

# Annual Report 2023



◆ Financing All Things Country



Part of the Farm Credit System

Letter to Stockholders for  
2023 Annual Report

Dear Louisiana Land Bank Stockholders,

We are pleased to inform you that your Association has performed very well in 2023. Even with all the financial challenges in the marketplace in 2023, Louisiana Land Bank, ACA finished the year with solid operating and financial performance in key areas of capital, earnings, loan portfolio quality and audit results. Each year, the board of directors carefully reviews the financial performance of the Association and determines the amount of cash patronage that will be returned to our stockholders while also maintaining sufficient capital to support future lending operations. The patronage payout from 2023 operations will be \$8,832,000, which is approximately 0.81 percent of your average daily balance and will bring the total dollars returned to the stockholders over the past 10 years to more than \$79 million.

The Federal Reserve raised interest rates at an unprecedented rate to halt inflationary pressures that resulted in stress for the financial sectors. The Farm Credit Bank of Texas, the Association's funding bank, reduced the patronage paid to its member associations and retained more capital to enhance its safety and soundness. Obviously, this district bank decision has had a negative impact on the earnings of our Association and the funds available to be returned to you, our stockholders. But because your Association has continued to be well-managed and fiscally prudent, it has the financial resources and stability to return a solid patronage payment to our stockholders even after this very unusual year. This level of cash patronage payout is an indication of the continued positive financial performance of Louisiana Land Bank, ACA and represents 50 percent of the Association's net income.

Louisiana Land Bank is a grass-roots-driven customer-owned lending cooperative where the stockholder-elected directors are also producers with operations located throughout our state-wide chartered territory. Many of these directors, like our stockholders at large, faced multiple farm and agribusiness challenges over the past several years. Our Association leadership model utilizes the experience and expertise of this diverse group of stockholder-directors along with two outside directors to provide effective strategic guidance and sound operational oversight for the Association. Our cooperative business model focuses on offering competitive interest rates up front, maintaining a knowledgeable customer-focused staff, and ultimately returning a significant portion of our profits to our stockholders. This sound operating approach uniquely positions Louisiana Land Bank as the premier agricultural and rural lender in the state.

2023 was certainly a difficult year with the drought and inflationary pressures, but in typical Louisiana fashion, our stockholders once again steadfastly endured and effectively responded to the many adversities that occurred. The Association's success is tied directly to the well-being of the agricultural community and the citizens of rural Louisiana, and we look to the future with renewed optimism and unwavering faith in the ability of Louisiana farmers, agribusinesses, and rural landowners to prevail and prosper.

Most importantly, we want to thank you for your business and support, and we pledge to do all we can to continue to meet the future financial needs of our stockholders. Your board of directors and staff members are committed to providing ongoing value to our stockholders through regular reliable patronage payments while continuing to ensure that Louisiana Land Bank remains a financially sound lender providing excellent service to our stockholders in both good and challenging times.

Sincerely,



F. Stephen Austin  
Chief Executive Officer



Cullen M. Kovac  
Chairman of the Board

# **Louisiana Land Bank, ACA**

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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 8, 2024*



Cullen M. Kovac, Chairman, Board of Directors  
*March 8, 2024*



Christopher E. Bentley, Chief Financial Officer  
*March 8, 2024*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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



F. Stephen Austin, Chief Executive Officer  
March 8, 2024



Cullen M. Kovac, Chairman, Board of Directors  
March 8, 2024



Christopher E. Bentley, Chief Financial Officer  
March 8, 2024

## REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is comprised of Kristin Guillory – Chairman; Henry Capdeboscq, Jr.; Clark Canterbury; and John Van Mol, Jr. In 2023, 13 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 2023.

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, 2023, 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, 2023.

### Audit Committee Members

*Kristin Guillory, Chairman*  
*Henry Capdeboscq, Jr.*  
*Clark Canterbury*  
*John Van Mol, Jr.*

*March 8, 2024*

**LOUISIANA LAND BANK, ACA**

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

	2023	2022	2021	2020	2019
<b><u>Balance Sheet Data</u></b>					
<u>Assets</u>					
Cash	\$ 50	\$ 94	\$ 36	\$ 99	\$ 36
Loans	1,018,767	1,025,074	1,003,680	929,308	844,732
Less: allowance for credit losses on loans	3,249	6,444	6,554	6,353	5,350
Net loans	1,015,518	1,018,630	997,126	922,955	839,382
Investment in and receivable from the Farm Credit Bank of Texas	19,904	25,367	18,147	15,979	14,923
Other assets	17,812	15,756	14,527	14,496	15,110
Total assets	<u>\$ 1,053,284</u>	<u>\$ 1,059,847</u>	<u>\$ 1,029,836</u>	<u>\$ 953,529</u>	<u>\$ 869,451</u>
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 15,557	\$ 17,722	\$ 18,153	\$ 18,877	\$ 13,860
Obligations with maturities greater than one year	845,753	862,026	841,624	772,989	698,643
Total liabilities	861,310	879,748	859,777	791,866	712,503
<u>Members' Equity</u>					
Capital stock and participation certificates	2,961	2,948	2,979	2,873	2,779
Unallocated retained earnings	188,972	176,935	167,967	159,798	155,042
Accumulated other comprehensive income (loss)	41	216	(887)	(1,008)	(873)
Total members' equity	191,974	180,099	170,059	161,663	156,948
Total liabilities and members' equity	<u>\$ 1,053,284</u>	<u>\$ 1,059,847</u>	<u>\$ 1,029,836</u>	<u>\$ 953,529</u>	<u>\$ 869,451</u>
<b><u>Statement of Income Data</u></b>					
Net interest income	\$ 28,310	\$ 27,234	\$ 25,725	\$ 24,200	\$ 22,789
(Provision for) reversal of credit losses	(124)	8	(240)	(1,023)	(25)
Income from the Farm Credit Bank of Texas	3,800	6,922	6,196	4,735	3,584
Other noninterest income	712	662	774	1,752	917
Noninterest expense	(15,029)	(15,210)	(14,740)	(13,355)	(13,210)
(Provision for) benefit from income taxes	(5)	(1)	5	2	(4)
Net income	<u>\$ 17,664</u>	<u>\$ 19,615</u>	<u>\$ 17,720</u>	<u>\$ 16,311</u>	<u>\$ 14,051</u>
<b><u>Key Financial Ratios for the Year</u></b>					
Return on average assets	1.7%	1.9%	1.8%	1.8%	1.7%
Return on average members' equity	9.2%	11.0%	10.4%	9.9%	8.9%
Net interest income as a percentage of average earning assets	2.8%	2.7%	2.7%	2.7%	2.8%

**LOUISIANA LAND BANK, ACA**

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

	2023	2022	2021	2020	2019
<b><u>Key Financial Ratios at Year End*</u></b>					
Members' equity as a percentage of total assets	<b>18.2%</b>	17.0%	16.5%	17.0%	18.1%
Debt as a percentage of members' equity	<b>448.7%</b>	488.5%	505.6%	489.8%	454.0%
Allowance for credit losses on loans as a percentage of loans	<b>0.3%</b>	0.6%	0.7%	0.7%	0.6%
Common equity tier 1 ratio	<b>16.9%</b>	15.5%	15.3%	16.1%	17.1%
Tier 1 capital ratio	<b>16.9%</b>	15.5%	15.3%	16.1%	17.1%
Total capital ratio	<b>17.2%</b>	16.1%	15.9%	16.7%	17.7%
Permanent capital ratio	<b>16.9%</b>	15.6%	15.4%	16.2%	17.2%
Tier 1 leverage ratio	<b>17.3%</b>	16.0%	15.9%	16.9%	17.6%
UREE leverage ratio	<b>17.0%</b>	15.7%	17.0%	18.0%	18.8%

**Net Income Distribution**

Patronage dividends:

Cash	\$ 10,550	\$ 9,796	\$ 11,399	\$ 7,769	\$ 7,291
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\*The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2023. For more information, see Note 9, "Members Equity," in the accompanying consolidated financial statements.



## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)**

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of Louisiana Land Bank, ACA, including its wholly owned subsidiaries, Louisiana Production Credit Association, PCA and Louisiana Federal Land Bank, FLCA (collectively called “the Association”) for the years ended December 31, 2023, 2022, and 2021, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying consolidated financial statements were prepared under the oversight of the Association’s Audit Committee.

### **Forward-Looking Information:**

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

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

### **Significant Events:**

During 2023, the Association’s Board of Directors (Board) paid a patronage of \$10,550,218 to the eligible stockholders from 2022’s earnings. The patronage is in the form of a qualified patronage distribution.

The Association’s Board elected to pay patronage from 2023’s earnings totaling approximately \$8.83 million. It is anticipated that the patronage will be paid to eligible stockholders in the first quarter of 2024.

Mr. Mark Morgan retired from the board effective June 27, 2023. 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 re-elected 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.

In December 2023, the Association received a direct loan patronage of \$2,730,753 from the Bank, representing 28 basis points on the average daily balance of the Association’s direct loan with the Bank. During 2023, the Association received \$532,758 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 \$895,753 from the Bank, representing 74 basis points on the Association’s average balance of participation in the Bank’s patronage pool program.

Farm Credit Bank of Texas (FCBT) changed its operating philosophy as to their direct note patronage program during 2023. The change to the direct note patronage program is necessitated due to significant volatility in market conditions that impact FCBT’s capital level and other certain metrics. Updates to the matter can be found in the 2nd and 3rd quarter reports. Despite the change to the program, the Association still maintains adequate earnings and capital levels.

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:**

Louisiana Land Bank continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit during financial and macroeconomic volatility driven by factors such as elevated interest rates and persistently high inflation. Despite the challenging operating environment, credit quality in the Association's chartered territory remains strong. Volatility in risk ratings is likely to be of concern soon due to the persistence of inflationary pressure, the relatively high cost of debt, and an underlying recession risk.

