CAPITAL FARM CREDIT

PROUD MEMBER OF THE FARM CREDIT SYSTEM

Quarterly Report
To Stockholders

For the Quarter Ended March 31, 2024

REPORT OF MANAGEMENT

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

Jeff Norte,
Chief Executive Officer

John Malazzo,
Chairman, Board of Directors

Sally Lawson,
Chief Financial Officer

May 9, 2024

First Quarter 2024 Financial Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary reviews the financial performance of Capital Farm Credit, ACA, referred to as the association, for the quarter ended March 31, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 Annual Report to Stockholders. The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder. The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA. The consolidated financial statements were prepared under the oversight of the association's audit committee.

The Texas economy continues to be resilient in 2024 with job growth at 3.1 percent ahead of the national rate of 1.9 percent. The Federal Open Market Committee continues to hold the Federal Funds Rate target range to 5.25 percent to 5.50 percent. The possibility of interest rate cuts in the near term does not appear likely as inflation continues to be elevated.

Real land values in the state continue to be strong and housing prices have stabilized. Agriculture in Texas continues to struggle with high input costs and interest rates. Winter precipitation has relieved drought conditions in much of the state. A strong crop year is critical for many producers in the coming year to combat two consecutive years of poor production. The April 2024 edition of the Federal Reserve System's Beige Book reported that avian influenza has been afflicting chickens and dairy cows in the Texas Panhandle, leading to lower milk production. The extent of the impact to dairy product supply, if any, is unknown at this point, but Beige Book contacts noted that there is not a food safety issue.

On February 26, 2024 several fires ignited across the Panhandle burning over 1 million acres. While the association did not sustain any damages, many of our borrowers and staff were impacted. We continue to work with those effected by this disaster and partner with others in the Farm Credit System to provide relief.

Rating Agency Actions

Fitch Ratings Actions
On December 20, 2023, Fitch reaffirmed the association's "BBB" with a stable outlook rating.

S&P Global Rating Actions
On December 8, 2023, S&P reaffirmed the association's "BBB" with a stable outlook rating.

Corporate Headquarters

In July 2023, the association purchased a building in College Station, Texas. The association expects to complete renovations and relocate its corporate headquarters and credit office to the new building during the second half of 2024.

Patronage Refunds by Association

The board of directors approved a $243,498 patronage distribution for 2023. Of that amount, $118,791 of this distribution was paid in cash in March 2024, and $124,707 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Though there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2022, the board of directors approved a $270,028 patronage distribution, with cash patronage payable of $127,595 and $142,433 in nonqualified allocations. In March 2023, the association finalized the computation of these distributions, which resulted in an increase in cash patronage payable of $1 for an actual cash distribution of $127,596, and a decrease of nonqualified allocated equities of $1 for a final allocation of $142,432.

In October 2023, the board of directors approved a resolution to retire $70,065 in nonqualified allocated equities, which were paid to the recipients in November 2023. The retirement was a distribution of all earnings allocated in 2014. In September 2022, the board of directors approved a resolution to retire $59,747 in nonqualified allocated equities which was paid to the recipients in November 2022. The retirement was a distribution of the remaining earnings allocated in 2013.

Loan Portfolio

Total loans outstanding at March 31, 2024, including nonperforming loans, were $12,289,975 compared to $12,121,901 at December 31, 2023, reflecting an increase of $168,074, or approximately 1.4 percent, with increases in the real estate mortgage, farm-related business, production and intermediate term, energy, and water and waste disposal industries, offset by decreases in communication, rural residential real estate, and lease receivable industries. The association experienced moderate growth during the first quarter of 2024.

The association's portfolio quality remains strong with credit quality of 96.9 percent acceptable at March 31, 2024, compared to 97.3 percent at December 31, 2023. Substandard loans decreased slightly from 1.0 percent at December 31, 2023 to 0.9 percent at March 31, 2024, and other assets especially mentioned increased from 1.7 percent at December 31, 2023 to 2.2 percent at March 31, 2024. The association recorded $800 in recoveries and $9,134 in charge-offs for the three months ended March 31, 2024, and $75 in recoveries and $2,202 in charge-offs for the same period in 2023. The charge-offs in 2024 were primarily related to one relationship. The association's allowance for loan losses was 0.2 percent of total loans outstanding as of March 31, 2024, and at December 31, 2023.

