MISSISSIPPI LAND BANK, ACA

2023
Quarterly Report
Third Quarter

PART OF THE FARM CREDIT SYSTEM

For the Quarter Ended September 30, 2023

REPORT OF MANAGEMENT

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

Mac Alan Blaine, Chairman, Board of Directors

November 9, 2023

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

November 9, 2023

J. Matthew Walden, Interim Chief Executive Officer

November 9, 2023

Claire B. Pegram, Chief Financial Officer

November 9, 2023

Third Quarter 2023 Financial Report

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MISSISSIPPI LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Mississippi Land Bank, ACA, referred to as the Association, for the quarter ended September 30, 2023. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2022 Annual Report to Stockholders.

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

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

Significant Events

On a monthly basis the Association accrues estimated patronage income to be paid by the Farm Credit Bank of Texas (Bank) in December of the corresponding year. This patronage is paid at the discretion of the Bank's board of directors based on financial performance of the Bank. In September 2023, the Association was made aware of revisions to the Bank's patronage payment expectations and, as a result, reversed $1,263,722 in patronage income from the Bank that had been accrued to date.

In February 2023, the Association paid to its stockholders a cash patronage of $7,500,000, which was declared by the board of directors in December 2022.

On February 27, 2023, Bartley T. Harris, chief executive officer, resigned from the Association, and J. Matthew Walden immediately succeeded Mr. Harris as interim chief executive officer.

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. Jointly, they oversee the credit department of the Association.

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 in the midst of 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 3.7% for the 12-month period ending September 2023, well 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. The Federal Open Market Committee (FOMC) decided to keep the target Federal funds rate constant within the 5.25%–5.50% range in September 2023, after raising the rate by 25 basis points in July 2023 for a total increase of about 525 basis points since mid-March 2022. The FOMC stated that it remains strongly committed to returning inflation to its 2.0% objective while achieving maximum employment.

The U.S. Bureau of Labor Statistics indicated that the U.S. unemployment rate remained steady month-over-month at 3.8% in September 2023; however, Mississippi attained a year-over-year decline in its reported August unemployment rate.

West Texas Intermediate (WTI) crude oil futures prices (front month) increased to an average of about $82 per barrel during the third quarter of 2023, up from nearly $74 per barrel in the prior quarter but down from about $91 per barrel during the same period a year ago. In the October 2023 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be about $80 per barrel in 2023 and $91 per barrel in 2024. U.S. crude oil production is expected to reach record levels in 2023 and 2024, driven primarily by growth in the Permian Basin.

On August 31, 2023, the U.S. Department of Agriculture (USDA) presented its latest farm income forecast. Net farm income (nominal), a broad measure of profits, is forecasted at $141.3 billion in 2023, a decrease of $41.7 billion, or 22.8%, relative to 2022. This follows a record high of $183.0 billion in 2022. Total production expenses (nominal) are forecasted to increase by about 6.9% in 2023 to $458.0 billion. Farm sector assets and equity are both forecasted to increase by about 6.6% and 6.8%, respectively, while farm debt is forecasted to increase by about 4.9% in nominal terms. The debt-to-asset ratio is forecasted to continue to improve in 2023.

The October 2023 edition of the USDA World Agricultural Supply and Demand Estimates (WASDE) report states that farmers are expected to receive lower average farm prices for corn (-24.3%), wheat (-17.3%), soybeans (-9.2%) and cotton (-5.7%) in the 2023/24 marketing year compared to the previous season. USDA projected average steer prices (5-Area, Direct) will increase year-over-year by about 22.8% in 2023, while broiler and barrow and gilt prices are projected to decline by about 11.7% and 16.2%, respectively. Random length lumber futures prices (front month) declined by about 1.3% month-over-month and 1.8% year-over-year in September 2023, closing at about $500 per thousand board feet.

According to the Mississippi Department of Agriculture and Commerce, much of the state is currently experiencing severe drought conditions. The U.S. Seasonal Drought Outlook released by the National Weather Service Climate Prediction Center on September 30, 2023, indicates that drought conditions are expected to remain but improve across much of the Texas District in the fourth quarter.

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

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.