The Consumer Price Index for All Urban Consumers increased by 3.1 percent for the 12-month period ending January 2024, above the long-term target of approximately 2.0 percent. However, recent inflation rates represent significant declines from the four-decade high of 9.1 percent reached in June 2022. Since July 2023, the Federal Open Market Committee (FOMC) has maintained the target federal funds rate within the 5.25–5.50 percent range. At the January 2024 FOMC meeting, the Committee stated that it does not expect it will be appropriate to reduce the target federal funds rate until it has gained greater confidence that inflation is moving sustainably toward 2.0 percent. Participants indicated that the policy rate was likely at or near its peak for this tightening cycle and that cuts in the federal funds rate were probable during 2024. Participants were resolute in their commitment to bring inflation down to the 2.0 percent long-run objective while achieving maximum employment.

On January 25, 2024, the U.S. Bureau of Economic Analysis (BEA) released an advance estimate of real gross domestic product (GDP) for the fourth quarter of 2023. U.S. real GDP increased at an annual rate of 3.3 percent during the fourth quarter of 2023, down from 4.9 percent during the previous quarter but up from 2.6 percent during the same period a year ago. The increase in real GDP during the fourth quarter primarily reflected higher levels of consumer spending, exports, and state and local government spending, among other categories. According to the International Monetary Fund's latest World Economic Outlook released in January 2024, U.S. real GDP growth is estimated to be 2.1 percent in 2024 and 1.7 percent in 2025, revised from its October edition. For Louisiana, the BEA estimated that third quarter 2023 annualized real GDP growth rate was 6.6 percent. Nondurable-goods manufacturing was the leading contributor to growth in Louisiana, which was the fifth-largest increase in real GDP.

The U.S. Bureau of Labor Statistics (BLS) indicated that the U.S. unemployment rate remained steady month-over-month (MOM) at 3.7 percent in January 2024, up from 3.3 percent in October and up from 3.5 percent during the same period a year ago. The December state unemployment rate in Louisiana was 3.7 percent as well.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the fourth quarter of 2023 to an average of nearly \$79 per barrel from an average of about \$82 per barrel in the third quarter. The front-month WTI price similarly decreased by approximately 5.0 percent compared to a year ago. In the February 2024 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be about \$78 per barrel in 2024 and \$75 per barrel in 2025. The WTI spot price closed at about \$74 per barrel in January 2024.

On February 7, 2024, the U.S. Department of Agriculture (USDA) released its 2024 farm income forecast and updated prior-year estimates. After increasing by 30.3 percent year-over-year (YOY) in 2022 and reaching a record high, nominal net farm income is estimated to have decreased YOY by 16.0 percent to \$155.9 billion in 2023 and is forecasted to continue declining by approximately 25.5 percent in 2024. Total production expenses are estimated to have increased by 2.3 percent YOY in 2023 to approximately \$438.3 billion and are forecasted to continue rising by 3.8 percent in 2024. Direct government farm payments are estimated at \$12.2 billion in 2023, down 21.8 percent from 2022. Additionally, direct government payments are forecasted to decrease by 15.9 percent in 2024. Interest expenses and livestock/poultry purchases are estimated to have seen the largest increases in 2023, while spending on fertilizer/lime/soil, conditioners/fuels/oils, and feed are estimated to have declined YOY. Livestock/poultry purchases and labor expenses are forecasted to exhibit the largest increases in 2024. Farm sector assets are estimated to have increased by 6.6 percent in 2023 and are forecasted to continue rising by 4.7 percent in 2024, following expected increases in the value of farm real estate assets. Similarly, equity is forecasted to have increased by 6.8 percent in 2023 and to continue improving by 4.7 percent in 2024. The U.S. farm sector debt-to-asset ratio is estimated to have improved YOY from 12.9 percent in 2022 to 12.7 percent in 2023 but is forecasted to deteriorate slightly to 12.8 percent in 2024.

According to USDA's February 2024 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, wheat, and soybeans are estimated to have increased by approximately 9.0 percent, 15.7 percent, and 6.8 percent, respectively, YOY during the 2022/23 marketing year, while the average farm price for upland cotton is estimated to have declined by 7.2 percent. The prices of these crops are projected to decrease during the 2023/24 season from a range of nearly 9.2 percent (cotton) to 26.6 percent (corn). Barrow and gilt, broiler, and turkey prices are estimated to have decreased by 17.7 percent, 11.5 percent, and 9.3 percent, respectively, YOY in 2023, while steer prices are estimated to have risen by an average of 21.6 percent. Relatively small price increases (i.e., less than 2.6 percent) are projected for steers, barrows and gilts, and broilers in 2024, while turkey prices are projected to decline YOY by nearly 24.0 percent. USDA estimates that all-milk prices declined by 19.2 percent from an average

of about \$25.3 per hundredweight (/cwt.) in 2022 to an estimated average of \$20.5/cwt. in 2023. All-milk prices are projected to increase in 2024 by about 2.3 percent.

Front-month random length lumber futures prices increased over the fourth quarter of 2023 by approximately 14.2 percent, leading to a YOY increase of 16.8 percent in 2023. Lumber futures prices were volatile in 2023, and this volatility will likely persist in 2024 as elevated interest rates continue to affect construction-related demand. Front-month lumber prices decreased by about 1.9 percent MOM in January 2024 and were down by 12.9 percent YOY.

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

Agricultural producers and processors were negatively impacted by several factors during 2023, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges, and adverse weather conditions. However, the Association's loan portfolio remained resilient and well-supported.

### **Adoption of New Accounting Standard**

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment at January 1, 2023, reflecting a decrease in the Association's ACL of \$3,168,989 on outstanding loans and unfunded commitments and a corresponding increase in retained earnings.

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

### **Loan Portfolio:**

The Association makes and services loans to farmers, ranchers, rural homeowners, and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-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 \$1,018,766,777, \$1,025,074,093, and \$1,003,680,258 as of December 31, 2023, 2022, and 2021, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses," included in this annual report.

### **Purchase and Sales of Loans:**

During 2023, 2022, and 2021, the Association was participating in loans with other lenders. As of December 31, 2023, 2022, and 2021, these participations totaled \$77,179,949, \$79,501,053, and \$67,685,364, or 7.6 percent, 7.8 percent, and 6.7 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of \$600,434, \$950,221, and \$1,420,702, or 0.1 percent of loans each year. The Association has also sold participations of \$179,000,585, \$149,179,819, and \$130,038,555 as of December 31, 2023, 2022, and 2021, respectively.

## Risk Exposure:

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

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

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Nonaccrual loans	\$ 6,508,350	100.0%	\$ 6,546,869	100.0%	\$ 1,723,169	100.0%
90 days past due and still accruing interest	-	0.0%	-	0.0%	-	0.0%
Other property owned, net	-	0.0%	-	0.0%	-	0.0%
Total	\$ 6,508,350	100.0%	\$ 6,546,869	100.0%	\$ 1,723,169	100.0%

At December 31, 2023, 2022, and 2021, nonperforming loans were \$6,508,350, \$6,546,869, and \$1,723,169 representing 0.6 percent, 0.6 percent, and 0.2 percent of loan volume, respectively.

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 Credit Losses on Loans:

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

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based 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 allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include credit quality rating (probability of default and loss given default), loss rates, exposure at default, and prepayment estimates. 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 Association utilizes certain scenarios and input factors as model input. These scenarios and input factors utilized are baseline economic scenarios, upside economic scenarios, and downside economic scenarios.

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 included, but were limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of \$3,248,864, \$6,444,281 and \$6,554,422 at December 31, 2023, 2022, and 2021, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. Based on accounting guidance, management believes the current allowance levels are adequate. The Association's historically low loss rate paired with the large first mortgage real estate collateral position allows for allowance levels at the current level.

## Results of Operations:

The Association's net income for the year ended December 31, 2023, was \$17,664,294 as compared to \$19,615,200 for the year ended December 31, 2022, reflecting a decrease of \$1,950,906, or 10.0 percent. The Association's net income for the year ended December 31, 2021, was \$17,719,823. Net income increased \$1,895,377, or 10.7 percent, in 2022 versus 2021.

Net interest income for 2023, 2022, and 2021 was \$28,309,697, \$27,234,019, and \$25,725,089, respectively, reflecting increases of \$1,075,678, or 3.9 percent, for 2023 versus 2022 and \$1,508,930, or 5.9 percent, for 2022 versus 2021. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt.

The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2023		2022		2021	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,017,201,846	\$ 54,352,704	\$ 1,021,840,103	\$ 46,797,114	\$ 960,399,332	\$ 41,669,698
Interest-bearing liabilities	848,294,124	26,043,007	860,117,260	19,563,095	805,062,599	15,944,609
Impact of capital	\$ 168,907,722		\$ 161,722,843		\$ 155,336,733	
Net interest income		\$ 28,309,697		\$ 27,234,019		\$ 25,725,089

	2023	2022	2021
	Average Yield	Average Yield	Average Yield
Yield on loans	5.34%	4.58%	4.34%
Cost of interest-bearing liabilities	3.07%	2.27%	1.98%
Interest rate spread	2.27%	2.31%	2.36%

	2023 vs. 2022			2022 vs. 2021		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ (212,418)	\$ 7,768,008	\$ 7,555,590	\$ 2,665,792	\$ 2,461,624	\$ 5,127,416
Interest expense	(268,917)	6,748,829	6,479,912	1,090,357	2,528,129	3,618,486
Net interest income	\$ 56,499	\$ 1,019,179	\$ 1,075,678	\$ 1,575,435	\$ (66,505)	\$ 1,508,930

Interest income for 2023 increased by \$7,555,590, or 16.1 percent, compared to 2022, primarily due to an increase in yields on earning assets. Interest expense for 2023 increased by \$6,479,912, or 33.1 percent, compared to 2022, due to an increase in interest rates. The interest rate spread decreased by four basis points to 2.27 percent in 2023 from 2.31 percent in 2022. The interest rate spread decreased by five basis points to 2.31 percent in 2022 from 2.36 percent in 2021. Interest rate volatility could negatively impact margin going forward.