Risk Exposure

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

	March 31, 2024	**%**	December 31, 2023	%
Nonaccrual loans	**$ 35,414**	**62.5**	$ 36,009	60.8
Loans 90 days past due and still accruing interest	**-**	**-**	-	-
Other property owned, net	**21,226**	**37.5**	23,177	39.2
Total	**$ 56,640**	**100.0**	$ 59,186	100.0

Nonaccrual loans decreased $595 during the three months ended March 31, 2024, with decreases in farm-related business and energy industries, partially offset by increases in the real estate mortgage, production and intermediate-term, and rural residential real estate industries. Nonaccrual loans were 0.3 percent of total loans outstanding at March 31, 2024 and at December 31, 2023.

Other property owned decreased $1,951 during the first three months of 2024. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices that are in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with distressed customers and industries through periods of adversity.

Results of Operations

The association had net income of $70,827 for the three months ended March 31, 2024, compared to net income of $76,507 for the same period in 2023, reflecting a decrease of $5,680 or 7.4 percent. The decrease in net income for the three month period ended March 31, 2024, was primarily attributable to an increase in interest expense of $22,802 or 27.6 percent, an increase in provision for loan losses of $2,855 or 92.0 percent, and a decrease in noninterest income of $8,128 or 26.6 percent, offset by an increase in interest income of $27,174 or 16.2 percent for the same period in the prior year.

Net interest income was $89,835 for the three months ended March 31, 2024, compared to $85,463 for the same period in 2023, reflecting an increase of $4,372 or 5.1 percent. Interest income for the three months ended March 31, 2024, increased by $27,174 or 16.2 percent from the same period of 2023, primarily as a result of an increase in average earning assets of $548,919 for the three month period ended March 31, 2024, and an increase in interest rates. Interest expense for the three months ended March 31, 2024, increased by $22,802 or 27.6 percent from the same period of 2023, due to an increase in the direct note and an increase in interest rates.

The effects of changes in average volume and interest rates on net interest income in the three months ended March 31, 2024, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 12,132,775**	**$ 195,387**	$ 11,583,856	$ 168,213
Interest-bearing liabilities	**10,557,178**	**105,552**	9,983,605	82,750
Impact of capital	**$ 1,575,597**		$ 1,600,251	
Net interest income		**$ 89,835**		$ 85,463

	Average Yield	Average Yield
Yield on loans	**6.48%**	5.89%
Cost of interest-bearing Liabilities	**4.02%**	3.36%
Net interest spread	**2.46%**	2.53%
Net interest income as a percentage of average earning assets	**2.98%**	2.99%

	For the three months ended 2024 vs. 2023		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 8,038**	**$ 19,136**	**$ 27,174**
Interest expense	**4,794**	**18,008**	**22,802**
Net interest income	**$ 3,244**	**$ 1,128**	**$ 4,372**

The association's noninterest income for the three months ended March 31, 2024, decreased $8,128 or 26.6 percent from the same period in 2023. The decrease in the three months ended March 31, 2024, is primarily a result of a decrease in the accrual of patronage from the bank of $7,035 or 39.3 percent, as a result of the removal of patronage on the association's stock investment in the bank and a decrease in the expected patronage on the association's direct note, compared to the same period of 2023.

Noninterest expenses for the three months ended March 31, 2024, decreased by $932 or 2.6 percent from the same period of 2023. The decrease in the three month period is primarily driven by a decrease in insurance fund premiums as a result of lower rates of $1,928 or 43.7 percent, a decrease in purchased services of $449 or 31.4 percent, a decrease in advertising of $68 or 5.7 percent, a decrease in public and member relations of $161 or 12.2 percent, a decrease in communications of $26 or 8.9 percent and a slight decrease in salaries and employee benefits of $283 or 1.3 percent.

The association's return on average assets for the three months ended March 31, 2024, was 2.3 percent and 2.6 percent for the same period of 2023. The association's return on average equity for the three months ended March 31, 2024, was 15.3 percent, compared to 17.5 percent for the same period in 2023.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the bank, which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the association's borrowings.

