LOUISIANA LAND BANK, ACA

2023
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2023

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 appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year. The Association underwent a major software conversion in the second quarter of 2023. Management is assessing the legacy internal controls updating process as needed. It is expected that the new system will make the control structure stronger as it moves some controls from the detective to preventative level.

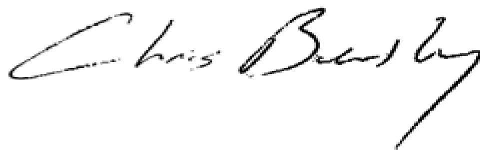
The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

F. Stephen Austin, Chief Executive Officer

November 9, 2023

Cullen M. Kovac, Chairman, Board of Directors

November 9, 2023



Christopher E. Bentley, Chief Financial Officer

November 9, 2023

Third Quarter 2023 Financial Report

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LOUISIANA LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following commentary reviews the financial performance of Louisiana Land Bank, ACA, referred to as the Association, for the quarter ended September 30, 2023. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2022 Annual Report to Stockholders. Results for the interim period are not necessarily indicative of results to be expected for the year.

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

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

Significant Events

In mid-July, management was made aware of a change in operating philosophy as to Farm Credit Bank of Texas's (FCBT) direct note patronage program. This change was presented by members of FCBT's management team. The change to the direct note patronage program is necessitated due to significant volatility in market conditions that impact FCBT's capital levels and other certain metrics.

The Q2 Stockholder Report provided an update to this matter, at that time, in the Subsequent Events section of the report. Since the release of that report, numerous updates have been provided by the management team from FCBT. Those updates for 2023 include a further reduced direct note patronage and a reduction in participation sold patronage.

Management has reviewed the 2023 participation sold patronage and believes that current accrual levels are at, or below actual estimates provided by FCBT. Out of an abundance of caution, that accrual is being reduced slightly by management for the remainder of the year.

The Association accrues for the direct note patronage monthly. Management has reduced, then halted accrual entries. With the latest round of updates from FCBT, management reversed part of the accrual entries for 2023's direct note patronage. This activity is a direct impact to the income statement. Based on a meeting held by FCBT with association CEOs in October, the Association's management made another entry in mid-October to further reverse direct note patronage accrual activity for the year.

The latest conditions and assumptions provided by FCBT indicate a reduction of the direct note patronage by $3.35 million compared to 2022 levels. The participation sold patronage will likely be reduced by just over $200,000 compared to prior year.

The Association CEO has provided continuous updates about this matter to the Board. There are likely still market volatility and conditions during the remainder of the year that could impact these estimates. Management will keep the Board current as to changes in the direct note patronage methodology as updates are provided by FCBT.

It is very likely that further action will be taken by FCBT in 2024 to combat the volatility in market conditions. Despite the proposed plan of action from FCBT for 2023 and beyond, the Association's financial condition remains strong.

In March 2023, the Association's Board of Directors (Board) paid a patronage of $10,549,217 to the eligible stockholders from 2022 earnings. The patronage is in the form of a qualified patronage distribution. The Board and management are evaluating scenarios for patronage paid to stockowners for 2023, including a percentage of net income methodology. Future Association patronage to stockholders may be negatively impacted by actions at FCBT.

Mr. Mark Morgan retired from the Board effective June 27, 2023. Mr. Morgan served on the Board for a decade and helped guide the Association during one of the most prosperous times the Association has enjoyed during 106+ years of operation.

The Board named Mr. Cullen Kovac as the new Chairman effective July 25, 2023. Mr. Kovac had previously been serving as Vice Chairman for the Board. Mr. Clark Canterbury was elected by stockholders on July 21, 2023, to fill the seat vacated by Mr. Morgan. Mrs. Gert Hawkins and Mr. Henry Capdeboscq were reelected on July 21, 2023. Mrs. Hawkins was named Vice Chairman by the Board effective July 25, 2023.

The Association converted lending, loan operations and accounting software June 19, 2023, along with two other Farm Credit Bank of Texas associations. This conversion has impacted nearly every aspect of the Association's operations. Management is working through internal controls to ensure legacy controls are functioning or being updated to reflect new processes. It is estimated that several legacy controls will be moved from detective level controls to preventive level controls with the new software. Association management and employees continue to work through conversion related impacts with help from the Farm Credit Bank of Texas. Nine Farm Credit Bank of Texas associations are now fully converted to the new platforms. These nine associations represent 74 percent of total district association loan volume.