Noninterest income for 2023 decreased by \$3,070,534, or 40.5 percent, compared to 2022, due primarily to a decrease in the direct note patronage from the Bank. Noninterest income for 2022 increased by \$613,334, or 8.8 percent, compared to 2021.

Provisions for loan losses increased by \$132,686, or 1,576.2 percent, from \$(8,418) to \$124,268 for the years ended December 31, 2022 and 2023, respectively, primarily due to fluctuation in credit ratings within the portfolio.

Operating expenses consist primarily of salaries and employee benefits and insurance fund premiums. Operating expenses decreased by \$181,464 in 2023 when compared with 2022, primarily due to a decrease in salaries and employee benefits of \$228,296, or 2.5 percent, and a decrease in insurance fund premiums of \$188,501, or 10.7 percent. The Association is required to pay into an insurance fund as part of the Farm Credit System. Offsetting these decreases were increases in travel and advertising expenses of \$115,051, or 19.7 percent, and \$48,389, or 11.6 percent, respectively. 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 \$70,677, \$736,611, and \$958,836 for 2023, 2022, and 2021, 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 \$425,850 related to the origination of loans.

For the year ended December 31, 2023, the Association's return on average assets was 1.7 percent, as compared to 1.9 percent and 1.8 percent for the years ended December 31, 2022, and 2021, respectively. For the year ended December 31, 2023, the Association's return on average members' equity was 9.2 percent, as compared to 11.0 percent and 10.4 percent for the years ended December 31, 2022, and 2021, 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.

### **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 \$843,355,247, \$860,008,054, and \$840,219,583 as of December 31, 2023, 2022, and 2021, respectively, is recorded as a liability on the Association's Consolidated Balance Sheets. The note carried a weighted average interest rate of 3.36 percent, 2.76 percent and 1.95 percent at December 31, 2023, 2022, and 2021, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement (GFA). The decrease in note payable to the Bank since December 31, 2022, is due to a decrease in accrual loan volume while the increase in related accrued interest payable since December 31, 2022, is due to an increase in the cost of funds.

The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$174,542,794, \$164,548,581, and \$162,933,878 at December 31, 2023, 2022, and 2021, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was \$1,090,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, maximize debt reduction, and increase accrual loan volume. This policy will continue to be pursued during 2024. As borrower payments are received, they are applied to the Association's note payable to the Bank.

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

### **Capital Resources:**

The Association's capital position remains strong, with total members' equity of \$191,974,740, \$180,099,409, and \$170,059,834 at December 31, 2023, 2022, and 2021, respectively.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 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, 2023, 2022, and 2021 was 16.91 percent, 15.56 percent, and 15.36 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 conversation buffer of 2.5 percent applicable to each ratio. The 2.5 percent capital conversation buffer was phased in over a three-year period ending on December 31, 2019. The Association's CET1 ratio was 16.86 percent, Tier 1 capital ratio was 16.86 percent, and total capital ratio was 17.18 percent at December 31, 2023. 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 17.32 percent and UREE leverage ratio was 17.03 percent at December 31, 2023.

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, 2023, 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.

### **Regulatory Matters:**

At December 31, 2023, the Association was not operating under written agreements with the Farm Credit Administration (FCA).

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

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

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

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 Bank's Tier 2 capital up to 1.25 percent of the Bank'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 Bank'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 Bank'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 2023, 2022, and 2021, the Association paid cash patronage of \$10,550,218, \$9,796,283, and \$11,398,708, respectively. The board of directors approved a qualified patronage distribution of \$8,832,000 to be paid prior to September 15, 2024, from 2023 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 Farm Credit Bank of Texas.”

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 107 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, 2023, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

## ***Other Information***

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

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



Austin, Texas  
March 8, 2024

**LOUISIANA LAND BANK, ACA**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,		
	2023	2022	2021
<b><u>Assets</u></b>			
Cash	\$ 50,001	\$ 93,953	\$ 36,228
Loans	1,018,766,777	1,025,074,093	1,003,680,258
Less: allowance for credit losses on loans	3,248,864	6,444,281	6,554,422
Net loans	1,015,517,913	1,018,629,812	997,125,836
Accrued interest receivable	12,542,722	10,678,059	9,191,090
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	17,756,466	17,158,580	15,971,980
Other	2,147,253	8,208,432	2,174,631
Premises and equipment	4,367,535	4,106,206	4,544,576
Other assets	902,494	972,355	791,970
Total assets	<u>\$ 1,053,284,384</u>	<u>\$ 1,059,847,397</u>	<u>\$ 1,029,836,311</u>
<b><u>Liabilities</u></b>			
Note payable to the Farm Credit Bank of Texas	\$ 843,355,247	\$ 860,008,054	\$ 840,219,583
Advance conditional payments	4,754	-	-
Accrued interest payable	2,340,529	2,017,795	1,404,171
Drafts outstanding	52,507	28,835	102,601
Patronage distributions payable	8,834,074	10,588,753	9,736,987
Other liabilities	6,722,533	7,104,551	8,313,135
Total liabilities	<u>861,309,644</u>	<u>879,747,988</u>	<u>859,776,477</u>
<b><u>Members' Equity</u></b>			
Capital stock and participation certificates	2,961,020	2,948,335	2,978,915
Unallocated retained earnings	188,972,343	176,934,599	167,967,448
Accumulated other comprehensive income (loss)	41,377	216,475	(886,529)
Total members' equity	<u>191,974,740</u>	<u>180,099,409</u>	<u>170,059,834</u>
Total liabilities and members' equity	<u>\$ 1,053,284,384</u>	<u>\$ 1,059,847,397</u>	<u>\$ 1,029,836,311</u>

*The accompanying notes are an integral part of these consolidated financial statements*  
*Louisiana Land Bank, ACA — 2023 Annual Report*

**LOUISIANA LAND BANK, ACA**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2023	2022	2021
<b><u>Interest Income</u></b>			
Loans	\$ 54,352,704	\$ 46,797,114	\$ 41,669,698
Total interest income	54,352,704	46,797,114	41,669,698
<b><u>Interest Expense</u></b>			
Note payable to the Farm Credit Bank of Texas	26,042,629	19,563,095	15,944,609
Advance conditional payments	378	-	-
Total interest expense	26,043,007	19,563,095	15,944,609
Net interest income	28,309,697	27,234,019	25,725,089
<b><u>Provision for (reversal of) credit losses</u></b>	124,268	(8,418)	240,456
Net interest income after provision for (reversal of) credit losses	28,185,429	27,242,437	25,484,633
<b><u>Noninterest Income</u></b>			
Income from the Farm Credit Bank of Texas:			
Patronage income	3,800,303	6,921,870	6,195,881
Loan fees	249,075	269,018	618,715
Financially related services income	1,954	1,957	1,967
Gain on other property owned, net	-	-	25,328
Gain on sale of premises and equipment, net	329,177	217,142	526
Other noninterest income	132,753	173,809	128,045
Total noninterest income	4,513,262	7,583,796	6,970,462
<b><u>Noninterest Expenses</u></b>			
Salaries and employee benefits	8,866,159	9,094,455	9,669,064
Directors' expense	383,559	369,828	298,522
Purchased services	436,365	432,537	400,563
Travel	698,674	583,623	469,527
Occupancy and equipment	771,853	735,411	729,910
Communications	199,031	209,804	244,608
Advertising	466,811	418,422	349,902
Public and member relations	439,415	429,305	230,303
Supervisory and exam expense	735,924	711,796	585,862
Insurance Fund premiums	1,578,120	1,766,621	1,361,270
Other components of net periodic postretirement benefit cost	132,592	173,710	174,621
Other noninterest expense	320,520	284,975	225,739
Total noninterest expenses	15,029,023	15,210,487	14,739,891
Income before income taxes	17,669,668	19,615,746	17,715,204
Provision for (benefit from) income taxes	5,374	546	(4,619)
<b>NET INCOME</b>	17,664,294	19,615,200	17,719,823
Other comprehensive (loss) income:			
Change in postretirement benefit plans	(175,098)	1,103,004	121,099
Other comprehensive (loss) income, net of tax	(175,098)	1,103,004	121,099
<b>COMPREHENSIVE INCOME</b>	\$ 17,489,196	\$ 20,718,204	\$ 17,840,922

*The accompanying notes are an integral part of these consolidated financial statements  
Louisiana Land Bank, ACA — 2023 Annual Report*



LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	\$ 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 retired	(367,870)	-	-	(367,870)
Patronage dividends:				
Patronage declared and accrued	-	(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 retired	(342,640)	-	-	(342,640)
Patronage dividends:				
Patronage declared and accrued	-	(10,648,049)	-	(10,648,049)
Balance at December 31, 2022	2,948,335	176,934,599	216,475	180,099,409
Cumulative effect of a 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	-	17,664,294	(175,098)	17,489,196
Capital stock/participation certificates issued	281,265	-	-	281,265
Capital stock/participation certificates retired	(268,580)	-	-	(268,580)
Patronage dividends:				
Patronage declared and accrued	-	(8,795,539)	-	(8,795,539)
<b>Balance at December 31, 2023</b>	<b>\$ 2,961,020</b>	<b>\$ 188,972,343</b>	<b>\$ 41,377</b>	<b>\$ 191,974,740</b>

*The accompanying notes are an integral part of these consolidated financial statements*  
Louisiana Land Bank, ACA — 2023 Annual Report

