MISSISSIPPI LAND BANK, ACA

2024
Quarterly Report
First Quarter

PART OF THE FARM CREDIT SYSTEM

For the Quarter Ended March 31, 2024

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 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 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

Mac Alan Blaine, Chairman, Board of Directors

May 7, 2024

W M Gulledge

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

May 7, 2024

Chad E. Crow

Chad E. Crow, Chief Executive Officer

May 7, 2024

Claire B Pegram

Claire B. Pegram, Chief Financial Officer

May 7, 2024

First Quarter 2024 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 March 31, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 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

In both February 2024 and 2023, the Association paid to its stockholders a cash patronage of $7,500,000, which was declared by the board of directors in December 2023 and 2022, respectively.

Changes in Senior Officers

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 began his tenure on April 8, 2024.

On February 27, 2023, Bartley T. Harris, chief executive officer, resigned from the Association, and J. Matthew Walden succeeded Mr. Harris as interim chief executive officer. Mr. Walden served in this capacity through April 7, 2024.

Ronnie H. Sellers, senior vice president and chief credit officer of the Association, retired 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 and lending departments of the Association.

Economic Conditions

The Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit amid financial and macroeconomic volatility driven by factors such as elevated interest rates and persistently high inflation. Despite the challenging operating environment, credit quality at the Association has remained strong at 99.8% acceptable credit quality. Volatility in risk ratings is likely to remain a concern in the near future due to the persistence of inflationary pressure, the relatively high cost of debt and an underlying recession risk.

The Consumer Price Index for All Urban Consumers increased by 3.5% for the 12-month period ending March 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. The indexes for shelter and gasoline rose in March, contributing to over half of the monthly increase in the index for all items. 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 March 2024 meeting, the Committee 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%. Participants indicated that the policy rate was likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, cuts in the federal funds rate were probable during 2024. Participants were resolute in their commitment to bring inflation down to the 2.0% long-run objective while achieving maximum employment.

Data from the U.S. Bureau of Labor Statistics indicates that the U.S. unemployment rate decreased month-over-month to 3.8% in March 2024, down from 3.9% in February, but up from 3.5% during the same period a year ago. The March stated unemployment rates in the Texas District ranged from a low of 3.0% in Alabama and Mississippi, to a high of 4.4% in Louisiana.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the first quarter of 2024 to an average of nearly $77 per barrel from an average of approximately $79 per barrel in the fourth quarter of 2023. In the April 2024 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be nearly $84 per barrel in 2024 and $83 per barrel in 2025. The WTI spot price closed above $83 per barrel in March 2024.

On March 28, 2024, the U.S. Department of Agriculture (USDA) released its 2024 Prospective Plantings report, the first official, survey-based estimates of U.S. farmers' planting intentions in 2024. Producers intend to plant 90.0 million acres of corn in 2024, down approximately 5.0% from last year. Corn planting intentions are down or unchanged in 38 of the 48 estimating states. Soybean planted area for 2024 is intended to be 86.5 million acres, up about 3.5% from last year. All wheat planted area for 2024 is estimated at 47.5 million acres, down about 4.2% from 2023. All cotton planted area was estimated at 10.7 million acres, about 4.3% above last year. At the state level, Mississippi producers intend to plant 4.2 million acres across the entire state, which is no change from last year. Soybean planting intentions for 2024 are up 3% to just under 2.3 million acres. Corn planting intentions are down 25% to 589 thousand acres. Cotton planting intentions are up 25% to 500 thousand acres. Rice planting intentions are up 33% to 161 thousand acres. These estimates are derived via a survey of farmers' intentions and are subject to change throughout the season.

According to USDA's April 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, year-over-year (YOY) 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 10.4% (cotton) to 28.1% (corn). Broiler prices are estimated to have decreased by 11.5% YOY in 2023 while steer prices are estimated to have risen by an average of 21.6%. Steer and broiler prices are projected to increase YOY by about 5.4%, and 3.7%, respectively in 2024.

Front-month random length lumber futures prices increased during the first quarter of 2024 by approximately 2.2%, leading to a YOY increase of 21.1% as of March 2024. Lumber prices were volatile in 2023, and this volatility will likely persist in 2024 as elevated interest rates continue to affect construction-related demand. Front-month lumber prices increased by nearly 17.0% YOY in 2023.