Conditions in the Association's Chartered Territory

The Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of above normal financial and macroeconomic volatility driven by factors such as an inverted yield curve and persistent high inflation. Federal Reserve officials continue to battle inflation by tightening monetary policy. Despite these turbulent times, credit quality at the Association has remained strong.

The Consumer Price Index for All Urban Consumers increased by 3.7 percent for the 12-month period ending September 2023, well above the long-term target of approximately 2.0 percent. The Federal Open Market Committee (FOMC) decided to keep the target Federal funds rate constant within the 5.25 percent–5.50 percent range in September 2023, after raising the rate by 25 basis points in July 2023 for a total increase of approximately 525 basis points since mid-March 2022. The FOMC stated that it remains strongly committed to returning inflation to its 2 percent objective while achieving maximum employment.

On September 28, 2023, the U.S. Bureau of Economic Analysis (BEA) released its third estimate of real gross domestic product (GDP) for the second quarter of 2023. U.S. real GDP growth reached 2.1 percent during the second quarter of 2023, down from 2.2 percent during the first quarter of 2023. National personal income increased at an annualized rate of 4.3 percent during the second quarter of 2023. Louisiana's personal income increased at an annualized rate of 3.8 percent during the same period.

The U.S. Bureau of Labor Statistics indicated that the U.S. unemployment rate remained steady month-over-month at 3.8 percent in September 2023. The August 2023 state unemployment rate for Louisiana is 3.4 percent. This is a reduction of 0.1 percent from August 2022.

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

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

The October 2023 edition of the USDA World Agricultural Supply and Demand Estimates (WASDE) report states that farmers are expected to receive lower average farm prices for corn (-24.3 percent), wheat (-17.3 percent), soybeans (-9.2 percent) and cotton (-5.7 percent) in the 2023/24 marketing year compared to the previous season. Similarly, after rising nearly 37.0 percent in 2022, the average price received by farmers for all milk is projected to decrease by about 18.3 percent YOY in 2023 and by 0.7 percent in 2024. USDA projected average steer prices (5-Area, Direct) will increase YOY by about 22.8 percent in 2023, while broiler and barrow and gilt prices are projected to decline by about 11.7 percent and 16.2 percent, respectively.

USDA also projected higher average prices for steers and barrows and gilts in 2024 but lower prices for broilers. Random length lumber futures prices (front month) declined by about 1.3 percent month-over-month and 1.8 percent YOY in September 2023, closing at about $500 per thousand board feet.

The Federal Reserve Bank of Dallas released its third-quarter Eleventh District Agricultural Survey on October 2, 2023. Survey respondents noted overall weaker conditions across most regions, as extremely dry conditions are straining agricultural production. According to survey respondents, demand for agricultural loans decreased during the third quarter of 2023 for the seventh straight quarter. Respondents also reported a net tightening of credit standards for agricultural loans relative to the same period in the previous year.

According to the U.S. Drought Monitor released on October 17, 2023, much of the State of Louisiana is currently experiencing extreme or exceptional levels of drought, the two highest ratings of drought offered. 62.28 percent of Louisiana's land is currently classified in the worst drought rating available. 86.48 percent of the State of Louisiana is currently classified in the worst or next to worst drought rating available.

During 2023, agricultural producers and processors may be negatively impacted by several factors, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges and adverse weather conditions.

Loan Portfolio

Total loans outstanding as of September 30, 2023, including nonaccrual loans and sales contracts, were $1,018,145,187 compared to $1,025,074,093 as of December 31, 2022, reflecting a decrease of 0.7 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.7 percent as of September 30, 2023, compared to 0.6 percent as of December 31, 2022.

The Association recorded $835 in recoveries and no charge-offs for the quarter ended September 30, 2023, and did not record any recoveries and $26,782 in charge-offs for the same period in 2022. The Association's allowance for loan losses was 0.3 percent and 0.6 percent of total loans outstanding as of September 30, 2023, and December 31, 2022, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

High-Risk Assets

	September 30, 2023		December 31, 2022	
	Amount	**%**	Amount	%
Nonaccrual	**$ 6,806,030**	**100.0%**	$ 6,546,869	77.3%
Formally restructured	**-**	**0.0%**	1,924,395	22.7%
Total	**$ 6,806,030**	**100.0%**	$ 8,471,264	100.0%

Results of Operations

The Association had net income of $3,484,182 and $13,058,794 for the three and nine months ended September 30, 2023, as compared to net income of $5,020,554 and $13,891,855 for the same period in 2022, reflecting decreases of 30.6 percent and 6.0 percent, respectively. Net interest income was $7,083,989 and $21,235,555 for the three and nine months ended September 30, 2023, compared to $6,858,431 and $20,286,724 for the same period in 2022.

