

Annual Report 2022



❖ Financing All Things Country



Part of the Farm Credit System

Letter to Stockholders

2022 Annual Report

Dear Louisiana Land Bank Stockholders,

We provide this annual stockholder report to you with a sincere sense of pride and appreciation for the solid financial and operating results posted by Louisiana Land Bank, ACA (Association) during 2022. The Association has grown stronger and larger over the past 10 years and continues to strive to be the premier agricultural and rural lender in the state of Louisiana. Last year was a very positive year for the Association, as essentially all key business operating metrics were met or exceeded. The amount of growth in earning assets over the same period in 2021 is directly attributed to you, the stockholders, and the focused customer service efforts of our Association's employees.

Through their diligent efforts, our branch lending staff closed loans totaling more than \$200 million during 2022, and that strong loan production represented a continued upward trend for our Association. We are rightly proud of the earning assets growth we have experienced while dealing with economic conditions that were less than favorable, especially during the last half of the year. The loan portfolio growth generated positive operating results through a healthy increase in net interest income compared to previous years. The steady growth in loan volume and interest income over the past 10 years has allowed the Board of Directors to build on its pledge to put a substantial portion of our profits back into the pockets of our borrowers through recurring cash patronage payments. The directors have approved a cash patronage payout to stockholders of \$10.6 million from 2022 net earnings, and with this latest distribution of profits, the Association has generated more than \$74.8 million in cash patronage payments to our members since 2012.

Technology is ever-changing, and we recognize that our stockholders expect competitive financial products and services delivered through customer-friendly technology. During 2023, we are planning several major network and information technology platform upgrades that will allow us to meet those expectations. Our employee teams are now training on these new systems to prepare for a planned conversion this June. The Association has made a strong commitment to providing the lending staff with upgraded hardware and software to allow more loan officer mobility along with increased customer service options and flexibility.

Although the driving force for these upgrades was a need to improve our delivery efficiency while also providing options to operate from multiple locations due to the many unusual weather events we seem to routinely experience in Louisiana, this investment in technology has already served us very well in many ways. Our lending and support teams can now effectively operate from many different locations and still meet the daily needs of our stockholders. In fact, our teams are booking more loans and providing more services to our stockholders than ever before, often while working from locations off-site from our network of physical locations. We continue to also invest in our employees through significant training and professional development activities. This ongoing commitment to enhancing staff proficiency helps to ensure that our employees are armed with the proper skill sets, job expertise and responsiveness needed to serve our customers well.

Our Board and management team understand the importance of maintaining our sound capital position, solid asset quality and rigorous risk management practices to allow us to position the Association for consistent loan portfolio growth paired with meaningful, reliable future patronage payments to our borrowers. We are keenly aware of the challenges in the farm, agribusiness and rural marketplace today with unpredictable weather conditions, volatile commodity prices, ever-increasing input costs, supply chain interruptions and recent interest rate hikes due to the Federal Reserve's efforts to control inflation. We remain committed to maintaining our Association as a dependable future source of agricultural and rural credit, in both good times and bad, as we have done for more than 100 years as a proud part of the Farm Credit System.

The Board of Directors and management team are making continuous focused efforts to serve and support the next generation of producers. We sponsor many youth and young farmer activities, and we continue to put a special focus on offering financing to young, beginning, small, minority and veteran farmers. The Association has developed loan programs for these special segments of our portfolio that provide sound guidance along with cost savings in obtaining a loan.

Again, thank you for being a vital part of this great organization and for the ongoing loyalty that you have shown to our Association over the years. We strive every day to be the lender of choice in meeting customers' agricultural and rural financing needs throughout our state. As we acknowledge and celebrate these profitable 2022 operating results, we are already looking forward to serving you and your fellow Louisiana farmers, agribusiness owners and rural residents for many years to come.

Sincerely,

A handwritten signature in black ink that reads "F. Stephen Austin". The signature is written in a cursive style with a large, stylized "F" and "A".

F. Stephen Austin
Chief Executive Officer

A handwritten signature in black ink that reads "Mark Morgan". The signature is written in a cursive style with a large, stylized "M" and "M".

Mark Morgan
Chairman of the Board

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REPORT OF MANAGEMENT

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

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

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

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



F. Stephen Austin, Chief Executive Officer
March 9, 2023



James Mark Morgan, Chairman, Board of Directors
March 9, 2023



Christopher E. Bentley, Chief Financial Officer
March 9, 2023

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. In making the assessment, management used the framework in Internal Control—Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2022. A review of the assessment performed was reported to the Association's audit committee.



F. Stephen Austin, Chief Executive Officer
March 9, 2023



James Mark Morgan, Chairman, Board of Directors
March 9, 2023



Christopher E. Bentley, Chief Financial Officer
March 9, 2023

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of Kristin Guillory – Chairman; Henry Capdeboscq, Jr.; Bobby Hanks; and John Van Mol, Jr. In 2022, 17 Committee meetings were held. The Committee oversees the scope of Louisiana Land Bank, ACA’s system of internal controls and procedures and the adequacy of management’s action with respect to recommendations arising from those auditing activities. The Committee’s approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Louisiana Land Bank, ACA’s website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2022.

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

In this context, the Committee reviewed and discussed Louisiana Land Bank, ACA’s audited consolidated financial statements for the year ended December 31, 2022 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance “The Auditor’s Communication With Those Charged With Governance,” and both PwC’s and Louisiana Land Bank, ACA’s internal auditors directly provide reports on significant matters to the Committee.

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

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in Louisiana Land Bank, ACA’s Annual Report to Stockholders for the year ended December 31, 2022.

Audit Committee Members

Kristin Guillory, Chairman
Henry Capdeboscq, Jr.
Bobby Hanks
John Van Mol, Jr.

March 9, 2023

LOUISIANA LAND BANK, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(unaudited)

(dollars in thousands)

	2022	2021	2020	2019	2018
Balance Sheet Data					
<u>Assets</u>					
Cash	\$ 94	\$ 36	\$ 99	\$ 36	\$ 303
Loans	1,025,074	1,003,680	929,308	844,732	766,364
Less: allowance for loan losses	6,444	6,554	6,353	5,350	5,233
Net loans	1,018,630	997,126	922,955	839,382	761,131
Investment in and receivable from the Farm Credit Bank of Texas	25,367	18,147	15,979	14,923	14,750
Other assets	15,756	14,527	14,496	15,110	12,985
Total assets	<u>\$ 1,059,847</u>	<u>\$ 1,029,836</u>	<u>\$ 953,529</u>	<u>\$ 869,451</u>	<u>\$ 789,169</u>
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 17,722	\$ 18,153	\$ 18,877	\$ 13,860	\$ 12,919
Obligations with maturities greater than one year	862,026	841,624	772,989	698,643	625,239
Total liabilities	879,748	859,777	791,866	712,503	638,158
<u>Members' Equity</u>					
Capital stock and participation certificates	2,948	2,979	2,873	2,779	2,684
Unallocated retained earnings	176,935	167,967	159,798	155,042	148,782
Accumulated other comprehensive income (loss)	216	(887)	(1,008)	(873)	(455)
Total members' equity	180,099	170,059	161,663	156,948	151,011
Total liabilities and members' equity	<u>\$ 1,059,847</u>	<u>\$ 1,029,836</u>	<u>\$ 953,529</u>	<u>\$ 869,451</u>	<u>\$ 789,169</u>
Statement of Income Data					
Net interest income	\$ 27,234	\$ 25,725	\$ 24,200	\$ 22,789	\$ 21,567
Loan loss reversal (provision for loan losses)	8	(240)	(1,023)	(25)	209
Income from the Farm Credit Bank of Texas	6,922	6,196	4,735	3,584	3,099
Other noninterest income	662	774	1,752	917	1,028
Noninterest expense	(15,210)	(14,740)	(13,355)	(13,210)	(12,520)
(Benefit from) provision for income taxes	(1)	5	2	(4)	(1)
Net income	<u>\$ 19,615</u>	<u>\$ 17,720</u>	<u>\$ 16,311</u>	<u>\$ 14,051</u>	<u>\$ 13,382</u>
Key Financial Ratios for the Year					
Return on average assets	1.9%	1.8%	1.8%	1.7%	1.7%
Return on average members' equity	11.0%	10.4%	9.9%	8.9%	8.9%
Net interest income as a percentage of average earning assets	2.7%	2.7%	2.7%	2.8%	2.8%

LOUISIANA LAND BANK, ACA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Key Financial Ratios at Year End *</u>					
Members' equity as a percentage of total assets	17.0%	16.5%	17.0%	18.1%	19.1%
Debt as a percentage of members' equity	488.5%	505.6%	489.8%	454.0%	422.6%
Allowance for loan losses as a percentage of loans	0.6%	0.7%	0.7%	0.6%	0.7%
Common equity tier 1 ratio	15.5%	15.3%	16.1%	17.1%	17.6%
Tier 1 capital ratio	15.5%	15.3%	16.1%	17.1%	17.6%
Total capital ratio	16.1%	15.9%	16.7%	17.7%	18.3%
Permanent capital ratio	15.6%	15.4%	16.2%	17.2%	17.7%
Tier 1 leverage ratio	16.0%	15.9%	16.9%	17.6%	18.3%
UREE leverage ratio	15.7%	17.0%	18.0%	18.8%	19.5%
<u>Net Income Distribution</u>					
Patronage dividends:					
Cash	\$ 9,796	\$ 11,399	\$ 7,769	\$ 7,291	\$ 7,033

*Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2022. For more information, see Note 9 in the accompanying consolidated financial statements, "Members Equity" included in this annual report.

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

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank Association, FLCA (Association) for the years ended December 31, 2022, 2021 and 2020, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

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

- Political, legal, regulatory and economic conditions and developments in the United States and abroad;
- Economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- Weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- Changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises; and
- Actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events

During 2022, the Association's Board of Directors (Board) paid a patronage of \$9,796,283 to the eligible stockholders from 2021's earnings. The patronage is in the form of a qualified patronage distribution.

Mrs. Hoyt, Chair of the Audit Committee, resigned effective May 24, 2022. The Board of Directors thanks Mrs. Hoyt for the decade of service with the Association. On July 26, 2022, the Association's Board of Directors appointed Mrs. Kristin Guillory to the Board. Mrs. Guillory will serve as the Board's Financial Expert and Audit Committee Chair. Mrs. Guillory is serving as a Board Elected Board Member.

The Association's Board elected to pay patronage from 2022's earnings totaling approximately \$10.5 million. It is anticipated that the patronage will be paid to eligible stockholders in the first quarter of 2023. The patronage is in the form of a qualified patronage distribution.

In December 2022, the Association received a direct loan patronage of \$5,637,611 from the Bank, representing 66 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received \$362,260 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of \$923,577 from the Bank, representing 96 basis points on the Association's average balance of participations in the Bank's patronage pool program.

The Association has continued to provide its members with quality financial services. The Board and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Conditions in the Association's Chartered Territory

Throughout the COVID-19 pandemic, the Association continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Demand for the Association's loans slowed in 2022 as interest rates rose. Loan growth began to moderate in early 2022 due to the rising interest rate environment. Macroeconomic uncertainty, as well as ongoing supply chain disruptions and fluctuating commodity markets, are likely to lead to volatility in credit quality in future periods.

The Consumer Price Index for All Urban Consumers increased by 6.5% for the year ending December 2022, down from 7.0% for the same period in 2021 and from a peak of 9.1% reached in June 2022. The Federal Open Market Committee (FOMC) increased the target Federal funds rate by a total of 425 basis points in 2022, including four consecutive 75 basis point increases in June, July, September and November. As of February 13, 2023, the range of the Federal funds target rate is 4.50 – 4.75%, including the latest 25 basis point increase in early February 2023. According to public remarks, the FOMC continues to be strongly committed to returning inflation to its 2.0% long-run objective.

On January 26, 2023, the U.S. Bureau of Economic Analysis (BEA) released its advanced estimate of real gross domestic product (GDP) for the fourth quarter of 2022. After two consecutive quarters of negative growth during the first half of 2022, the U.S. economy expanded at annualized rates of 3.2% in the third quarter and 2.9% in the fourth quarter. The increase in the fourth quarter primarily reflected increases in inventory investment and consumer spending that were partly offset by a decrease in housing investment. According to the International Monetary Fund's latest World Economic Outlook released on January 30, 2023, U.S. real GDP growth is estimated to be 1.4% in 2023 and 1.0% in 2024. Fourthquarter GDP growth rates per state are scheduled to be released on March 31, 2023.