The National Weather Service (NWS) indicates that El Niño is rapidly weakening, and La Niña is favored to develop by summer and to continue through autumn 2024. The NWS seasonal outlook from April through June 2024 indicates that above normal temperatures are expected for most of the Texas District with a 33-50% probability, and the precipitation outlook suggests that Mississippi will receive above normal precipitation with 33-50% probability.

Agricultural producers and processors are expected to face several risk factors during 2024, 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 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 March 31, 2024, including nonaccrual loans and sales contracts, were $1,014,418,281 compared to $1,007,539,164 at December 31, 2023, reflecting an increase of 0.7%. Nonaccrual loans as a percentage of total loans outstanding were 0.4% at March 31, 2024, compared to 0.4% at December 31, 2023.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended March 31, 2024, and $0 in recoveries and $0 in charge-offs for the same period in 2023. The Association's allowance for loan losses was 0.1% and 0.1% of total loans outstanding as of March 31, 2024, and December 31, 2023, 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 $10,354,743 and $10,596,794 as of March 31, 2024 and December 31, 2023, respectively.

Risk Exposure

Nonperforming 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 nonperforming assets:

	March 31, 2024		December 31, 2023	
	Amount	**%**	Amount	%
Nonaccrual	**$ 398,223**	**100.0%**	$ 424,283	100.0%
Total	**$ 398,223**	**100.0%**	$ 424,283	100.0%

Results of Operations

The Association had net income of $3,913,039 for the three months ended March 31, 2024, as compared to net income of $4,003,221 for the same period in 2023, reflecting a decrease of 2.3%. Net interest income was $6,061,341 for the three months ended March 31, 2024, compared to $5,608,842 for the same period in 2023.

	Three Months Ended			
	March 31, 2024		March 31, 2023	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 996,670,452**	**$ 12,992,608**	$ 934,477,448	$ 10,668,531
Interest-bearing liabilities	**855,245,464**	**6,931,267**	798,561,111	5,059,689
Impact of capital	**$ 141,424,988**		$ 135,916,337	
Net interest income		**$ 6,061,341**		$ 5,608,842

	2024 Average Yield	2023 Average Yield
Yield on loans	**5.24%**	4.63%
Cost of interest-bearing liabilities	**3.26%**	2.57%
Interest rate spread	**1.98%**	2.06%
Net interest income as a percentage of average earning assets	**2.45%**	2.43%

	Three months ended: March 31, 2024 vs. March 31, 2023		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 715,966**	**$ 1,608,111**	**$ 2,324,077**
Interest expense	**362,150**	**1,509,428**	**1,871,578**
Net interest income	**$ 353,815**	**$ 98,684**	**$ 452,499**

Interest income for the three months ended March 31, 2024, increased by $2,324,077, or 21.8%, from the same period of 2023, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three months ended March 31, 2024, increased by $1,871,578, or 37.0%, from the same period of 2023 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 note payable to the Bank. Average loan volume for the first quarter of 2024 was $996,670,452, compared to $934,477,448 in the first quarter of 2023. The average net interest rate spread on the loan portfolio for the first quarter of 2024 was 1.98%, compared to 2.06% in the first quarter of 2023.

Noninterest income for the first quarter of 2024 decreased by $650,572, or 41.8%, compared to 2023, due primarily to a decrease in patronage income of $640,673.

Noninterest expenses for the first quarter of 2024 decreased by $190,856, or 6.1%, compared to 2023. The main drivers of the change were a decrease in salaries and benefits of $85,635, primarily due to a temporarily reduced staff level, as well as a decrease in the Farm Credit System Insurance Corporation (FCSIC) insurance premiums of $148,486. These savings are offset primarily by increased occupancy and equipment costs of $40,675 due to additional costs related to administrative office renovations that took place after first quarter of 2023.

The Association's return on average assets for the three months ended March 31, 2024, was 1.50% compared to 1.66% for the same period in 2023. The Association's return on average equity for the three months ended March 31, 2024, was 9.37%, compared to 10.12% for the same period in 2023.