Nine Months Ended

	September 30, 2023		September 30, 2022	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 1,017,908,539**	**$ 40,406,023**	$ 1,019,270,251	$ 34,080,877
Interest-bearing liabilities	**849,314,777**	**19,170,468**	857,918,794	13,794,153
Impact of capital	**$ 168,593,762**		$ 161,351,457	
Net interest income		**$ 21,235,555**		$ 20,286,724

	2023 Average Yield	2022 Average Yield
Yield on loans	**5.31%**	4.47%
Cost of interest-bearing liabilities	**3.02%**	2.15%
Interest rate spread	**2.29%**	2.32%
Net interest income as a percentage of average earning assets	**2.79%**	2.66%

Nine months ended:
September 30, 2023 vs. September 30, 2022

	(Decrease) increase due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ (45,529)**	**$ 6,370,675**	**$ 6,325,146**
Interest expense	**(138,337)**	**5,514,652**	**5,376,315**
Net interest income	**$ 92,808**	**$ 856,023**	**$ 948,831**

Interest income for the three and nine months ended September 30, 2023, increased by $1,847,968 and $6,325,146, or 15.4 percent and 18.6 percent respectively, from the same period of 2022, primarily due to increases in yields on earning assets offset by a decrease in average loan volume. Interest expense for the three and nine months ended September 30, 2023, increased by $1,622,410 and $5,376,315, or 31.6 percent and 39.0 percent, from the same period of 2022 due to an increase in interest rates offset by a decrease in average debt volume. Average loan volume for the third quarter of 2023 was $1,019,524,828, compared to $1,029,597,072 in the third quarter of 2022. The average net interest rate spread on the loan portfolio for the third quarter of 2023 was 2.24 percent, compared to 2.28 percent in the third quarter of 2022.

Noninterest expenses for the three and nine months ended September 30, 2023, increased by $581,389 and $814,573, or 17.16 percent and 7.25 percent respectively, as compared to the same periods in 2022. The increase is primarily due to increases in salaries and benefits, advertising, and travel, offset by lower communications and insurance fund expense. The increase in salaries and benefits is

due primarily to additional incentive compensation accruals and less deferral of certain origination costs due to a sharp decline in loan demand compared to the prior period. Advertising has increased as additional focus has been placed on marketing. Travel expense has increased due to the significant amount of travel related to software conversion training. The decrease in insurance fund expense was due to a decrease in the rate charged on Insurance Fund premiums.

The Association's return on average assets for the nine months ended September 30, 2023, was 1.7 percent compared to 1.8 percent for the same period in 2022. The Association's return on average equity for the nine months ended September 30, 2023, was 9.2 percent, compared to 10.5 percent for the same period in 2022.

Liquidity and Funding Sources

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

	September 30, 2023	December 31, 2022
Note payable to the Bank	**$ 849,937,741**	$ 860,008,054
Accrued interest on note payable	**2,269,893**	2,017,795
Total	**$ 852,207,634**	$ 862,025,849

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $849,937,741 as of September 30, 2023, is recorded as a liability on the Association's Consolidated Balance Sheets. The note carried a weighted average interest rate of 3.25 percent as of September 30, 2023. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The decrease in note payable to the Bank since December 31, 2022, is due to the Association's decrease in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $167,864,661 as of September 30, 2023. The maximum amount the Association may borrow from the Bank as of September 30, 2023, was $1,090,000 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, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2023. As borrower payments are received, they are applied to the Association's note payable with the Bank.

Capital Resources

The Association's capital position increased by $16,247,583 as of September 30, 2023, compared to December 31, 2022. The Association's ratio of debt to members' equity was 4.38:1 as of September 30, 2023, compared to 4.88:1 as of December 31, 2022.

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

Significant Recent Accounting Pronouncements

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

Relationship With the Farm Credit Bank of Texas

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

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

Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, LA, 71201 or calling 318-387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at *www.louisianalandbank.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *alyssa.allen@louisianalandbank.com.*