The U.S. Bureau of Labor Statistics (BLS) indicated that the U.S. unemployment rate decreased month over month to 3.5% in December 2022 from 3.6% in November and down from 3.9% in December 2021. The U.S. unemployment rate declined slightly to 3.4% in January 2023. Louisiana's unemployment rate for December 2022 was 3.5%.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the fourth quarter of 2022 from an average of about \$91 per barrel in the third quarter to an average of about \$83 per barrel. In the February 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 \$78 per barrel in 2023 and nearly \$72 per barrel in 2024.

In February 2023, the U.S. Department of Agriculture (USDA) released its updated farm income forecast. Nominal net farm income is expected to have set a record high at about \$162.7 billion in the calendar year 2022, up 15.5% year over year (YOY). However, farm income is forecasted to decrease by 15.9% in 2023. Total nominal production expenses are forecasted to continue increasing by 4.1% in 2023 to about \$459.53 billion after increasing by 18.5% in 2022. Interest expenses and livestock/poultry purchases are expected to increase in 2023, while spending on feed and fuel/oil is expected to decline YOY. Farm sector assets are forecasted to increase by 5.2% in 2023 due to expected increases in farm real estate assets. Similarly, equity is forecasted to increase by 5.0% in 2023. After improving in 2021 and 2022, the U.S. farm sector debt-to-asset ratio is estimated to deteriorate YOY slightly from 13.1% in 2022 to 13.2% in 2023.

According to USDA's February 2023 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, wheat and soybeans are projected to increase by about 11.7%, 18.0% and 7.5%, respectively, YOY during the 2022-23 marketing year, while the average farm price for upland cotton is projected to decline by 8.4 cents per pound or 9.2%. Steer, broiler and turkey prices are estimated to have experienced double-digit increases in 2022. USDA estimates that all-milk prices averaged nearly \$25.6 per hundredweight in 2022, up about \$7.0 per hundredweight, or 37.9%, compared to 2021. Milk prices are anticipated to moderate in 2023 but are projected to remain above \$20.0 per hundredweight. Due to increased supply and reduced demand, lumber prices fell precipitously in 2022. Front-month random length lumber futures prices declined by about 67.0% YOY in 2022. Subsequently, lumber futures prices have continued to be historically volatile, increasing by nearly 37.0% in January 2023 before declining by more than 20.0% through the first half of February.

Agricultural producers and processors were negatively affected by several factors in 2022, including volatile commodity prices, elevated production costs, geopolitical conflicts, economic uncertainty and weather-related challenges. However, the Association's loan portfolio remained resilient and well-supported.

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. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of \$1,025,074,093, \$1,003,680,258 and \$929,307,651 as of December 31, 2022, 2021 and 2020, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2022, 2021 and 2020, the Association was participating in loans with other lenders. As of December 31, 2022, 2021 and 2020, these participations totaled \$79,501,053, \$67,685,364 and \$71,797,056, or 7.8 percent, 6.7 percent and 7.7 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of \$950,221, \$1,420,702 and \$2,586,677, or 0.1 percent, 0.1 percent and 0.2 percent of loans, respectively. The Association has also sold participations of \$149,179,819, \$130,038,555 and \$73,594,307 as of December 31, 2022, 2021 and 2020, respectively.

Risk Exposure:

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

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

	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Nonaccrual	\$ 6,546,869	77.3%	\$ 1,723,169	27.8%	\$ 3,350,051	50.7%
90 days past due and still accruing interest	-	0.0%	-	0.0%	295,698	4.5%
Formally restructured still accruing	1,924,395	22.7%	4,479,285	72.2%	2,960,815	44.8%
Total	\$ 8,471,264	100.0%	\$ 6,202,454	100.0%	\$ 6,606,564	100.0%

At December 31, 2022, 2021 and 2020, loans that were considered impaired were \$8,471,264, \$6,202,454 and \$6,606,564, representing 0.8 percent, 0.6 percent and 0.7 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

At December 31, 2022, the Association did not have a customer relationship in excess of 2 percent of the Association's total portfolio. Borrower concentrations do not pose a potential material effect on the Association at this time.

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

Allowance for Loan Losses:

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

	2022	2021	2020
Allowance for loan losses	\$ 6,444,281	\$ 6,554,422	\$ 6,352,609
Allowance for loan losses to total loans	0.6%	0.7%	0.7%
Allowance for loan losses to nonaccrual loans	98.4%	380.4%	189.6%
Allowance for loan losses to impaired loans	76.1%	105.7%	96.2%

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

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of \$6,444,281, \$6,554,422 and \$6,352,609 at December 31, 2022, 2021, and 2020, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2022, was \$19,615,200 as compared to \$17,719,823 for the year ended December 31, 2021, reflecting an increase of \$1,895,377, or 10.7 percent. The Association's net income for the year ended December 31, 2020 was \$16,310,841. Net income increased \$1,408,982, or 8.6 percent, in 2021 versus 2020.

Net interest income for 2022, 2021, and 2020 was \$27,234,019, \$25,725,089 and \$24,200,400, respectively, reflecting increases of \$1,508,930, or 5.9 percent, for 2022 versus 2021 and \$1,524,689, or 6.3 percent, for 2021 versus 2020. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2022		2021		2020	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,021,840,103	\$ 46,797,114	\$ 960,399,332	\$ 41,669,698	\$ 884,657,438	\$ 42,192,706
Interest-bearing liabilities	860,117,260	19,563,095	805,062,599	15,944,609	735,490,762	17,992,306
Impact of capital	<u>\$ 161,722,843</u>		<u>\$ 155,336,733</u>		<u>\$ 149,166,676</u>	
Net interest income		<u>\$ 27,234,019</u>		<u>\$ 25,725,089</u>		<u>\$ 24,200,400</u>

	2022 Average Yield	2021 Average Yield	2020 Average Yield
Yield on loans	4.58%	4.34%	4.77%
Cost of interest-bearing liabilities	2.27%	1.98%	2.45%
Interest rate spread	2.31%	2.36%	2.32%

	2022 vs. 2021			2021 vs. 2020		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ 2,665,792	\$ 2,461,624	\$ 5,127,416	\$ 3,612,434	\$ (4,135,442)	\$ (523,008)
Interest expense	1,090,357	2,528,129	3,618,486	1,701,936	(3,749,633)	(2,047,697)
Net interest income	<u>\$ 1,575,435</u>	<u>\$ (66,505)</u>	<u>\$ 1,508,930</u>	<u>\$ 1,910,498</u>	<u>\$ (385,809)</u>	<u>\$ 1,524,689</u>

Interest income for 2022 increased by \$5,127,416, or 12.3 percent, compared to 2021, primarily due to increase in average loan volume and an increase in yields on earning assets. Interest expense for 2022 increased by \$3,618,486, or 22.7 percent, compared to 2021, due to an increase in average debt volume and an increase in interest rates. The interest rate spread decreased by 5 basis points to 2.31 percent in 2022 from 2.36 percent in 2021. The interest rate spread increased by 4 basis points to 2.36 percent in 2021 from 2.32 percent in 2020. Net interest margin for the Association has held relatively constant the past 36 months. Interest rate volatility could negatively impact margin going forward.

Noninterest income for 2022 increased by \$613,334, or 8.8 percent, compared to 2021, due primarily to an increase in the direct note patronage from the Bank. Noninterest income for 2021 increased by \$483,236, or 7.5 percent, compared to 2020.

Provisions for loan losses decreased by \$248,874, or 103.5 percent, compared to 2021, due to improved and stable credit quality through the portfolio paired with credit review results that have validated the Association's risk-rating practice.

Operating expenses consist primarily of salaries and employee benefits and insurance fund premiums. Operating expenses increased by \$470,596 in 2022 when compared with 2021, primarily due to insurance fund premiums and other operating expenses. During 2022, salaries and employee benefits decreased by \$574,609 or 5.9 percent, while insurance fund premiums increased by \$405,351 or 29.8 percent compared with 2021. The Association is required to pay into an insurance fund as part of the Farm Credit System. Other increases include supervisory and exam expense, \$125,934, and travel, \$114,096. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of \$736,611, \$958,836 and \$687,183 for 2022, 2021 and 2020, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling \$854,606 related to the origination of loans.

For the year ended December 31, 2022, the Association's return on average assets was 1.9 percent, as compared to 1.8 percent and 1.8 percent for the years ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2022, the Association's return on average members' equity was 11.0 percent, as compared to 10.4 percent and 9.9 percent for the years ended December 31, 2021 and 2020, respectively.

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

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR) announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. Since this announcement, central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Bank and its affiliated associations are currently evaluating the impacts of a potential phase-out of the LIBOR benchmark interest rate, including the possibility of using SOFR as an alternative to LIBOR. The transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR based instruments, including certain of the Farm Credit Systemwide debt securities, the Bank's borrowings, loans, investments, derivatives and other bank assets and liabilities that are indexed to LIBOR.

The Bank established a LIBOR Workgroup, with cross-functional representation from the finance, operations, credit and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. The LIBOR Workgroup coordinates outreach to our associations and with other Farm Credit System institutions, especially the Funding Corporation. The Association's Asset/Liability Committee (ALCO) serves as the primary workgroup to address all matters related to the phase-out of LIBOR for the Association. ALCO is comprised of the Chief Executive Officer (CEO), Chief Credit Officer (CCO), Chief Financial Officer (CFO), and Senior Vice President of Lending. Other resources will also be engaged as needed. The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index.

Liquidity and Funding Sources:

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

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$860,008,054, \$840,219,583 and \$771,634,780 as of December 31, 2022, 2021 and 2020, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.76 percent, 1.95 percent and 2.07 percent at December 31, 2022, 2021 and 2020, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2021, is due to an increase in accrual loan volume.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$164,548,581, \$162,933,878 and \$156,983,131 at December 31, 2022, 2021 and 2020, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was \$1,090,000,000 as defined by the general financing

agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, 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 operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of \$180,099,409, \$170,059,834, and \$161,663,035 at December 31, 2022, 2021, and 2020, respectively.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2022, 2021 and 2020 was 15.56 percent, 15.36 percent and 16.21 percent, respectively.

The Association is also required to maintain minimum common equity Tier 1 (CET1), Tier 1 capital and total capital ratios of 4.5 percent, 6.0 percent and 8.0 percent, respectively, along with a capital conservation buffer of 2.5 percent applicable to each ratio. The 2.5 percent capital conservation buffer was phased in over a three-year period ending on December 31, 2019. The Association's common equity Tier 1 ratio was 15.47 percent, Tier 1 capital ratio was 15.47 percent and total capital ratio was 16.09 percent at December 31, 2022. Further, the Association is required to maintain a minimum Tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's Tier 1 leverage ratio was 16.02 percent, and UREE leverage ratio was 15.74 percent at December 31, 2022.

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

As of December 31, 2022, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management know of any such prohibitions that may apply during the subsequent fiscal year.

Significant Recent Accounting Pronouncements:

The Association adopted the Financial Accounting Standards Board (FASB) guidance titled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance-sheet credit exposures. The guidance requires management to consider in its estimate of allowance for loan losses (ALL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a decrease in the entity's allowance for loan losses of approximately 47% and a corresponding increase in retained earnings.

In March 2022, the FASB issued an update titled, "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross

write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021, and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021, and the impact of adoption was not material to the Association's financial condition or results of operations.

In December 2019, the FASB issued guidance titled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intraperiod tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance became effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted, and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations, nor did the guidance impact the presentation of taxes for prior periods in the 2022 year-end financial statements.

In August 2018, the FASB issued guidance titled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance titled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance titled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2019. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the fair value measurements disclosures.

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

Regulatory Matters:

At December 31, 2022, the Association was not operating under written agreements with the Farm Credit Administration (FCA).

On June 16, 2022, the FCA published in the Federal Register a proposed rule to restructure and revise its regulations governing the Farm Credit System’s service to young, beginning and small (YBS) farmers and ranchers. The comment period ended on August 15, 2022.

On May 9, 2022, the FCA published a final rule in the Federal Register on amending certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the current expected credit losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor’s net investments in leases, and held-to-maturity debt securities have been defined as adjusted allowances for credit losses and will be included in the Association’s Tier 2 capital up to 1.25% of the Association’s total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in the Association’s Tier 2 capital. In addition, the final rule does not include a transition phase-in period for the CECL Day 1 cumulative effect adjustment to retained earnings on the Association’s regulatory capital ratios. The rule became effective on January 1, 2023.

On January 5, 2021, the FCA posted an informational memorandum providing guidance to the Farm Credit System on managing challenges associated with COVID-19. The informational memorandum provided supplements on flood insurance requirements, consumer financial protection and electronic delivery of borrower rights notices. On January 12, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement covers regulatory capital requirements for Paycheck Protection Program loans. On January 28, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System institutions on issues related to COVID-19. The supplement discusses matters related to Association annual meetings and elections during the 2021 calendar year.