**LOUISIANA LAND BANK, ACA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net income	\$ 17,664,294	\$ 19,615,200	\$ 17,719,823
Adjustments to reconcile net income to net			
Cash provided by operating activities			
Provision for (reversal of) credit losses	124,268	(8,418)	240,456
Gain on sale of other property owned, net	-	-	(34,166)
Depreciation	525,256	516,383	498,266
Gain on sale of premises and equipment, net	(329,177)	(217,142)	(526)
(Increase) decrease in accrued interest receivable	(1,864,663)	(1,486,969)	222,803
Decrease (increase) in other receivable from			
the Farm Credit Bank of Texas	6,061,179	(6,033,801)	(788,413)
Decrease (increase) in deferred tax assets	5,374	546	(4,619)
Decrease (increase) in other assets	43,424	(308,716)	(207,721)
Increase in accrued interest payable	322,734	613,624	50,166
(Decrease) increase in other liabilities	(388,869)	22,205	1,220,542
Allocated Equities from the Farm Credit Bank of Texas	(711,226)	-	-
Net cash provided by operating activities	21,452,594	12,712,912	18,916,611
<b>Cash flows from investing activities:</b>			
Decrease (increase) in loans, net	5,949,604	(21,584,080)	(75,044,126)
Cash recoveries of loans previously charged off	22,585	18,755	8,535
Proceeds from purchase of investment in			
the Farm Credit Bank of Texas	(597,886)	(1,186,600)	(1,379,225)
Purchases of premises and equipment	(875,655)	(134,355)	(553,398)
Transfers of premises and equipment	31,225	-	-
Proceeds from sales of premises and equipment	424,269	343,251	700
Proceeds from sales of other property owned	-	-	594,792
Purchases of other investments in			
the Farm Credit Bank of Texas	711,226	-	-
Net cash provided by (used in) investing activities	5,665,368	(22,543,029)	(76,372,722)

*The accompanying notes are an integral part of these consolidated financial statements*  
*Louisiana Land Bank, ACA — 2023 Annual Report*

**LOUISIANA LAND BANK, ACA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2023	2022	2021
<b>Cash flows from financing activities:</b>			
Net (repayment of) draws on note payable to the Farm Credit Bank of Texas	(16,652,807)	19,788,471	68,584,803
Increase (decrease) in drafts outstanding	23,672	(73,766)	101,256
Increase in advance conditional payments	4,754	-	-
Issuance of capital stock and participation certificates	281,265	312,060	473,725
Retirement of capital stock and participation certificates	(268,580)	(342,640)	(367,870)
Patronage distributions paid	(10,550,218)	(9,796,283)	(11,398,708)
Net cash (used in) provided by financing activities	(27,161,914)	9,887,842	57,393,206
Net (decrease) increase in cash	(43,952)	57,725	(62,905)
Cash at the beginning of the year	93,953	36,228	99,133
Cash at the end of the year	\$ 50,001	\$ 93,953	\$ 36,228

**Supplemental schedule of noncash investing and financing activities:**

Loans transferred to other property owned	\$ -	\$ -	\$ 560,626
Loans charged off	318,718	115,594	82,512
Transfer of allowance for credit losses into reserve for unfunded commitments	1,749	-	-
Patronage distributions declared	8,795,539	10,648,049	9,549,978

**Supplemental cash flow information:**

Cash paid during the year for:			
Interest	\$ 25,719,895	\$ 18,949,471	\$ 15,894,443

**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 which 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, 2023, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation), and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the “District.” The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2023, the District consisted of the Bank, one FLCA and 12 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico, and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0 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 associations.

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

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

The Association’s financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders’ investments in the Association. The Bank’s Annual Report to Stockholders discusses the material aspects of the District’s financial condition, changes in financial condition, and results of operations. In addition, the Bank’s Annual Report to Stockholders identifies favorable and unfavorable trends, significant

events, uncertainties, and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank's Annual Report to Stockholders.

## NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### *Basis of Presentation and Consolidation*

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

### *Use of Estimates*

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

The accounting and reporting policies of the Association conform to GAAP and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. 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: On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance titled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance is applied on a modified retrospective basis. This framework requires management to consider in its estimate of the allowance for credit losses (ACL), relevant historical events, current conditions, and reasonable and supportable forecasts that consider macroeconomic conditions.

Also adopted effective January 1, 2023, was the updated guidance titled "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 balance sheet impact to the allowance for credit losses and capital upon adoption of this guidance on January 1, 2023:

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

In December 2022, the FASB issued an update titled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021. In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective

basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2021, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2023, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be September 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief. 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 2022, the FASB issued an update titled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of this guidance did not impact the Association's financial condition or results of operation as the System does not have a current derivative hedging strategy in which the last-of-layer method is used.

- B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- C. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 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. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

### ***Nonaccrual Loans***

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

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

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms, and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

### ***Accrued Interest Receivable***

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



### ***Loan Modifications to Borrowers Experiencing Financial Difficulty***

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

### ***Collateral Dependent Loans***

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

### ***Allowance for Credit Losses***

Effective January 1, 2023, the 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 cancelable. The ACL comprises:

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

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

### ***Allowance for Credit Losses on Loans***

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

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

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. 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 components of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include credit

quality rating (probability of default and loss given default), loss rates, exposure at default, and prepayment estimates. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

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

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

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

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

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

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

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

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. It is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the Consolidated Balance Sheets. 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 Consolidated 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 Sheets. 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: Substantially all employees of the Association may be eligible to participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. 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, 2023, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multiemployer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of \$299,691, \$283,650, and \$267,797 for the years ended December 31, 2023, 2022, and 2021, respectively. For the DB plan, the Association recognized pension costs of \$396,875, \$580,358, and \$698,293 for the years ended December 31, 2023, 2022, and 2021, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 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 \$200,933, \$199,676, and \$199,818 for the years ended December 31, 2023, 2022, and 2021, respectively.

In addition to the DB plan, the DC plan, and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were \$0, \$2,500, and \$12,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

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

- 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 CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

Loan Type	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 853,987,185	83.8%	\$ 868,624,419	84.6%	\$ 845,921,789	84.2%
Production and intermediate-term	73,200,019	7.2%	67,652,607	6.6%	64,560,323	6.4%
Agribusiness:						
Processing and marketing	53,553,829	5.3%	51,089,754	5.0%	38,976,394	3.9%
Farm-related business	15,352,863	1.5%	16,482,183	1.6%	17,117,007	1.7%
Loans to cooperatives	590,535	0.1%	627,997	0.1%	14,846,702	1.5%
Communication	12,451,812	1.2%	11,237,147	1.1%	11,119,992	1.1%
Rural residential real estate	7,334,447	0.7%	7,757,884	0.8%	7,746,666	0.8%
International	1,817,827	0.2%	977,113	0.1%	1,826,765	0.2%
Energy	478,260	0.0%	624,989	0.1%	762,818	0.1%
Water and waste water	-	0.0%	-	0.0%	801,802	0.1%
Total	<u>\$ 1,018,766,777</u>	<u>100.0%</u>	<u>\$ 1,025,074,093</u>	<u>100.0%</u>	<u>\$ 1,003,680,258</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, 2023:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 41,623,535	\$ 15,734,146	\$ -	\$ -	\$ 41,623,535	\$ 15,734,146
Agribusiness	19,096,712	161,545,474	-	-	19,096,712	161,545,474
Communication	12,451,812	-	-	-	12,451,812	-
International	1,817,827	-	-	-	1,817,827	-
Production and intermediate-term	1,711,803	1,720,965	-	-	1,711,803	1,720,965
Energy	478,260	-	-	-	478,260	-
Total	<u>\$ 77,179,949</u>	<u>\$ 179,000,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,179,949</u>	<u>\$ 179,000,585</u>

Geographic Distribution by loan volume as of December 31:

Region	2023	2022	2021
<b>Louisiana</b>			
Northeast	22.58%	28.31%	29.60%
Northwest	16.77%	13.47%	13.97%
Southeast	29.31%	21.11%	19.55%
Southwest	19.83%	17.30%	18.08%
<b>Total Louisiana</b>	<b>88.49%</b>	80.19%	81.20%
<b>Out of State</b>	<b>11.51%</b>	19.81%	18.80%
	<b>100.00%</b>	100.00%	100.00%

With the software conversion, as noted in the MD&A, the Association is migrating to updated geographic reporting to better align with regulatory guidelines, which focuses on the borrowers' headquarters location. 2023 reflects the change, and that will carry forward. Prior years are presented with historical reporting logic, which primarily reflected the geographic location of the underlying collateral.

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	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Cash grains	\$ 221,948,709	21.8%	\$ 222,419,948	21.7%	\$ 211,856,517	21.1%
Timber	209,416,254	20.6%	215,534,889	21.0%	221,495,938	22.0%
Hunting, trapping and game propagation	201,711,958	19.8%	195,347,298	19.1%	186,055,898	18.5%
Livestock, except dairy and poultry	82,876,123	8.1%	85,068,119	8.3%	83,410,084	8.3%
General farms, primarily crops	145,559,877	14.3%	146,024,015	14.2%	124,253,474	12.4%
Food and kindred products	45,650,129	4.5%	42,449,697	4.1%	42,924,656	4.3%
Rural home loans	14,408,604	1.4%	15,159,913	1.5%	16,363,443	1.6%
Poultry and eggs	13,092,986	1.3%	12,609,281	1.2%	14,357,967	1.4%
Communication	12,451,812	1.2%	11,237,147	1.1%	11,119,992	1.1%
Animal specialties	9,812,245	1.0%	9,860,136	1.0%	15,768,511	1.6%
Wholesale trade - nondurable goods	9,325,029	0.9%	10,112,644	1.0%	10,830,242	1.1%
Paper and allied products	8,027,426	0.8%	7,163,519	0.7%	6,018,328	0.6%
Public warehousing and storage	6,756,818	0.7%	7,252,001	0.7%	7,766,082	0.8%
Farm and garden machinery equipment	6,398,543	0.6%	9,276,330	0.9%	14,615,615	1.5%
Agricultural services	4,807,081	0.5%	5,116,596	0.5%	5,702,385	0.6%
Chemical and allied products	4,548,758	0.4%	4,699,884	0.5%	4,833,119	0.5%
Commercial fishing	4,447,027	0.4%	4,487,652	0.4%	3,708,070	0.4%
Dairy farms	3,872,453	0.4%	4,312,694	0.4%	5,141,395	0.5%
Real estate	3,232,765	0.3%	1,919,810	0.2%	1,566,250	0.2%
Fruit and tree nuts	3,132,298	0.3%	7,251,856	0.7%	4,069,661	0.4%
Vegetables and melons	686,623	0.1%	710,761	0.1%	772,481	0.1%
Electric services	478,260	0.0%	624,989	0.1%	762,818	0.1%
General farms, primarily livestock	71,802	0.0%	1,837,591	0.2%	2,092,368	0.2%
Other	6,053,197	0.6%	4,597,323	0.4%	8,194,964	0.7%
Total	<u>\$ 1,018,766,777</u>	<u>100.0%</u>	<u>\$ 1,025,074,093</u>	<u>100.0%</u>	<u>\$ 1,003,680,258</u>	<u>100.0%</u>

A legacy Standard Industrial Classification (SIC) code has been remapped. The Association will no longer use "Field crops except cash grains," and that volume is now a part of "General farms, primarily crops." 2023 data in the preceding table reflects this change. The data for those two categories have been consolidated for 2022 and 2021 in the preceding table as well.