LOUISIANA LAND BANK, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Cash	**$ 43,317**	$ 93,953
Loans	**1,018,145,187**	1,025,074,093
Less: allowance for credit losses on loans	**3,478,298**	6,444,281
Net loans	**1,014,666,889**	1,018,629,812
Accrued interest receivable	**14,199,673**	10,678,059
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**17,158,580**	17,158,580
Other	**3,922,707**	8,208,432
Premises and equipment, net	**4,427,475**	4,106,206
Other assets	**1,049,530**	972,355
Total assets	**$ 1,055,468,171**	$ 1,059,847,397
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 849,937,741**	$ 860,008,054
Advance conditional payments	**9,487**	-
Accrued interest payable	**2,269,893**	2,017,795
Drafts outstanding	**52,085**	28,835
Patronage distributions payable	**74**	10,588,753
Other liabilities	**6,851,899**	7,104,551
Total liabilities	**859,121,179**	879,747,988
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,952,310**	2,948,335
Unallocated retained earnings	**193,200,842**	176,934,599
Accumulated other comprehensive income	**193,840**	216,475
Total members' equity	**196,346,992**	180,099,409
Total liabilities and members' equity	**$ 1,055,468,171**	$ 1,059,847,397

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
INTEREST INCOME				
Loans	**$ 13,844,147**	$ 11,996,179	**$ 40,406,023**	$ 34,080,877
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texa	**6,760,158**	5,137,748	**19,170,468**	13,794,153
Net interest income	**7,083,989**	6,858,431	**21,235,555**	20,286,724
PROVISION FOR (REVERSAL OF) CREDIT LOSSES	**151,311**	(132,050)	**35,472**	109,564
Net interest income after provision for credit losses on loans	**6,932,678**	6,990,481	**21,200,083**	20,177,160
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**317,902**	1,504,169	**3,478,839**	4,444,978
Loan fees	**34,841**	(102,116)	**191,070**	111,878
Financially related services income	**634**	753	**1,423**	1,507
Gain on sale of premises and equipment, net	**132,638**	26	**131,927**	217,142
Other noninterest income	**34,400**	14,801	**99,652**	169,008
Total noninterest income	**520,415**	1,417,633	**3,902,911**	4,944,513
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,513,927**	1,901,890	**7,403,502**	6,669,299
Directors' expense	**78,957**	109,062	**281,019**	285,640
Purchased services	**104,213**	88,918	**343,928**	323,087
Travel	**178,442**	184,941	**493,827**	435,060
Occupancy and equipment	**192,547**	182,373	**570,796**	547,892
Communications	**46,925**	51,646	**151,817**	162,762
Advertising	**109,468**	94,394	**363,157**	298,068
Public and member relations	**83,397**	63,932	**347,079**	295,712
Supervisory and exam expense	**165,459**	157,878	**579,720**	567,447
Insurance Fund premiums	**389,138**	438,698	**1,178,502**	1,311,990
Other components of net periodic postretirement benefit cost	**33,148**	43,428	**99,444**	130,283
Other noninterest expense	**73,707**	70,779	**231,533**	202,511
Total noninterest expenses	**3,969,328**	3,387,939	**12,044,324**	11,229,751
Income before income taxes	**3,483,765**	5,020,175	**13,058,670**	13,891,922
(Benefit from) provision for income taxes	**(417)**	(379)	**(124)**	67
NET INCOME	**3,484,182**	5,020,554	**13,058,794**	13,891,855
Other comprehensive (loss) income, net of tax	**(7,545)**	11,190	**(22,635)**	33,570
COMPREHENSIVE INCOME	**$ 3,476,637**	$ 5,031,744	**$ 13,036,159**	$ 13,925,425

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
Balance at December 31, 2021	$ 2,978,915	$ 167,967,448	$ (886,529)	$ 170,059,834
Comprehensive income	-	13,891,855	33,570	13,925,425
Capital stock/participation certificates and allocated retained earnings issued	256,850	-	-	256,850
Capital stock/participation certificates and allocated retained earnings retired	(257,295)	-	-	(257,295)
Patronage refunds:				
Change in patronage declared and paid	-	(59,357)	-	(59,357)
Balance at September 30, 2022	$ 2,978,470	$ 181,799,946	$ (852,959)	$ 183,925,457
Balance at December 31, 2022	$ 2,948,335	$ 176,934,599	$ 216,475	$ 180,099,409
Cumulative effect of change in accounting principle (Note 1)	-	3,168,989	-	3,168,989
Balance at January 1, 2023	$ 2,948,335	$ 180,103,588	$ 216,475	$ 183,268,398
Comprehensive income	-	13,058,794	(22,635)	13,036,159
Capital stock/participation certificates and allocated retained earnings issued	215,970	-	-	215,970
Capital stock/participation certificates and allocated retained earnings retired	(211,995)	-	-	(211,995)
Patronage refunds:				
Change in patronage declared and paid	-	38,460	-	38,460
Balance at September 30, 2023	**$ 2,952,310**	**$ 193,200,842**	**$ 193,840**	**$ 196,346,992**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the 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 association of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2023. Descriptions of the significant accounting policies are included in the 2022 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted Accounting Pronouncements

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

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

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

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 6,444,281	$ (3,021,805)	$ 3,422,476
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 175,716	$ (147,184)	$ 28,532
Retained earnings:			
Unallocated retained earnings, net of tax	$ 176,934,599	$ 3,168,989	$ 180,103,588

Loans and Allowance for Credit Losses

Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

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

Accrued Interest Receivable

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Collateral Dependent Loans

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

Allowance for Credit Losses

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

- the allowance for credit losses on loans (ACLL)
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in “Other liabilities”

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

Methodology for Allowance for Credit Losses on Loans

The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments.