On February 5, 2021, the FCA posted an informational memorandum on maintaining and using stockholder lists. The informational memorandum provides institutions with guidance on maintaining the lists and using them to establish who should receive voting and financial information.

On June 30, 2021, the FCA posted an advance notice of proposed Rulemaking to seek public comments on how to amend or restructure Bank liquidity regulations. The FCA is considering whether to amend the existing liquidity regulatory framework so Banks can better withstand crises that adversely impact liquidity. The comment period ended on November 27, 2021.

On August 26, 2021, the FCA published a proposed rule in the Federal Register on defining and establishing risk-weightings for high-volatility commercial real estate (HVCRE) exposures. The comment period ended on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule on the Tier 1/Tier 2 capital framework. The rule clarifies the regulations, simplifies certain requirements and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. It also codifies guidance provided in FCA Bookletter 068. On October 1, 2021, the FCA published the final rule on the Tier 1/Tier 2 capital framework in the Federal Register. The final rule became effective on January 1, 2022.

On December 8, 2021, the FCA posted an informational memorandum on managing the LIBOR transition. The informational memorandum provides institutions with guidance on the transition away from LIBOR, clarifies the meaning of new LIBOR contracts, and provides guidance on using alternative reference rates.

In 2022, 2021, and 2020, the Association paid cash patronage of \$9,796,283, \$11,398,708 and \$7,769,310, respectively. The board of directors approved a qualified patronage distribution of \$10,500,000 to be paid prior to September 15, 2023, from 2022 earnings. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Relationship With the Bank:

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

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

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

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

Summary:

Over the past 106 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.



Report of Independent Auditors

To the Board of Directors of Louisiana Land Bank, ACA

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Land Bank, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2022, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2022 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

A handwritten signature in black ink that reads "PriceWaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Austin, Texas
March 9, 2023

LOUISIANA LAND BANK, ACA
CONSOLIDATED BALANCE SHEET

	December 31,		
	2022	2021	2020
<u>Assets</u>			
Cash	\$ 93,953	\$ 36,228	\$ 99,133
Loans	1,025,074,093	1,003,680,258	929,307,651
Less: allowance for loan losses	6,444,281	6,554,422	6,352,609
Net loans	1,018,629,812	997,125,836	922,955,042
Accrued interest receivable	10,678,059	9,191,090	9,413,893
Investment in and receivable from the Farm			
Credit Bank of Texas:			
Capital stock	17,158,580	15,971,980	14,592,755
Other	8,208,432	2,174,631	1,386,218
Premises and equipment	4,106,206	4,544,576	4,425,903
Other assets	972,355	791,970	656,405
Total assets	<u>\$ 1,059,847,397</u>	<u>\$ 1,029,836,311</u>	<u>\$ 953,529,349</u>
<u>Liabilities</u>			
Note payable to the Farm Credit Bank of Texas	\$ 860,008,054	\$ 840,219,583	\$ 771,634,780
Accrued interest payable	2,017,795	1,404,171	1,354,005
Drafts outstanding	28,835	102,601	1,345
Patronage distributions payable	10,588,753	9,736,987	11,585,717
Other liabilities	7,104,551	8,313,135	7,290,467
Total liabilities	<u>879,747,988</u>	<u>859,776,477</u>	<u>791,866,314</u>
<u>Members' Equity</u>			
Capital stock and participation certificates	2,948,335	2,978,915	2,873,060
Unallocated retained earnings	176,934,599	167,967,448	159,797,603
Accumulated other comprehensive income (loss)	216,475	(886,529)	(1,007,628)
Total members' equity	<u>180,099,409</u>	<u>170,059,834</u>	<u>161,663,035</u>
Total liabilities and members' equity	<u>\$ 1,059,847,397</u>	<u>\$ 1,029,836,311</u>	<u>\$ 953,529,349</u>

The accompanying notes are an integral part of these consolidated financial statements.
Louisiana Land Bank, ACA — 2022 Annual Report

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2022	2021	2020
<u>Interest Income</u>			
Loans	\$ 46,797,114	\$ 41,669,698	\$ 42,192,706
Total interest income	46,797,114	41,669,698	42,192,706
<u>Interest Expense</u>			
Note payable to the Farm Credit Bank of Texas	19,563,095	15,944,609	17,992,306
Total interest expense	19,563,095	15,944,609	17,992,306
Net interest income	27,234,019	25,725,089	24,200,400
<u>(Reversal of) Provision for Loan Losses</u>	(8,418)	240,456	1,023,517
Net interest income after provision for (reversal of) loan losses	27,242,437	25,484,633	23,176,883
<u>Noninterest Income</u>			
Income from the Farm Credit Bank of Texas:			
Patronage income	6,921,870	6,195,881	4,734,770
Loan fees	269,018	618,715	1,404,616
Financially related services income	1,957	1,967	1,775
Gain on other property owned, net	-	25,328	-
Gain on sale of premises and equipment, net	217,142	526	69,587
Other noninterest income	173,809	128,045	276,478
Total noninterest income	7,583,796	6,970,462	6,487,226
<u>Noninterest Expenses</u>			
Salaries and employee benefits	9,094,455	9,669,064	8,987,052
Directors' expense	369,828	298,522	294,817
Purchased services	432,537	400,563	470,429
Travel	583,623	469,527	388,024
Occupancy and equipment	735,411	729,910	660,960
Communications	209,804	244,608	226,296
Advertising	418,422	349,902	358,367
Public and member relations	429,305	230,303	324,997
Supervisory and exam expense	711,796	585,862	472,135
Insurance Fund premiums	1,766,621	1,361,270	796,983
Other components of net periodic postretirement benefit cost	173,710	174,621	174,616
Other noninterest expense	284,975	225,739	200,810
Total noninterest expenses	15,210,487	14,739,891	13,355,486
Income before income taxes	19,615,746	17,715,204	16,308,623
Provision for (benefit from) income taxes	546	(4,619)	(2,218)
NET INCOME	19,615,200	17,719,823	16,310,841
Other comprehensive income:			
Change in postretirement benefit plans	1,103,004	121,099	(134,792)
Other comprehensive income, net of tax	1,103,004	121,099	(134,792)
COMPREHENSIVE INCOME	\$ 20,718,204	\$ 17,840,922	\$ 16,176,049

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

Louisiana Land Bank, ACA — 2022 Annual Report

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	\$ 2,778,990	\$ 155,041,749	\$ (872,836)	\$ 156,947,903
Comprehensive income	-	16,310,841	(134,792)	16,176,049
Capital stock/participation certificates issued	459,375	-	-	459,375
Capital stock/participation certificates and allocated retained earnings retired	(365,305)	-	-	(365,305)
Patronage dividends:				
Change in patronage declared and paid	-	(11,554,987)	-	(11,554,987)
Balance at December 31, 2020	2,873,060	159,797,603	(1,007,628)	161,663,035
Comprehensive income	-	17,719,823	121,099	17,840,922
Capital stock/participation certificates issued	473,725	-	-	473,725
Capital stock/participation certificates and allocated retained earnings retired	(367,870)	-	-	(367,870)
Patronage dividends:				
Change in patronage declared and paid	-	(9,549,978)	-	(9,549,978)
Balance at December 31, 2021	2,978,915	167,967,448	(886,529)	170,059,834
Comprehensive income	-	19,615,200	1,103,004	20,718,204
Capital stock/participation certificates issued	312,060	-	-	312,060
Capital stock/participation certificates and allocated retained earnings retired	(342,640)	-	-	(342,640)
Patronage dividends:				
Change in patronage declared and paid	-	(10,648,049)	-	(10,648,049)
Balance at December 31, 2022	\$ 2,948,335	\$ 176,934,599	\$ 216,475	\$ 180,099,409

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

Louisiana Land Bank, ACA — 2022 Annual Report

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	\$ 19,615,200	\$ 17,719,823	\$ 16,310,841
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for (loan loss reversal) loan losses	(8,418)	240,456	1,023,517
Gain on sale of other property owned, net	-	(34,166)	-
Depreciation	516,383	498,266	524,774
Gain on sale of premises and equipment, net	(217,142)	(526)	(69,587)
(Increase) decrease in accrued interest receivable	(1,486,969)	222,803	392,501
(Increase) decrease in other receivable from the Farm Credit Bank of Texas	(6,033,801)	(788,413)	344,270
Decrease (increase) in deferred tax assets	546	(4,619)	(2,218)
Increase in other assets	(308,716)	(207,721)	(34,380)
Increase (decrease) in accrued interest payable	613,624	50,166	(367,260)
Increase in other liabilities	22,205	1,220,542	1,169,637
Net cash provided by operating activities	<u>12,712,912</u>	<u>18,916,611</u>	<u>19,292,095</u>
Cash flows from investing activities:			
Increase in loans, net	(21,584,080)	(75,044,126)	(84,690,208)
Cash recoveries of loans previously charged off	18,755	8,535	30,831
Proceeds from purchase of investment in the Farm Credit Bank of Texas	(1,186,600)	(1,379,225)	(1,399,940)
Purchases of premises and equipment	(134,355)	(553,398)	(253,370)
Proceeds from sales of premises and equipment	343,251	700	142,771
Proceeds from sales of other property owned	-	594,792	-
Net cash used in investing activities	<u>(22,543,029)</u>	<u>(76,372,722)</u>	<u>(86,169,916)</u>

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

Louisiana Land Bank, ACA — 2022 Annual Report

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	19,788,471	68,584,803	74,713,161
(Decrease) increase in drafts outstanding	(73,766)	101,256	(96,727)
Issuance of capital stock and participation certificates	312,060	473,725	459,375
Retirement of capital stock and participation certificates	(342,640)	(367,870)	(365,305)
Patronage distributions paid	(9,796,283)	(11,398,708)	(7,769,310)
Net cash provided by financing activities	9,887,842	57,393,206	66,941,194
Net increase (decrease) in cash	57,725	(62,905)	63,373
Cash at the beginning of the year	36,228	99,133	35,760
Cash at the end of the year	\$ 93,953	\$ 36,228	\$ 99,133
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	\$ -	\$ 560,626	\$ -
Loans charged off	115,594	82,512	26,282
Patronage distributions declared	10,648,049	9,549,978	11,585,585
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ 18,949,471	\$ 15,894,443	\$ 18,359,566

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

Louisiana Land Bank, ACA — 2022 Annual Report

LOUISIANA LAND BANK, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

- A. Organization: Louisiana Land Bank, ACA, including its wholly owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank, FLCA (collectively called “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 in the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2022, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the “District.” The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2022, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

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

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

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

The Association’s financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders’ investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

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

Use of Estimates

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

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

A. Recently Issued or Adopted Accounting Pronouncements:

The Association adopted the Financial Accounting Standards Board (FASB) guidance titled “Measurement of Credit Losses on Financial Instruments” on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for loan losses (ALL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management’s estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a new decrease in the entity’s allowance for loan losses of approximately 47% and a corresponding increase in retained earnings.

In March 2022, the FASB issued an update titled, “Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures.” The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021, and the impact was not material to the Association’s financial condition or its results of operations.

In March 2020, the FASB issued guidance titled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation

and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021, and the impact of adoption was not material to the Association's financial condition or results of operations.

In December 2019, the FASB issued guidance titled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intraperiod tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance became effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations; nor did the guidance impact the presentation of taxes for prior periods in the 2022 year-end financial statements.

In August 2018, the FASB issued guidance titled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance titled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance titled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying, or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2019. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the fair value measurements disclosures.

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

- B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have

maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

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

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

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

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

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

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

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowances for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends and weather-related influences. The allowance for loan

losses encompasses various judgments, evaluations, and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time.

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

Transfers of an entire financial asset, group of entire financial assets or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right to pledge or exchange the transferred assets and (3) the Association does not maintain effective control over the transferred assets.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. Loans are sold and the sale terms comply with requirements under ASC 860 "Transfers and Servicing."

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

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

- E. **Other Property Owned, Net:** Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.
- F. **Premises and Equipment:** Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- G. **Advance Conditional Payments:** The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.
- H. **Employee Benefit Plans:** Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5 percent of eligible pay for the year ended December 31, 2022, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multiemployer, because neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of \$283,650, \$267,797, and \$250,857 for the years ended December 31, 2022, 2021 and 2020 respectively. For the DB plan, the Association recognized pension costs of \$580,358, \$698,293 and \$245,561 for the years ended December 31, 2022, 2021 and 2020, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3 percent of eligible earnings and to match 50 percent of employee contributions for the next 2 percent of employee contributions, up to a maximum employer contribution of 4 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were \$199,676, \$199,818 and \$184,765 for the years ended December 31, 2022, 2021 and 2020, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were \$2,500, \$12,000 and \$0 for the years ended December 31, 2022, 2021 and 2020, respectively.

