in which the last-of-layer method is used.

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

C. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. 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 modified 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.

Consistent with prior practice, 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), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time 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 credit losses on loans (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time 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 should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the balance sheet. The Association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral-Dependent Loans

Collateral-dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses

Effective January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance-sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet; and
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities.

Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans

The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, and discounts. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default).

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the components of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third-party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long-run historical loss experience beyond the two years on a straight-line basis over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The Bank also considers loan and borrower characteristics, such as internal risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged off or expected recoveries on collateral-dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are 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 and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the Condensed Combined Statement of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2% of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2% of the average outstanding balance of borrowings from the Bank to a maximum of 5% of the average outstanding balance of borrowings from the Bank.

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

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. The Association purchases certain software to enhance or perform internal business functions. Software costs are charged to noninterest expense, while costs associated with implementing software systems are capitalized and amortized using the straight-line method over the life of the service contract. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

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

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

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

   Participants in the DC Plan generally include employees who elected to transfer from the DB Plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC Plan direct the placement of their employers' contributions, 5.0% of eligible pay for the year ended December 31, 2023, 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 $307,788, $309,300 and $274,155 for the years ended December 31, 2023, 2022 and 2021, respectively. For the DB Plan, the Association recognized pension costs of $229,645, $369,229 and $762,268 for the years ended December 31, 2023, 2022 and 2021, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100% of employee contributions up to 3.0% of eligible earnings and to match 50% of employee contributions for the next 2.0% of employee contributions, up to a maximum employer contribution of 4.0% of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $207,387, $226,374 and $211,478 for the years ended December 31, 2023, 2022 and 2021, 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 $455, $697 and $9,614 for the years ended December 31, 2023, 2022 and 2021, 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. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing bases predicated on length of employment service. Employees hired before this date, who have reached the age requirement and have 25 years of service will receive 100% of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100% of the premium.

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

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

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

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

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

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

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

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

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

	2023		**2022**		**2021**	
Loan Type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Real estate mortgage	**$ 805,054,121**	**80.0%**	$ 779,575,849	81.9%	$ 755,429,312	81.6%
Production and intermediate-term	**135,561,230**	**13.5%**	115,063,071	12.1%	110,547,397	11.9%
Agribusiness:						
Processing and marketing	**29,377,711**	**2.9%**	26,491,779	2.8%	27,493,138	3.0%
Farm-related business	**6,279,928**	**0.6%**	7,264,616	0.8%	8,975,778	1.0%
Loans to cooperatives	**1,202,598**	**0.1%**	1,202,598	0.1%	522,468	0.1%
Rural residential real estate	**14,456,857**	**1.4%**	14,840,635	1.6%	15,785,271	1.7%
Communication	**5,233,754**	**0.5%**	4,939,414	0.5%	4,763,267	0.5%
Water and waste-water	**4,876,623**	**0.5%**	2,057,745	0.2%	1,299,561	0.1%
Energy	**2,996,342**	**0.3%**	337,706	0.0%	1,248,898	0.1%
Agricultural export finance	**2,500,000**	**0.2%**	-	0.0%	-	0.0%
Total	**$ 1,007,539,164**	**100.0%**	$ 951,773,413	100.0%	$ 926,065,090	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, 2023:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 24,771,391	$ 3,415,087	$ -	$ -	$ 24,771,391	$ 3,415,087
Real estate mortgage	-	8,533,981	17,395,156	-	17,395,156	8,533,981
Communication	5,233,754	-	-	-	5,233,754	-
Water and waste-water	4,876,623	-	-	-	4,876,623	-
Energy	2,996,342	-	-	-	2,996,342	-
Agricultural export finance	2,500,000	-	-	-	2,500,000	-
Production and intermediate-term	1,825,802	2,873,928	-	-	1,825,802	2,873,928
Total	$ 42,203,912	$ 14,822,996	$ 17,395,156	$ -	$ 59,599,068	$ 14,822,996

The following percentages are based on the borrower's physical location, the borrower's headquarter location, or the physical location of the underlying collateral where applicable:

County	2023	2022	2021
Noxubee	**9.9%**	8.9%	8.6%
Coahoma	**9.5%**	9.8%	8.5%
Bolivar	**5.0%**	4.7%	4.6%
DeSoto	**4.9%**	4.6%	4.3%
Tunica	**4.7%**	4.4%	4.1%
Sunflower	**4.4%**	4.7%	5.0%
Tallahatchie	**4.3%**	2.7%	2.6%
Oktibbeha	**3.9%**	3.9%	3.9%
Panola	**3.8%**	3.8%	3.9%
Lee	**3.2%**	3.3%	3.6%
Lowndes	**2.9%**	3.0%	3.5%
Tate	**2.8%**	2.9%	2.8%
Lafayette	**2.4%**	2.6%	2.4%
Monroe	**1.6%**	3.5%	3.6%
Alcorn	**1.6%**	1.8%	2.0%
Union	**1.6%**	1.6%	1.7%
Calhoun	**1.5%**	1.8%	1.8%
Chickasaw	**1.5%**	1.5%	1.5%
Quitman	**1.5%**	1.4%	2.2%
Winston	**1.5%**	1.4%	1.2%
Marshall	**1.4%**	1.1%	1.2%
Clay	**1.3%**	1.3%	1.4%
Pontotoc	**1.0%**	1.0%	1.3%
Webster	**1.0%**	0.9%	0.9%
Other Counties	**8.7%**	7.8%	7.9%
Other States	**14.1%**	15.6%	15.5%
	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.

	2023		2022		2021	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Soybeans	**$ 274,112,929**	**27.3%**	$ 263,377,569	27.7%	$ 247,000,932	26.7%
Timber	**207,078,864**	**20.6%**	186,229,515	19.6%	183,248,870	19.8%
Cotton	**136,135,231**	**13.5%**	135,091,515	14.2%	142,680,235	15.4%
Livestock, except dairy and poultry	**104,710,599**	**10.4%**	98,948,620	10.4%	103,093,956	11.1%
Corn	**92,941,188**	**9.2%**	90,504,738	9.5%	78,478,579	8.5%
Poultry and eggs	**43,759,966**	**4.3%**	42,770,550	4.5%	42,095,199	4.5%
Recreational property	**31,654,277**	**3.1%**	31,189,149	3.3%	25,763,946	2.8%
Other field crops, including cash grains	**26,642,323**	**2.6%**	24,257,513	2.5%	20,665,968	2.2%
Catfish	**23,130,648**	**2.3%**	18,858,434	2.0%	14,434,902	1.6%
Rural home loans	**19,639,210**	**1.9%**	19,996,996	2.1%	20,685,684	2.2%
Food and kindred products	**10,078,768**	**1.0%**	6,834,670	0.7%	5,905,805	0.6%
Rice	**9,859,989**	**1.0%**	9,957,110	1.0%	13,554,059	1.5%
Other	**27,795,172**	**2.8%**	23,757,034	2.5%	28,456,955	3.1%
Total	**$ 1,007,539,164**	**100.0%**	$ 951,773,413	100.0%	$ 926,065,090	100.0%