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.

### 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, each association that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 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 December 31, 2023. Accrued interest receivable on loans of \$12,542,722, \$10,678,059, and \$9,191,090 at December 31, 2023, 2022, and 2021, respectively, has been excluded from the amortized cost of loans and reported separately on the Consolidated Balance Sheets.

Term Loans									
Amortized Cost by Origination Year									
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis		Total		
Real estate mortgage									
Acceptable	\$ 68,446,547	\$ 136,038,743	\$ 180,168,544	\$ 458,721,032	\$ 798,475		\$ 844,173,341		
OAEM	-	-	-	3,474,133	-		3,474,133		
Substandard/Doubtful	-	138,478	-	6,201,233	-		6,339,711		
	\$ 68,446,547	\$ 136,177,221	\$ 180,168,544	\$ 468,396,398	\$ 798,475		\$ 853,987,185		
Production and intermediate-term									
Acceptable	\$ 9,665,267	\$ 6,570,319	\$ 6,604,273	\$ 6,512,262	\$ 43,286,452		\$ 72,638,573		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	561,446	-		561,446		
	\$ 9,665,267	\$ 6,570,319	\$ 6,604,273	\$ 7,073,708	\$ 43,286,452		\$ 73,200,019		
Agribusiness									
Acceptable	\$ 11,223,577	\$ 7,186,386	\$ 8,697,124	\$ 31,313,615	\$ 11,076,525		\$ 69,497,227		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	-	-		-		
	\$ 11,223,577	\$ 7,186,386	\$ 8,697,124	\$ 31,313,615	\$ 11,076,525		\$ 69,497,227		
Communications									
Acceptable	\$ 3,834,179	\$ -	\$ -	\$ 8,441,684	\$ 175,949		\$ 12,451,812		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	-	-		-		
	\$ 3,834,179	\$ -	\$ -	\$ 8,441,684	\$ 175,949		\$ 12,451,812		
Rural residential real estate									
Acceptable	\$ 767,674	\$ 1,643,645	\$ 1,561,752	\$ 3,259,199	\$ -		\$ 7,232,270		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	102,177	-		102,177		
	\$ 767,674	\$ 1,643,645	\$ 1,561,752	\$ 3,361,376	\$ -		\$ 7,334,447		
International									
Acceptable	\$ 1,817,827	\$ -	\$ -	\$ -	\$ -		\$ 1,817,827		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	-	-		-		
	\$ 1,817,827	\$ -	\$ -	\$ -	\$ -		\$ 1,817,827		
Energy									
Acceptable	\$ -	\$ -	\$ -	\$ 404,322	\$ -		\$ 404,322		
OAEM	-	-	-	-	-		-		
Substandard/Doubtful	-	-	-	73,938	-		73,938		
	\$ -	\$ -	\$ -	\$ 478,260	\$ -		\$ 478,260		
Total Loans									
Acceptable	\$ 95,755,071	\$ 151,439,093	\$ 197,031,693	\$ 508,652,114	\$ 55,337,401		\$ 1,008,215,372		
OAEM	-	-	-	3,474,133	-		3,474,133		
Substandard/Doubtful	-	138,478	-	6,938,794	-		7,077,272		
	\$ 95,755,071	\$ 151,577,571	\$ 197,031,693	\$ 519,065,041	\$ 55,337,401		\$ 1,018,766,777		

For 2023, the following table presents the amortized cost loan balance classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans. For 2022 and 2021, the table presents loans and related accrued interest as a percentage of total loans and related accrued interest by loan type.

	2023		2022		2021
Real estate mortgage					
Acceptable	98.9	%	98.7	%	98.3
OAEM	0.4		0.5		0.8
Substandard/doubtful	0.7		0.8		0.9
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Production and intermediate term					
Acceptable	99.2		99.8		99.9
OAEM	-		0.1		-
Substandard/doubtful	0.8		0.1		0.1
	<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	100.0		98.3		94.8
OAEM	-		-		2.9
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	84.5		82.2		81.1
OAEM	-		-		-
Substandard/doubtful	15.5		17.8		18.9
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Water and waste water					
Acceptable	-		-		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>-</u>		<u>-</u>		<u>100.0</u>
Rural residential real estate					
Acceptable	98.6		97.0		97.0
OAEM	-		-		1.5
Substandard/doubtful	1.4		3.0		1.5
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
International					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Total Loans					
Acceptable	99.0		98.7		98.3
OAEM	0.3		0.5		0.8
Substandard/doubtful	0.7		0.8		0.9
	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>

Nonperforming assets (including related accrued interest for 2022 and 2021) and related credit quality statistics are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
<b>Nonaccrual loans:</b>			
Real estate mortgage	\$ 5,868,195	\$ 6,404,652	\$ 1,556,837
Production and intermediate-term	561,446	21,882	9,279
Energy	73,938	111,363	144,421
Rural residential real estate	4,771	8,972	12,632
Total nonaccrual loans	6,508,350	6,546,869	1,723,169
Accrual loans 90 days or more past due	-	-	-
Other property owned, net	-	-	-
<b>Total nonperforming assets</b>	<b>\$ 6,508,350</b>	<b>\$ 6,546,869</b>	<b>\$ 1,723,169</b>
Nonaccrual loans as a percentage of total loans	0.64%	0.64%	0.17%
Nonperforming assets as a percentage of total loans and other property owned	0.64%	0.64%	0.17%
Nonperforming assets as a percentage of capital	3.39%	3.64%	1.01%

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

	December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ -	\$ 5,868,195	\$ 5,868,195	\$ 63,506
Production and intermediate-term	552,249	9,197	561,446	-
Energy	73,938	-	73,938	-
Rural residential real estate	-	4,771	4,771	-
<b>Total nonaccrual loans</b>	<b>\$ 626,187</b>	<b>\$ 5,882,163</b>	<b>\$ 6,508,350</b>	<b>\$ 63,506</b>

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 974,729	\$ 138,478	\$ 1,113,207	\$ 852,873,978	\$ 853,987,185	\$ -
Production and intermediate-term	952,653	-	952,653	72,247,366	73,200,019	-
Processing and marketing	-	-	-	53,553,829	53,553,829	-
Farm-related business	-	-	-	15,352,863	15,352,863	-
Loans to cooperatives	-	-	-	590,535	590,535	-
Communication	-	-	-	12,451,812	12,451,812	-
Rural residential real estate	-	-	-	7,334,447	7,334,447	-
International	-	-	-	1,817,827	1,817,827	-
Energy	-	-	-	478,260	478,260	-
Water and waste water	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,927,382</b>	<b>\$ 138,478</b>	<b>\$ 2,065,860</b>	<b>\$ 1,016,700,917</b>	<b>\$ 1,018,766,777</b>	<b>\$ -</b>

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	-
Loans to cooperatives	-	-	-	627,997	627,997	-
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	-
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	-
Loans to cooperatives	-	-	-	14,966,818	14,966,818	-
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	-
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	\$ -

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.

### Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon adoption of the CECL accounting guidance, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty. As of December 31, 2023, the Association had no modified loans with borrowers experiencing financial difficulties.

### 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 impaired loans under nonaccrual or accruing restructured loans.

The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022, and 2021:

For the Year Ended 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	

  

For the Year Ended 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	

\* Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

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

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end:

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	-	
Agricultural export finance	-	-	
Total	\$ 194,623	\$ 303,689	

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

### 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 2. A summary of changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2023, is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communication	Energy and Water/Waste Water	Rural Residential Real Estate	International	Total
<b>Allowance for Credit Losses on Loans:</b>								
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	-	(318,716)	-	-	-	-	-	(318,716)
Recoveries	22,585	-	-	-	-	-	-	22,585
Provision for (reversal of) credit losses on loans	(352,833)	506,602	(102,144)	45,345	34,164	(10,082)	1,467	122,519
Balance at December 31, 2023	<u>\$ 2,708,531</u>	<u>\$ 245,976</u>	<u>\$ 157,646</u>	<u>\$ 60,951</u>	<u>\$ 48,841</u>	<u>\$ 24,664</u>	<u>\$ 2,255</u>	<u>\$ 3,248,864</u>
<b>Allowance for Credit Losses on Unfunded Commitments:</b>								
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	122	(1,281)	1,744	870	-	-	294	1,749
Balance at December 31, 2023	<u>\$ 904</u>	<u>\$ 5,822</u>	<u>\$ 22,252</u>	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 30,281</u>

The allowance for credit losses on loans as of December 31, 2023, was \$3,248,864 reflecting a decrease of \$3,195,417 from December 31, 2022. Excluding the impact of the adoption of the CECL accounting guidance, the increase in allowance was driven by standard review of adverse assets and the need for an allowance for excepted credit losses on asset-specific loans, as well as fluctuations in loan portfolio risk ratings. Additionally, the Association utilizes certain input factors as model input. These input factors include a baseline economic scenario, an upside economic scenario, and a downside economic scenario.