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

- I. **Income Taxes:** The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.
- J. **Patronage Refunds From the Farm Credit Bank of Texas:** The Association records patronage refunds from the Bank on an accrual basis.
- K. **Fair Value Measurement:** The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

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

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by

correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

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

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

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

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

Loan Type	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 868,624,419	84.6%	\$ 845,921,789	84.2%	\$ 763,236,962	82.1%
Production and intermediate term	67,652,607	6.6%	64,560,323	6.4%	67,392,178	7.3%
Agribusiness:						
Processing and marketing	51,089,754	5.0%	38,976,394	3.9%	34,842,793	3.7%
Farm-related business	16,482,183	1.6%	17,117,007	1.7%	28,576,639	3.1%
Loans to cooperatives	627,997	0.1%	14,846,702	1.5%	15,102,466	1.6%
Communication	11,237,147	1.1%	11,119,992	1.1%	10,889,513	1.2%
Rural residential real estate	7,757,884	0.8%	7,746,666	0.8%	7,350,976	0.8%
International	977,113	0.1%	1,826,765	0.2%	-	0.0%
Energy	624,989	0.1%	762,818	0.1%	874,130	0.1%
Water and waste water	-	0.0%	801,802	0.1%	1,041,994	0.1%
Total	<u>\$ 1,025,074,093</u>	<u>100.0%</u>	<u>\$ 1,003,680,258</u>	<u>100.0%</u>	<u>\$ 929,307,651</u>	<u>100.0%</u>

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 44,586,240	\$ 16,896,033	\$ -	\$ -	\$ 44,586,240	\$ 16,896,033
Agribusiness	20,804,482	127,283,786	-	-	20,804,482	127,283,786
Communication	11,237,147	-	-	-	11,237,147	-
Production and intermediate term	1,271,082	5,000,000	-	-	1,271,082	5,000,000
International	977,113	-	-	-	977,113	-
Energy	624,989	-	-	-	624,989	-
Total	\$ 79,501,053	\$ 149,179,819	\$ -	\$ -	\$ 79,501,053	\$ 149,179,819

Geographic Distribution by loan volume as of December 31:

Region	2022	2021	2020
Louisiana			
Northeast	28.31%	29.60%	31.46%
Northwest	13.47%	13.97%	14.45%
Southeast	21.11%	19.55%	17.91%
Southwest	17.30%	18.08%	18.06%
Total Louisiana	80.19%	81.20%	81.88%
Out of State	19.81%	18.80%	18.12%
	100.00%	100.00%	100.00%

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

Operation/Commodity	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Cash grains	\$ 222,419,948	21.7%	\$ 211,856,517	21.1%	\$ 197,520,459	21.3%
Timber	215,534,889	21.0%	221,495,938	22.0%	210,559,018	22.7%
Hunting, trapping and game propagation	195,347,298	19.1%	186,055,898	18.5%	144,167,858	15.5%
Field crops except cash grains	140,496,758	13.7%	118,558,600	11.8%	111,746,855	12.0%
Livestock, except dairy and poultry	85,068,119	8.3%	83,410,084	8.3%	79,265,617	8.5%
Food and kindred products	42,449,697	4.1%	42,924,656	4.3%	43,330,896	4.7%
Rural home loans	15,159,913	1.5%	16,363,443	1.6%	16,929,852	1.8%
Poultry and eggs	12,609,281	1.2%	14,357,967	1.4%	15,585,796	1.7%
Communication	11,237,147	1.1%	11,119,992	1.1%	10,889,513	1.2%
Wholesale trade - nondurable goods	10,112,644	1.0%	10,830,242	1.1%	12,490,199	1.3%
Animal specialties	9,860,136	1.0%	15,768,511	1.6%	16,383,195	1.8%
Farm and garden machinery equipment	9,276,330	0.9%	14,615,615	1.5%	10,434,790	1.1%
Public warehousing and storage	7,252,001	0.7%	7,766,082	0.8%	8,323,915	0.9%
Fruit and tree nuts	7,251,856	0.7%	4,069,661	0.4%	2,799,299	0.3%
Paper and allied products	7,163,519	0.7%	6,018,328	0.6%	4,918,769	0.5%
General farms, primarily crops	5,527,257	0.5%	5,694,874	0.6%	8,068,929	0.9%
Agricultural services	5,116,596	0.5%	5,702,385	0.6%	4,566,563	0.5%
Chemical and allied products	4,699,884	0.5%	4,833,119	0.5%	4,627,043	0.5%
Commercial fishing	4,487,652	0.4%	3,708,070	0.4%	3,393,440	0.4%
Dairy farms	4,312,694	0.4%	5,141,395	0.5%	5,509,816	0.6%
Real estate	1,919,810	0.2%	1,566,250	0.2%	1,264,162	0.1%
General farms, primarily livestock	1,837,591	0.2%	2,092,368	0.2%	2,217,648	0.2%
Vegetables and melons	710,761	0.1%	772,481	0.1%	800,587	0.1%
Electric services	624,989	0.1%	762,818	0.1%	938,866	0.1%
Other	4,597,323	0.4%	8,194,964	0.7%	12,574,566	1.3%
Total	<u>\$ 1,025,074,093</u>	<u>100.0%</u>	<u>\$ 1,003,680,258</u>	<u>100.0%</u>	<u>\$ 929,307,651</u>	<u>100.0%</u>

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

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

The following table presents information relating to impaired loans:

	2022	December 31, 2021	2020
Nonaccrual loans:			
Current as to principal and interest	\$ 6,067,722	\$ 1,022,816	\$ 1,592,073
Past due	479,147	700,353	1,757,978
Total nonaccrual loans	6,546,869	1,723,169	3,350,051
Impaired accrual loans:			
Restructured accrual loans	1,924,395	4,479,285	2,960,815
Accrual loans 90 days or more past due	-	-	295,698
Total impaired accrual loans	1,924,395	4,479,285	3,256,513
Total impaired loans	\$ 8,471,264	\$ 6,202,454	\$ 6,606,564

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

	December 31, 2022	December 31, 2021	December 31, 2020
Nonaccrual loans:			
Real estate mortgage	\$ 6,404,652	\$ 1,556,837	\$ 3,039,407
Energy	111,363	144,421	-
Production and intermediate term	21,882	9,279	294,646
Rural residential real estate	8,972	12,632	15,998
Total nonaccrual loans	6,546,869	1,723,169	3,350,051
Accruing restructured loans:			
Real estate mortgage	1,802,568	4,361,000	2,820,046
Energy	-	-	-
Production and intermediate term	-	-	-
Rural residential real estate	121,827	118,285	140,769
Total accruing restructured loans	1,924,395	4,479,285	2,960,815
Accruing loans 90 days or more past due:			
Real estate mortgage	-	-	295,698
Energy	-	-	-
Production and intermediate term	-	-	-
Rural residential real estate	-	-	-
Total accruing loans 90 days or more past due	-	-	295,698
Total nonperforming loans	8,471,264	6,202,454	6,606,564
Total nonperforming assets	\$ 8,471,264	\$ 6,202,454	\$ 6,606,564

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

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

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

	2022		2021		2020	
Real estate mortgage						
Acceptable	98.7	%	98.3	%	98.2	%
OAEM	0.5		0.8		1.2	
Substandard/doubtful	0.8		0.9		0.6	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Production and intermediate term						
Acceptable	99.8		99.9		99.6	
OAEM	0.1		-		-	
Substandard/doubtful	0.1		0.1		0.4	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Loans to cooperatives						
Acceptable	100.0		100.0		100.0	
OAEM	-		-		-	
Substandard/doubtful	-		-		-	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Processing and marketing						
Acceptable	98.3		94.8		93.6	
OAEM	-		2.9		6.4	
Substandard/doubtful	1.7		2.3		-	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Farm-related business						
Acceptable	100.0		100.0		100.0	
OAEM	-		-		-	
Substandard/doubtful	-		-		-	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Communication						
Acceptable	100.0		100.0		100.0	
OAEM	-		-		-	
Substandard/doubtful	-		-		-	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Energy						
Acceptable	82.2		81.1		80.1	
OAEM	-		-		-	
Substandard/doubtful	17.8		18.9		19.9	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
Water and waste water						
Acceptable	-		100.0		100.0	
OAEM	-		-		-	
Substandard/doubtful	-		-		-	
	<u>-</u>		<u>100.0</u>		<u>100.0</u>	
Rural residential real estate						
Acceptable	97.0		97.0		96.5	
OAEM	-		1.5		1.6	
Substandard/doubtful	3.0		1.5		1.9	
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>	
International						
Acceptable	100.0		100.0		-	
OAEM	-		-		-	
Substandard/doubtful	-		-		-	
	<u>100.0</u>		<u>100.0</u>		<u>-</u>	
Total Loans						
Acceptable	98.7		98.3		98.2	
OAEM	0.5		0.8		1.2	
Substandard/doubtful	0.8		0.9		0.6	
	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2022, 2021, and 2020:

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	\$ 496,368	\$ 51,083	\$ 547,451	\$ 876,970,243	\$ 877,517,694	\$ -
Production and intermediate term	-	-	-	68,894,683	68,894,683	-
Processing and marketing	-	-	-	51,399,904	51,399,904	-
Farm-related business	-	-	-	16,647,795	16,647,795	-
Communication	-	-	-	11,264,868	11,264,868	-
Rural residential real estate	17,259	-	17,259	7,772,916	7,790,175	-
International	-	-	-	981,385	981,385	-
Loans to cooperatives	-	-	-	627,997	627,997	-
Energy	-	-	-	627,651	627,651	-
Water and waste water	-	-	-	-	-	-
Total	\$ 513,627	\$ 51,083	\$ 564,710	\$ 1,035,187,442	\$ 1,035,752,152	\$ -

December 31, 2021:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 971,570	\$ 436,487	\$ 1,408,057	\$ 852,256,511	\$ 853,664,568	\$ -
Production and intermediate term	-	-	-	65,561,798	65,561,798	-
Processing and marketing	-	-	-	39,140,946	39,140,946	-
Farm-related business	-	-	-	17,246,007	17,246,007	-
Communication	-	-	-	11,120,633	11,120,633	-
Rural residential real estate	12,632	-	12,632	7,763,384	7,776,016	-
International	-	-	-	1,828,845	1,828,845	-
Loans to cooperatives	-	-	-	14,966,818	14,966,818	-
Energy	-	-	-	763,879	763,879	-
Water and waste water	-	-	-	801,838	801,838	-
Total	\$ 984,202	\$ 436,487	\$ 1,420,689	\$ 1,011,450,659	\$ 1,012,871,348	\$ -

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 2,714,622	\$ 1,510,300	\$ 4,224,922	\$ 766,930,171	\$ 771,155,093	\$ 295,698
Production and intermediate term	166,625	-	166,625	68,388,396	68,555,021	-
Processing and marketing	-	-	-	34,944,764	34,944,764	-
Farm-related business	-	-	-	28,667,463	28,667,463	-
Communication	-	-	-	10,890,148	10,890,148	-
Rural residential real estate	18,925	-	18,925	7,360,360	7,379,285	-
International	-	-	-	-	-	-
Loans to cooperatives	-	-	-	15,212,786	15,212,786	-
Energy	-	-	-	875,378	875,378	-
Water and waste water	-	-	-	1,042,056	1,042,056	-
Total	\$ 2,900,172	\$ 1,510,300	\$ 4,410,472	\$ 934,311,522	\$ 938,721,994	\$ 295,698

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

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

As of December 31, 2022, the total recorded investment of troubled debt restructured loans was \$2,119,018, including \$194,623 classified as nonaccrual and \$1,924,395 classified as accrual, with no specific allowance for loan losses. As of December 31, 2022, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

The following tables present additional information regarding troubled debt restructurings, which include both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2022, 2021 and 2020. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end in which the restructuring occurred.

December 31, 2022:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	\$ 1,072,272	\$ 440,663
Total	\$ 1,072,272	\$ 440,663
 December 31, 2021:	 Pre-modification Outstanding Recorded Investment	 Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	\$ 1,820,864	\$ 1,821,012
Total	\$ 1,820,864	\$ 1,821,012
 December 31, 2020:	 Pre-modification Outstanding Recorded Investment	 Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	\$ 149,047	\$ 151,636
Total	\$ 149,047	\$ 151,636

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). Charge-offs recorded at the modification date were \$115,594 for the year ending December 31, 2022.