Total loans outstanding at September 30, 2023, including nonaccrual loans and sales contracts, were $987,298,699 compared to $951,773,413 at December 31, 2022, reflecting an increase of 3.7%. Nonaccrual loans as a percentage of total loans outstanding were 0.02% at September 30, 2023, compared to 0.05% at December 31, 2022.

The Association recorded $34 in recoveries as part of final transactions related to a participation loan that paid off at the end of June 2023 and $0 in charge-offs for the quarter ended September 30, 2023, and $0 in recoveries and $0 in charge-offs for the same period in 2022. The Association's allowance for loan losses was 0.1% and 0.1% of total loans outstanding as of September 30, 2023, and December 31, 2022, respectively.

Agribusiness Loan Program

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

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA) and, therefore, the amount of ABE loans outstanding and due to MDA is included in "Loans" on the consolidated balance sheet with an offsetting liability at "Guaranteed obligations to government entities." ABE loans totaled $9,980,814 and $8,901,457 as of September 30, 2023 and December 31, 2022, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest and other property owned. The following table illustrates the Association's components and trends of high-risk assets. As of September 30, 2023 and December 31, 2022, the Association held no other property owned nor did it have any loans past due 90 days or more and still accruing interest.

	September 30, 2023		December 31, 2022	
	Amount	**%**	Amount	%
Nonaccrual	**$ 214,101**	**100.0%**	$ 435,070	100.0%
Total	**$ 214,101**	**100.0%**	$ 435,070	100.0%

The decrease in nonaccrual loan volume since December 31, 2022, is primarily related to the payoff of one participation loan with a recorded investment of $337,665 and a corresponding specific allowance of $67,317, which was reversed upon the loan payoff in June 2023. A recovery of $3,711 was also recognized upon the loan payoff. There was one loan moved to nonaccrual in the current quarter with a recorded investment of $130,797.

Results of Operations

The Association had net income of $2,940,985 and $11,730,922 for the three and nine months ended September 30, 2023, as compared to net income of $3,950,238 and $11,721,922 for the same period in 2022, reflecting a decrease of 25.6% and 0.1%. Net interest income was $5,872,030 and $17,188,650 for the three and nine months ended September 30, 2023, compared to $5,621,360 and $16,565,537 for the same period in 2022.

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Average Balance	Interest	Average Balance	Interest
Loans	**$ 947,254,456**	**$ 33,764,909**	$ 928,730,260	$ 28,812,964
Interest-bearing liabilities	**810,342,943**	**16,576,259**	798,526,190	12,247,427
Impact of capital	**$ 136,911,513**		$ 130,204,070	
Net interest income		**$ 17,188,650**		$ 16,565,537

	2023 Average Yield	2022 Average Yield
Yield on loans	**4.77%**	4.15%
Cost of interest-bearing liabilities	**2.73%**	2.05%
Interest rate spread	**2.03%**	2.10%
Net interest income as a percentage of average earning assets	**2.43%**	2.38%

	Nine months ended: September 30, 2023 vs. September 30, 2022		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	**$ 574,695**	**$ 4,377,250**	**$ 4,951,945**
Interest expense	**181,238**	**4,147,594**	**4,328,832**
Net interest income	**$ 393,457**	**$ 229,656**	**$ 623,113**

Interest income for the three and nine months ended September 30, 2023, increased by $1,800,892 and $4,951,945, or 17.8% and 17.2% respectively, from the same period of 2022, primarily due to increases in yields on earning assets and an increase in average loan volume outstanding. Interest expense for the three and nine months ended September 30, 2023, increased by $1,550,222 and $4,328,832, or 34.6% and 35.3% respectively, from the same period of 2022 due to a significant increase in cost of interest-bearing liabilities driven by increases in the interest rate environment as well as an increase in average direct note payable to the Bank. Average loan volume for the third quarter of 2023 was $964,682,540, compared to $944,809,948 in the third quarter of 2022. The average net interest rate spread on the loan portfolio for the third quarter of 2023 was 2.00%, compared to 2.06% in the third quarter of 2022.

Noninterest income for the nine months ended September 30, 2023, decreased by $1,419,722, or 33.5%, compared to the same period of 2022 due primarily to a decrease in patronage income of $1,288,256. In September 2023, the Bank communicated to the Association that patronage income paid in 2023 would be reduced from its planned amount. As a result, the Association had to reverse a significant amount of accrued patronage income to better align with new expectations. The decline in noninterest income was also impacted by a decrease in loan fees of $123,221 coupled with a reduction in the gain on sale of equipment of $49,064 that stemmed from the retirement of certain administrative office building improvements upon the recording of improvements to the administrative office in July 2023.