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

### Allowance for Credit Losses - Prior to CECL Adoption

A summary of changes in the allowance for credit losses on loans by portfolio segment for the years ended December 31, 2022, and December 31, 2021, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communication	Energy and Water/Waste Water	Rural Residential Real Estate	International	Total
<b>Allowance for Credit Losses on Loans:</b>								
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 (reversal of) credit losses on loans	4,253	305	368	60	(13,454)	40	10	(8,418)
Other	(174)	(3,811)	(869)	(30)	-	-	-	(4,884)
Balance at December 31, 2022	<u>\$ 5,219,364</u>	<u>\$ 493,924</u>	<u>\$ 599,104</u>	<u>\$ 36,724</u>	<u>\$ 40,768</u>	<u>\$ 53,995</u>	<u>\$ 402</u>	<u>\$ 6,444,281</u>
<b>Allowance for Credit Losses on Loans:</b>								
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 (reversal of) credit losses on loans	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	<u>\$ 5,312,536</u>	<u>\$ 497,018</u>	<u>\$ 599,605</u>	<u>\$ 36,694</u>	<u>\$ 54,222</u>	<u>\$ 53,955</u>	<u>\$ 392</u>	<u>\$ 6,554,422</u>

**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 Sheets. 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 3.4 percent, 3.6 percent, and 3.9 percent of the issued stock of the Bank as of December 31, 2023, 2022, and 2021, respectively. As of those dates, the Bank's assets totaled \$37.3 billion, \$36.0 billion, and \$33.1 billion, and members' equity totaled \$1.7 billion, \$1.6 billion, and \$2.0 billion, respectively. The Bank's earnings were \$199.9 million, \$270.0 million and \$254.6 million during 2023, 2022, and 2021, respectively.

**NOTE 5 — PREMISES AND EQUIPMENT:**

Premises and equipment consisted of the following at December 31:

	2023	2022	2021
Building and improvements	\$ 4,258,431	\$ 4,266,619	\$ 4,255,400
Automobiles	1,478,553	1,312,285	1,671,770
Furniture and equipment	559,213	561,546	615,695
Computer equipment and software	456,198	437,293	398,448
Land and improvements	544,082	523,104	523,104
Construction in progress	-	31,225	-
	<u>7,296,477</u>	<u>7,132,072</u>	<u>7,464,417</u>
Accumulated depreciation	<u>(2,928,942)</u>	<u>(3,025,866)</u>	<u>(2,919,841)</u>
Total	<u>\$ 4,367,535</u>	<u>\$ 4,106,206</u>	<u>\$ 4,544,576</u>

The Association leases office space in Crowley, Arcadia, Monroe, and Port Allen. Lease expense was \$140,309, \$121,236, and \$111,189 for 2023, 2022, and 2021, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating Leases
2024	\$ 122,504
2025	113,561
2026	80,104
2027	5,791
2028	1,353
Thereafter	128
Total	<u>\$ 323,441</u>

**NOTE 6 — OTHER PROPERTY OWNED, NET:**

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

	2023	2022	2021
Gain on sale, net	\$ -	\$ -	\$ 34,166
Operating expense, net	-	-	(8,838)
Net gain on other property owned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,328</u>

As of December 31, 2023, 2022, and 2021, the Association did not hold any acquired property.



**NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:**

Other assets comprised the following at December 31:

	2023	2022	2021
Accounts receivable	\$ 902,494	\$ 972,355	\$ 791,970
Total	<u>\$ 902,494</u>	<u>\$ 972,355</u>	<u>\$ 791,970</u>

Other liabilities comprised the following at December 31:

	2023	2022	2021
Accumulated Postretirement Benefit Obligation	\$ 3,402,521	\$ 3,189,240	\$ 4,148,110
Insurance Premium Payable	1,403,284	1,593,608	1,187,551
Other	1,916,728	2,321,703	2,977,474
Total	<u>\$ 6,722,533</u>	<u>\$ 7,104,551</u>	<u>\$ 8,313,135</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 (GFA). 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 GFA, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2023, 2022, and 2021, was \$843,355,247 at 3.36 percent, \$860,008,054 at 2.76 percent, and \$840,219,583 at 1.95 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, 2023, 2022, and 2021, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was \$1,090,000,000, as defined by the GFA.

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 GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2023, 2022, and 2021, the Association was not subject to remedies associated with the covenants in the GFA.

**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 the board of directors and in accordance with the Association's capitalization plans, provided prescribed capital standards have been met. At December 31, 2023, 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, 2023, 2022, and 2021, 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 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 patronage distributions were declared and paid in 2023, 2022, and 2021, respectively:

<u>Date Declared</u>	<u>Date Paid</u>	<u>Patronage</u>
December 2023	<b>Anticipated March 2024</b>	\$ 8,832,000
December 2022	<b>March 2023</b>	\$ 10,550,218
December 2021	<b>March 2022</b>	\$ 9,796,283

As of December 31, 2023, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2023:

<u>Risk-weighted:</u>	<u>Regulatory Minimums</u>	<u>Regulatory Minimums with Buffer</u>	<u>As of December 31, 2023</u>
Common equity tier 1 ratio	4.50%	7.00%	16.86%
Tier 1 capital ratio	6.00%	8.50%	16.86%
Total capital ratio	8.00%	10.50%	17.18%
Permanent capital ratio	7.00%	7.00%	16.91%
<u>Non-risk-weighted:</u>			
Tier 1 leverage ratio	4.00%	5.00%	17.32%
UREE leverage ratio	1.50%	1.50%	17.03%

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

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

Risk-weighted assets are 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 credit losses on loans 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, 2023:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 193,033,500	\$ 193,033,500	\$ 193,033,500	\$ 193,033,500
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,956,186	2,956,186	2,956,186	2,956,186
Allowance for credit losses on loans and reserve for credit losses subject to certain limitations*	-	-	3,447,792	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,162,705)	(17,162,705)	(17,162,705)	(17,162,705)
	<u>\$ 178,826,981</u>	<u>\$ 178,826,981</u>	<u>\$ 182,274,773</u>	<u>\$ 178,826,981</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,078,036,861	\$ 1,078,036,861	\$ 1,078,036,861	\$ 1,078,036,861
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(17,162,705)	(17,162,705)	(17,162,705)	(17,162,705)
Allowance for credit losses on loans	-	-	-	(3,417,028)
	<u>\$ 1,060,874,156</u>	<u>\$ 1,060,874,156</u>	<u>\$ 1,060,874,156</u>	<u>\$ 1,057,457,128</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, 2023:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 193,033,500	\$ 193,033,500
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,956,186	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(17,162,705)	(17,162,705)
	<u>\$ 178,826,981</u>	<u>\$ 175,870,795</u>
Denominator:		
Total Assets	\$ 1,051,914,667	\$ 1,051,914,667
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(19,414,507)	(19,414,507)
	<u>\$ 1,032,500,160</u>	<u>\$ 1,032,500,160</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:

	2023	2022	2021
Class A stock	566,628	562,709	568,063
Participation certificates	25,576	26,958	27,720
Total	<u>592,204</u>	<u>589,667</u>	<u>595,783</u>

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

December 31, 2023	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	<u>\$ 41,377</u>	<u>\$ -</u>	<u>\$ 41,377</u>
December 31, 2022	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	<u>\$ 216,475</u>	<u>\$ -</u>	<u>\$ 216,475</u>
December 31, 2021	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	<u>\$ (886,529)</u>	<u>\$ -</u>	<u>\$ (886,529)</u>

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 years ended December 31:

	2023	2022	2021
Accumulated other comprehensive income (loss) at January 1	\$ 216,475	\$ (886,529)	\$ (1,007,628)
Actuarial (losses) gains	(144,923)	1,058,239	60,086
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
Other comprehensive (loss) income, net of tax	(175,098)	1,103,004	121,099
Accumulated other comprehensive income (loss) at December 31	\$ 41,377	\$ 216,475	\$ (886,529)

#### NOTE 10 — INCOME TAXES:

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

	2023	2022	2021
Deferred:			
Federal	\$ 5,374	\$ 546	\$ (4,619)
Total provision for (benefit from) income taxes	\$ 5,374	\$ 546	\$ (4,619)

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

	2023	2022	2021
Federal tax at statutory rate	\$ 3,710,630	\$ 4,122,575	\$ 3,720,193
Effect of nontaxable FLCA subsidiary	(3,539,640)	(3,984,714)	(3,573,868)
Patronage distributions	(166,243)	(133,468)	(142,704)
Change in valuation allowance	627	(3,847)	(8,240)
Provision for (benefit from) income taxes	\$ 5,374	\$ 546	\$ (4,619)

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

	2023	2022	2021
<u>Deferred Tax Assets</u>			
Allowance for credit losses on loans	\$ 10,329	\$ 59,826	\$ 63,866
Annual leave	20,021	18,069	17,186
Loss carryforwards	287,620	287,620	287,620
Other	690	1,380	2,070
Gross deferred tax assets	318,660	366,895	370,742
Deferred tax asset valuation allowance	(318,660)	(366,895)	(370,742)
<u>Deferred Tax Liabilities</u>			
Other	(16,014)	(10,640)	(10,094)
Gross deferred tax liabilities	(16,014)	(10,640)	(10,094)
Net deferred tax liability	\$ (16,014)	\$ (10,640)	\$ (10,094)

The Association recorded valuation allowances of \$318,660, \$366,895, and \$370,742 during 2023, 2022, and 2021, 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 2023, \$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, liabilities, nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets, and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

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

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

The Association elected to participate in Elective Deferrals. Contributions of \$0, \$2,500 and \$12,000 were made to this plan for the years ended December 31, 2023, 2022, and 2021, respectively. There were no payments made from the Supplemental 401(k) Plan to active employees during 2023, 2022, and 2021.

The DB Plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The “projected unit credit” actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2023.

The risks of participating in these 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 DB Plan, the Association’s contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2023, 2022, and 2021:

	2023	2022	2021
Funded status of plan	73.3 %	70.9 %	70.5 %
Association's contribution	\$ 396,875	\$ 580,358	\$ 698,293
Percentage of Association's contribution to total contributions	6.1 %	5.6 %	4.6 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 74.1 percent, 71.8 percent, and 72.0 percent at December 31, 2023, 2022, and 2021, respectively.