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

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

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

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

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

The Association uses multiple scenarios over reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond the two years on a straight-line over a one year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, real gross domestic product levels and corporate bond spreads, as well as net farm income and agricultural commodity prices. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

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

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous

factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

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

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	September 30, 2023	December 31, 2022
Real estate mortgage	**$ 860,995,718**	$ 868,624,419
Production and intermediate-term	**75,207,975**	67,652,607
Processing and marketing	**43,910,894**	51,089,754
Farm-related business	**15,178,900**	16,482,183
Communication	**12,417,179**	11,237,147
Rural residential real estate	**7,519,040**	7,757,884
International	**1,817,708**	977,113
Loans to cooperatives	**609,498**	627,997
Energy	**488,275**	624,989
Total	**$ 1,018,145,187**	$ 1,025,074,093

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 42,321,547	$ 16,362,012	$ -	$ -	$ 42,321,547	$ 16,362,012
Agribusiness	19,495,774	93,718,090	-	7,754,411	19,495,774	101,472,501
Communication	12,417,179	-	-	-	12,417,179	-
International	1,817,708	-	-	-	1,817,708	-
Production and intermediate-term	1,806,751	4,029,593	-	-	1,806,751	4,029,593
Energy	488,275	-	-	-	488,275	-
Total	$ 78,347,234	$ 114,109,695	$ -	$ 7,754,411	$ 78,347,234	$ 121,864,106

Credit Quality

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

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These categories are defined as follows:

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

The following table presents credit quality indicators by loan type and the related principal balance as of September 30, 2023:

	Term Loans Amortized Cost by Origination Year					
	2023	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
Real estate mortgage						
Acceptable	$ 55,097,367	$ 138,977,947	$ 183,243,720	$ 472,682,627	$ 798,414	$ 850,800,075
OAEM	-	-	-	3,874,493	-	3,874,493
Substandard/Doubtful	-	-	-	6,321,150	-	6,321,150
	$ 55,097,367	$ 138,977,947	$ 183,243,720	$ 482,878,270	$ 798,414	$ 860,995,718
Production and intermediate-term						
Acceptable	$ 7,797,335	$ 7,773,868	$ 6,866,553	$ 7,156,985	$ 44,733,212	$ 74,327,953
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	880,022	-	880,022
	$ 7,797,335	$ 7,773,868	$ 6,866,553	$ 8,037,007	$ 44,733,212	$ 75,207,975
Agribusiness						
Acceptable	$ 6,024,976	$ 8,322,757	$ 8,815,935	$ 32,350,224	$ 4,185,400	$ 59,699,292
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-
	$ 6,024,976	$ 8,322,757	$ 8,815,935	$ 32,350,224	$ 4,185,400	$ 59,699,292
Communications						
Acceptable	$ 3,849,529	$ -	$ -	$ 8,452,696	$ 114,954	$ 12,417,179
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-
	$ 3,849,529	$ -	$ -	$ 8,452,696	$ 114,954	$ 12,417,179
Rural residential real estate						
Acceptable	$ 667,880	$ 1,741,445	$ 1,597,578	$ 3,406,997	$ -	$ 7,413,900
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	105,140	-	105,140
	$ 667,880	$ 1,741,445	$ 1,597,578	$ 3,512,137	$ -	$ 7,519,040
International						
Acceptable	$ 1,817,708	$ -	$ -	$ -	$ -	$ 1,817,708
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-
	$ 1,817,708	$ -	$ -	$ -	$ -	$ 1,817,708
Energy						
Acceptable	$ -	$ -	$ -	$ 404,323	$ -	$ 404,323
OAEM	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	83,952	-	83,952
	$ -	$ -	$ -	$ 488,275	$ -	$ 488,275
Total Loans						
Acceptable	$ 75,254,795	$ 156,816,017	$ 200,523,786	$ 524,453,852	$ 49,831,980	$ 1,006,880,430
OAEM	-	-	-	3,874,493	-	3,874,493
Substandard/Doubtful	-	-	-	7,390,264	-	7,390,264
	$ 75,254,795	**$ 156,816,017**	**$ 200,523,786**	**$ 535,718,609**	**$ 49,831,980**	**$ 1,018,145,187**