The predominant form of concession granted for troubled debt restructuring includes rate reductions and term extensions. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no material commitments to lend to borrowers whose loans have been modified in TDRs as of December 31, 2022, 2021 and 2020.

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

	Loans Modified as TDRs		
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Real estate mortgage	\$ 1,975,309	\$ 4,664,689	\$ 3,504,535
Production and intermediate term	21,882	-	-
Rural residential real estate	121,827	118,285	140,769
Total	\$ 2,119,018	\$ 4,782,974	\$ 3,645,304
		TDRs in Nonaccrual Status*	
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Real estate mortgage	\$ 172,741	\$ 303,689	\$ 684,489
Production and intermediate term	21,882	-	-
Rural residential real estate	-	-	-
Total	\$ 194,623	\$ 303,689	\$ 684,489

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

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2022	Unpaid Principal Balance ^a	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate term	-	-	-	-	-
Energy and water/waste water	111,363	111,363	13,467	132,059	-
Rural residential real estate	-	-	-	-	-
Total	\$ 111,363	\$ 111,363	\$ 13,467	\$ 132,059	\$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 8,207,220	\$ 8,307,431	\$ -	\$ 5,680,143	\$ 137,294
Production and intermediate term	21,882	22,899	-	10,313	-
Energy and water/waste water	-	-	-	-	-
Rural residential real estate	130,799	130,150	-	127,447	20,865
Total	\$ 8,359,901	\$ 8,460,480	\$ -	\$ 5,817,903	\$ 158,159
Total impaired loans:					
Real estate mortgage	\$ 8,207,220	\$ 8,307,431	\$ -	\$ 5,680,143	\$ 137,294
Production and intermediate term	21,882	22,899	-	10,313	-
Energy and water/waste water	111,363	111,363	13,467	132,059	-
Rural residential real estate	130,799	130,150	-	127,447	20,865
Total	\$ 8,471,264	\$ 8,571,843	\$ 13,467	\$ 5,949,962	\$ 158,159

^aUnpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2021	Unpaid Principal Balance ^a	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate term	-	-	-	-	-
Energy and water/waste water	144,421	144,421	32,201	138,000	38
Rural residential real estate	-	-	-	-	-
Total	\$ 144,421	\$ 144,421	\$ 32,201	\$ 138,000	\$ 38
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 5,917,837	\$ 5,921,247	\$ -	\$ 6,037,082	\$ 251,523
Production and intermediate term	9,279	10,708	-	11,422	-
Energy and water/waste water	-	-	-	-	-
Rural residential real estate	130,917	144,288	-	146,751	21,653
Total	\$ 6,058,033	\$ 6,076,243	\$ -	\$ 6,195,255	\$ 273,176
Total impaired loans:					
Real estate mortgage	\$ 5,917,837	\$ 5,921,247	\$ -	\$ 6,037,082	\$ 251,523
Production and intermediate term	9,279	10,708	-	11,422	-
Energy and water/waste water	144,421	144,421	32,201	138,000	38
Rural residential real estate	130,917	144,288	-	146,751	21,653
Total	\$ 6,202,454	\$ 6,220,664	\$ 32,201	\$ 6,333,255	\$ 273,214

^aUnpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2020	Unpaid Principal Balance ^a	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	\$ 358,614	\$ 358,614	\$ 176,582	\$ 332,138	\$ -
Production and intermediate term	-	-	-	-	-
Energy and water/waste water	-	-	-	-	-
Rural residential real estate	-	-	-	-	-
Total	\$ 358,614	\$ 358,614	\$ 176,582	\$ 332,138	\$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 5,781,344	\$ 5,873,634	\$ -	\$ 5,413,581	\$ 320,665
Production and intermediate term	294,646	300,328	-	300,425	-
Energy and water/waste water	-	-	-	-	-
Rural residential real estate	155,965	155,965	-	153,483	22,787
Total	\$ 6,231,955	\$ 6,329,927	\$ -	\$ 5,867,489	\$ 343,452
Total impaired loans:					
Real estate mortgage	\$ 6,139,958	\$ 6,232,248	\$ 176,582	\$ 5,745,719	\$ 320,665
Production and intermediate term	294,646	300,328	-	300,425	-
Energy and water/waste water	-	-	-	-	-
Rural residential real estate	155,965	155,965	-	153,483	22,787
Total	\$ 6,590,569	\$ 6,688,541	\$ 176,582	\$ 6,199,627	\$ 343,452

^aUnpaid principal balance represents the recorded principal balance of the loan.

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

	2022	2021	2020
Interest income which would have been recognized under the original terms	\$ 549,060	\$ 385,390	\$ 523,208
Less: interest income recognized	(158,159)	(273,214)	(343,452)
Foregone interest income	\$ 390,901	\$ 112,176	\$ 179,756

A summary of the changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at								
December 31, 2021	\$ 5,312,536	\$ 497,018	\$ 599,605	\$ 36,694	\$ 54,222	\$ 53,955	\$ 392	\$ 6,554,422
Charge-offs	(114,577)	(1,017)	-	-	-	-	-	(115,594)
Recoveries	17,326	1,429	-	-	-	-	-	18,755
Provision for loan losses	4,253	305	368	60	(13,454)	40	10	(8,418)
Other	(174)	(3,811)	(869)	(30)	-	-	-	(4,884)
Balance at								
December 31, 2022	\$ 5,219,364	\$ 493,924	\$ 599,104	\$ 36,724	\$ 40,768	\$ 53,995	\$ 402	\$ 6,444,281
Ending Balance: individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 13,467	\$ -	\$ -	\$ 13,467
Ending Balance: collectively evaluated for impairment	\$ 5,219,364	\$ 493,924	\$ 599,104	\$ 36,724	\$ 27,301	\$ 53,995	\$ 402	\$ 6,430,814
Recorded Investment in Loans Outstanding:								
Ending Balance at								
December 31, 2022	\$ 877,517,694	\$ 68,894,683	\$ 68,675,696	\$ 11,264,868	\$ 627,651	\$ 7,790,175	\$ 981,385	\$ 1,035,752,152
Ending balance for loans individually evaluated for impairment	\$ 8,207,220	\$ 21,882	\$ -	\$ -	\$ 111,363	\$ 130,799	\$ -	\$ 8,471,264
Ending balance for loans collectively evaluated for impairment	\$ 869,310,474	\$ 68,872,801	\$ 68,675,696	\$ 11,264,868	\$ 516,288	\$ 7,659,376	\$ 981,385	\$ 1,027,280,888
	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at								
December 31, 2020	\$ 5,218,575	\$ 460,013	\$ 573,863	\$ 34,045	\$ 13,751	\$ 52,362	\$ -	\$ 6,352,609
Charge-offs	(82,512)	-	-	-	-	-	-	(82,512)
Recoveries	7,443	1,092	-	-	-	-	-	8,535
Provision for loan losses	167,603	12,230	15,778	2,389	40,471	1,593	392	240,456
Other	1,427	23,683	9,964	260	-	-	-	35,334
Balance at								
December 31, 2021	\$ 5,312,536	\$ 497,018	\$ 599,605	\$ 36,694	\$ 54,222	\$ 53,955	\$ 392	\$ 6,554,422
Ending Balance: individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 32,201	\$ -	\$ -	\$ 32,201
Ending Balance: collectively evaluated for impairment	\$ 5,312,536	\$ 497,018	\$ 599,605	\$ 36,694	\$ 22,021	\$ 53,955	\$ 392	\$ 6,522,221
Recorded Investment in Loans Outstanding:								
Ending Balance at								
December 31, 2021	\$ 853,664,568	\$ 65,561,798	\$ 71,353,771	\$ 11,120,633	\$ 1,565,717	\$ 7,776,016	\$ 1,828,845	\$ 1,012,871,348
Ending balance for loans individually evaluated for impairment	\$ 5,917,837	\$ 9,279	\$ -	\$ -	\$ 144,421	\$ 130,917	\$ -	\$ 6,202,454
Ending balance for loans collectively evaluated for impairment	\$ 847,746,731	\$ 65,552,519	\$ 71,353,771	\$ 11,120,633	\$ 1,421,296	\$ 7,645,099	\$ 1,828,845	\$ 1,006,668,894

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/ Waste Water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:								
Balance at								
December 31, 2019	\$ 4,376,226	\$ 405,171	\$ 492,898	\$ 21,637	\$ 10,233	\$ 44,281	\$ -	\$ 5,350,446
Charge-offs	(23,760)	(2,521)	-	-	-	-	-	(26,281)
Recoveries	30,831	-	-	-	-	-	-	30,831
Provision for loan losses	836,194	71,126	91,922	12,676	3,518	8,081	-	1,023,517
Other	(916)	(13,763)	(10,957)	(268)	-	-	-	(25,904)
Balance at								
December 31, 2020	\$ 5,218,575	\$ 460,013	\$ 573,863	\$ 34,045	\$ 13,751	\$ 52,362	\$ -	\$ 6,352,609
Ending Balance: individually evaluated for impairment	\$ 176,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,582
Ending Balance: collectively evaluated for impairment	\$ 5,041,993	\$ 460,013	\$ 573,863	\$ 34,045	\$ 13,751	\$ 52,362	\$ -	\$ 6,176,027
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2020	\$ 771,155,093	\$ 68,555,021	\$ 78,825,013	\$ 10,890,148	\$ 1,917,434	\$ 7,379,285	\$ -	\$ 938,721,994
Ending balance for loans individually evaluated for impairment	\$ 6,172,459	\$ 294,646	\$ -	\$ -	\$ -	\$ 156,768	\$ -	\$ 6,623,873
Ending balance for loans collectively evaluated for impairment	\$ 764,982,634	\$ 68,260,375	\$ 78,825,013	\$ 10,890,148	\$ 1,917,434	\$ 7,222,517	\$ -	\$ 932,098,121

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable, because the stock is not traded. The Association owned 3.6 percent of the issued stock of the Bank as of December 31, 2022. As of that date, the Bank's assets totaled \$36.0 billion, and members' equity totaled \$1.6 billion. The Bank's earnings were \$270.0 million during 2022.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2022	2021	2020
Land and improvements	\$ 523,104	\$ 523,104	\$ 523,104
Building and improvements	4,266,619	4,255,400	4,242,697
Furniture and equipment	561,546	615,695	593,824
Computer equipment and software	437,293	398,448	351,502
Automobiles	1,312,285	1,671,770	1,234,177
Construction in progress	31,225	-	-
	7,132,072	7,464,417	6,945,304
Accumulated depreciation	(3,025,866)	(2,919,841)	(2,519,401)
Total	\$ 4,106,206	\$ 4,544,576	\$ 4,425,903

The Association leases office space in Crowley, Arcadia, Monroe and Port Allen. Lease expense was \$121,236, \$111,189 and \$98,866 for 2022, 2021 and 2020, respectively. Minimum annual lease payments for the next five years are as follows:

	<u>Operating Leases</u>
2023	\$ 114,804
2024	90,098
2025	81,092
2026	55,366
Thereafter	4,243
Total	<u>\$ 345,603</u>

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain on other property owned; net consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Gain on sale, net	\$ -	\$ 34,166	\$ -
Operating expense, net	-	(8,838)	-
Net gain on other property owned	<u>\$ -</u>	<u>\$ 25,328</u>	<u>\$ -</u>

As of December 31, 2022, the Association did not hold any acquired property.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 972,355	\$ 791,970	\$ 656,405
Total	<u>\$ 972,355</u>	<u>\$ 791,970</u>	<u>\$ 656,405</u>

Other liabilities comprised the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accumulated Postretirement Benefit Obligation	\$ 3,189,240	\$ 4,148,110	\$ 4,101,827
Insurance Premium Payable	1,593,608	1,187,551	647,043
Other	2,321,703	2,977,474	2,541,597
Total	<u>\$ 7,104,551</u>	<u>\$ 8,313,135</u>	<u>\$ 7,290,467</u>

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2022, 2021 and 2020, was \$860,008,054 at 2.76 percent, \$840,219,583 at 1.95 percent and \$771,634,780 at 2.07 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2022, 2021 and 2020, the

Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was \$1,090,000,000, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2022, 2021 and 2020, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 9 — MEMBERS' EQUITY:

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

The Association maintains an unallocated surplus account. The minimum for this account shall be prescribed by the FCA and FCA regulations. The Association does not have an allocated surplus account. Rather than earnings held therein and allocated to borrowers on a patronage basis, the Association funds 100 percent of any declared patronage through cash.

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) and participation certificates (for farm related business) is equal to 2 percent of the loan amount, up to a maximum amount of \$1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

Association bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2022, the Association exceeded the prescribed standards. The Association does not anticipate any significant changes in capital that would affect the normal retirement of stock. All classes of stock are transferable to other customers who are eligible to hold such class as long as the Association meets the regulatory minimum capital requirements.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

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

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A stock to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2022, 2021 and 2020, the Association had no Class C stock.