Noninterest expenses for the nine months ended September 30, 2023, decreased by $777,043, or 8.6%, compared to the same period in 2022. The main drivers of the change were a decrease in salaries and benefits of $1,010,409, primarily due to the retirement of a long tenured executive employee in 2023 coupled with a reduction in incentive accrual in 2023, as well as a decrease in the Farm Credit System Insurance Corporation (FCSIC) insurance premiums of $102,338. These decreases were offset by increases in various operating expense accounts, most notably purchased services of $170,845, occupancy and equipment of $90,152, and director expense of $27,757. 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 the first three quarters of 2023 that did not occur in the prior year first three quarters, and the opening of a new branch office as well as the renovation of the current administrative headquarters.

The Association's return on average assets for the nine months ended September 30, 2023, was 1.58% compared to 1.62% for the same period in 2022. The Association's return on average equity for the nine months ended September 30, 2023, was 9.50%, compared to 10.12% for the same period in 2022. The Association anticipates these ratios to further decline as a result of the patronage income reduction noted above.

Liquidity and Funding Sources

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

	September 30, 2023	December 31, 2022
Note payable to the Bank	**$ 839,338,091**	$ 807,290,650
Accrued interest on note payable	**2,066,874**	1,681,005
Total	**$ 841,404,965**	$ 808,971,655

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $839,338,091 as of September 30, 2023, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.05% at September 30, 2023. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2022, is due to the Association's increase in outstanding loan volume, coupled with a slight increase in cost of interest-bearing liabilities. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $134,797,485 at September 30, 2023. The maximum amount the Association may borrow from the Bank as of September 30, 2023, was $993,572,052 as defined by the general financing agreement in place on that date. 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 2023. As borrower payments are received, they are applied to the Association's note payable to the Bank.

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

Capital Resources

The Association's capital position increased by $11,882,660 at September 30, 2023, compared to December 31, 2022. The Association's debt as a ratio of members' equity was 5.03:1 as of September 30, 2023, compared to 5.25:1 as of December 31, 2022.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 30, 2023, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

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

Relationship with the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2022 Annual Report of Association more fully describe the Association's relationship with the Bank.

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

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Cash	**$ 5,327**	$ 10,012
Loans	**987,298,699**	951,773,413
Less: allowance for loan losses	**1,057,640**	1,121,579
Net loans	**986,241,059**	950,651,834
Accrued interest receivable	**16,564,100**	15,431,716
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**16,024,290**	16,024,290
Other	**417,003**	2,745,701
Premises and equipment, net	**4,378,073**	4,137,706
Other assets	**2,682,599**	626,358
Total assets	**$ 1,026,312,451**	$ 989,627,617
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 839,338,091**	$ 807,290,650
Guaranteed obligation to government entities	**9,980,814**	8,901,457
Accrued interest payable	**2,066,874**	1,681,005
Drafts outstanding	**611,858**	182,438
Dividends payable	**406**	7,500,243
Other liabilities	**4,004,095**	5,644,171
Total liabilities	**856,002,138**	831,199,964
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,115,940**	3,950,590
Unallocated retained earnings	**165,994,649**	154,255,637
Accumulated other comprehensive income (loss)	**199,724**	221,426
Total members' equity	**170,310,313**	158,427,653
Total liabilities and members' equity	**$ 1,026,312,451**	$ 989,627,617