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

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The entity manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The entity uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. 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 or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews the probability of default category at a frequency prescribed by Association policy.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These 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, or collateral pledged on the loan,
- Doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- Loss — assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 96,161,880	$ 100,914,545	$ 143,440,384	$ 182,882,666	$ 54,144,273	$ 225,652,370	$ 123,205	$ 803,319,323
OAEM	37,373	250,250	-	65,919	-	311,629	-	665,171
Substandard/Doubtful	-	-	-	537,516	-	532,111	-	1,069,627
	$ 96,199,253	$ 101,164,795	$ 143,440,384	$ 183,486,101	$ 54,144,273	$ 226,496,110	$ 123,205	$ 805,054,121
Production and intermediate-term								
Acceptable	$ 36,386,528	$ 18,997,181	$ 19,603,859	$ 8,366,053	$ 4,073,156	$ 3,537,327	$ 43,538,839	$ 134,502,943
OAEM	-	-	-	-	-	-	841,654	841,654
Substandard/Doubtful	-	-	-	-	-	-	216,633	216,633
	$ 36,386,528	$ 18,997,181	$ 19,603,859	$ 8,366,053	$ 4,073,156	$ 3,537,327	$ 44,597,126	$ 135,561,230
Agribusiness								
Acceptable	$ 3,917,794	$ 8,384,662	$ 6,435,620	$ 3,323,436	$ 8,655,288	$ 706,855	$ 5,436,582	$ 36,860,237
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 3,917,794	$ 8,384,662	$ 6,435,620	$ 3,323,436	$ 8,655,288	$ 706,855	$ 5,436,582	$ 36,860,237
Communications								
Acceptable	$ 541,631	$ -	$ -	$ 4,692,123	$ -	$ -	$ -	$ 5,233,754
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 541,631	$ -	$ -	$ 4,692,123	$ -	$ -	$ -	$ 5,233,754
Energy								
Acceptable	$ 2,996,342	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,996,342
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 2,996,342	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,996,342
Water and waste-water								
Acceptable	$ 2,052,982	$ 829,699	$ 665,052	$ -	$ -	$ -	$ 1,328,890	$ 4,876,623
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 2,052,982	$ 829,699	$ 665,052	$ -	$ -	$ -	$ 1,328,890	$ 4,876,623
Rural residential real estate								
Acceptable	$ 1,969,006	$ 912,843	$ 4,113,536	$ 3,755,631	$ 1,299,062	$ 2,384,709	$ -	$ 14,434,787
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	22,070	-	22,070
	$ 1,969,006	$ 912,843	$ 4,113,536	$ 3,755,631	$ 1,299,062	$ 2,406,779	$ -	$ 14,456,857
Agricultural export finance								
Acceptable	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500,000
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500,000
Total Loans								
Acceptable	**$ 146,526,163**	**$ 130,038,930**	**$ 174,258,451**	**$ 203,019,909**	**$ 68,171,779**	**$ 232,281,261**	**$ 50,427,516**	**$ 1,004,724,009**
OAEM	**37,373**	**250,250**	**-**	**65,919**	**-**	**311,629**	**841,654**	**1,506,825**
Substandard/Doubtful	**-**	**-**	**-**	**537,516**	**-**	**554,181**	**216,633**	**1,308,330**
	$ 146,563,536	**$ 130,289,180**	**$ 174,258,451**	**$ 203,623,344**	**$ 68,171,779**	**$ 233,147,071**	**$ 51,485,803**	**$ 1,007,539,164**

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

	2023	2022	2021
Real estate mortgage			
Acceptable	**99.8** %	99.6 %	99.5 %
OAEM	**0.1**	0.2	0.1
Substandard/doubtful	**0.1**	0.2	0.4
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**99.2**	100.0	99.6
OAEM	**0.6**	-	0.4
Substandard/doubtful	**0.2**	-	-
	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**	-	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	100.0	100.0
	100.0	100.0	100.0
Water and waste-water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.8**	99.8	99.7
OAEM	**-**	-	-
Substandard/doubtful	**0.2**	0.2	0.3
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	-
Total Loans			
Acceptable	**99.8**	99.7	99.3
OAEM	**0.1**	0.1	0.2
Substandard/doubtful	**0.1**	0.2	0.5
	100.0 %	100.0 %	100.0 %

In the table above, accrued interest receivable on loans of $18,191,757 at December 31, 2023, has been excluded from the amortized cost of loans and is reported separately in the Condensed Combined Statement of Condition while accrued interest receivable of $15,431,716 and $12,796,342 as of December 31, 2022 and 2021, respectively, has been included above. The Association did not write off any accrued interest receivable during 2023.

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

	December 31, 2023	December 31, 2022	December 31, 2021
Nonaccrual loans:			
Real estate mortgage	**$ 207,650**	$ 97,365	$ 550,808
Production and intermediate-term	**216,633**	-	-
Energy	**-**	337,705	1,248,898
Total nonaccrual loans	**424,283**	435,070	1,799,706
Total nonperforming assets	**$ 424,283**	$ 435,070	$ 1,799,706
Nonaccrual loans as a percentage of total loans	**0.04%**	0.05%	0.19%
Nonperforming assets as a percentage of total loans and other property owned	**0.04%**	0.05%	0.19%
Nonperforming assets as a percentage of capital	**0.26%**	0.27%	1.21%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual loans during the period:

	December 31, 2023			**Interest Income Recognized For the Year Ended December 31, 2023**
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	
Nonaccrual loans:				
Real estate mortgage	$ -	$ 207,650	$ 207,650	$ 9,542
Production and intermediate-term	216,633	-	216,633	-
Total nonaccrual loans	$ 216,633	$ 207,650	$ 424,283	$ 9,542

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2023:

December 31, 2023:	**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	**$ 563,333**	**$ -**	**$ 563,333**	**$ 804,490,788**	**$ 805,054,121**	**$ -**
Production and intermediate-term	**116,038**	**-**	**116,038**	**135,445,192**	**135,561,230**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,202,598**	**1,202,598**	**-**
Processing and marketing	**-**	**-**	**-**	**29,377,711**	**29,377,711**	**-**
Farm-related business	**-**	**-**	**-**	**6,279,928**	**6,279,928**	**-**
Communication	**-**	**-**	**-**	**5,233,754**	**5,233,754**	**-**
Energy	**-**	**-**	**-**	**2,996,342**	**2,996,342**	**-**
Water and waste-water	**-**	**-**	**-**	**4,876,623**	**4,876,623**	**-**
Rural residential real estate	**142,260**	**-**	**142,260**	**14,314,597**	**14,456,857**	**-**
Agricultural export finance	**-**	**-**	**-**	**2,500,000**	**2,500,000**	**-**
Total	**$ 821,631**	**$ -**	**$ 821,631**	**$ 1,006,717,533**	**$ 1,007,539,164**	**$ -**

Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

December 31, 2022:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 676,829	$ -	$ 676,829	$ 791,957,556	$ 792,634,385	$ -
Production and intermediate-term	57,578	-	57,578	117,111,609	117,169,187	-
Processing and marketing	-	-	-	26,598,616	26,598,616	-
Rural residential real estate	-	-	-	14,889,643	14,889,643	-
Farm-related business	-	-	-	7,353,750	7,353,750	-
Communication	-	-	-	4,958,531	4,958,531	-
Water and waste-water	-	-	-	2,060,334	2,060,334	-
Loans to cooperatives	-	-	-	1,202,978	1,202,978	-
Energy	-	957	957	336,748	337,705	-
Total	$ 734,407	$ 957	$ 735,364	$ 966,469,765	$ 967,205,129	$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon adoption of the CECL accounting guidance, creditors are required to disclose specific modifications with borrowers who are experiencing financial difficulty. The Association did not grant any loan modifications to borrowers experiencing financial difficulty during the year ending December 31, 2023.