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

	September 30, 2023	December 31, 2022
Real estate mortgage		
Acceptable	**98.8** %	98.7 %
OAEM	**0.5**	0.5
Substandard/doubtful	**0.7**	0.8
	100.0	100.0
Production and intermediate-term		
Acceptable	**98.8**	99.8
OAEM	**-**	0.1
Substandard/doubtful	**1.2**	0.1
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	98.7
OAEM	**-**	-
Substandard/doubtful	**-**	1.3
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**98.6**	97.0
OAEM	**-**	-
Substandard/doubtful	**1.4**	3.0
	100.0	100.0
International		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy		
Acceptable	**82.8**	82.2
OAEM	**-**	-
Substandard/doubtful	**17.2**	17.8
	100.0	100.0
Total loans		
Acceptable	**98.9**	98.7
OAEM	**0.4**	0.5
Substandard/doubtful	**0.7**	0.8
	100.0 %	100.0 %

Accrued interest receivable on loans of $14,199,673 and $10,678,059 as of September 30, 2023, and December 31, 2022, have been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	September 30, 2023	December 31, 2022
Nonaccrual loans:		
Real estate mortgage	**$ 5,836,235**	$ 6,404,652
Production and intermediate-term	**880,022**	21,882
Energy	**83,952**	111,363
Rural residential real estate	**5,821**	8,972
Total nonaccrual loans	**$ 6,806,030**	$ 6,546,869
Restructured accrual loans:		
Real estate mortgage	**$ -**	$ 1,802,568
Production and intermediate-term	**-**	-
Energy	**-**	-
Rural residential real estate	**-**	121,827
Total restructured accrual loans	**$ -**	$ 1,924,395
Total nonperforming assets	**$ 6,806,030**	$ 8,471,264
Nonaccrual loans as a percentage of total loans	**0.67%**	0.64%
Nonperforming assets as a percentage of capital	**3.47%**	4.70%

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

	September 30, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Nonaccrual loans:					
Real estate mortgage	$ -	$ 5,836,235	$ 5,836,235	$ 957	$ 3,423
Production and intermediate-term	870,966	9,056	880,022	-	18,372
Energy	83,952	-	83,952	-	-
Rural residential real estate	-	5,821	5,821	-	-
Total nonaccrual loans	$ 954,918	$ 5,851,112	$ 6,806,030	$ 957	$ 21,795

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

September 30, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	**$ 1,662,588**	**$ 86,515**	**$ 1,749,103**	**$ 859,246,615**	**$ 860,995,718**	**$ -**
Production and intermediate term	**1,143,628**	**318,718**	**1,462,346**	**73,745,629**	**75,207,975**	**-**
Processing and marketing	**-**	**-**	**-**	**43,910,894**	**43,910,894**	**-**
Farm-related business	**-**	**-**	**-**	**15,178,900**	**15,178,900**	**-**
Communication	**-**	**-**	**-**	**12,417,179**	**12,417,179**	**-**
Rural residential real estate	**-**	**-**	**-**	**7,519,040**	**7,519,040**	**-**
International	**-**	**-**	**-**	**1,817,708**	**1,817,708**	**-**
Loans to cooperatives	**-**	**-**	**-**	**609,498**	**609,498**	**-**
Energy	**-**	**-**	**-**	**488,275**	**488,275**	**-**
Total	**$ 2,806,216**	**$ 405,233**	**$ 3,211,449**	**$ 1,014,933,738**	**$ 1,018,145,187**	**$ -**

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

December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 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	-
Total	$ 513,627	$ 51,083	$ 564,710	$ 1,035,187,442	$ 1,035,752,152	$ -