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
INTEREST INCOME				
Loans	**$ 11,904,887**	$ 10,103,995	**$ 33,764,909**	$ 28,812,964
Total interest income	**11,904,887**	10,103,995	**33,764,909**	28,812,964
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**6,032,857**	4,482,635	**16,575,670**	12,247,427
Advance conditional payments	**-**	-	**589**	-
Total interest expense	**6,032,857**	4,482,635	**16,576,259**	12,247,427
Net interest income	**5,872,030**	5,621,360	**17,188,650**	16,565,537
PROVISION FOR LOAN LOSSES	**(3,711)**	-	**(71,028)**	-
Net interest income after provision for loan losses	**5,875,741**	5,621,360	**17,259,678**	16,565,537
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**(343,179)**	1,280,802	**2,535,261**	3,823,517
Loan fees	**47,064**	103,279	**218,652**	341,873
Gain (loss) on sale of premises and equipment, net	**(28,544)**	27,133	**58,335**	9,271
Other noninterest income	**210**	169	**6,184**	63,493
Total noninterest income	**(324,449)**	1,411,383	**2,818,432**	4,238,154
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,387,657**	1,961,324	**4,631,615**	5,642,024
Insurance fund premiums	**345,438**	379,203	**1,013,894**	1,116,232
Purchased services	**240,439**	168,957	**446,439**	275,594
Occupancy and equipment	**122,405**	79,221	**427,654**	337,502
Travel	**128,691**	143,067	**346,645**	361,290
Supervisory and exam expense	**86,411**	80,933	**259,235**	242,797
Directors' expense	**62,152**	47,410	**245,980**	218,223
Advertising	**40,538**	125,784	**244,722**	231,498
Public and member relations	**68,700**	40,627	**219,963**	216,856
Other insurance expense	**100**	100	**138,923**	130,286
Communications	**30,060**	28,799	**103,520**	79,851
Training	**19,397**	27,364	**38,944**	62,545
Other components of net periodic postretirement benefit cost	**10,545**	9,980	**31,634**	29,940
Other noninterest expense	**50,732**	8,174	**147,259**	128,833
Total noninterest expenses	**2,593,265**	3,100,943	**8,296,427**	9,073,471
Income before income taxes	**2,958,027**	3,931,800	**11,781,683**	11,730,220
Provision for (benefit from) income taxes	**17,042**	(18,438)	**50,761**	8,298
NET INCOME	**2,940,985**	3,950,238	**11,730,922**	11,721,922
Other comprehensive income:				
Change in postretirement benefit plans	**(7,234)**	(3,073)	**(21,702)**	(9,219)
COMPREHENSIVE INCOME	**2,933,751**	3,947,165	**11,709,220**	11,712,703

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 3,820,300	$ 145,316,993	$ (86,543)	$ 149,050,750
Comprehensive income	-	11,721,922	(9,219)	11,712,703
Capital stock/participation certificates issued	507,530	-	-	507,530
Capital stock/participation certificates retired	(393,735)	-	-	(393,735)
Balance at September 30, 2022	$ 3,934,095	$ 157,038,915	$ (95,762)	$ 160,877,248
Balance at December 31, 2022	$ 3,950,590	$ 154,255,637	$ 221,426	$ 158,427,653
Comprehensive income	-	11,730,922	(21,702)	11,709,220
Capital stock/participation certificates issued	474,520	-	-	474,520
Capital stock/participation certificates retired	(309,170)	-	-	(309,170)
Cummulitive effect of change in accounting principle	-	8,090	-	8,090
Balance at September 30, 2023	**$ 4,115,940**	**$ 165,994,649**	**$ 199,724**	**$ 170,310,313**

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

MISSISSIPPI LAND BANK, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

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

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2022, as contained in the 2022 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with GAAP, except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2022, as contained in the 2022 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2022 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 2023, are not necessarily indicative of the results to be expected for the year ended December 31, 2023. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "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.

Also adopted effective January 1, 2023, was the updated guidance entitled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure." 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 that 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 impact to the allowance for credit losses and retained earnings 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

Loans and Allowance for Credit Losses

Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on 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 the 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 that is considered uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower 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. 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 Condensed Statement of Condition. The Association 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 to be collected in full.

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 the Association to measure the expected credit losses based on fair value of the collateral at the reporting date when the Association 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); and
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities.

Determining the appropriateness of the allowance 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.

Methodology for 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 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. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon 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 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, 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.

The component of 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 estimated credit losses in the existing portfolio.