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022. The Association had no loans meet the designation requirements of troubled debt restructuring during the year ended December 31, 2021.

	For the Year Ended December 31, 2022	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Energy	$ 1,248,898	$ 337,706
Total	$ 1,248,898	$ 337,706

* Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable 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.

The Association had no loans meet the requirements of a troubled debt restructuring designation and that occurred within the previous 12 months of that year and for which there was a payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Troubled debt restructurings:				
Real estate mortgage	$ 69,020	$ 162,145	$ 1,242	$ 7,459
Energy	-	-	337,706	-
Total	$ 69,020	$ 162,145	$ 338,948	$ 7,459

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

Credit Quality – Prior to CECL Adoption

The following table presents information relating to impaired loans:

	December 31, 2022	December 31, 2021
Nonaccrual loans:		
Current as to principal and interest	$ 386,666	$ 7,459
Past due	48,404	1,792,248
Total nonaccrual loans	435,070	1,799,707
Impaired accrual loans:		
Restructured accrual loans	69,020	162,145
Total impaired accrual loans	69,020	162,145
Total impaired loans	$ 504,090	$ 1,961,852

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base, but the Association's board of directors has generally established more restrictive lending limits.

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 2, "Summary of Significant Accounting Policies." A summary of changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2023, is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	$ 929,504	$ 57,108	$ 34,165	$ 1,838	$ 67,316	$ 1,373	$ 30,275	$ -	$ 1,121,579
Cumulative effect of a change in accounting principle	(15,922)	20,502	(2,559)	1,294	-	511	(448)	-	3,378
Balance at January 1, 2023	913,582	77,610	31,606	3,132	67,316	1,884	29,827	-	1,124,957
Recoveries	-	-	-	-	3,711	-	-	-	3,711
Provision for loan losses (loan loss reversal)	76,574	129,780	(436)	7,409	(69,808)	2,377	72	457	146,425
Other	84	(2,500)	(401)	262	-	(441)	39	466	(2,491)
Balance at December 31, 2023	$ 990,240	$ 204,890	$ 30,769	$ 10,803	$ 1,219	$ 3,820	$ 29,938	$ 923	$ 1,272,602
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	$ 501	$ 12,895	$ 11,773	$ 328	$ -	$ 1,115	$ 379	$ 786	$ 27,777
Cumulative effect of a change in accounting principle	(372)	(8,451)	(1,729)	111	-	(919)	(308)	200	(11,468)
Balance at January 1, 2023	129	4,444	10,044	439	-	196	71	986	16,309
Provision for unfunded commitments	(84)	2,500	401	(262)	-	441	(39)	(466)	2,491
Balance at December 31, 2023	$ 45	$ 6,944	$ 10,445	$ 177	$ -	$ 637	$ 32	$ 520	$ 18,800

The allowance for credit losses as of December 31, 2023, was $1,272,602, reflecting an increase of $151,023 from December 31, 2022. Excluding the impact of the adoption of the CECL accounting guidance of $8,090 as previously discussed, the increase was driven by increased loan volume coupled with one loan downgraded to nonaccrual that resulted in a specific allowance in the amount of $117,195.

The economic scenarios utilized in the December 31, 2023, estimate for the allowance for credit losses were based on the following scenarios: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2024; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario.

Allowance for Credit Losses - Prior to CECL Adoption

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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cations	Energy	Water and Waste-water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:									
Balance at December 31, 2021	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ 268,750	$ 1,385	$ 28,550	$ -	$ 1,311,830
Charge-offs	-	-	-	-	(97,091)	-	-	-	(97,091)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	70,876	(32,753)	(40,675)	400	(104,352)	(223)	2,020	365	(104,342)
Other	(501)	3,316	9,135	(328)	9	211	(295)	(365)	11,182
Balance at December 31, 2022	$ 929,504	$ 57,108	$ 34,165	$ 1,838	$ 67,316	$ 1,373	$ 30,275	$ -	$ 1,121,579

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cations	Energy	Water and Waste-water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:									
Balance at December 31, 2020	$ 999,361	$ 72,863	$ 51,271	$ 3,313	$ -	$ 1,440	$ 24,306	$ -	$ 1,152,554
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	(140,250)	22,722	(2,848)	(1,547)	268,589	1,271	4,329	420	152,686
Other	18	(9,040)	17,282	-	161	(1,326)	(85)	(420)	6,590
Balance at December 31, 2021	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ 268,750	$ 1,385	$ 28,550	$ -	$ 1,311,830

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 3.29%, 3.40% and 3.58% of the issued stock of the Bank as of December 31, 2023, 2022 and 2021. As of those dates, the Bank's assets totaled $37.28 billion, $35.99 billion and $33.09 billion and members' equity totaled $1.69 billion, $1.62 billion and $2.00 billion. The Bank's earnings were $199.9 million, $269.9 million and $254.6 million during 2023, 2022 and 2021.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2023	2022	2021
Building and improvements	**$ 3,901,938**	$ 3,500,405	$ 3,012,351
Automobiles	**1,110,296**	1,301,558	1,110,872
Land and improvements	**1,003,200**	1,003,200	958,700
Furniture and equipment	**487,511**	479,090	449,222
Computer equipment and software	**317,654**	322,213	296,460
Construction in progress	**-**	-	350,926
	6,820,599	6,606,466	6,178,531
Accumulated depreciation	**(2,536,931)**	(2,468,760)	(2,261,310)
Total	**$ 4,283,668**	$ 4,137,706	$ 3,917,221

The Association leases office space in Clarksdale, Cleveland and Kosciusko and, at times, other properties as the need arises. Lease expense was $57,600 $57,925 and $61,500 for 2023, 2022 and 2021, respectively. Lease agreements are in place for two of the leased locations, while the remainder are on month-to-month agreements. Minimum annual lease payments for the next five years are as follows:

	Operating Leases	
2024	$	55,500
2025		16,900
2026		-
2027		-
2028		-
Thereafter		-
Total	$	72,400

NOTE 6 — OTHER PROPERTY OWNED, NET:

The Association held no other property owned at December 31, 2023, 2022 or 2021.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

		2023		2022		2021
Captive insurance receivable	**$**	**298,464**	$	324,221	$	289,796
Right-of-use asset		**85,465**		146,339		212,135
Other		**33,266**		155,798		165,472
Total	**$**	**417,195**	$	626,358	$	667,403

Other liabilities comprised the following at December 31:

		2023		2022		2021
Accumulated postretirement benefit obligation	**$**	**1,452,091**	$	1,393,715	$	1,682,747
Insurance Fund premiums payable		**1,373,703**		1,502,690		1,107,533
Payroll and benefits payable		**1,198,903**		1,829,543		2,181,817
Oustanding accounts payable		**557,551**		356,409		439,735
Lease liability		**85,465**		146,339		212,135
Other		**349,166**		415,475		387,292
Total	**$**	**5,016,879**	$	5,644,171	$	6,011,259

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, 2026, 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, 2023, 2022 and 2021, was $857,631,905 at 3.23%, $807,290,650 at 2.50% and $788,017,939 at 1.89%, 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, 2023, 2022 and 2021, the

Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,014,707,098, 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, 2023, 2022 and 2021, the Association was not subject to remedies associated with the covenants in the general financing agreement. Other than our funding relationship with the Bank, we have no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

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

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) or participation certificates (for rural home or farm-related business loans), is equal to 2% of the loan amount, up to a maximum amount of $1,000 per loan. Prior to January 1, 2020, loans made under the PCA were subject to a stock requirement of 2% of the loan amount, up to a maximum of $1,000 per customer. Effective January 1, 2020, all new loans made by the Association, regardless of whether it was made under the FLCA or PCA, are all subject to a stock requirement of 2% of the loan amount, up to a maximum of $1,000. If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10% of the loan amount.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates. Our bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2023, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

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

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A stock to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class C stock shall not share in any patronage distributions, and redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2023, 2022 and 2021, the Association had no shares of Class C stock outstanding.

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

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

	2023	2022	2021
Class A stock	**812,966**	769,501	741,236
Participation certificates	**20,706**	20,617	22,824
Total	**833,672**	790,118	764,060

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 2023, 2022 and 2021, respectively:

Date Declared	**Date Paid**	**Patronage**
December 2023	**February 2024**	**$ 7,500,000**
December 2022	February 2023	7,500,000
December 2021	February 2022	6,250,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2023, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios:

	Regulatory	Regulatory	As of December 31,		
Risk-weighted:	Minimums	Minimums with Buffer	**2023**	2022	2021
Common equity tier 1 ratio	4.50%	7.00%	**14.77%**	14.50%	14.39%
Tier 1 capital ratio	6.00%	8.50%	**14.77%**	14.50%	14.39%
Total capital ratio	8.00%	10.50%	**14.88%**	14.63%	14.53%
Permanent capital ratio	7.00%	7.00%	**14.79%**	14.52%	14.41%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	**15.10%**	14.74%	14.63%
UREE leverage ratio	1.50%	1.50%	**14.69%**	14.34%	15.59%

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

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

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

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

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 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-weighted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 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-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5% must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	at December 31, 2023			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 165,401,315**	**$ 165,401,315**	**$ 165,401,315**	**$ 165,401,315**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,149,145**	**4,149,145**	**4,149,145**	**4,149,145**
Allowance for loan losses and reserve for credit losses subject to certain limitations*	**-**	**-**	**1,081,198**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(16,042,224)**	**(16,042,224)**	**(16,042,224)**	**(16,042,224)**
	$ 153,508,236	**$ 153,508,236**	**$ 154,589,434**	**$ 153,508,236**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 1,055,157,292**	**$ 1,055,157,292**	**$ 1,055,157,292**	**$ 1,055,157,292**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(16,042,224)**	**(16,042,224)**	**(16,042,224)**	**(16,042,224)**
Allowance for loan losses	**-**	**-**	**-**	**(1,064,806)**
	$ 1,039,115,068	**$ 1,039,115,068**	**$ 1,039,115,068**	**$ 1,038,050,262**

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

	at December 31, 2022			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 155,033,952	$ 155,033,952	$ 155,033,952	$ 155,033,952
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,945,569	3,945,569	3,945,569	3,945,569
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	1,340,839	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(14,719,602)	(14,719,602)	(14,719,602)	(14,719,602)
	$ 144,259,919	$ 144,259,919	$ 145,600,758	$ 144,259,919
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,009,604,059	$ 1,009,604,059	$ 1,009,604,059	$ 1,009,604,059
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(14,719,602)	(14,719,602)	(14,719,602)	(14,719,602)
Allowance for loan losses	-	-	-	(1,302,003)
	$ 994,884,457	$ 994,884,457	$ 994,884,457	$ 993,582,454

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

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

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

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

	at December 31, 2023 Tier 1 leverage ratio	at December 31, 2023 UREE leverage ratio
Numerator:		
Unallocated retained earnings	**$ 165,401,315**	**$ 165,401,315**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,149,145**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(16,042,224)**	**(16,042,224)**
Other regulatory required deductions	**-**	**-**
	$ 153,508,236	**$ 149,359,091**
Denominator:		
Total Assets	**$ 1,034,751,441**	**$ 1,034,751,441**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(18,218,274)**	**(18,218,274)**
	$ 1,016,533,167	**$ 1,016,533,167**

	at December 31, 2022 Tier 1 leverage ratio	at December 31, 2022 UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 155,033,952	$ 155,033,952
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,945,569	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(14,719,602)	(14,719,602)
Other regulatory required deductions	-	-
	$ 144,259,919	$ 140,314,350
Denominator:		
Total Assets	$ 997,794,738	$ 997,794,738
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(18,968,491)	(18,968,491)
	$ 978,826,247	$ 978,826,247

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

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

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

An additional component of the Association's equity is accumulated other comprehensive income, which 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:

	2023	2022	2021
Accumulated other comprehensive income (loss) at January 1	**$ 221,426**	$ (86,543)	$ (149,202)
Actuarial gains (losses)	**(20,585)**	320,261	71,194
Amortization of prior service (credit) costs included in salaries and employee benefits	**(28,934)**	(12,292)	(8,535)
Other comprehensive income (loss), net of tax	**(49,519)**	307,969	62,659
Accumulated other comprehensive income at December 31	**$ 171,907**	$ 221,426	$ (86,543)

NOTE 10 — INCOME TAXES:

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

	2023	2022	2021
Deferred:			
Federal	**$ 28,601**	$ 4,184	$ 11,593
State	**4,494**	658	1,822
Total deferred	**33,095**	4,842	13,415
Total provision for (benefit from) income taxes	**$ 33,095**	$ 4,842	$ 13,415

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:

	2023	2022	2021
Federal tax at statutory rate	**$ 3,085,202**	$ 3,456,025	$ 3,178,044
State tax, net	**4,494**	658	1,822
Effect of nontaxable FLCA subsidiary	**(3,192,343)**	(3,405,759)	(3,185,839)
Patronage distributions	**-**	(53,939)	-
Change in valuation allowance	**157,072**	615	22,434
Other	**(21,330)**	7,242	(3,046)
Provision for (benefit from) income taxes	**$ 33,095**	$ 4,842	$ 13,415

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

	2023	2022	2021
Deferred Tax Assets			
Allowance for loan losses	**$ 49,406**	$ 10,817	$ 10,202
Loss carryforwards	**225,059**	99,966	99,966
Gross deferred tax assets	**274,465**	110,783	110,168
Deferred tax asset valuation allowance	**(274,465)**	(110,783)	(110,168)
Deferred Tax Liabilities			
Other	**(128,256)**	(95,160)	(90,319)
Gross deferred tax liabilities	**(128,256)**	(95,160)	(90,319)
Net deferred tax asset (liability)	**$ (128,256)**	$ (95,160)	$ (90,319)

At December 31, 2023, the Association had a net operating loss (NOL) carryover of $926,167 available to offset against future taxable income of which $91,956 will expire in 2034, $230,527 will expire in 2037, and the remaining $603,684 has an indefinite carryforward period and is limited to 80% of taxable income. The provision for income taxes recorded in 2023 was primarily the result of the year-over-year increase in deferred net loan income.