	March 31, 2024	December 31, 2023
Note payable to the bank	**$10,696,382**	$10,524,700
Accrued interest on note payable	**36,001**	34,372
Total	**$10,732,383**	$10,559,072

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $10,696,382 as of March 31, 2024, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 4.1 percent at March 31, 2024. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase in note payable to the bank since December 31, 2023, is due to the association's increase in loan volume and the distribution of the 2023 patronage refund. The increase in accrued interest on the note payable is the result of the increase in the interest rate from 4.0 percent at December 31, 2023 to 4.1 percent at March 31, 2024 and an increase in the direct note. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,594,402 at March 31, 2024. The maximum amount the association may borrow from the bank as of March 31, 2024, was $12,197,675 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

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

Capital Resources and Regulatory Matters

The association's capital position increased by $68,355 or 3.8 percent at March 31, 2024, compared to December 31, 2023 primarily as a result of net earnings for the period offset by dividend payments. The association's debt as a percentage of members' equity was 5.84:1 as of March 31, 2024, compared to 6.01:1 percent as of December 31, 2023. Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. The regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio remains in effect, with some modifications to align with the new regulations. As of March 31, 2024, the association exceeded all regulatory capital requirements. For more information, see Note 4-"Members Equity" in the accompanying financial statements.

Significant Recent Accounting Pronouncements

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

Relationship with the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2023 Annual Report of Capital Farm Credit more fully describe the association's relationship with the bank.

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

The association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its website at *www.capitalfarmcredit.com* or can be requested by emailing *Javier.Lemus@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Loans	**12,289,975**	12,121,901
Less: Allowance for losses	**(27,702)**	(30,106)
Net Loans	**12,262,273**	12,091,795
Accrued interest receivable	**103,493**	108,578
Investment in and receivable from the bank:		
Capital stock	**204,565**	204,642
Receivable	**17,551**	23,531
Investment in Rural Business Investment Company (RBIC)	**12,581**	12,581
Investments in other Farm Credit Institutions	**31,898**	29,304
Other property owned, net	**21,226**	23,177
Premises and equipment, net	**75,218**	69,070
Right of use asset - leases	**6,814**	6,542
Other assets	**17,579**	19,704
Total assets	**$ 12,753,198**	$ 12,588,924
LIABILITIES		
Note payable to the bank	**$ 10,696,382**	$ 10,524,700
Advanced conditional payments	**9,856**	10,310
Accrued interest payable	**36,001**	34,372
Lease liabilities	**7,125**	6,813
Drafts outstanding	**390**	555
Patronage distributions payable	**7**	118,797
Unfunded post retirement medical obligations	**22,059**	21,925
Reserve for unfunded commitments	**444**	415
Other liabilities	**116,118**	74,576
Total liabilities	**10,888,382**	10,792,463
MEMBERS' EQUITY		
Capital stock and participation certificates	**28,104**	28,018
Preferred stock	**200,000**	200,000
Non-qualified allocated retained earnings	**940,471**	940,473
Unallocated retained earnings	**693,446**	625,119
Accumulated other comprehensive income	**2,795**	2,851
Total members' equity	**1,864,816**	1,796,461
Total liabilities and members' equity	**$ 12,753,198**	$ 12,588,924

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(UNAUDITED)

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Interest Income		
Total interest income	**$ 195,387**	$ 168,213
Interest Expense		
Note Payable to the bank	**105,460**	82,684
Advance conditional payments	**92**	66
Total interest expense	**105,552**	82,750
Net interest income	**89,835**	85,463
Provision for Loan Losses		
Provision for loan losses	**5,959**	3,104
Net interest income after provision for losses	**83,876**	82,359
Noninterest Income		
Patronage income from the bank	**10,868**	17,903
Loan fees	**2,031**	1,385
Financially related services income	**219**	232
Gain on sale of premises and equipment, net	**250**	471
Gain on other property owned, net	-	670
Other noninterest income	**9,017**	9,852
Total noninterest income	**22,385**	30,513
Noninterest Expense		
Salaries and employee benefits	**21,704**	21,987
Insurance fund premium	**2,480**	4,408
Occupancy and equipment	**2,356**	1,934
Business insurance expense	**1,474**	1,290
Public and member relations	**1,161**	1,322
Advertising	**1,128**	1,196
Purchased services	**983**	1,432
Data processing	**796**	561
Travel	**769**	649
Supervisory and exam expense	**684**	607
Training	**501**	134
Loss on other property owned, net	**421**	-
Director's expense	**407**	308
Communications	**266**	292
Other noninterest expenses	**306**	248
Total noninterest expenses	**35,436**	36,368
Income before income tax	**70,825**	76,504
(Benefit from) income taxes	**(2)**	(3)
Net income	**$ 70,827**	$ 76,507
Other comprehensive (loss)		
Change in postretirement benefit plans	**(56)**	(74)
Income tax expense related items of other comprehensive income	-	-
Other comprehensive (loss), net of tax	**(56)**	(74)
COMPREHENSIVE INCOME	**$ 70,771**	$ 76,433