**Other Postretirement Benefits:** In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as 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**

<b>Disclosure Information Related to Retirement Benefits</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Change in Accumulated Postretirement Benefit Obligation</b>			
Accumulated postretirement benefit obligation, beginning of year	\$ 3,189,240	\$ 4,148,110	\$ 4,101,827
Service cost	37,662	71,193	76,609
Interest cost	162,767	128,945	113,608
Plan participants' contributions	29,822	27,696	19,721
Actuarial loss (gain)	144,923	(1,058,239)	(60,086)
Benefits paid	(161,893)	(128,465)	(103,569)
Accumulated postretirement benefit obligation, end of year	\$ 3,402,521	\$ 3,189,240	\$ 4,148,110
<b>Change in Plan Assets</b>			
Plan assets at fair value, beginning of year	\$ -	\$ -	\$ -
Company contributions	132,071	100,769	83,848
Plan participants' contributions	29,822	27,696	19,721
Benefits paid	(161,893)	(128,465)	(103,569)
Plan assets at fair value, end of year	\$ -	\$ -	\$ -
Funded status of the plan	\$ (3,402,521)	\$ (3,189,240)	\$ (4,148,110)
<b>Amounts Recognized on the Balance Sheets</b>			
Current liabilities	\$ (124,656)	\$ (119,740)	\$ (110,111)
Noncurrent liabilities	(3,277,865)	(3,069,500)	(4,037,999)
Net liability, end of year	\$ (3,402,521)	\$ (3,189,240)	\$ (4,148,110)
<b>Amounts Recognized in Accumulated Other Comprehensive Income</b>			
Net actuarial (gain) loss	\$ (18,141)	\$ (163,064)	\$ 970,115
Prior service credit	(23,236)	(53,411)	(83,586)
Total	\$ (41,377)	\$ (216,475)	\$ 886,529
<b>Weighted-Average Assumptions Used to Determine Obligations at Year End</b>			
Measurement date	12/31/2023	12/31/2022	12/31/2021
Discount rate	5.50%	5.20%	3.15%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.50%/8.40%	7.20%/7.70%	6.80%/6.00%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034	2031	2030

<b>Total Cost</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service cost	\$ 37,662	\$ 71,193	\$ 76,609
Interest cost	162,767	128,945	113,608
Amortization of:			
Unrecognized prior service credit	(30,175)	(30,175)	(30,175)
Unrecognized net loss	-	74,940	91,188
Net postretirement benefit cost	\$ 170,254	\$ 244,903	\$ 251,230
<b>Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income</b>			
Net actuarial loss (gain)	\$ 144,923	\$ (1,058,239)	\$ (60,086)
Amortization of net actuarial gain	-	(74,940)	(91,188)
Amortization of prior service credit	30,175	30,175	30,175
Total recognized in other comprehensive income	\$ 175,098	\$ (1,103,004)	\$ (121,099)
<b>AOI Amounts Expected to be Amortized Into Expense in 2024</b>			
Unrecognized prior service credit	\$ (23,236)	\$ (30,175)	\$ (30,175)
Unrecognized net loss	-	-	74,940
Total	\$ (23,236)	\$ (30,175)	\$ 44,765
<b>Weighted-Average Assumptions Used to Determine Benefit Cost</b>			
Measurement date	12/31/2022	12/30/2021	12/31/2020
Discount rate	5.20%	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.20%/7.70%	6.80%/6.00%	6.60%/6.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2031	2030	2029

#### **Expected Future Cash Flows**

##### **Expected Benefit Payments (net of employee contributions)**

Fiscal 2024	\$ 124,656
Fiscal 2025	144,887
Fiscal 2026	167,351
Fiscal 2027	181,486
Fiscal 2028	189,732
Fiscal 2029–2033	1,128,173

##### **Expected Contributions**

Fiscal 2024	\$ 124,656
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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 persons at December 31, 2023, 2022, and 2021 for the Association amounted to \$38,456,106, \$60,143,851, and \$54,568,292. During 2023, 2022, and 2021, \$14,369,001, \$242,168,059, and \$36,498,278 of new loans were made, and repayments totaled \$25,336,439, \$237,550,665, and \$25,929,561, respectively. In the opinion of management, no such loans outstanding at December 31, 2023, 2022, and 2021 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services, and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. The operational support expenses totaled \$70,377, \$45,863, and \$67,421 in 2023, 2022, and 2021, respectively. FCSIC expense totaled \$1,405,369, \$1,593,608, and \$1,187,551 in 2023, 2022, and 2021, respectively.



The Association received patronage payments from the Bank totaling \$3,800,303, \$6,921,870, and \$6,195,881 during 2023, 2022, and 2021, respectively.

### NOTE 13 — FAIR VALUE MEASUREMENTS:

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

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

December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Assets held in nonqualified benefit trusts	\$ 30,012	\$ -	\$ -	\$ 30,012
<b>Total assets</b>	<b>\$ 30,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,012</b>
December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Assets held in nonqualified benefit trusts	\$ 27,812	\$ -	\$ -	\$ 27,812
<b>Total assets</b>	<b>\$ 27,812</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,812</b>
December 30, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Assets held in nonqualified benefit trusts	\$ 28,641	\$ -	\$ -	\$ 28,641
<b>Total assets</b>	<b>\$ 28,641</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,641</b>

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

December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
<b>Loans</b>	\$ -	\$ -	\$ 386,594	\$ 386,594
December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Loans	\$ -	\$ -	\$ 97,896	\$ 97,896
December 30, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Loans	\$ -	\$ -	\$ 112,220	\$ 112,220

For the years ended December 31, 2023, 2022, and 2021, the Association did not have any nonfinancial liabilities that were assessed at fair value on a recurring or nonrecurring basis.

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

December 31, 2023					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets:</b>					
Cash	\$ 50,001	\$ 50,001	\$ -	\$ -	\$ 50,001
Net loans	1,015,131,319	-	-	932,195,090	932,195,090
<b>Total Assets</b>	<b>\$1,015,181,320</b>	<b>\$ 50,001</b>	<b>\$ -</b>	<b>\$932,195,090</b>	<b>\$932,245,091</b>
<b>Liabilities:</b>					
Note payable to Bank	\$ 843,355,247	\$ -	\$ -	\$774,453,123	\$774,453,123
<b>Total Liabilities</b>	<b>\$ 843,355,247</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$774,453,123</b>	<b>\$774,453,123</b>

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

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

### *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.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

**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, 2023, \$86,805,220 of commitments and \$2,552,421 of commercial letters of credit were outstanding.

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

## NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 7,137	\$ 7,014	\$ 7,084	\$ 7,075	\$ 28,310
(Provision for) reversal of credit losses	(209)	324	(151)	(88)	(124)
Noninterest expense, net	(2,312)	(2,379)	(3,449)	(2,382)	(10,522)
Net income	\$ 4,616	\$ 4,959	\$ 3,484	\$ 4,605	\$ 17,664

  

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 6,699	\$ 6,730	\$ 6,858	\$ 6,947	\$ 27,234
(Provision for) reversal of credit 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 credit 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

## NOTE 16 — SUBSEQUENT EVENTS:

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

## **DISCLOSURE INFORMATION AND INDEX**

(Unaudited)

*Disclosures Required by Farm Credit Administration Regulations*

### **DESCRIPTION OF BUSINESS**

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

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

### **DESCRIPTION OF PROPERTY**

The 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. The 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 Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank's annual and quarterly stockholder reports can also be requested by e-mailing [fcb@farmcreditbank.com](mailto:fcb@farmcreditbank.com). The annual and quarterly stockholder reports are also available on its website at [www.farmcreditbank.com](http://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 e-mailing [alyssa.allen@louisianalandbank.com](mailto:alyssa.allen@louisianalandbank.com). The Association's annual stockholder report is available on its website at

[www.louisianalandbank.com](http://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, 2023, required to be disclosed, is incorporated herein by reference to the “Five-Year Summary of Selected Consolidated Financial Data” included in this annual report to stockholders.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

## DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
James Mark Morgan	Chairman (through June 2023) & Stockholder Elected Director	2011	2023
Cullen M. Kovac	Vice Chairman (through June 2023), Chairman (beginning July 2023), & Stockholder Elected Director	2011	2024
Gertrude Hawkins	Vice Chairman (beginning July 2023) & Stockholder Elected Director	2002	2026
Henry Capdeboscq, Jr.	Stockholder Elected Director	2008	2026
John F. Earles	Stockholder Elected Director	2010	2025
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 “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
Clark Canterbury	Stockholder Elected Director	2023	2026
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.

**Cullen M. Kovac** has been a co-owner/operator in Kovac Cattle, Inc., a family-owned cow-calf and stocker operation, since 2008. He is a managing partner in both Kovac Inc. and Kovac Land, LLC, which are agricultural land acquisition and holding corporations. Mr. Kovac is vice president of the Fiske Union Water System, and 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 graduate of LSU with a B.S. in animal science and a minor in agronomy. He is a member of Beulah Baptist Church and is a Gideon in the Oak Grove Camp. Mr. Kovac and his wife, Sarah, have three children.

**Gertrude Hawkins** is a partner of GNL Farm, LLC, and GNG Farm Partnership. She farms cotton, corn, soybeans, sugarcane, and wheat with her brother. Mrs. Hawkins manages the Edgar LaCour Land Company, LLC, which is a family-owned business consisting of timber and row crops. She also manages LaCour & Blake, LLC, and Blue Lake Farms, LLC. Mrs. Hawkins 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. She serves as the secretary for Schwab Farms, Inc., Bouanchaud Farms, Inc., Gilmer Farms, Inc., and G&M Farms, Inc. Mrs. Hawkins is a member of the American Sugar Cane League, Louisiana Sugar Growers, American Society of Sugar Cane Technologists, and Tri Parish Gin. Mrs. Hawkins is a member of the Sugarcane Variety Development Committee, and she currently serves as an alternate member for District 6 on the Louisiana Farm Bureau Women’s Leadership Committee. In October 2019, Mrs. Hawkins retired after 27 years of service as a research associate for the LSU AgCenter Sugar Research Station.