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded valuation allowances of $274,465, $110,783, and $110,168 during 2023, 2022, and 2021, respectively. The Association will continue to evaluate the realizability of the deferred tax asset and adjust the valuation allowance accordingly.

Upon adoption of FASB guidelines for "Accounting for Uncertainty in Income Taxes" on January 1, 2007, the Association did not need to recognize a tax liability for any uncertain tax positions, and at December 31, 2023, 2022, and 2021 did not recognize a tax liability for any uncertain tax positions.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB 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. DB 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). The Supplemental 401(k) 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 nonqualified defined contribution 401(k) plan. Contributions of $455, $697 and $9,614 were made to this plan for the years ended December 31, 2023, 2022 and 2021. There were no payments made from the Supplemental 401(k) Plan to active employees during 2023, 2022 and 2021.

The DB Plan is non-contributory, 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 DB Plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB Plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB Plan as of December 31, 2023.

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, 2023, 2022 and 2021:

	2023	2022	2021
Funded status of DB Plan	**73.3** %	70.9 %	70.5 %
Association's contribution	**$ 229,645**	$ 369,229	$ 762,268
Percentage of Association's contribution to total contributions	**3.5** %	3.5 %	5.0 %

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 74.1%, 71.8% and 72.0% at December 31, 2023, 2022 and 2021, 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. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing basis predicated on length of employment service. Employees hired before this date, who have reached the age requirement and have 25 years of service will receive 100% of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100% of the premium.

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

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2023**	2022	2021
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,393,715**	$ 1,682,747	$ 1,723,445
Service cost	**14,153**	18,982	21,263
Interest cost	**71,113**	52,211	47,582
Plan participants' contributions	**5,031**	4,658	4,140
Actuarial loss (gain)	**20,585**	(320,261)	(71,194)
Benefits paid	**(52,506)**	(44,622)	(42,489)
Accumulated postretirement benefit obligation, end of year	**$ 1,452,091**	$ 1,393,715	$ 1,682,747
Change in Plan Assets			
Company contributions	**$ 47,475**	$ 39,964	$ 38,349
Plan participants' contributions	**5,031**	4,658	4,140
Benefits paid	**(52,506)**	(44,622)	(42,489)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,452,091)**	$ (1,393,715)	$ (1,682,747)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (1,452,091)**	$ (1,393,715)	$ (1,682,747)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (168,713)**	$ (205,940)	$ 114,321
Prior service cost (credit)	**(3,194)**	(15,486)	(27,778)
Total	**$ (171,907)**	$ (221,426)	$ 86,543
Weighted-Average Assumptions Used to Determine Obligations at Year-End			
Measurement date	**12/31/2023**	12/31/2022	12/31/2021
Discount rate	**5.50%**	5.20%	3.15%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.50%/8.40%**	7.20%/7.70%	6.80%/6.00%
Health care cost trend rate assumed for next year - Rx	**7.50%**	7.20%	6.80%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034/2034**	2031/2031	2030/2030

Total Cost	2023	2022	2021
Service cost	$ 14,153	$ 18,982	$ 21,263
Interest cost	71,113	52,211	47,582
Amortization of:			
Unrecognized prior service cost	(12,292)	(12,292)	(12,292)
Unrecognized net loss (gain)	(16,642)	-	3,757
Net postretirement benefit cost	$ 56,332	$ 58,901	$ 60,310
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)	$ 20,585	$ (320,261)	$ (71,194)
Amortization of net actuarial loss (gain)	16,642	-	(3,757)
Amortization of prior service cost	12,292	12,292	12,292
Total recognized in other comprehensive income	$ 49,519	$ (307,969)	$ (62,659)
AOCI Amounts Expected to be Amortized Into Expense in 2024			
Unrecognized prior service cost	$ (3,194)	$ (12,292)	$ (12,292)
Unrecognized net loss (gain)	(5,761)	(16,642)	-
Total	$ (8,955)	$ (28,934)	$ (12,292)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	12/31/2022	12/30/2021	12/31/2020
Discount rate	5.20%	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.20%/7.70%	6.80%/6.00%	6.60%/6.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2031/2031	2030/2030	2029/2029

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2024	$ 59,133
Fiscal 2025	67,589
Fiscal 2026	76,357
Fiscal 2027	85,371
Fiscal 2028	86,081
Fiscal 2029–2033	530,193
Expected Contributions	
Fiscal 2024	$ 59,133

NOTE 12 — RELATED PARTY TRANSACTIONS:

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

Total loans to such persons at December 31, 2023, 2022 and 2021 for the Association amounted to $14,585,640, $12,929,656 and $7,093,005, respectively. During 2023, 2022 and 2021, $4,298,498, $8,356,207 and $2,077,939 of new loans were made, and repayments totaled $2,642,514, $2,519,455 and $2,099,212, respectively. In the opinion of management, no such loans outstanding at December 31, 2023, 2022 and 2021 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 District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled $107,845, $59,664 and $58,541 in 2023, 2022 and 2021, respectively. FCSIC expense totaled $1,373,703, $1,502,690 and $1,107,533.

The Association received patronage payments from the Bank totaling $2,893,639, $5,821,635 and $5,253,800 during 2023, 2022 and 2021, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

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

Valuation Techniques

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Assets Held in Nonqualified Benefits Trusts

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

Note Payable to the Farm Credit Bank of Texas

The note payable to the Bank is not regularly traded; thus, quoted market 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's estimate. For the purpose of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expense and capital expenditure. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

Guaranteed Obligations to Government Entities

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023, 2022 and 2021 for each of the fair value hierarchy values are summarized below:

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 4,801**	**$ -**	**$ -**	**$ 4,801**
Total assets	**$ 4,801**	**$ -**	**$ -**	**$ 4,801**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 134,428	$ -	$ -	$ 134,428
Total assets	$ 134,428	$ -	$ -	$ 134,428

December 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 139,972	$ -	$ -	$ 139,972
Total assets	$ 139,972	$ -	$ -	$ 139,972

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

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 99,438**	**$ 99,438**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 270,389	$ 270,389

December 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 980,418	$ 980,418

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

Information about Other Financial Instrument Fair Value Measurements:

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

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

		December 31, 2023 Fair Value Measurement Using			
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 8,752**	**$ 8,752**	**$ -**	**$ -**	**$ 8,752**
Net loans	**1,006,167,124**	**-**	**-**	**912,235,791**	**912,235,791**
Total Assets	**$ 1,006,175,876**	**$ 8,752**	**$ -**	**$ 912,235,791**	**$ 912,244,543**
Liabilities:					
Note payable to Farm Credit Bank of Texas	**$ 857,631,905**	**$ -**	**$ -**	**$ 777,659,001**	**$ 777,659,001**
Guaranteed obligations to government entities	**10,596,794**	**-**	**-**	**9,608,659**	**9,608,659**
Total Liabilities	**$ 868,228,699**	**$ -**	**$ -**	**$ 787,267,660**	**$ 787,267,660**

		December 31, 2022 Fair Value Measurement Using			
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,012	$ 10,012	$ -	$ -	$ 10,012
Net loans	950,381,446	-	-	836,580,685	836,580,685
Total Assets	$ 950,391,458	$ 10,012	$ -	$ 836,580,685	$ 836,590,697
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 807,290,650	$ -	$ -	$ 710,731,009	$ 710,731,009
Guaranteed obligations to government entities	8,901,457	-	-	7,836,758	7,836,758
Total Liabilities	$ 816,192,107	$ -	$ -	$ 718,567,767	$ 718,567,767

	December 31, 2021				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 12,503	$ 12,503	$ -	$ -	$ 12,503
Net loans	923,773,112	-	-	902,889,435	902,889,435
Total Assets	$ 923,785,615	$ 12,503	$ -	$ 902,889,435	$ 902,901,938
Liabilities:					
Note payable to Farm Credit Bank of Texas	$ 788,017,939	$ -	$ -	$ 770,223,363	$ 770,223,363
Guaranteed obligations to government entities	7,985,908	-	-	7,805,575	7,805,575
Total Liabilities	$ 796,003,847	$ -	$ -	$ 778,028,938	$ 778,028,938

NOTE 14 — COMMITMENTS AND CONTINGENCIES:

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

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Association also participates in letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. At December 31, 2023, $86,329,321 of commitments, $415,235 of standby letters of credit and $225,883 of commercial letters of credit were outstanding.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 5,609**	**$ 5,708**	**$ 5,872**	**$ 6,004**	**$ 23,193**
(Provision for) reversal of loan losses	**-**	**67**	**4**	**(217)**	**(146)**
Noninterest income (expense), net	**(1,606)**	**(988)**	**(2,935)**	**(2,860)**	**(8,389)**
Net income	**$ 4,003**	**$ 4,787**	**$ 2,941**	**$ 2,927**	**$ 14,658**

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,539	$ 5,406	$ 5,621	$ 5,586	$ 22,152
(Provision for) reversal of loan losses	-	-	-	104	104
Noninterest income (expense), net	(1,767)	(1,406)	(1,671)	(973)	(5,817)
Net income	$ 3,772	$ 4,000	$ 3,950	$ 4,717	$ 16,439

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

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 8, 2024, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)
Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

The Mississippi Land Bank, ACA (Association) serves its 32-county territory through its main administrative office at 5509 Highway 51 North, Senatobia, Mississippi 38668, (662) 562-9671. Additionally, there are six branch lending offices and one part-time branch 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 and Kosciusko. In December 2021, the Association purchased a new building in Senatobia, Mississippi, and the Senatobia branch office moved into this location in December 2022.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

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

DESCRIPTION OF LIABILITIES

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

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank’s annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

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

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2023, 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
Dr. Alan Blaine	Chairman	2021	2024
Larry C. Davis	Vice Chairman	2021	2024
William Cole	Director	2022	2025
Jan D. Hill	Director	2023	2026
Keith Morton	Director	2023	2026
Abbott Myers*	Director	2023	2026
Greg Robbins	Director	2022	2025
Rebecca Beard	Director-Elected Director	2023	2026
W. Morgan Gulledge, Jr.	Director-Elected Director	2022	2025
Lawson McClellan**	Director-Elected Director	2021	2023
J. Matthew Walden	Interim Chief Executive Officer	2003	
Chris Griffith	Chief Risk Officer	2017	
W. Tyler Mullins	Chief Appraiser	2006	
Claire B. Pegram	Chief Financial Officer	2008	
Bobby Spinks	Chief Credit Officer	2004	

*The term for Abbott Myers was set to expire in 2026; however, Mr. Myers retired from the board, effective December 31, 2023. The board of directors has recently appointed a director to fill this position until the 2024 Annual Stockholder Meeting.

**Lawson McClellan retired from the board on April 6, 2023. Rebecca Beard was appointed to serve a three-year term as the director-elected board member and financial expert.

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

Dr. Alan Blaine, age 64. Dr. Blaine has a Ph.D. in agronomy from Mississippi State University. Dr. Blaine owns and operates a timber, hay and cattle farm in central Mississippi. He is a partner/owner in Southern Ag Consulting, Inc., a crop consulting firm, and also a partner/owner in Alliance Ag Risk Management. Dr. Blaine is a licensed crop consultant. He is a member of Mississippi Farm Bureau, Oktibbeha County Forestry Association, and a life member of the American Soybean Association, the Mississippi Soybean Association, the Mississippi Cattlemen's Association and the National Rifle Association. He and his wife, Emily, are members of Friendship Baptist Church. They are the parents of four children and have seven grandchildren. Dr. Blaine serves as chairman of the Association's board of directors and also serves as a member of the Association's Audit Committee.

Larry C. Davis, age 72. Mr. Davis began farming in Bolivar County in 1980 and owns and operates Larry Davis Farms Partnership, which is headquartered in Shaw, Mississippi. The partnership operates in Bolivar and Washington counties, where they grow rice and soybeans as their primary crops. Mr. Davis also has timber farms in Tishomingo and Prentiss counties. Mr. Davis farms with his two sons. He is a member of Delta Council and the Bolivar County Farm Bureau, where he currently serves on the soybean advisory board. He also serves on the Mississippi Rice Council Board and is a member of the Mississippi Rice Promotion Board. He serves as a drainage commissioner for Central Drainage District in Bolivar County. He is a member of the Bolivar Church of Christ and serves as an elder. His hobbies include hunting, church activities and spending time with his grandchildren. He and his wife, Candy, have four children and reside in Shaw. Mr. Davis also serves as a member of the Association's Audit Committee and Governance Committee.

William Cole, age 53. Mr. Cole has owned a crop insurance agency for more than 25 years. He is a farmer and landowner of 1,350 acres in Panola County, where he farms rice and soybeans. He also has 50 head of cows. Mr. Cole is the past president of the Panola Partnership and North Delta School. He is an elder of Batesville Presbyterian Church. He is currently president of Crop Insurance Professionals Association, director of National Cutting Horse Association, and he serves on the board of Indian Creek Drainage District. Mr. Cole received his BBA from the University of Mississippi. He and his wife, Karen, live in Batesville, Mississippi. Mr. Cole also serves as a member of the Association's Audit Committee.