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 28,337	$ 200,000	$ 885,831	$ 610,986	$ 3,193	$ 1,728,347
Cumulative effect of implementation of CECL				$ (2,684)		$ (2,684)
Balance at January 1, 2023	$ 28,337	$ 200,000	$ 885,831	$ 608,302	$ 3,193	$ 1,725,663
Net income	-	-	-	76,507	-	76,507
Other comprehensive income	-	-	-	-	(74)	(74)
Capital stock/participation certificates issued	919	-	-	-	-	919
Capital stock/participation certificates/ allocated equities retired	(1,094)	-	-	-	-	(1,094)
Preferred stock dividends	-	-	-	(2,500)	-	(2,500)
Change in patronage declared and paid	-	-	(1)	-	-	(1)
Balance at March 31, 2023	28,162	200,000	885,830	682,309	3,119	1,799,420
Net income	-	-	-	193,809	-	193,809
Other comprehensive income	-	-	-	-	(268)	(268)
Capital stock/participation certificates issued	2,254	-	-	-	-	2,254
Capital stock/participation certificates/ allocated equities retired	(2,398)	-	(70,065)	-	-	(72,463)
Preferred stock dividends	-	-	-	(7,500)	-	(7,500)
Patronage distributions declared:						
Cash	-	-	-	(118,791)	-	(118,791)
Nonqualifed allocations	-	-	124,707	(124,707)	-	-
Change in patronage declared and paid	-	-	1	(1)	-	-
Balance at December 31, 2023	**28,018**	**200,000**	**940,473**	**625,119**	**2,851**	**1,796,461**
Net income	**-**	**-**	**-**	**70,827**	**-**	**70,827**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(56)**	**(56)**
Capital stock/participation certificates issued	**857**	**-**	**-**	**-**	**-**	**857**
Capital stock/participation certificates/ allocated equities retired	**(771)**	**-**	**-**	**-**	**-**	**(771)**
Preferred stock dividends	**-**	**-**	**-**	**(2,500)**	**-**	**(2,500)**
Change in patronage declared and paid	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Balance at March 31, 2024	**$ 28,104**	**$ 200,000**	**$ 940,471**	**$ 693,446**	**$ 2,795**	**$ 1,864,816**

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

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, 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 192 counties in the state of Texas. The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act), to meet the needs of American agriculture.

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

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry. Certain amounts in the prior period's financial statements have been reclassified to the current period's financial statement presentation.

Recently Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this guidance is not expected to have a material impact on the association's financial condition, results of operations or cash flows.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The association is currently assessing the potential impact of this standard on its disclosures.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry		**March 31 2024**	**%**		December 31 2023	%
Real estate mortgage	**$**	**8,974,984**	**73.0**	$	8,830,351	72.9
Production and intermediate term		**1,732,742**	**14.1**		1,711,271	14.1
Farm-related business		**1,065,561**	**8.7**		1,063,487	8.8
Communication		**202,368**	**1.6**		211,603	1.7
Energy		**157,549**	**1.3**		144,451	1.2
Rural residential real estate		**83,113**	**0.7**		86,726	0.7
Water and waste disposal		**52,287**	**0.4**		51,751	0.4
Lease receivables		**19,642**	**0.2**		20,532	0.2
Mission-related investments		**1,729**	**0.0**		1,729	0.0
Total	**$**	**12,289,975**	**100.0**	$	12,121,901	100.0

At March 31, 2024, the association held two transactions, which are reported as loans on the consolidated balance sheet totaling $1,729 and with $0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against loans as presented on the balance sheet. The association held $75,130 and $80,752 in funds which were netted against the loan balance at March 31, 2024 and December 31, 2023, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $9,856 and $10,310 on the balance sheet at March 31, 2024 and December 31, 2023, respectively.