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

Patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2022, 2021 and 2020, respectively:

Date Declared	Date Paid	Patronage
December 2022	Anticipated March 2023	\$10,500,000
December 2021	March 2022	\$ 9,796,283
December 2020	March 2021	\$11,398,708

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2022, the Association is not prohibited from retiring stock or distributing earnings.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2022:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2022
Common equity tier 1 ratio	4.50%	7.00%	15.47%
Tier 1 capital ratio	6.00%	8.50%	15.47%
Total capital ratio	8.00%	10.50%	16.09%
Permanent capital ratio	7.00%	7.00%	15.56%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	16.02%
UREE leverage ratio	1.50%	1.50%	15.74%

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

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

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

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

- Common equity Tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvment, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Tier 1 capital ratio is common equity Tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is Tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance

subject to certain limitations, allowance, and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is Tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to Tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to Tier 1 capital.

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

The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2022:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 179,997,421	\$ 179,997,421	\$ 179,997,421	\$ 179,997,421
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,964,164	2,964,164	2,964,164	2,964,164
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	6,720,779	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(15,985,164)	(15,985,164)	(15,985,164)	(15,985,164)
	<u>\$ 166,976,421</u>	<u>\$ 166,976,421</u>	<u>\$ 173,697,200</u>	<u>\$ 166,976,421</u>
Denominator:				
Risk-adjusted assets excluding allowance	1,095,557,111	1,095,557,111	1,095,557,111	1,095,557,111
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(15,985,164)	(15,985,164)	(15,985,164)	(15,985,164)
Allowance for loan losses	-	-	-	(6,550,963)
	<u>\$ 1,079,571,947</u>	<u>\$ 1,079,571,947</u>	<u>\$ 1,079,571,947</u>	<u>\$ 1,073,020,984</u>

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

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2022:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 179,997,421	\$ 179,997,421
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,964,164	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(15,985,164)	(15,985,164)
	<u>\$ 166,976,421</u>	<u>\$ 164,012,257</u>
Denominator:		
Total Assets	\$ 1,062,178,222	\$ 1,062,178,222
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(20,194,922)	(20,194,922)
	<u>\$ 1,041,983,300</u>	<u>\$ 1,041,983,300</u>

The Association has a capital adequacy plan (Plan) that includes capital targets necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standard. In addition to factors that must be considered in meeting the minimum standards, the Board considered the following factors in developing the Plan:

- Capability of Management
- Quality of operating policies, procedures and internal controls
- Quality and quantity of earnings
- Asset quality
- Sufficiency of liquid funds
- Needs of the ACA customer base
- Other operating risks

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

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

	2022	2021	2020
Class A stock	562,709	568,063	547,480
Participation certificates	26,958	27,720	27,132
Total	589,667	595,783	574,612

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

Accumulated Other Comprehensive Income (Loss)			
December 31, 2022	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	\$ 216,475	\$ -	\$ 216,475
December 31, 2021	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	\$ (886,529)	\$ -	\$ (886,529)
December 31, 2020	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	\$ (1,007,628)	\$ -	\$ (1,007,628)

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

	2022	2021	2020
Accumulated other comprehensive loss at January 1	\$ (886,529)	\$ (1,007,628)	\$ (872,836)
Actuarial gains (losses)	1,058,239	60,086	(179,883)
Amortization of prior service credit included in salaries and employee benefits	(30,175)	(30,175)	(30,175)
Amortization of actuarial loss included in salaries and employee benefits	74,940	91,188	75,266
Other comprehensive income (loss), net of tax	1,103,004	121,099	(134,792)
Accumulated other comprehensive income (loss) at December 31	\$ 216,475	\$ (886,529)	\$ (1,007,628)

NOTE 10 — INCOME TAXES:

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

	2022	2021	2020
Deferred:			
Federal	\$ 546	\$ (4,619)	\$ (2,218)
Total provision for (benefit from) income taxes	\$ 546	\$ (4,619)	\$ (2,218)

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

	2022	2021	2020
Federal tax at statutory rate	\$ 4,122,575	\$ 3,720,193	\$ 3,424,811
Effect of nontaxable FLCA subsidiary	(3,984,714)	(3,573,868)	(3,296,737)
Patronage distributions	(133,468)	(142,704)	1,126
Change in valuation allowance	(3,847)	(8,240)	(131,418)
Provision for (benefit from) income taxes	\$ 546	\$ (4,619)	\$ (2,218)

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

	2022	2021	2020
<u>Deferred Tax Assets</u>			
Allowance for loan losses	\$ 59,826	\$ 63,866	\$ 68,587
Annual leave	18,069	17,186	20,015
Loss carryforwards	287,620	287,620	287,620
Other	1,380	2,070	2,760
Gross deferred tax assets	<u>366,895</u>	<u>370,742</u>	<u>378,982</u>
Deferred tax asset valuation allowance	<u>(366,895)</u>	<u>(370,742)</u>	<u>(378,982)</u>
<u>Deferred Tax Liabilities</u>			
Other	<u>(10,640)</u>	<u>(10,094)</u>	<u>(14,713)</u>
Gross deferred tax liabilities	<u>(10,640)</u>	<u>(10,094)</u>	<u>(14,713)</u>
Net deferred tax asset (liability)	<u>\$ (10,640)</u>	<u>\$ (10,094)</u>	<u>\$ (14,713)</u>

The Association recorded valuation allowances of \$366,895, \$370,742 and \$378,982 during 2022, 2021 and 2020, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association has a net operating loss carryforward of \$1,369,622 available to offset against future taxable income of which \$263,868 will expire in 2033, \$571,895 will expire in 2034 and \$533,859 will expire in 2035.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

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

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

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

The Association elected to participate in Elective Deferrals. Contributions of \$2,500, \$12,000 and \$0 were made to this plan for the years ended December 31, 2022, 2021 and 2020. There were no payments made from the supplemental 401(k) plan to active employees during 2022, 2021 and 2020.

The DB plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2022.

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

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

The following table includes additional information regarding the funded status of the plan, the Association's contributions and the percentage of Association contribution to total plan contributions for the years ended December 31, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Funded status of plan	70.9 %	70.5 %	62.6 %
Association's contribution	\$ 580,358	\$ 698,293	\$ 245,561
Percentage of association's contribution to total contributions	5.6 %	4.6 %	4.1 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 71.8 percent, 72.0 percent and 64.3 percent at December 31, 2022, 2021 and 2020, respectively.

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

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

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2022	2021	2020
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	\$ 4,148,110	\$ 4,101,827	\$ 3,800,206
Service cost	71,193	76,609	73,419
Interest cost	128,945	113,608	129,525
Plan participants' contributions	27,696	19,721	21,270
Actuarial (gain) loss	(1,058,239)	(60,086)	179,883
Benefits paid	(128,465)	(103,569)	(102,476)
Accumulated postretirement benefit obligation, end of year	\$ 3,189,240	\$ 4,148,110	\$ 4,101,827
Change in Plan Assets			
Plan assets at fair value, beginning of year	\$ -	\$ -	\$ -
Company contributions	100,769	83,848	81,206
Plan participants' contributions	27,696	19,721	21,270
Benefits paid	(128,465)	(103,569)	(102,476)
Plan assets at fair value, end of year	\$ -	\$ -	\$ -
Funded status of the plan	\$ (3,189,240)	\$ (4,148,110)	\$ (4,101,827)
Amounts Recognized on the Balance Sheets			
Current liabilities	\$ (119,740)	\$ (110,111)	\$ (89,396)
Noncurrent liabilities	(3,069,500)	(4,037,999)	(4,012,431)
Net liability, end of year	\$ (3,189,240)	\$ (4,148,110)	\$ (4,101,827)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial (gain) loss	\$ (163,064)	\$ 970,115	\$ 1,121,389
Prior service credit	(53,411)	(83,586)	(113,761)
Total	\$ (216,475)	\$ 886,529	\$ 1,007,628
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	12/31/2022	12/31/2021	12/31/2020
Discount rate	5.20%	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.20%/7.70%	6.80%/6.00%	6.60%/6.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2031	2030	2029

Total Cost	2022	2021	2020
Service cost	\$ 71,193	\$ 76,609	\$ 73,419
Interest cost	128,945	113,608	129,525
Amortization of:			
Unrecognized prior service cost	(30,175)	(30,175)	(30,175)
Unrecognized net loss	74,940	91,188	75,266
Net postretirement benefit cost	\$ 244,903	\$ 251,230	\$ 248,035

Other Changes in Plan Assets and Projected Benefit Obligation

Recognized in Other Comprehensive Income

Net actuarial (gain) loss	\$ (1,058,239)	\$ (60,086)	\$ 179,883
Amortization of net actuarial gain	(74,940)	(91,188)	(75,266)
Amortization of prior service cost	30,175	30,175	30,175
Total recognized in other comprehensive income	\$ (1,103,004)	\$ (121,099)	\$ 134,792

AOCI Amounts Expected to be Amortized Into Expense in 2023

Unrecognized prior service cost	\$ (30,175)	\$ (30,175)	\$ (30,175)
Unrecognized net loss	-	74,940	91,188
Total	\$ (30,175)	\$ 44,765	\$ 61,013

Weighted-Average Assumptions Used to Determine Benefit Cost

Measurement date	12/31/2021	12/30/2020	12/31/2019
Discount rate	3.15%	2.80%	3.45%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	6.80%/6.00%	6.60%/6.20%	6.90%/6.40%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2030	2029	2029

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)

Fiscal 2023	\$ 119,740
Fiscal 2024	110,595
Fiscal 2025	131,594
Fiscal 2026	154,959
Fiscal 2027	171,504
Fiscal 2028–2032	1,009,254

Expected Contributions

Fiscal 2023	\$ 119,740
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NOTE 12 — RELATED PARTY TRANSACTIONS:

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

Total loans to such people at December 31, 2022, 2021 and 2020 for the Association amounted to \$60,143,851, \$54,568,292 and \$32,886,238. During 2022, \$242,168,059 of new loans were made, and repayments totaled \$237,550,665. In the opinion of management, no such loans outstanding at December 31, 2022, involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems, and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. The operational support expenses totaled \$45,863, \$67,421 and \$72,625 in 2022, 2021 and 2020, respectively. FCSIC expense totaled \$1,593,608, \$1,187,551 and \$647,043 in 2022, 2021 and 2020, respectively.

The Association received patronage payments from the Bank totaling \$6,921,870, \$6,195,881 and \$4,734,770 during 2022, 2021 and 2020, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022, 2021 and 2020 for each of the fair value hierarchy values are summarized below:

December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 27,812	\$ -	\$ -	\$ 27,812
Total assets	\$ 27,812	\$ -	\$ -	\$ 27,812
 December 31, 2021	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 28,641	\$ -	\$ -	\$ 28,641
Total assets	\$ 28,641	\$ -	\$ -	\$ 28,641
 December 31, 2020	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 14,349	\$ -	\$ -	\$ 14,349
Total assets	\$ 14,349	\$ -	\$ -	\$ 14,349

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

December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 97,896	\$ 97,896
 December 31, 2021	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 112,220	\$ 112,220
 December 31, 2020	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 161,010	\$ 161,010

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

December 31, 2022					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 93,953	\$ 93,953	\$ -	\$ -	\$ 93,953
Net loans	1,018,531,916	-	-	916,137,266	916,137,266
Total Assets	<u>\$ 1,018,625,869</u>	<u>\$ 93,953</u>	<u>\$ -</u>	<u>\$ 916,137,266</u>	<u>\$ 916,231,219</u>
Liabilities:					
Note payable to Bank	\$ 860,008,054	\$ -	\$ -	\$ 774,092,516	\$ 774,092,516
Total Liabilities	<u>\$ 860,008,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,092,516</u>	<u>\$ 774,092,516</u>

December 31, 2021					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 36,228	\$ 36,228	\$ -	\$ -	\$ 36,228
Net loans	997,013,616	-	-	988,970,662	988,970,662
Total Assets	<u>\$ 997,049,844</u>	<u>\$ 36,228</u>	<u>\$ -</u>	<u>\$ 988,970,662</u>	<u>\$ 989,006,890</u>
Liabilities:					
Note payable to Bank	\$ 840,219,583	\$ -	\$ -	\$ 833,485,546	\$ 833,485,546
Total Liabilities	<u>\$ 840,219,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833,485,546</u>	<u>\$ 833,485,546</u>