The Association uses multiple scenarios over 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 calculate the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, real gross domestic product levels and corporate bond spreads, as well as net farm income and agricultural commodity prices. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, 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 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 Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses are recorded for commitments that are unconditionally cancellable.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2023 Amount**	December 31, 2022 Amount
Production agriculture:		
Real estate mortgage	**$ 792,987,824**	$ 779,575,849
Production and intermediate-term	**132,487,661**	115,063,071
Agribusiness:		
Processing and marketing	**25,993,518**	26,491,779
Farm-related business	**7,222,255**	7,264,616
Loans to cooperatives	**1,202,598**	1,202,598
Rural residential real estate	**13,253,986**	14,840,635
Communication	**5,106,390**	4,939,414
Water and waste-water	**3,548,352**	2,057,745
Energy	**2,996,115**	337,706
Agricultural export finance	**2,500,000**	-
Total	**$ 987,298,699**	$ 951,773,413

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2023:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 22,073,347	$ 3,508,746	$ -	$ -	$ 22,073,347	$ 3,508,746
Real estate mortgage	-	3,805,244	17,576,711	-	17,576,711	3,805,244
Communication	5,106,390	-	-	-	5,106,390	-
Water and waste-water	3,548,352	-	-	-	3,548,352	-
Energy	2,996,115	-	-	-	2,996,115	-
Agricultural export finance	2,500,000	-	-	-	2,500,000	-
Production and intermediate-term	2,452,669	2,013,910	-	-	2,452,669	2,013,910
Total	$ 38,676,873	$ 9,327,900	$ 17,576,711	$ -	$ 56,253,584	$ 9,327,900

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $13,367,069 and $10,534,497 at September 30, 2023, and December 31, 2022, respectively.

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 Association 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, institutions that make 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 Association 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 Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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 shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	September 30, 2023	December 31, 2022
Real estate mortgage		
Acceptable	**99.8** %	99.7 %
OAEM	**0.1**	0.2
Substandard/doubtful	**0.1**	0.2
	100.0	100.1
Production and intermediate-term		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste-water		
Acceptable	**100.0**	85.9
OAEM	**-**	-
Substandard/doubtful	**-**	14.1
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.8**	99.8
OAEM	**-**	-
Substandard/doubtful	**0.2**	0.2
	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
OAEM	**0.1**	0.1
Substandard/doubtful	**0.1**	0.2
	100.0 %	100.0 %

Accrued interest receivable on loans of $16,564,100 and $15,431,716 at September 30, 2023 and December 31, 2022, respectively, is reported separately in the Balance Sheet but is excluded from the amortized cost of loans in the table above. The Association wrote off accrued interest receivable of $615 during the three months and nine months ended September 30, 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans and other property owned and related credit quality statistics:

	September 30, 2023	December 31, 2022
Nonaccrual loans:		
Real estate mortgage	**$ 214,101**	$ 97,365
Energy	**-**	337,705
Total nonaccrual loans	**$ 214,101**	$ 435,070
Nonaccrual loans as a percentage of total loans	**0.02%**	0.05%
Nonperforming assets as a percentage of capital	**0.13%**	0.27%

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 during the period:

	September 30, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Nonaccrual loans:					
Real estate mortgage	$ -	$ 214,101	$ 214,101	$ -	$ 4,975
Total nonaccrual loans	$ -	$ 214,101	$ 214,101	$ -	$ 4,975

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

September 30, 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	**$ 885,927**	**$ -**	**$ 885,927**	**$ 792,101,897**	**$ 792,987,824**	**$ -**
Production and intermediate term	**24,988**	**-**	**24,988**	**132,462,673**	**132,487,661**	**-**
Processing and marketing	**-**	**-**	**-**	**25,993,518**	**25,993,518**	**-**
Rural residential real estate	**-**	**-**	**-**	**13,253,986**	**13,253,986**	**-**
Farm-related business	**-**	**-**	**-**	**7,222,255**	**7,222,255**	**-**
Communication	**-**	**-**	**-**	**5,106,390**	**5,106,390**	**-**
Water and waste-water	**-**	**-**	**-**	**3,548,352**	**3,548,352**	**-**
Energy	**-**	**-**	**-**	**2,996,115**	**2,996,115**	**-**
Agricultural export finance	**-**	**-**	**-**	**2,500,000**	**2,500,000**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,202,598**	**1,202,598**	**-**
Total	**$ 910,915**	**$ -**	**$ 910,915**	**$ 986,387,784**	**$ 987,298,699**	**$ -**

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	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

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 boards of directors have generally established more restrictive lending limits.