The association purchases or sells participation interests in loans with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold as of March 31, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 287,849	$ 1,111,606	$ -	$ -	$ 287,849	$ 1,111,606
Production and Intermediate-term	833,588	1,310,020	1,799	-	835,387	1,310,020
Farm-related business	789,003	145,425	255	-	789,258	145,425
Communication	202,368	-	-	-	202,368	-
Energy	157,549	-	-	-	157,549	-
Water and waste disposal	52,287	-	-	-	52,287	-
Lease receivables	19,642	-	-	-	19,642	-
Mission-related investments	1,729	-	-	-	1,729	-
Total	$ 2,344,015	$ 2,567,051	$ 2,054	$ -	$ 2,346,069	$ 2,567,051

Credit Quality

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

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

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 related amortized cost loan balance as of :

	Term Loans by Origination Year									
March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total	March 31, 2024
Real estate mortgage										
Acceptable	$ 375,317	$ 1,116,438	$ 1,436,600	$2,317,985	$1,338,300	$2,175,281	$ 187	$ 57,735	$ 8,817,843	98.3%
OAEM	-	13,690	11,454	13,752	27,032	34,780	-	168	100,876	1.1%
Substandard/Doubtful	2,910	2,014	10,989	11,986	7,449	17,074	3,843	-	56,265	0.6%
Total	$ 378,227	$ 1,132,142	$ 1,459,043	$2,343,723	$1,372,781	$2,227,135	$ 4,030	$ 57,903	$ 8,974,984	100.0%
Current period gross charge-offs	-	4	5	80	1	13	-	-	103	
Production and intermediate-term										
Acceptable	69,373	207,393	168,140	107,355	40,477	107,167	918,939	15,658	1,634,502	94.3%
OAEM	1,151	6,888	829	169	324	1,037	74,869	-	85,267	4.9%
Substandard/Doubtful	647	2,423	362	999	1,042	1,340	6,160	-	12,973	0.8%
Total	71,171	216,704	169,331	108,523	41,843	109,544	999,968	15,658	1,732,742	100.0%
Current period gross charge-offs	-	-	-	9	4	2	52	-	67	
Farm-related business										
Acceptable	2,114	142,174	198,600	142,842	62,789	121,654	254,437	38,318	962,928	90.4%
OAEM	-	-	1,040	17,020	11,538	8,308	23,997	356	62,259	5.8%
Substandard/Doubtful	-	2,844	-	9,460	16,950	4,985	6,135	-	40,374	3.8%
Total	2,114	145,018	199,640	169,322	91,277	134,947	284,569	38,674	1,065,561	100.0%
Current period gross charge-offs	-	49	-	5,623	-	-	3,282	-	8,954	
Communication										
Acceptable	-	31,451	35,115	73,731	16,396	21,469	7,272	-	185,434	91.6%
OAEM	1,775	-	14,865	-	-	-	294	-	16,934	8.4%
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	1,775	31,451	49,980	73,731	16,396	21,469	7,566	-	202,368	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Energy										
Acceptable	-	11,465	36,505	35,439	-	28,090	36,166	9,471	157,136	99.7%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	413	-	-	413	0.3%
Total	-	11,465	36,505	35,439	-	28,503	36,166	9,471	157,549	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Rural residential real estate										
Acceptable	-	181	10,683	20,506	16,925	33,203	-	-	81,498	98.1%
OAEM	-	-	13	-	462	609	-	-	1,084	1.3%
Substandard/Doubtful	-	-	-	216	131	184	-	-	531	0.6%
Total	-	181	10,696	20,722	17,518	33,996	-	-	83,113	100.0%
Current period gross charge-offs	-	-	-	2	-	8	-	-	10	
Water and Waste Disposal Loans										
Acceptable	-	14,490	35,871	-	1,296	-	630	-	52,287	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	-	14,490	35,871	-	1,296	-	630	-	52,287	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Lease										
Acceptable	84	2,994	3,158	308	66	3,687	-	-	10,297	52.4%
OAEM	-	1,477	84	535	1,215	2,429	-	-	5,740	29.2%
Substandard/Doubtful	-	-	-	3,605	-	-	-	-	3,605	18.4%
Total	84	4,471	3,242	4,448	1,281	6,116	-	-	19,642	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Mission Related Loans										
Acceptable	-	-	-	-	-	1,729	-	-	1,729	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,729	-	-	1,729	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Total Loans										
Acceptable	$ 446,888	$ 1,526,586	$ 1,924,672	$2,698,166	$1,476,249	$2,492,280	$ 1,217,631	$ 121,182	$11,903,654	96.9%
OAEM	2,926	22,055	28,285	31,476	40,571	47,163	99,160	524	272,160	2.2%
Substandard/Doubtful	3,557	7,281	11,351	26,266	25,572	23,996	16,138	-	114,161	0.9%
Total	$ 453,371	$ 1,555,922	$ 1,964,308	$2,755,908	$1,542,392	$2,563,439	$ 1,332,929	$ 121,706	$12,289,975	100.0%
Total current period gross charge-offs	$ -	$ 53	$ 5	$ 5,714	$ 5	$ 23	$ 3,334	$ -	$ 9,134	