Liquidity and Funding Sources

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

	March 31, 2024	December 31, 2023
Note payable to the Bank	**$ 863,522,362**	$ 857,631,905
Accrued interest on note payable	**2,383,068**	2,235,271
Total	**$ 865,905,430**	$ 859,867,176

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 $863,522,362 as of March 31, 2024, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.38% at March 31, 2024. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is directly related to the Association's increase in outstanding loan volume that occurred in the first quarter. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $137,316,548 at March 31, 2024. The maximum amount the Association may borrow from the Bank as of March 31, 2024, was $1,019,185,127 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, 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 increased by $3,976,605 at March 31, 2024, compared to December 31, 2023. The Association's debt as a percentage of members' equity was 5.19:1 as of March 31, 2024, compared to 5.33:1 as of December 31, 2023.

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 March 31, 2024, 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 2023 Annual Report of Mississippi Land Bank, ACA more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports of 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 calling (662) 562-9671. The annual and quarterly stockholder reports for the Association are also available on its website at *www.mslandbank.* 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

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash	**$ 10,324**	$ 8,752
Loans	**1,014,418,281**	1,007,539,164
Less: allowance for credit losses on loans	**1,369,596**	1,272,602
Net loans	**1,013,048,685**	1,006,266,562
Accrued interest receivable	**15,506,584**	18,191,757
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**17,031,912**	17,031,912
Other	**794,126**	3,260,832
Premises and equipment, net	**4,465,117**	4,283,668
Other assets	**542,854**	417,195
Total assets	**$ 1,051,399,602**	$ 1,049,460,678
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 863,522,362**	$ 857,631,905
Guaranteed obligations to government entities	**10,354,743**	10,596,794
Accrued interest payable	**2,383,068**	2,235,271
Drafts outstanding	**534,931**	717,084
Dividends payable	**587**	7,500,406
Other liabilities	**4,864,967**	5,016,879
Total liabilities	**881,660,658**	883,698,339
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,234,165**	4,168,360
Unallocated retained earnings	**165,335,111**	161,422,072
Accumulated other comprehensive income (loss)	**169,668**	171,907
Total members' equity	**169,738,944**	165,762,339
Total liabilities and members' equity	**$ 1,051,399,602**	$ 1,049,460,678

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31, 2024	2023
INTEREST INCOME		
Loans	$ **12,992,608**	$ 10,668,531
Total interest income	**12,992,608**	10,668,531
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**6,931,267**	5,059,457
Advance conditional payments	-	232
Total interest expense	**6,931,267**	5,059,689
Net interest income	**6,061,341**	5,608,842
PROVISION FOR LOAN LOSSES	**97,455**	-
Net interest income after provision for credit losses	**5,963,886**	5,608,842
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**794,225**	1,434,898
Loan fees	**65,866**	51,004
Financially related services income	**75**	121
Gain (loss) on sale of premises and equipment, net	**25,378**	66,464
Other noninterest income	**21,796**	5,425
Total noninterest income	**907,340**	1,557,912
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,737,036**	1,822,671
Occupancy and equipment	**219,961**	179,286
Insurance fund premiums	**201,203**	349,689
Other insurance expense	**139,142**	138,823
Public and member relations	**108,568**	101,317
Purchased services	**99,595**	98,057
Supervisory and exam expense	**96,282**	86,412
Travel	**88,217**	100,262
Directors' expense	**79,991**	96,547
Advertising	**68,648**	59,647
Communications	**39,253**	36,500
Training	**16,755**	13,340
Other components of net periodic postretirement benefit cost	**17,327**	10,545
Other noninterest expense	**39,127**	48,864
Total noninterest expenses	**2,951,105**	3,141,960
Income before income taxes	**3,920,121**	4,024,794
Provision for (benefit from) income taxes	**7,082**	21,573
NET INCOME	**3,913,039**	4,003,221
Other comprehensive income:		
Change in postretirement benefit plans	**(2,239)**	(7,234)
COMPREHENSIVE INCOME	$ **3,910,800**	$ 3,995,987