December 31, 2020					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 99,133	\$ 99,133	\$ -	\$ -	\$ 99,133
Net loans	922,794,032	-	-	935,186,804	935,186,804
Total Assets	<u>\$ 922,893,165</u>	<u>\$ 99,133</u>	<u>\$ -</u>	<u>\$ 935,186,804</u>	<u>\$ 935,285,937</u>
Liabilities:					
Note payable to Bank	\$ 771,634,780	\$ -	\$ -	\$ 781,928,610	\$ 781,928,610
Total Liabilities	<u>\$ 771,634,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781,928,610</u>	<u>\$ 781,928,610</u>

Valuation Techniques

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

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

Other Property Owned

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

Note Payable to the Bank

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

	<u>Valuation Technique(s)</u>	<u>Input</u>
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

NOTE 14 — COMMITMENTS AND CONTINGENCIES

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

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2022, \$90,388,710 of commitments and \$2,249,700 of commercial letters of credit were outstanding.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 6,699	\$ 6,730	\$ 6,858	\$ 6,947	\$ 27,234
(Provision for) reversal of loan losses	(37)	(205)	132	118	8
Noninterest expense, net	(1,980)	(2,335)	(1,970)	(1,342)	(7,627)
Net income	\$ 4,682	\$ 4,190	\$ 5,020	\$ 5,723	\$ 19,615

	2021				
	First	Second	Third	Fourth	Total
Net interest income	\$ 6,305	\$ 6,381	\$ 6,471	\$ 6,568	\$ 25,725
(Provision for) reversal of loan losses	(99)	(12)	(66)	(63)	(240)
Noninterest expense, net	(2,073)	(2,113)	(2,165)	(1,414)	(7,765)
Net income	\$ 4,133	\$ 4,256	\$ 4,240	\$ 5,091	\$ 17,720

	2020				
	First	Second	Third	Fourth	Total
Net interest income	\$ 5,893	\$ 5,897	\$ 6,231	\$ 6,179	\$ 24,200
(Provision for) reversal of loan losses	(190)	(108)	(138)	(588)	(1,024)
Noninterest expense, net	(1,896)	(1,757)	(1,406)	(1,806)	(6,865)
Net income	\$ 3,807	\$ 4,032	\$ 4,687	\$ 3,785	\$ 16,311

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 9, 2023, which is the date the financial statements were issued or available to be issued, and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

The Louisiana Land Bank, ACA (Association) serves its 64-parish territory through its main administrative and lending office at 2413 Tower Drive, Monroe, Louisiana, 71201. Additionally, there are 10 branch lending offices located throughout the territory. The Association owns the office buildings in Hammond, Monroe, Opelousas, Shreveport, Tallulah, Winnsboro, and Alexandria, free of debt. The Association leases the office buildings in Arcadia, Crowley, Monroe, and Port Allen, Louisiana. The Association owns the Monroe administrative and branch buildings but leases additional office space in Monroe for operational support employees.

The Association organized Louisiana White Energy, LLC and Louisiana ASA, LLC for the purpose of managing complex, out-of-state adverse credit relationships. These entities have no assets as of the date of this report and management believes that the business of these LLCs has concluded.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

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

DESCRIPTION OF LIABILITIES

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

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-

2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing fcf@farmcreditbank.com. The annual and quarterly stockholder reports are also available on its website at www.farmcreditbank.com.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, Louisiana, 71201 or calling 318-387-7535. Copies of the Association's quarterly stockholder reports can also be requested by emailing Alyssa.Allen@louisianalandbank.com. The Association's annual stockholder report is available on its website at www.louisianalandbank.com 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2022, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

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

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

DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
James Mark Morgan	Chairman & Stockholder Elected Director	2011	2023
Cullen M. Kovac	Vice Chairman & Stockholder Elected Director	2011	2024
Henry Capdeboscq, Jr.	Stockholder Elected Director	2008	2023
John F. Earles	Stockholder Elected Director	2010	2025
Gertrude Hawkins	Stockholder Elected Director	2002	2023
Kristin Guillory	Board Appointed Director	2022	2025
William B. Guthrie	Stockholder Elected Director	2019	2025
Edward W. Patrick, Jr.	Stockholder Elected Director	1994	2024
Robert James "Bobby" Soileau, Ph.D.	Board Appointed Director	2015	2024
John L. Van Mol, Jr.	Stockholder Elected Director	2019	2025
Bobby Hanks	Stockholder Elected Director	2021	2024
F. Stephen Austin	CEO	2011	
Christopher E. Bentley	CFO	2008	
Brian D. Turner	CCO	2012	
David A. Ogletree	Senior VP of Lending & Field Operations	1990	
Robert "Wes" Lowe	Chief Appraisal Officer	2012	

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

James Mark Morgan is the founding/managing partner of Louisiana Timber Partners, LLC, a timber land investment organization, and has been for the past 19 years. Mr. Morgan is also the managing partner of Morgan Brothers Land Co. LLC; Morgan Land and Timber, LLC; and Morgan Timber Partners, LLC, all family-owned land and timber investment companies. He is also the manager of three farming operations located in Natchitoches Parish, La. They are Bayou Camitte Lands, LLC; Oaklawn Chico, LLC; and Melrose Plantation, LLC. Mr. Morgan has been Louisiana Land Bank's Board Chairman since November 2014. He is a lifetime member of both the Louisiana Forestry Association and the Texas Forestry Association, where he has previously served on the board. He is a member of the Shreveport/Bossier Military Affairs Council and Cypress Baptist Church in Benton, Louisiana.

Cullen M. Kovac has been a co-owner/operator in Kovac Cattle, Inc., a cow-calf, and stocker operation, since 2008. Mr. Kovac is a partner in Kovac Land, LLC, which is an agricultural land buying and holding corporation. Mr. Kovac is vice president of the Fiske Union Water System. He also serves as a director of the West Carroll Parish Farm Bureau, the West Carroll Soil and Water Conservation District Board and the West Carroll Parish School Board. Mr. Kovac is a member of Beulah Baptist Church and also is a Gideon. Mr. Kovac and his wife, Sarah, have three children.

Henry A. Capdeboscq, Jr. has been a self-employed dairy and beef cattle operator for over 40 years. He is also the owner of Capdeboscq Farms Trucking, LLC. Mr. Capdeboscq serves on the board of the Tangipahoa Parish Cattlemen's Association, Florida Parishes Farm Services Cooperative, the Dairy Advisory Committee and is a board member of the Louisiana Livestock Brand Commission. Mr. Capdeboscq is also a member of the Tangipahoa Parish Farm Bureau, Tangipahoa Parish Forestry Association, and Louisiana Cattlemen's Association.

John F. Earles is co-owner/operator of Triple E Farms and Townsend Brothers Farms. He operates 11,000 acres that consist of soybeans, cattle, rice, crawfish and sugarcane. Mr. Earles is also co-owner of Triple E Land Grading and development company; Cenla Fuels, LLC; Bunkie Flying Service Inc.; Tri-Rock Aggregates; Express Car Wash; and Gold Dust Investment Company. He serves on the Louisiana Rice Research Board and the board of district six Kisatchie-Delta Regional Planning and Development District, which is an eight-parish district serving Avoyelles, Rapides, Concordia, Catahoula, Vernon, LaSalle, Grant and Winn Parishes. He is a member of the Farm Bureau and Cajun Sugar II Coop. He is currently serving as Vice President on Avoyelles Parish Police Jury.

Gertrude Hawkins is a partner of GNL Farm LLC and GNG Farm Partnership. She farms cotton, corn, soybeans, sugarcane and wheat with her brother. She retired in October 2019 after being employed as a research associate for the past 27 years by the LSU AgCenter Sugar Research Station. She manages the Edgar LaCour Land Company, LLC, which is a family-owned business consisting of timber and row crops. Mrs. Hawkins also manages LaCour & Blake, LLC and Blue Lake Farms, LLC. She is a board member of the Pointe Coupee Parish Farm Bureau; Edgar LaCour Land Company, LLC; LaCour & Blake, LLC; Blue Lake Farms, LLC; and Bessie Land Company. Mrs. Hawkins is also the president of Schwab Farms, Inc., secretary for Bouanchaud Farms, Inc., Gilmer Farms, Inc., and G&M Farms, Inc. Mrs. Hawkins serves as a member of the American Sugar Cane League, Louisiana Sugar Growers, American Society of Sugar Cane Technologists and Tri Parish Gin. She serves on the Sugarcane Variety development committee.

Kristin Guillory oversees the financial operations of Cleco Corporate Holdings LLC. Guillory assumed her current leadership role in July 2021. She began her career with Cleco in August 2004, where she has served in various finance roles with increasing responsibilities, including general manager of finance and assistant treasurer from May 2016 to February 2018, treasurer from February 2018 to September 2019, and most recently as president of Cleco Cajun LLC, an unregulated utility of Cleco Corporate Holdings LLC, from September 2019 to July 2021. Her career highlights include working with the Louisiana Public Service Commission to finalize the \$1.0 billion acquisition of NGR South Central Generating, a subsidiary of NGR Energy, Inc., and financing both the Cleco Cajun acquisition in 2019, as well as the 2016 privatization of Cleco Corporation. Prior to joining the corporate finance team at Cleco, Guillory served as the director of financial analysis at Cleco Midstream, where she worked to monetize unregulated assets and long-term contracts. Guillory holds a bachelor's degree in business administration with dual majors in accounting and finance from the University of Louisiana at Lafayette. She also is a certified public accountant and chartered financial analyst.

William B. Guthrie is the General Manager/Secretary-Treasurer for Panola Company, LTD, and the Managing Partner for Balmoral Farming Partnership and Island Farming Partnership, farming and land-holding partnerships that produce corn, cotton, soybeans and cattle on 15,000 acres in the Louisiana delta. He currently serves on the boards of Panola Company, LTD, the Louisiana Boll Weevil Eradication Commission and the LAC-Self Insured Fund. He is a member of the National Cotton Council, past President of the Louisiana Cotton and Grain Association, past Chairman of the Cotton Foundation and the Cotton Committee Chairman for the Louisiana Farm Bureau. Mr. Guthrie is a graduate of Louisiana State University and completed the LSU Ag Leadership Program.

Edward W. Patrick, Jr. has been a self-employed farmer of cotton, rice, corn and soybeans for the past 45 years. Mr. Patrick is the co-owner and operator of Joe's Bayou Gin. Mr. Patrick serves as secretary/treasurer of Joe's Bayou Farm Supply and Joe's Bayou Gin. Mr. Patrick serves as board president of PP&E Corporation and Pop Pat, Inc. PP&E Corporation and Pop Pat, Inc. are both farming entities. Mr. Patrick is a director on the East Carroll Farm Bureau Board.

Robert James "Bobby" Soileau, Ph.D. directs the leadership programs for the Louisiana State University Agricultural Center. He helps people in production agriculture, agribusiness and education become better spokespeople for Louisiana agriculture. He also works with the Agricultural Leaders of Louisiana and serves as treasurer for the Louisiana County Agricultural Agents Association.

John L. Van Mol, Jr. is a lifelong resident of Alexandria, Louisiana, in Rapides Parish. He has been farming for 40 years. Mr. Van Mol is owner and managing partner of Leverton Farms, LLC, a 3,300-acre operation producing 1,200 acres of sugar cane, 600 acres of corn and 1,500 acres of soybeans in central Louisiana. He also serves as director for Central Cane Producers, Inc. (LASUCA), and is on the board of managers of Lagniappe Cotton Gin in Hamburg, Louisiana. He has previously served as chairman of the USDA Farm Services Agency County Committee and Advisory Board for Rapides Parish. He is a member of the Louisiana Farm Bureau and Rapides Parish Farm Bureau, where he has served in various officer roles and on various committees.

Bobby Hanks is the CEO of Supreme Rice, a rice milling business in Louisiana and Arkansas, and he has been involved in the rice milling business since 1998. Mr. Hanks currently serves as the Chairman of the USA Rice Federation and as Chairman of the Louisiana Agricultural Commodities Commission.

F. Stephen Austin serves as the **Chief Executive Officer** for Louisiana Land Bank, ACA. Mr. Austin joined the Association in 2011 as chief credit officer and was promoted to CEO in 2013. Mr. Austin earned a Bachelor of Science degree in Agriculture with a minor in Marketing from Southeast Missouri State University. He also completed the Graduate School of Banking at Louisiana State University. His work experience includes over 34 years in lending and branch manager positions with the Farm Credit System entities in Illinois and Missouri. Prior to his tenure with the Association, he served for over eight years as the senior lender of a regional five-bank holding company in southeast Missouri.