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

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications	Energy	Rural Residential Real Estate	International	Total
Allowance for Credit Losses on Loans:								
Balance at June 30, 2023	$ 2,656,636	$ 428,682	$ 141,311	$ 21,801	$ 56,485	$ 24,282	$ 1,498	$ 3,330,695
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	835	-	-	-	-	-	-	835
Provision for credit losses/(Loan loss reversal)	85,481	8,059	8,780	43,157	(110)	1,402	(1)	146,768
Other	-	-	-	-	-	-	-	-
Balance at September 30, 2023	**$ 2,742,952**	**$ 436,741**	**$ 150,091**	**$ 64,958**	**$ 56,375**	**$ 25,684**	**$ 1,497**	**$ 3,478,298**
Balance at December 31, 2022	$ 5,219,364	$ 493,924	$ 599,104	$ 36,724	$ 40,768	$ 53,995	$ 402	$ 6,444,281
Cumulative effect of a change in accounting principle	(2,180,585)	(435,834)	(339,314)	(21,118)	(26,091)	(19,249)	386	(3,021,805)
Balance at January 1, 2023	3,038,779	58,090	259,790	15,606	14,677	34,746	788	3,422,476
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	22,586	-	-	-	-	-	-	22,586
Provision for credit losses/(Loan loss reversal)	(318,413)	51,217	217,735	49,352	41,698	(9,062)	709	33,236
Other	-	327,434	(327,434)	-	-	-	-	-
Balance at September 30, 2023	**$ 2,742,952**	**$ 436,741**	**$ 150,091**	**$ 64,958**	**$ 56,375**	**$ 25,684**	**$ 1,497**	**$ 3,478,298**
Balance at June 30, 2022	$ 5,419,747	$ 493,817	$ 614,383	$ 39,058	$ 82,903	$ 56,586	$ 800	$ 6,707,294
Charge-offs	(25,765)	(1,017)	-	-	-	-	-	(26,782)
Recoveries	(459)	1,429	-	-	-	(970)	-	-
Provision for credit losses/(Loan loss reversal)	(103,536)	(7,500)	(10,265)	(1,535)	(7,999)	(965)	(250)	(132,050)
Other	521	18,351	1,676	150	-	-	-	20,698
Balance at September 30, 2022	$ 5,290,508	$ 505,080	$ 605,794	$ 37,673	$ 74,904	$ 54,651	$ 550	$ 6,569,160
Balance at December 31, 2021	$ 5,312,536	$ 497,018	$ 599,605	$ 36,694	$ 54,222	$ 53,955	$ 392	$ 6,554,422
Charge-offs	(114,578)	(1,017)	-	-	-	-	-	(115,595)
Recoveries	17,326	1,429	-	-	-	-	-	18,755
Provision for credit losses/(Loan loss reversal)	75,148	6,137	5,781	962	20,682	696	158	109,564
Other	76	1,513	408	17	-	-	-	2,014
Balance at September 30, 2022	$ 5,290,508	$ 505,080	$ 605,794	$ 37,673	$ 74,904	$ 54,651	$ 550	$ 6,569,160
Allowance for Unfunded Commitments:								
Balance at June 30, 2023	$ 402	$ 7,891	$ 17,882	$ 50	$ -	$ -	$ -	$ 26,225
Provision for unfunded commitments	100	(639)	3,987	1,095	-	-	-	4,543
Balance at September 30, 2023	**$ 502**	**$ 7,252**	**$ 21,869**	**$ 1,145**	**$ -**	**$ -**	**$ -**	**$ 30,768**
Balance at December 31, 2022	$ 137,111	$ 6,269	$ 31,269	$ 1,067	$ -	$ -	$ -	$ 175,716
Cumulative effect of a change in accounting principle	(136,329)	834	(10,761)	(928)	-	-	-	(147,184)
Balance at January 1, 2023	782	7,103	20,508	139	-	-	-	28,532
Provision for unfunded commitments	(280)	149	1,361	1,006	-	-	-	2,236
Balance at September 30, 2023	**$ 502**	**$ 7,252**	**$ 21,869**	**$ 1,145**	**$ -**	**$ -**	**$ -**	**$ 30,768**

For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

The Association did not materially modify any loans with borrowers experiencing financial difficulty as of September 30, 2023.

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within the Association's impaired loans under nonaccrual or accruing restructured loans.

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
Troubled debt restructurings:		
Real estate mortgage	**$ 1,975,309**	$ 4,664,689
Production and intermediate term	**21,882**	-
Rural residential real estate	**121,827**	118,285
Total	**$ 2,119,018**	$ 4,782,974

	TDRs in Nonaccrual Status*	
	December 31, 2022	December 31, 2021
Troubled debt restructurings:		
Real estate mortgage	**$ 172,741**	$ 303,689
Production and intermediate term	**21,882**	-
Rural residential real estate	**-**	-
Total	**$ 194,623**	$ 303,689

NOTE 3 — CAPITAL:

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

	September 30, 2023	December 31, 2022
Capital stock and participation certificates	**$ 2,952,310**	$ 2,948,335
Accumulated other comprehensive income	**193,840**	216,475
Unallocated Retained earnings[1]	**193,200,842**	176,934,599
Total Capital	**$ 196,346,992**	$ 180,099,409