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	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 3,950,590	$ 154,255,637	$ 221,426	$ 158,427,653
Comprehensive income	-	4,003,221	(7,234)	3,995,987
Capital stock/participation certificates issued	139,045	-	-	139,045
Capital stock/participation certificates retired	(117,010)	-	-	(117,010)
Cumulative effect of change in accounting principle	-	8,090	-	8,090
Balance at March 31, 2023	$ 3,972,625	$ 158,266,948	$ 214,192	$ 162,453,765
Balance at December 31, 2023	$ 4,168,360	$ 161,422,072	$ 171,907	$ 165,762,339
Comprehensive income	-	3,913,039	(2,239)	3,910,800
Capital stock/participation certificates issued	181,945	-	-	181,945
Capital stock/participation certificates issued	(116,140)	-	-	(116,140)
Balance at March 31, 2024	**$ 4,234,165**	**$ 165,335,111**	**$ 169,668**	**$ 169,738,944**

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

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 and Yalobusha in the state of Mississippi. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2023, as contained in the 2023 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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, 2024. Descriptions of the significant accounting policies are included in the 2023 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 March 31, 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

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans follows:

Loan Type	**March 31, 2024 Amount**	December 31, 2023 Amount
Production agriculture:		
Real estate mortgage	**$ 818,426,884**	$ 805,054,121
Production and intermediate-term	**129,116,174**	135,561,230
Agribusiness:		
Processing and marketing	**28,362,797**	29,377,711
Farm-related business	**8,543,902**	6,279,928
Loans to cooperatives	**1,202,598**	1,202,598
Rural residential real estate	**14,976,494**	14,456,857
Communication	**4,182,564**	5,233,754
Water and waste-water	**4,110,302**	4,876,623
Energy	**2,996,566**	2,996,342
Agricultural export finance	**2,500,000**	2,500,000
Total	**$ 1,014,418,281**	$ 1,007,539,164

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 March 31, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 26,231,325	$ 3,320,430	$ -	$ -	$ 26,231,325	$ 3,320,430
Real estate mortgage	-	8,448,791	16,643,483	-	16,643,483	8,448,791
Communication	4,182,564	-	-	-	4,182,564	-
Water and waste-water	4,110,302	-	-	-	4,110,302	-
Energy	2,996,566	-	-	-	2,996,566	-
Agricultural export finance	2,500,000	-	-	-	2,500,000	-
Production and intermediate-term	1,825,905	2,528,967	-	-	1,825,905	2,528,967
Total	$ 41,846,662	$ 14,298,188	$ 16,643,483	$ -	$ 58,490,145	$ 14,298,188

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 paid in accordance with Association policies on such balances. Balances of ACPs were $7,962,194 and $10,603,463 at March 31, 2024, and December 31, 2023, 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 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 March 31, 2024:

March 31, 2024	Term Loans Amortized Cost by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 34,449,242	$ 95,357,737	$ 98,874,051	$ 139,612,408	$ 179,916,673	$ 268,451,134	$ 113,793	$ 816,775,038
OAEM	-	-	249,789	-	64,810	307,164	-	621,763
Substandard/Doubtful	-	-	-	-	529,410	500,673	-	1,030,083
	$ 34,449,242	$ 95,357,737	$ 99,123,840	$ 139,612,408	$ 180,510,893	$ 269,258,971	$ 113,793	$ 818,426,884
Production and intermediate-term								
Acceptable	$ 12,540,529	$ 33,685,411	$ 17,178,790	$ 16,483,025	$ 6,543,881	$ 6,235,445	$ 35,392,484	$ 128,059,565
OAEM	-	-	-	-	-	-	841,654	841,654
Substandard/Doubtful	-	-	-	-	-	-	214,955	214,955
	$ 12,540,529	$ 33,685,411	$ 17,178,790	$ 16,483,025	$ 6,543,881	$ 6,235,445	$ 36,449,093	$ 129,116,174
Agribusiness								
Acceptable	$ -	$ 4,640,400	$ 8,349,243	$ 6,351,784	$ 3,304,714	$ 9,240,888	$ 6,222,268	$ 38,109,297
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ 4,640,400	$ 8,349,243	$ 6,351,784	$ 3,304,714	$ 9,240,888	$ 6,222,268	$ 38,109,297
Communications								
Acceptable	$ -	$ 811,022	$ -	$ -	$ 3,371,542	$ -	$ -	$ 4,182,564
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ 811,022	$ -	$ -	$ 3,371,542	$ -	$ -	$ 4,182,564
Energy and Water/waste disposal								
Acceptable	$ -	$ 5,043,401	$ 818,548	$ 663,456	$ -	$ -	$ 581,463	$ 7,106,868
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ 5,043,401	$ 818,548	$ 663,456	$ -	$ -	$ 581,463	$ 7,106,868
Rural residential real estate								
Acceptable	$ -	$ 2,641,939	$ 903,687	$ 4,086,116	$ 3,707,331	$ 3,618,688	$ -	$ 14,957,761
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	18,733	-	18,733
	$ -	$ 2,641,939	$ 903,687	$ 4,086,116	$ 3,707,331	$ 3,637,421	$ -	$ 14,976,494
International								
Acceptable	$ -	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ 2,500,000
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ 2,500,000
Total Loans								
Acceptable	**$ 46,989,771**	**$144,679,910**	**$ 126,124,319**	**$ 167,196,789**	**$ 196,844,141**	**$ 287,546,155**	**$ 42,310,008**	**$ 1,011,691,093**
OAEM	**-**	**-**	**249,789**	**-**	**64,810**	**307,164**	**841,654**	**1,463,417**
Substandard/Doubtful	**-**	**-**	**-**	**-**	**529,410**	**519,406**	**214,955**	**1,263,771**
	$ 46,989,771	**$144,679,910**	**$ 126,374,108**	**$ 167,196,789**	**$ 197,438,361**	**$ 288,372,725**	**$ 43,366,617**	**$ 1,014,418,281**

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						Revolving Loans Amortized Cost	
December 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**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 and Water/waste disposal								
Acceptable	$ 5,049,324	$ 829,699	$ 665,052	$ -	$ -	$ -	$ 1,328,890	$ 7,872,965
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 5,049,324	$ 829,699	$ 665,052	$ -	$ -	$ -	$ 1,328,890	$ 7,872,965
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
International								
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 under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**99.8** %	99.8 %
OAEM	**0.1**	0.1
Substandard/doubtful	**0.1**	0.1
	100.0	100.0
Production and intermediate-term		
Acceptable	**99.2**	99.2
OAEM	**0.6**	0.6
Substandard/doubtful	**0.2**	0.2
	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**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.9**	99.8
OAEM	**-**	-
Substandard/doubtful	**0.1**	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**	99.8
OAEM	**0.1**	0.1
Substandard/doubtful	**0.1**	0.1
	100.0 %	100.0 %

Accrued interest receivable on loans of $15,506,584 and $18,191,757 at March 31, 2024 and December 31, 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets. The Association has not written off any accrued interest receivable for the three months ended March 31, 2024 and 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics. As of March 31, 2024 and December 31, 2023, the Association had no accruing loans 90 days or more past due and held no acquired property.

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 183,268**	$ 207,650
Production and intermediate-term	**214,955**	216,633
Total nonaccrual loans	**$ 398,223**	$ 424,283
Total nonperforming assets	**$ 398,223**	$ 424,283
Nonaccrual loans as a percentage of total loans	**0.04%**	0.04%
Nonperforming assets as a percentage of total loans and other property owned	**0.04%**	0.04%
Nonperforming assets as a percentage of capital	**0.23%**	0.26%

The following tables provide 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:

	March 31, 2024			**Interest Income Recognized For the Three Months Ended March 31, 2024**
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	
Nonaccrual loans:				
Real estate mortgage	**$ -**	**$ 183,268**	**$ 183,268**	**$ -**
Production and intermediate-term	**214,955**	**-**	**214,955**	**-**
Total nonaccrual loans	**$ 214,955**	**$ 183,268**	**$ 398,223**	**$ -**

	December 31, 2023			Interest Income Recognized For the Three Months Ended March 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:

March 31, 2024	**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	**$ 1,110,134**	**$ -**	**$ 1,110,134**	**$ 817,316,750**	**$ 818,426,884**	**$ -**
Production and intermediate term	**89,425**	**-**	**89,425**	**129,026,749**	**129,116,174**	**-**
Processing and marketing	**-**	**-**	**-**	**28,362,797**	**28,362,797**	**-**
Rural residential real estate	**-**	**-**	**-**	**14,976,494**	**14,976,494**	**-**
Farm-related business	**-**	**-**	**-**	**8,543,902**	**8,543,902**	**-**
Communication	**-**	**-**	**-**	**4,182,564**	**4,182,564**	**-**
Water and waste-water	**-**	**-**	**-**	**4,110,302**	**4,110,302**	**-**
Energy	**-**	**-**	**-**	**2,996,566**	**2,996,566**	**-**
Agricultural export finance	**-**	**-**	**-**	**2,500,000**	**2,500,000**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,202,598**	**1,202,598**	**-**
Total	**$ 1,199,559**	**$ -**	**$ 1,199,559**	**$ 1,013,218,722**	**$ 1,014,418,281**	**$ -**

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	-
Processing and marketing	-	-	-	29,377,711	29,377,711	-
Rural residential real estate	142,260	-	142,260	14,314,597	14,456,857	-
Farm-related business	-	-	-	6,279,928	6,279,928	-
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	-
Loans to cooperatives	-	-	-	1,202,598	1,202,598	-
Total	$ 821,631	$ -	$ 821,631	$ 1,006,717,533	$ 1,007,539,164	$ -

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 board of directors has generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	$ 990,240	$ 204,890	$ 30,769	$ 10,803	$ 5,039	$ 29,938	$ 923	$ 1,272,602
Provision for credit losses/(Credit loss reversal)	95,310	2,139	1,295	137	(510)	(1,388)	11	96,994
Balance at March 31, 2024	$ 1,085,550	$ 207,029	$ 32,064	$ 10,940	$ 4,529	$ 28,550	$ 934	$ 1,369,596
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	$ 45	$ 6,944	$ 10,445	$ 177	$ 637	$ 32	$ 520	$ 18,800
Provision for unfunded commitments	(3)	83	430	(110)	86	(22)	(3)	461
Balance at March 31, 2024	$ 42	$ 7,027	$ 10,875	$ 67	$ 723	$ 10	$ 517	$ 19,261
Total allowance for credit losses	$ 1,085,592	$ 214,056	$ 42,939	$ 11,007	$ 5,252	$ 28,560	$ 1,451	$ 1,388,857

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2022	$ 929,504	$ 57,108	$ 34,165	$ 1,838	$ 68,689	$ 30,275	$ -	$ 1,121,579
Cumulative effect if 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
Provision for loan losses (Credit loss reversal)	801	(3,314)	418	551	1,293	(813)	1,064	-
Balance at March 31, 2023	$ 914,383	$ 74,296	$ 32,024	$ 3,683	$ 70,493	$ 29,014	$ 1,064	$ 1,124,957
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2022	$ 501	$ 12,896	$ 11,773	$ 328	$ 1,115	$ 379	$ 785	$ 27,777
Cumulative effect if 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)	1,273	(372)	(79)	26	(58)	(671)	-
Balance at March 31, 2023	$ 10	$ 5,717	$ 9,672	$ 360	$ 222	$ 13	$ 315	$ 16,309
Total allowance for credit losses	$ 914,393	$ 80,013	$ 41,696	$ 4,043	$ 70,715	$ 29,027	$ 1,379	$ 1,141,266

The Association did not grant any loan modifications to borrowers experiencing financial difficulty during the three months ending March 31, 2024 or 2023.

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses increased $97,455 to $1,388,857 at March 31, 2024, as compared to $1,291,402 at December 31, 2023. This is largely due to increased outstanding loan volume of 0.4% offset by a reduction in the impact on allowance from the implementation of the 2024 District probability of default curve. A smaller impact on this increase was due to more pessimism in economic scenarios used in the calculation as compared to those used at year-end.