Christopher E. Bentley, Chief Financial Officer, joined the Association in July 2008 and was promoted to CFO during 2012. He is a graduate of Louisiana Tech University with a Bachelor of Science degree in finance. Mr. Bentley has previously served as senior accountant, controller, and director of compliance, controls and risk management for the Association. Mr. Bentley serves as chairman of the Association's Asset/Liability Committee. Mr. Bentley is a member of the District's ICFR Steering Committee. Prior to his employment with the Association, Mr. Bentley worked with a Fortune 500 telecommunications company in the Subsidiary Accounting group and with a Fortune 500 commercial bank in various functions including analyst and portfolio manager.

Brian D. Turner, Chief Credit Officer, joined the Association in January 2012 as director of compliance, controls and risk and was promoted to chief credit officer during 2013. Prior to joining the Association, Mr. Turner had been employed in commercial banking for 17 years with experience in credit analysis, commercial lending, and risk management. He received a Bachelor of Arts degree in Legal Studies from the University of Louisiana at Monroe and an M.B.A. in Finance from Louisiana Tech. He has completed the Graduate School of Banking at Louisiana State University. Mr. Turner also serves as chairman of the Association's Loan Committee.

David A. Ogletree has been with the Association since 1988 and currently serves as **Senior Vice-President of Lending and Field Operations**. He has Bachelor of Science degrees in Animal Science and Agricultural Business from Louisiana Tech University and completed the Graduate School of Banking at Louisiana State University. Mr. Ogletree also serves as chairman on the board of the Ark-La-Tex Agricultural Council, which is a nonprofit organization that promotes agriculture in the state of Louisiana.

Robert "Wes" Lowe, Chief Appraisal Officer, joined the Association as senior appraiser in July 2012. Prior to that, Mr. Lowe worked as a review appraiser for the U.S. Corps of Engineers in the New Orleans and Vicksburg Districts. He also worked as an independent fee appraiser and real estate broker in northeast Louisiana and southeast Arkansas for over 24 years specializing in agricultural and recreational properties. Mr. Lowe received a Bachelor of Science degree in Construction Management from the University of Louisiana at Monroe and is an accredited ARA member of the American Society of Farm Managers and Rural Appraisers.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium. The Chairman of the Board received a monthly retainer of \$2,700 in lieu of any other payment for Board or committee meeting attendance and received the same compensation as any other director for training days, attending the FCBT annual meeting, attending national meetings or special assignments. The Vice Chairman received a monthly retainer of \$1,250, and all other directors received a monthly retainer of \$1,000. Mileage for attending official meetings during 2022 was paid at the IRS-approved rate of 58.5 cents per mile for the period January 1 through June 30, 2022 and 62.5 cents per mile for the period July 1 through December 31, 2022. A copy of the travel policy is available to stockholders of the Association upon request.

Directors, other than the Chairman of the Board, received \$850 for attending each Board meeting, with no additional compensation for attending committee meetings on the same day of the Board meeting being paid. The compensation or honorarium for attending external training sessions, attending District or national Farm Credit meetings, attending a committee meeting on a non-board meeting day, or undertaking special assignments as directed by the Chairman of the Board will be \$500 per day. Committee chairs except for the Audit Committee chair received an additional \$150 for organizing, attending, and presiding at committee meetings, whether on the same day as the Board meeting or on a different day. The Audit Committee Chair will receive an additional \$500 per Audit Committee meeting. Conference call with the exception of the Chairman of the Board will be \$150.

Director	Number of Days Served Associated With		Total Compensation in 2022
	Board Meetings	Other Official Activities	
James Mark Morgan	11	18	\$ 35,650
Cullen M. Kovac	12	9	31,350
Henry Capdeboscq, Jr.	12	17	26,400
John F. Earles	10	5	21,000
Gertrude Hawkins	12	9	24,800
Kristin Guillory	5	7	13,650
Cecelia A. Hoyt	4	8	11,900
William B. Guthrie	12	13	26,100
Edward W. Patrick, Jr.	12	5	22,000
Robert James “Bobby” Soileau, Ph.D.	12	5	25,400
John L. Van Mol, Jr.	12	12	22,950
Bobby Hanks	11	16	24,400
			<u>\$ 285,600</u>

The aggregate compensation paid to directors in 2022, 2021, and 2020 was \$285,600, \$266,650, and \$274,400, respectively.

Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2022:

Director	Committee			
	Audit	Compensation	Governance	Other Official Activities
James Mark Morgan	\$ -	\$ -	\$ -	\$ 3,250
Cullen M. Kovac	-	-	1,500	6,350
Henry Capdeboscq, Jr.	1,350	-	-	4,550
John F. Earles	-	450	-	900
Gertrude Hawkins	-	-	450	3,850
Kristin Guillory	2,600	-	-	2,650
Cecelia A. Hoyt	3,100	-	-	400
William B. Guthrie	1,900	-	150	3,550
Edward W. Patrick, Jr.	-	450	-	1,050
Robert James “Bobby” Soileau, Ph.D.	-	1,200	-	3,700
John L. Van Mol, Jr.	450	-	300	1,700
Bobby Hanks	1,200	-	-	2,700
	<u>\$ 10,600</u>	<u>\$ 2,100</u>	<u>\$ 2,400</u>	<u>\$ 34,650</u>

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$84,228, \$31,872 and \$20,469 in 2022, 2021 and 2020, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Fair and uniform salary administration is important and an integral part of the success of Louisiana Land Bank, ACA. The Board, through its Compensation Committee (Committee), has pursued a Salary Administration Plan for the Association that includes the specific objectives as listed below:

- To attract, retain and motivate all personnel needed for the Association to achieve its strategic goals and project plans;
- To ensure fair and equitable compensation opportunities for those who hold positions of comparable responsibility and importance to the Association;
- To meet legal requirements in all compensation practices;

- To provide objective methods for measuring the relative value of jobs within the Association;
- To encourage the highest possible degree of employee performance, motivation and overall contribution to the Association;
- To provide for recognition of and reward for differences in individual ability and performance;
- To establish and maintain salaries and grade ranges that position the Association to be competitive in the marketplace; and
- To establish procedures that will provide for the fair and consistent monitoring of the salary administration system and application of salary practices within our organization.

The Committee establishes the overall compensation structure and executive compensation philosophy and principles of the Association in order to ensure competitive compensation programs and retention of key management and staff talent. The Committee annually reviews the Salary Administration Plan that addresses merit increases, salary adjustments, incentive plans, bonuses and employee benefits, and approves these programs for senior officers and employees. Market salary data is derived from an independent third-party vendor through the Bank that is utilized to ensure that proper compensation structures are in line with market-comparable positions with similarly situated financial institutions. The study provides the basis for actions by the Committee to review, recommend and present to the Board plans for final approval. The Committee makes recommendations to the Board with regard to base salary, incentive and/or bonus payments and other compensation for the CEO and also approves the overall compensation program for senior officers. The Association's compensation program encompasses four primary elements: (1) base salary, (2) discretionary and/or incentive bonus compensation, (3) Association-paid retirement benefits and (4) secondary benefits such as annual leave, Association-paid life insurance and Association-provided vehicles.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2022, 2021 and 2020. This may include other non-senior officers if their total compensation is within the top five highest-paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/Perquisite (e)	Other (f)	Total
F. Stephen Austin							
CEO	2022	\$ 358,500	\$ 120,268	\$ -	\$ 28,889	\$ -	\$ 507,657
	2021	341,250	110,975	-	35,495	-	487,720
	2020	325,000	82,321	-	32,561	-	439,882
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
5	2022	\$ 1,042,570	\$ 333,908	\$ -	\$ 128,509	\$ -	\$ 1,504,987
5	2021	992,252	327,517	-	147,606	-	1,467,375
5	2020	964,989	258,461	433,570	115,881	-	1,772,901

- (a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
- (b) Gross salary, including retention plan compensation for certain senior officers.
- (c) Bonuses paid within the first 30 days of the subsequent calendar year.
- (d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
- (e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
- (f) Amounts in the "Other" column include annual leave and/or severance pay at the time of retirement, resignation, or termination.

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

Salary is the base salary compensation earned and paid during the respective year. Incentive compensation is earned and accrued in the current year, pursuant to the Association's Incentive Compensation Plan. Over and above base salary, incentive compensation is available to all regular full-time, permanent employees, based upon the achievement of predetermined performance goals. The Association's incentive compensation plan and total incentive dollars are approved annually by the Compensation Committee and are at the full discretion of the board of directors.

The incentive plan is a metric-based plan that measures Association key result areas including specific Association target checks. The CEO, senior officers and employees are covered by the plan. The plan allocates potential incentive pay of a percentage of salary based on performance. Key result areas include loan volume growth, loans closed volume, credit administration, interest rate spread, fees-closed loans and past due percentage. The weighting of these areas is consistent with Association business goals as approved by the board of directors. In addition, targets are incorporated into the plan so that if the Association does not perform as required, then no incentive compensation is allocated to individuals. The target checks include minimum and zero compensation measurement of Association credit quality and earnings to derive a final incentive payout. Payment of incentive compensation is paid on a lump sum basis after the Compensation Committee recommends and the board of directors approves the final payouts.

Deferred and perquisite compensation includes retirement plan activity, which is contributions to 401(k) plans, defined benefit plans, premiums paid for life, accidental, death and dismemberment, business travel, and long-term disability insurance and auto income. Group term life insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to \$1 million. To the extent that the value of this life insurance exceeds \$50,000, an amount is added to each respective employee's taxable earnings using the IRS-approved calculations. Accidental, death and dismemberment insurance is provided to all eligible employees in an amount equal to two times the employees' base salary, up to \$1 million. Business travel accident insurance is provided to all eligible employees in an amount equal to five times the employees' base salary, up to \$2 million. Long-term disability insurance is provided to all eligible employees with a benefit amount equal to two-thirds of the employees' monthly base salary, up to \$15,000 per month. Amounts relating to life, AD&D, business travel and LTD insurance are included in "Deferred/Perquisite" in the table of "CEO/Top Five" Compensation. Other compensation includes any severance pay and/or accrued annual leave paid at termination.

Disclosure of the compensation paid during 2022 to any senior officer or officer included in the table is available and will be disclosed to stockholders of the Association upon written request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to Senior Officers for the year ended December 31, 2022:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)				
1	Farm Credit Bank of Texas Pension Plan	32	\$ -	\$ 1,946,196

Pension Benefits Table Narrative Disclosure

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

Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

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

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2022 at the IRS-approved rate of 58.5 cents per mile for the period January 1 through June 30, 2022 and 62.5 cents per mile for the period July 1 through December, 31 2022.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2022, 2021, and 2020.

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

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

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

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in the relationship with the independent auditor during 2022. The fees for professional services rendered for the Association by PricewaterhouseCoopers, LLP during 2022 were \$113,067 for audit service that was approved by the Audit Committee.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLP dated March 9, 2023, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

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

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

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

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

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

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

The 2012 USDA Census of Agriculture for Louisiana indicates that 5.29 percent of the total number of Louisiana farmers were classified as Young, 25.25 percent were classified as Beginning, and 91.24 percent were classified as Small.

Goals for YBS lending, as a percentage of the total loan portfolio, and strategic performance levels are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

Overall Portfolio	12/31/22 - Actual		Goals					
			2023		2024		2025	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	22.39	12.85	22.40	12.90	22.45	12.95	22.50	13.00
Beginning	53.86	50.72	53.90	50.75	53.95	50.80	54.00	50.85
Small	75.54	74.67	75.55	74.70	75.60	74.75	75.65	74.80

Goals for YBS lending, as a percentage of the annual new business activity for the year, are established as follows:

(The following percentages are cumulative in volume and categories are inclusive.)

New Loans	12/31/22 - Actual		Goals					
			2023		2024		2025	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	20.84	11.95	20.85	12.00	20.90	12.05	20.95	12.10
Beginning	48.02	47.82	48.05	47.85	48.10	47.90	48.15	47.95
Small	66.46	65.89	66.50	65.90	66.55	65.95	66.60	66.00

BOARD OF DIRECTORS

James Mark Morgan, Chairman
Cullen M. Kovac, Vice Chairman
Henry A. Capdeboscq, Jr.
John F. Earles
William Benjamin “Ben” Guthrie
Kristin Guillory, Board Appointed Director
Robert Allen Hanks
Gertrude Hawkins
Edward W. Patrick, Jr.
Robert James “Bobby” Soileau, Board Appointed Director
John L. Van Mol, Jr.

OFFICERS

F. Stephen Austin, Chief Executive Officer
Christopher E. Bentley, Chief Financial Officer
David A. Ogletree, Senior Vice President of Lending and Field Operations
Brian D. Turner, Chief Credit Officer
Robert “Wes” Lowe, Chief Appraisal Officer

OFFICE

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