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 1. A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate mortgage	Production and intermediate-term	Agribusiness	Communications	Energy and water/waste disposal	Rural residential real estate	Agriculture export finance	Total
Allowance for Credit Losses on Loans:								
Balance at June 30, 2023	$ 902,707	$ 89,052	$ 27,254	$ 5,474	$ 7,671	$ 28,121	$ 1,038	$ 1,061,317
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	34	-	-	34
Provision for credit losses/(Loan loss reversal)	(14,132)	6,251	505	6,118	(3,322)	922	(53)	(3,711)
Balance at September 30, 2023	**$ 888,575**	**$ 95,303**	**$ 27,759**	**$ 11,592**	**$ 4,383**	**$ 29,043**	**$ 985**	**$ 1,057,640**
Balance at December 31, 2022	$ 929,504	$ 57,108	$ 34,165	$ 1,838	$ 68,689	$ 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	69,200	29,827	-	1,124,957
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	3,711	-	-	3,711
Provision for loan losses (loan loss reversal)	(25,126)	18,806	(5,386)	8,278	(67,379)	(781)	560	(71,028)
Other	119	(1,113)	1,539	182	(1,149)	(3)	425	-
Balance at September 30, 2023	**$ 888,575**	**$ 95,303**	**$ 27,759**	**$ 11,592**	**$ 4,383**	**$ 29,043**	**$ 985**	**$ 1,057,640**
Balance at June 30, 2022	$ 900,508	$ 73,538	$ 40,417	$ 1,769	$ 270,106	$ 25,492	$ -	$ 1,311,830
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses (loan loss reversal)	(17,000)	11,736	299	23	333	4,609	-	-
Balance at September 30, 2022	$ 883,508	$ 85,274	$ 40,716	$ 1,792	$ 270,439	$ 30,101	$ -	$ 1,311,830
Balance at December 31, 2021	$ 859,129	$ 86,545	$ 65,705	$ 1,766	$ 270,135	$ 28,550	$ -	$ 1,311,830
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses (loan loss reversal)	24,379	(1,271)	(24,989)	26	304	1,551	-	-
Balance at September 30, 2022	$ 883,508	$ 85,274	$ 40,716	$ 1,792	$ 270,439	$ 30,101	$ -	$ 1,311,830
Allowance for Unfunded Commitments:								
Balance at June 30, 2023	$ 2	$ 5,833	$ 8,840	$ 299	$ 1,021	$ 13	$ 301	$ 16,309
Provision for unfunded commitments	8	(276)	(335)	(42)	324	61	260	-
Balance at September 30, 2023	**$ 10**	**$ 5,557**	**$ 8,505**	**$ 257**	**$ 1,345**	**$ 74**	**$ 561**	**$ 16,309**
Balance at December 31, 2022	$ 501	$ 12,896	$ 11,773	$ 328	$ 1,115	$ 379	$ 785	$ 27,777
Cumulative effect of a change in accounting principle	(372)	(8,452)	(1,729)	111	(919)	(308)	201	(11,468)
Balance at January 1, 2023	129	4,444	10,044	439	196	71	986	16,309
Provision for unfunded commitments	(119)	1,113	(1,539)	(182)	1,149	3	(425)	-
Balance at September 30, 2023	**$ 10**	**$ 5,557**	**$ 8,505**	**$ 257**	**$ 1,345**	**$ 74**	**$ 561**	**$ 16,309**

The Association did not grant any loan modifications to borrowers experiencing financial difficulty during the three or nine months ending September 30, 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 table provides information on outstanding loans restructured in troubled debt restructurings:

	December 31, 2022	
	Loans Modified as Troubled Debt Restructurings	**Troubled Debt Restructurings in Nonaccrual Status***
Real estate mortgage	$ 69,020	$ 1,242
Energy	-	337,706
Total	$ 69,020	$ 338,948

*Represents the portion of loans modified as troubled debt restructurings that were in nonaccrual status.