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

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums wih Buffer	As of September 30, 2023
Common equity tier 1 ratio	7.00%	16.46%
Tier 1 capital ratio	8.50%	16.46%
Total capital ratio	10.50%	16.78%
Permanent capital ratio	7.00%	16.51%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.92%
UREE leverage ratio	1.50%	16.63%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2023:

Risk-adjusted Capital Ratios

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 189,326,678	$ 189,326,678	$ 189,326,678	$ 189,326,678
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,944,458	2,944,458	2,944,458	2,944,458
Allowance for credit losses subject to certain limitations	-	-	3,360,904	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,158,580)	(17,158,580)	(17,158,580)	(17,158,580)
	$ 175,112,556	$ 175,112,556	$ 178,473,460	$ 175,112,556
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,081,044,582	$ 1,081,044,582	$ 1,081,044,582	$ 1,081,044,582
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(17,158,580)	(17,158,580)	(17,158,580)	(17,158,580)
Allowance for credit losses on loans	-	-	-	(3,334,578)
	$ 1,063,886,002	$ 1,063,886,002	$ 1,063,886,002	$ 1,060,551,424

Non-risk-adjusted Capital Ratios

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 189,326,678	$ 189,326,678
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,944,458	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(17,158,580)	(17,158,580)
	$ 175,112,556	$ 172,168,098
Denominator:		
Total Assets	$ 1,055,133,258	$ 1,055,133,258
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(19,928,593)	(19,928,593)
	$ 1,035,204,665	$ 1,035,204,665

The following tables present the activity in the accumulated other comprehensive income (loss), net of tax by component:

	Accumulated Other Comprehensive Income
Balance at December 31, 2022	$ 216,475
Other comprehensive loss before reclassifications	(22,635)
Amounts reclassified from accumulated other comprehensive loss	-
Net current period other comprehensive loss	(22,635)
Balance at September 30, 2023	$ 193,840

	Accumulated Other Comprehensive Loss
Balance at December 31, 2021	$ (886,529)
Other comprehensive income before reclassifications	33,570
Amounts reclassified from accumulated other comprehensive loss	-
Net current period other comprehensive income	33,570
Balance at September 30, 2022	$ (852,959)

NOTE 4 — INCOME TAXES:

Louisiana Land Bank, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Louisiana Land Bank, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Louisiana Land Bank, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2022 Annual Report to Stockholders for a more complete description.

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

September 30, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in non-qualified benefits trusts	**$ 29,679**	**-**	**-**	**$ 29,679**
Total assets	**$ 29,679**	**$ -**	**$ -**	**$ 29,679**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in non-qualified benefits trusts	$ 27,812	-	-	$ 27,812
Total assets	$ 27,812	$ -	$ -	$ 27,812

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

September 30, 2023	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans	**$ -**	**$ -**	**$ 518,952**	**$ 518,952**	**$ -**

December 31, 2022	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans	$ -	$ -	$ 97,896	$ 97,896	$ -

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

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Valuation Techniques

As more fully discussed in Note 13 to the 2022 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2022 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

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

Loans Evaluated for Impairment

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

Collateral Liabilities

Derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of credit exposure are reached or are cleared through a futures commission merchant, with a clearinghouse (i.e., a central counterparty). The market value of collateral liabilities is its face value plus accrued interest that approximates fair value.

Cash

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

Loans

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

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

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

Commitments to Extend Credit

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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

Three months ended September 30:

	Other Benefits	
	2023	2022
Service cost	**$ 9,416**	$ 17,799
Interest cost	**40,692**	32,239
Amortization of prior service credits	**(7,545)**	(7,545)
Amortization of net actuarial loss	**-**	18,735
Net periodic benefit cost	**$ 42,563**	$ 61,228

Nine months ended September 30:

	Other Benefits	
	2023	2022
Service cost	**$ 28,248**	$ 53,395
Interest cost	**122,076**	96,712
Amortization of prior service credits	**(22,635)**	(22,635)
Amortization of net actuarial loss	**-**	56,205
Net periodic benefit cost	**$ 127,689**	$ 183,677

The Association’s liability for the unfunded accumulated obligation for these benefits as of September 30, 2023, was $3,240,988 and is included in “Other liabilities” on the Consolidated Balance Sheets.

The components of net periodic benefit cost other than the service cost component are included in the line item "Other components of net periodic postretirement benefit cost" in the Consolidated Statements of Comprehensive Income.

The structure of the District’s defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2022, that it expected to contribute $119,740 to the District’s defined benefit pension plan in 2023. As of September 30, 2023, $297,656 in contributions have been made.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

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