Jan D. Hill, age 73. Mr. Hill has been a full-time farmer since 1970. He farms approximately 1,800 acres, raising beef cattle, cotton, soybeans, and corn. Mr. Hill has served on the Chickasaw County FSA Committee, the Mississippi Farm Bureau State Board and presently serves on the Farm Bureau County Board. He is a member of the Corn Promotion Board and Pleasant Grove Baptist Church, where he serves as a deacon. Mr. Hill resides in Woodland. Mr. Hill also serves as a member of the Association's Audit Committee.

Keith Morton, age 52. Mr. Morton began farming in 1987. Keith and his wife, Beth, own and operate Morton Farms, Inc., which is composed of approximately 1,000 acres of cropland where he raises corn, soybeans and wheat. Mr. Morton has served on the Mississippi Farm Bureau Federation board of directors and as president of the Mississippi Soybean Association, where he is on the board of directors. He has served as chairman of the Mississippi Soybean Promotion Board and continues to serve as a board member. He has also served as the Mississippi Farm Bureau Soybean Commodity chairman and as Tippah County Farm Bureau president. Mr. Morton and his wife, Beth, reside in Falkner. Mr. Morton also serves as a member of the Association's Governance Committee.

Abbott Myers, age 73. 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 previously served as a member of the Stockholder Advisory Committee (SAC) for the Tenth Farm Credit District and has previously served as chairman of the SAC. Mr. Myers serves as an elder and a member of the Session of Tunica Presbyterian Church. He and his wife, Sheryl, reside in Dundee, Mississippi. Mr. Myers served as chairman of the Association's board of directors through July 2023 and also served as a member of the Association's Audit Committee through July 2023. Mr. Myers retired from the board of directors, effective December 31, 2023.

Greg Robbins, age 59. Mr. Robbins owns and operates a 4,500-acre row crop and timber farm in Benton County, where he raises 1,700 acres of soybeans and corn. He earned a BBA from the University of Mississippi in 1986. He formerly owned and operated Chilli Creek Plantation and RFI Tree Nursery. He is a past member of the New Albany Zoning Board, the New Albany Endowment for Education Board and the Mississippi State Extension Advisory Committee. He is a member of the American Soybean Association and the National Corn Growers Association. Mr. Robbins is a lifelong member of First Methodist Church in New Albany, where he serves on the board of trustees. He and his wife, Jill, have three children and four grandchildren and reside in New Albany.

Rebecca "Becky" Beard, age 57. Ms. Beard was born and raised in Sardis, Mississippi, and graduated from the University of Mississippi. She resides in Hernando and has been a partner with Williams, Pitts, and Beard, PLLC, since 2001. Ms. Beard served on the Mississippi Arts Commission Board for seven years and is currently a member of the American Institute of Certified Public Accountants and the Mississippi Society of CPAs. She currently serves a finance committee chair of Northwest Mississippi Community Foundation. When she was growing up, her family had a beef cattle operation, and her family currently farms soybeans in Sardis. Ms. Beard is a member of the Association's Audit Committee, where she currently serves as vice chairman. She also serves as chairman of the Compensation Committee.

W. Morgan Gulledge, Jr., age 68. Mr. Gulledge was born and raised in Leland, Mississippi, and graduated from Mississippi State University. He has also attended the Graduate School of Banking at Louisiana State University and the University of Georgia School of Executive Development. Mr. Gulledge has held numerous advisory and board positions in community and charity organizations and is an active member of the First Presbyterian Church of Greenwood. He is the owner and manager of Gulledge Capital, LLC and Portadown Land Company, LLC. He and his wife, Patricia, have three children and six grandchildren. Mr. Gulledge is a member of the Association's Audit Committee, where he currently serves as chairman.

Lawson McClellan, age 79, Mr. McClellan began working with Renasant Bank (formerly The Peoples Bank and Trust) in 1965, working his way up to chief information officer and division vice president before his retirement. He was born in Corinth, Mississippi, and graduated from Tupelo High School and Mississippi State University. He is also a graduate of the Mississippi School of Banking and the Graduate School of Banking at Louisiana State University. He has served on several community service boards and civic clubs. Mr. McClellan and his wife, Sandra, are members of Camp Creek Baptist Church in Guntown, Mississippi. Mr. McClellan served as both chairman and vice chairman of the Association's Audit Committee prior to his retirement from the board on April 6, 2023.

J. Matthew Walden, age 51. Mr. Walden joined the Farm Credit System in December 2003 as controller and was promoted to chief operating officer in January 2015. He formerly served in tax accounting and financial reporting with International Paper Company. He holds a license as a Certified Public Accountant in the states of Mississippi and Tennessee. He is a graduate of the Graduate School of Banking at Louisiana State University, as well as the Southeastern School of Commercial Lending. On February 27, 2023, Mr. Walden was named interim chief executive officer by the board of directors.

Chris Griffith, age 37. Mr. Griffith joined the Farm Credit System in February 2017 as a credit analyst and was promoted to chief risk officer in January 2023. He previously worked in the assurance department of Ernst & Young, LLP. He also worked in the audit department of Williams, Pitts & Beard, PLLC. He holds a license as a Certified Public Accountant in the states of Mississippi and Tennessee.

W. Tyler Mullins, age 40. Mr. Mullins graduated from Mississippi State University in 2006 with a Bachelor of Science degree in Agricultural Economics. Upon graduation, he joined the Association, serving in various capacities during his tenure. Mr. Mullins is currently the chief appraiser and has been a licensed appraiser since 2009. In 2018, Mr. Mullins received the ARA designation from the American Society of Farm Managers and Rural Appraisers. He served as the chapter president for the Mid-South Chapter of ASFMRA from 2019 to 2020. Mr. Mullins currently serves as the appraisal representative for the Farm Credit Bank of Texas District on the RAAW Workgroup for the Risk360 conference and the Sponsor Representative to The Appraisal Foundation for the Farm Credit Council.

Claire B. Pegram, age 41. Mrs. Pegram joined the Farm Credit System in December 2008 as assistant controller for the Association and was promoted to chief financial officer in January 2015. She previously worked in the assurance department of Ernst & Young LLP, and she holds a license as a Certified Public Accountant in the states of Mississippi and Tennessee.

Bobby Spinks, age 42. Mr. Spinks joined the Farm Credit System in May 2004, serving as a loan officer until he was promoted to vice president and branch manager of the Clarksdale branch in May 2012. Mr. Spinks was promoted to regional vice president in September 2019 and served in that capacity until January 16, 2023, when he was named chief credit officer of the Association. Mr. Spinks is a graduate of the Graduate School of Banking at Louisiana State University, as well as the Southeastern School of Commercial Lending.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $1,000 per day, except for the chairman who received $1,250 per day, for director meetings and committee meetings which, at times, were held on the same day in order to maximize the use of each director's time. Directors were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2023 was paid at the IRS-approved rate of 65.5 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**	**Committee Meetings**	**Other Official Activities**	**Compensation for Committee Service**	**Total Compensation in 2023**
Dr. Alan Blaine	9	10	32	$ 7,450	$ 41,500
Larry C. Davis	9	11	20	6,400	29,600
William Cole	9	6	30	1,700	27,950
Jan D. Hill	9	9	17	4,400	26,200
Keith Morton	9	7	23	2,400	23,800
Abbott Myers	9	9	15	4,275	26,825
Greg Robbins	9	6	25	3,000	25,800
Rebecca Beard	7	7	13	4,700	21,050
W. Morgan Gulledge, Jr.	8	11	20	6,650	31,525
Lawson McClellan	3	3	6	700	8,100
				$ 41,675	$ 262,350