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 presents the components of capital:

	March 31, 2024	December 31, 2023
Capital stock and participation certificates	**$ 4,234,165**	4,168,360
Accumulated other comprehensive loss	**169,668**	171,907
Retained earnings[1]	**165,335,111**	161,422,072
Total Capital	**$ 169,738,944**	$ 165,762,339

[1] Retained earnings for the year ended December 31, 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 March 31, 2024**	As of December 31, 2023
Common equity tier 1 ratio	7.00%	**14.28%**	14.77%
Tier 1 capital ratio	8.50%	**14.28%**	14.77%
Total capital ratio	10.50%	**14.40%**	14.88%
Permanent capital ratio	7.00%	**14.29%**	14.79%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	**14.60%**	15.10%
UREE leverage ratio	1.50%	**14.19%**	14.69%

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

	at March 31, 2024			
	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**$ 163,063,021**	**$ 163,063,021**	**$ 163,063,021**	**$ 163,063,021**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,193,703**	**4,193,703**	**4,193,703**	**4,193,703**
Allowance for loan losses and reserve for credit losses subject to certain limitations	**-**	**-**	**1,294,651**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(17,016,259)**	**(17,016,259)**	**(17,016,259)**	**(17,016,259)**
	$ 150,240,465	**$ 150,240,465**	**$ 151,535,116**	**$ 150,240,465**
Denominator:				
Risk-adjusted assets excluding allowance	**$ 1,069,391,566**	**$ 1,069,391,566**	**$ 1,069,391,566**	**$ 1,069,391,566**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(17,016,259)**	**(17,016,259)**	**(17,016,259)**	**(17,016,259)**
Allowance for loan losses	**-**	**-**	**-**	**(1,275,835)**
	$ 1,052,375,307	**$ 1,052,375,307**	**$ 1,052,375,307**	**$ 1,051,099,472**

	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

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

	at March 31, 2024	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 163,063,021**	**$ 163,063,021**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,193,703**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(17,016,259)**	**(17,016,259)**
	$ 150,240,465	**$ 146,046,762**
Denominator:		
Total Assets	**$ 1,046,409,705**	**$ 1,046,409,705**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(17,439,792)**	**(17,439,792)**
	$ 1,028,969,913	**$ 1,028,969,913**

	at December 31, 2023	
	Tier 1 leverage ratio	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)
	$ 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

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 three months ended March 31:

	2024	**2023**
Accumulated other comprehensive income (loss) at January 1	**$ 171,907**	$ 221,426
Amortization of prior service (credit) costs included in salaries and employee benefits	**(799)**	(3,073)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(1,440)**	(4,161)
Other comprehensive income (loss), net of tax	**(2,239)**	(7,234)
Accumulated other comprehensive income (loss) at March 31	**$ 169,668**	$ 214,192

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 three months ended March 31, 2024 and 2023, the Association carried a deferred tax asset of $274,974 and $139,559, 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 2023 Annual Report to Stockholders for a more complete description.

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

March 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in non-qualified benefits trusts	**$ 4,456**	**$ -**	**$ -**	**$ 4,456**
Total assets	**$ 4,456**	**$ -**	**$ -**	**$ 4,456**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in non-qualified benefits trusts	$ 4,801	$ -	$ -	$ 4,801
Total assets	$ 4,801	$ -	$ -	$ 4,801

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

March 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 97,760**	**$ 97,760**

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

*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 March 31, 2024, the Association had $93,062 in outstanding standby letters of credit and $1,047,538 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 Associations utilizes appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2 to the 2023 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 2023 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 three months ended March 31:

	Other Benefits	
	2024	2023
Service cost	**$ 1,671**	$ 3,538
Interest cost	**19,566**	17,778
Amortization of prior service (credits) costs	**(799)**	(3,073)
Amortization of net actuarial (gain) loss	**(1,440)**	(4,161)
Net periodic benefit cost	**$ 18,998**	$ 14,082

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2024, was $1,461,136 and is included in "Other liabilities" on the consolidated 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 consolidated statement of comprehensive income.

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 March 31:

	2024	2023
DB Plan contribution	$ 135,502	$ 229,645
Year-to-date amortization	(33,875)	(57,411)
Remaining contribution	$ 101,627	$ 172,234

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 May 7, 2024, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 7, 2024.