**Henry A. Capdeboscq, Jr.** has been a self-employed dairy and beef cattle operator for over 40 years. He is also owner of Capdeboscq Farms Trucking, LLC. Mr. Capdeboscq serves on the board of the Tangipahoa Parish Cattlemen's Association, Florida Parishes Farm Services Cooperative, and the Dairy Advisory Committee and is a board member on 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 consists 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, and Gold Dust Investment Company. He is a member of the Farm Bureau and Cajun Sugar II Coop.

**Kristin Guillory** oversees the financial operations of Cleco Corporate Holdings LLC. Guillory assumed her current leadership role as Chief Financial Officer in July 2021. She began her career with Cleco in August 2004, where she has served in various finance roles with increasing responsibilities, including treasurer from February 2018 to September 2019 and president of Cleco Cajun LLC, an unregulated subsidiary 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. Guillory holds a Bachelor Degree in Business Administration with dual majors in Accounting and Finance from the University of Louisiana at Lafayette. She is also a Certified Public Accountant and Chartered Financial Analyst.

**William Benjamin "Ben" Guthrie** is the general manager/secretary-treasurer for Panola Company, LTD and the managing partner for Balmoral Farming Partnership, a farming and land-holding partnership that produce corn, cotton, and soybeans on 8,000 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 last 48 years. Mr. Patrick is 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** 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 3,700-acre operation producing 1,500 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 on the board of the USA Rice Federation and as Chairman of the Louisiana Agricultural Commodities Commission.

**Clark Canterbury** is a third-generation farmer/rancher who, in partnership with his father, operates 12 broiler houses with poultry integrator Raeford Farms and maintains a 200-head cow/calf beef herd. Farming/ranching has been his principal occupation for over 20 years. He graduated from Louisiana Tech University with a Bachelor of Science in Ag Business and a minor in Animal Science. Mr. Canterbury currently serves on the Lincoln Parish School Board, the Lincoln Parish Fire District Board, and the Northwest District Livestock Show Board. He previously served on the Lincoln Parish Farm Service Agency County Committee for nine years, and he is a member of the Louisiana Cattlemen's Association.

**F. Stephen Austin** serves as the **Chief Executive Officer** for Louisiana Land Bank, ACA. He 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. During his 38-year career in lending and management positions, he has worked with a five-bank holding company in southeast Missouri and Farm Credit entities in Illinois, Missouri, and Louisiana.

**Christoper 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 and the University of Louisiana – Monroe with a Bachelor of Business Administration in Accounting. 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 and is a member of the Association's Loan Committee. Mr. Bentley is a past 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 a Master of Business Administration 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 Bachelors 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 for January through March 2023, and \$3,000 thereafter in lieu of any other payment for board meeting attendance. The Chairman of the Board received the same compensation as any other director for attending external training sessions, attending board committee meeting(s) on non-board meeting days, attending district or national Farm Credit meetings, or undertaking special assignments. The Vice Chairman received a monthly retainer of \$1,250 for January through March 2023, and \$1,600 thereafter, and all other directors received a monthly retainer of \$1,000 for January through March 2023, and \$1,350 thereafter. Mileage for attending official meetings during 2023 was paid at the IRS-approved rate of 65.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

Directors, other than the Chairman of the Board, received \$850 for January through March 2023, and \$750 thereafter for attending each board meeting, with no additional compensation being paid for attending committee meetings on the same day of the board meeting. The compensation or honorarium for attending external training sessions, attending board committee meeting(s) on non-board meeting days, attending district or national Farm Credit meetings, or undertaking special assignments as directed by the Chairman of the Board was paid at \$500 per day for January through March 2023, and \$750 per day thereafter. Committee chairs, except for the Audit Committee chair, received an additional \$150 for January through March 2023, and \$200 thereafter 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 received an additional \$500 per Audit Committee meeting. Conference calls or virtual meetings held on non-board meeting days were paid to all directors except the Chairman of the Board at \$150 for January through March 2023, and \$200 thereafter to all directors including the Chairman of the Board.



Director	Number of Days Served Associated With		Total Compensation in 2023
	Board Meetings	Other Official Activities	
James Mark Morgan	5	-	\$ 17,700
Cullen M. Kovac	9	11	43,800
Gertrude Hawkins	8	9	30,000
Henry Capdeboscq, Jr.	9	4	27,350
John F. Earles	8	3	22,900
Kristin Guillory	8	5	30,650
William B. Guthrie	9	6	28,050
Edward W. Patrick, Jr.	8	3	23,100
Robert "Bobby" Soileau, Ph.D.	7	6	24,900
John L. Van Mol, Jr.	9	5	28,350
Bobby Hanks	8	4	24,050
Clark Canterbury	4	4	15,100
			<u>\$ 315,950</u>

The aggregate compensation paid to directors in 2023, 2022, and 2021 was \$315,950, \$285,600, and \$266,650, respectively.

Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2023:

Director	Committee			
	Audit	Compensation	Governance	Other Official Activities
James Mark Morgan	\$ 600	\$ -	\$ -	\$ -
Cullen Kovac	800	-	1,100	11,300
Henry Capdeboscq, Jr.	2,050	-	-	3,100
John Earles	-	350	-	1,100
William Guthrie	-	-	350	5,500
Bobby Hanks	1,250	200	-	1,250
Gertrude Hawkins	-	-	350	6,800
Kristin Guillory	6,550	-	-	2,750
Clark Canterbury	800	-	-	3,200
Edward Patrick, Jr.	-	550	-	1,100
Robert "Bobby" Soileau, Ph.D.	-	1,000	-	3,400
John L. Van Mol, Jr.	2,050	-	-	4,100
	<u>\$ 14,100</u>	<u>\$ 2,100</u>	<u>\$ 1,800</u>	<u>\$ 43,600</u>

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$67,609, \$84,228, and \$31,872 in 2023, 2022, and 2021, 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 which 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 2023, 2022, and 2021. This may include other non-senior officers if their total compensation is within the top five highest-paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Other (f)	Total
F. Stephen Austin CEO	2023	\$ 376,500	\$ 72,438	\$ -	\$ 28,909	\$ -	\$ 477,847
	2022	358,500	120,268	-	28,889	-	507,657
	2021	341,250	110,975	-	35,495	-	487,720
Aggregate Number of Senior Officers & other highly compensated employees							
5	2023	\$1,084,764	\$ 229,931	\$ -	\$ 126,512	\$ -	\$1,441,207
5	2022	1,042,570	333,908	-	128,509	-	1,504,987
5	2021	992,252	327,517	-	147,606	-	1,467,375

- (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 is available and will be disclosed to shareholders of the Association 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 consists of contributions to 401(k) plans, defined benefit plans, premiums paid for life, accidental, death and dismemberment, business travel, 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 employee's base salary, up to \$1 million. Business travel accident insurance is provided to all eligible employees in an amount equal to five times the employee's 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 employee's 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 2023 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 Narrative Disclosure**

The Defined Benefit Pension Plan (Pension Plan) is a final average pay plan that was closed to new participants in 1996 and later fully closed to all participants, including rehires who had formerly participated in the plan. The Association no longer has any active employees in the Pension Plan as of December 31, 2023. The Pension Plan benefits are based on the average 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 times (ii) "Years of Benefit Service" (not to exceed 35).

The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the employee's retirement age is 65, that the employee is married on the date the annuity begins, that the spouse is exactly two years younger than the employee, and that the benefit is payable in the form of 50 percent joint and survivor annuity. If any of those assumptions is incorrect, the benefit is recalculated to be the actuarial equivalent benefit. The Pension Plan benefit is offset by the pension benefits any employee may have from another Farm Credit System institution.

#### **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 2023 at the IRS-approved rate of 65.5 cents per mile for the period.

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

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

#### **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 2023. No disagreements with auditors have occurred that the Association is required to report to the Farm Credit Administration under § 621 of the FCA regulations governing this disclosure. The fees for professional services rendered for the Association by PricewaterhouseCoopers, LLP, during 2023 were \$84,963 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 8, 2024, and the report of management in this annual report to stockholders, are incorporated herein by reference.

## **MEMBER/SHAREHOLDER PRIVACY**

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. The Association's 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 fewer 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	12/31/23 - Actual		Goals					
			2024		2025		2026	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	22.02	12.19	22.45	12.95	22.50	13.00	22.55	13.05
Beginning	56.68	45.32	53.95	50.80	54.00	50.85	54.05	50.90
Small	70.80	51.16	75.60	74.75	75.65	74.80	75.70	75.85

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	12/31/23 - Actual		Goals					
			2024		2025		2026	
	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume	% Loans	% Volume
Young	18.60	11.90	20.90	12.05	20.95	12.10	21.00	12.15
Beginning	48.45	34.01	48.10	47.90	48.15	47.95	48.20	48.00
Small	64.73	37.30	66.55	65.95	66.60	66.00	66.65	66.05

During 2023, the Association's regulator, Farm Credit Administration (FCA) noted a difference in the Association's 2022 reported YBS percentages to what was recorded at the district level and a computational error. After review, management agreed with FCA's assessment. Revised tables from the prior year are included below.

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	22.71	12.86	22.40	12.90	22.45	12.95	22.50	13.00
Beginning	54.28	50.79	53.90	50.75	53.95	50.80	54.00	50.85
Small	75.92	65.25	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	20.85	11.96	20.85	12.00	20.90	12.05	20.95	12.10
Beginning	48.03	47.83	48.05	47.85	48.10	47.90	48.15	47.95
Small	64.65	55.90	66.50	65.90	66.55	65.95	66.60	66.00

#### BOARD OF DIRECTORS

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

2413 Tower Drive  
Monroe, LA 71201  
318-387-7535  
[www.louisianalandbank.com](http://www.louisianalandbank.com)

#### DISTRICT BANK

Farm Credit Bank of Texas  
P.O. Box 202590  
Austin, TX 78720-2590  
512-465-0400

#### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers, LLP  
Austin, TX

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