	Committee Days Served		
Name	**Audit**	**Compensation**	**Governance**
Dr. Alan Blaine	7	2	1
Larry C. Davis	7	2	2
William Cole	4	1	1
Jan D. Hill	6	2	1
Keith Morton	3	2	2
Abbott Myers	6	2	1
Greg Robbins	3	2	1
Rebecca Beard	5	2	0
W. Morgan Gulledge, Jr.	8	2	1
Lawson McClellan	2	0	1

The aggregate compensation paid to directors in 2023, 2022 and 2021 was $262,350, $194,600, and $156,375, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $44,207, $38,310, and $12,347 in 2023, 2022 and 2021, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

It is the goal of the Association to attract and retain the most talented individuals in its territory. Therefore, the Association has in place a robust compensation plan that is both fair and equitable and provides its employees with market-based salaries; comprehensive medical, dental, vision, life insurance options, and annual leave benefits; competitive retirement plans and the opportunity to earn an annual incentive. The Association's compensation program is overseen by the Compensation Committee (Committee), a sub-committee of the board of directors on which all directors serve as members. It is the responsibility of the Committee to establish the overall compensation structure, philosophy and principles of the Association by annually reviewing the compensation policies and plans, including incentive plans and benefit plans, for senior officers and employees. Specifically, regarding the chief executive officer, the Committee reviews and approves the corporate goals and objectives of the CEO, evaluates his performance, sets his base salary, incentive and other compensation and makes any necessary recommendations to the board. The Committee also oversees the Association's incentive program and ensures that the program:

- relates to the long-term financial performance of the Association,
- encourages sound operations and prudent risk-taking,
- discourages unreasonable risk-taking,
- is reasonable and proportionate to service performed, and
- is structured so that the payout schedule considers potential for future losses or undue risks.

Along with the benefits mentioned above, 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. Various financial metrics, such as average loan growth, net income and credit quality, among others, are included, as well as non-financial measures, such as results of reviews and audits. The plan places more emphasis on earnings than any other factor in the plan and is approved by the Committee annually. All full-time employees who have been employed at least three months are eligible to earn an individual incentive based upon their respective established performance objectives. The following criteria is also used for determining eligibility for the incentive pay: (1) the Association must not be in default of the general financing agreement with the Farm Credit Bank of Texas; (2) the Association cannot receive an overall rating of "unsatisfactory" on credit administration by the Internal Credit Review and/or FCA examinations; (3) the employee's branch office cannot receive an overall rating of "unsatisfactory" on credit administration; (4) there must be material income from operations beyond what is needed to fund the incentive plan; and (5) eligible employees must receive a minimally acceptable performance review in their annual evaluation.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2023, 2022 and 2021. 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
J. Matthew Walden, Interim Chief Executive Officer	**2023**	**$ 286,398**	**$ 59,568**	**$ -**	**$ 42,264**	**$ 1,167**	**$ 389,397**
Bartley T. Harris* President/Chief Executive Officer	**2023**	**$ 53,712**	**$ -**	**$ -**	**$ 11,064**	**$ 62,702**	**$ 127,478**
	2022	240,074	50,896	-	31,662	25,754	348,386
Craig B. Shideler** President/Chief Executive Officer	2022	$ 114,053	$ -	$ 102,232	$ 1,673	$ 152,222	$ 267,948
	2021	468,900	157,495	(276,704)	27,844	8,569	662,808
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
(6)	**2023**	**$ 1,108,666**	**$ 238,734**	**$ -**	**$ 156,652**	**$ 2,580**	**$ 1,506,632**
(7)	2022	1,382,324	334,471	(783,065)	176,090	10,212	1,903,097
(5)	2021	1,048,443	391,416	(333,535)	127,309	6,191	1,573,359

* On February 27, 2023, Bartley T. Harris resigned from the office of chief executive officer, and J. Matthew Walden was appointed interim CEO.
**Craig B. Shideler retired from the position of chief executive officer on March 31, 2022, and Bartley T. Harris assumed this role and its duties, effective April 1, 2022.

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

- Salary – Gross salary, including retention plan compensation for certain senior officers.
- Bonus – Incentive compensation earned in current year but paid to employees in the following year.
- Change in Pension Value – Change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.

- Deferred/Perquisite – Includes contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, premiums paid for life insurance, and benefit derived from personal use of Association-owned vehicles.
- Other – Includes the value of group term life insurance provided by the Association on behalf of its employees, membership fees paid on behalf of the employee, moving/transition expenses, amounts paid pursuant to resignation and retirement gifts.

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

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2023 at the IRS-approved rate of 65.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2023, 2022 and 2021.

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

Pension Benefits

Past chief executive officers and other senior offices of the Association participated in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65% of FAC60 times "Years of Benefit Service" and (b) 0.50% of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan was calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50% joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit. At December 31, 2023, the Association had no active employees who were participants in the Pension Plan. However, the Association is still responsible for annual contributions to the Pension Plan to ensure adequate funding status.

Other Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

All employees of the Association are eligible to participate in the District defined contribution plan (DC Plan). Participants in the DC Plan direct the placement of their employers' contributions, 5.0% of eligible pay for the year ended December 31, 2023, made on their behalf into various investment alternatives.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100% of employee contributions up to 3.0% of eligible earnings and to match 50% of employee contributions for the next 2.0% of employee contributions, up to a maximum employer contribution of 4.0% of eligible earnings.

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 Association currently has no active employees participating in this plan.

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. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing bases predicated on length of employment service. Employees hired before this date, who have reached the age requirement and have 25 years of service will receive 100% of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100% of the premium.

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 §620.6(f) 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 2023, the Association incurred audit fees totaling $111,381 to PricewaterhouseCoopers LLP. The Association also incurred $900 of non-audit service fees, which were specifically pre-approved by the Association Audit Committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

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

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 8, 2024, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

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

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

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

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

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

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

According to the YBS Demographic and Penetration Report as of December 31, 2022, which is based on USDA-NASS 2022 Census of Agriculture data, of the 20,015 farm operators in the Association territory, 7.1% are classified young, 30.7% are classified beginning, and 88.4% are classified small. The Census uses categories that are slightly different from the FCA definitions of YBS farmers, but the Census is the best available measure of our marketplace. USDA defines a farm as "any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year." The Association's minimum standards for YBS lending require the following:

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

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

	Young	Beginning	Small
2023	**21.9%**	**50.0%**	**56.5%**
2022	20.4%	48.9%	64.2%
2021	20.2%	48.4%	63.8%

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
2024	22.0%	50.5%	60.0%
2025	22.3%	50.8%	60.3%
2026	22.8%	51.3%	60.8%

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.

Mississippi Land Bank, ACA
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Patronage is a key benefit of being a stockholder of Mississippi Land Bank. Since 1996, we've returned nearly $70 million in patronage to our customers.

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