NOTE 3 — CAPITAL:

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

The following table represents the components of capital:

	September 30, 2023	December 31, 2022
Capital stock and participation certificates	**$ 4,115,940**	$ 3,950,590
Accumulated other comprehensive loss	**199,724**	221,426
Retained earnings[1]	**165,994,649**	154,225,637
Total Capital	**$ 170,310,313**	$ 158,397,653

[1] Retained earnings for the quarter ended September 30, 2023, reflects an increase of $8,090 from the cumulative effect of a change in accounting principle for CECL on January 1, 2023.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums wih Buffer	**As of September 30, 2023**	As of December 31, 2022
Common equity tier 1 ratio	7.00%	**14.78%**	14.50%
Tier 1 capital ratio	8.50%	**14.78%**	14.50%
Total capital ratio	10.50%	**14.88%**	14.63%
Permanent capital ratio	7.00%	**14.79%**	14.52%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	**15.12%**	14.74%
UREE leverage ratio	1.50%	**14.71%**	14.34%

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

	at September 30, 2023			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 162,091,133**	**$ 162,091,133**	**$ 162,091,133**	**$ 162,091,133**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,078,231**	**4,078,231**	**4,078,231**	**4,078,231**
Allowance for loan losses and reserve for credit losses subject to certain limitations	**-**	**-**	**1,076,372**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(16,024,290)**	**(16,024,290)**	**(16,024,290)**	**(16,024,290)**
	$ 150,145,074	**$ 150,145,074**	**$ 151,221,446**	**$ 150,145,074**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 1,032,057,634**	**$ 1,032,057,634**	**$ 1,032,057,634**	**$ 1,032,057,634**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(16,024,290)**	**(16,024,290)**	**(16,024,290)**	**(16,024,290)**
Allowance for loan losses	**-**	**-**	**-**	**(1,060,063)**
	$ 1,016,033,344	**$ 1,016,033,344**	**$ 1,016,033,344**	**$ 1,014,973,281**

	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

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

	at September 30, 2023	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 162,091,133**	**$ 162,091,133**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,078,231**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(16,024,290)**	**(16,024,290)**
	150,145,074	**146,066,843**
Denominator:		
Total Assets	**1,012,036,461**	**1,012,036,461**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(19,252,136)**	**(19,252,136)**
	$ 992,784,325	**$ 992,784,325**

	at December 31,2022	
	Tier 1 leverage ratio	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)
	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

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

	2023	**2022**
Accumulated other comprehensive income (loss) at January 1	**$ 221,426**	$ (86,543)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(9,219)**	(9,219)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(12,483)**	-
Other comprehensive income (loss), net of tax	**(21,702)**	(9,219)
Accumulated other comprehensive income (loss) at September 30	**$ 199,724**	$ (95,762)

NOTE 4 — INCOME TAXES:

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

Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will, therefore, impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50% probability), based on management's estimate, that they will not be realized. For the nine months ended September 30, 2023 and 2022, the Association carried a deferred tax asset of $208,730 and $110,168, respectively, with a full valuation allowance recorded against the net asset.

NOTE 5 — 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 the principal or most advantageous market for the asset or liability. See Note 13 in the 2022 Annual Report to Stockholders for a more complete description.

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

September 30, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in non-qualified benefits trusts	**$ 4,751**	**$ -**	**$ -**	**$ 4,751**
Total assets	**$ 4,751**	**$ -**	**$ -**	**$ 4,751**

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

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

September 30, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ -**	**$ -**

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

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

The Association also participates in letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. At September 30, 2023, the Association had $216,099 in outstanding standby letters of credit and $262,252 in outstanding commercial letters of credit, all issued primarily in conjunction with participation loans.

Uncertainty of Fair Value Measurements

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

Valuation Techniques

As more fully discussed in Note 2 to the 2022 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2022 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

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

Loans

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

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

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

Standby Letters of Credit

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

Commitments to Extend Credit

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the nine months ended September 30:

	Other Benefits	
	2023	2022
Service cost	**$ 10,615**	$ 14,236
Interest cost	**53,335**	39,158
Amortization of prior service (credits) costs	**(9,219)**	(9,219)
Amortization of net actuarial (gain) loss	**(12,482)**	-
Net periodic benefit cost	**$ 42,249**	$ 44,175

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2023, was $1,457,666 and is included in other liabilities on the balance sheet.

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

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

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

	2023	2022
DB Plan contribution	**$ 229,645**	$ 369,229
Year-to-date amortization	**(172,234)**	(276,922)
Remaining contribution	**$ 57,411**	$ 92,307

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 9, 2023, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 9, 2023.