December 31, 2023	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total	December 31, 2023
Real estate mortgage										
Acceptable	$ 1,136,168	$ 1,471,279	$ 2,367,765	$ 1,374,759	$ 568,251	$1,711,142	$ 226	$ 51,013	$ 8,680,603	98.3%
OAEM	11,556	10,825	15,168	27,715	13,660	18,498	-	174	97,596	1.1%
Substandard/Doubtful	2,474	15,590	8,682	5,588	5,435	10,541	3,842	-	52,152	0.6%
Total	$ 1,150,198	$ 1,497,694	$ 2,391,615	$ 1,408,062	$ 587,346	$1,740,181	$ 4,068	$ 51,187	$ 8,830,351	100.0%
Current period gross charge-offs	-	-	6	1	78	11	-	-	96	
Production and intermediate-term										
Acceptable	258,481	176,169	110,457	42,196	39,578	70,680	935,600	15,473	1,648,634	96.3%
OAEM	8,355	576	143	300	698	220	38,936	-	49,228	2.9%
Substandard/Doubtful	2,732	288	1,033	1,129	227	1,507	6,493	-	13,409	0.8%
Total	269,568	177,033	111,633	43,625	40,503	72,407	981,029	15,473	1,711,271	100.0%
Current period gross charge-offs	-	-	-	-	13	-	2,299	-	2,312	
Farm-related business										
Acceptable	144,040	199,171	171,509	63,187	55,176	63,487	248,944	34,095	979,609	92.1%
OAEM	-	533	6,098	10,594	-	8,640	8,486	366	34,717	3.3%
Substandard/Doubtful	2,881	-	14,615	16,948	3,446	1,610	9,661	-	49,161	4.6%
Total	146,921	199,704	192,222	90,729	58,622	73,737	267,091	34,461	1,063,487	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Communication										
Acceptable	30,251	37,114	73,824	22,980	21,523	-	5,315	-	191,007	90.3%
OAEM	-	14,905	-	5,397	-	-	294	-	20,596	9.7%
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	30,251	52,019	73,824	28,377	21,523	-	5,609	-	211,603	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Energy										
Acceptable	5,838	36,523	35,868	-	-	28,414	27,757	9,558	143,958	99.7%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	493	-	-	493	0.3%
Total	5,838	36,523	35,868	-	-	28,907	27,757	9,558	144,451	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Rural residential real estate										
Acceptable	419	11,041	21,360	17,784	7,952	26,714	-	-	85,270	98.3%
OAEM	-	13	100	470	-	620	-	-	1,203	1.4%
Substandard/Doubtful	-	54	-	-	-	199	-	-	253	0.3%
Total	419	11,108	21,460	18,254	7,952	27,533	-	-	86,726	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Water and Waste Disposal Loans										
Acceptable	14,489	35,957	-	1,305	-	-	-	-	51,751	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	14,489	35,957	-	1,305	-	-	-	-	51,751	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Lease Receivables										
Acceptable	4,647	3,383	759	259	-	3,931	-	-	12,979	63.2%
OAEM	-	-	151	1,222	-	2,532	-	-	3,905	19.0%
Substandard/Doubtful	-	-	3,648	-	-	-	-	-	3,648	17.8%
Total	4,647	3,383	4,558	1,481	-	6,463	-	-	20,532	100.0%
Current period gross charge-offs	-	-	-	-	-	1,309	-	-	1,309	
Mission Related Loans										
Acceptable	-	-	-	-	-	1,729	-	-	1,729	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,729	-	-	1,729	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Total Loans										
Acceptable	$ 1,594,333	$ 1,970,637	$ 2,781,542	$ 1,522,470	$ 692,480	$1,906,097	$ 1,217,842	$ 110,139	$ 11,795,540	97.3%
OAEM	19,911	26,852	21,660	45,698	14,358	30,510	47,716	540	207,245	1.7%
Substandard/Doubtful	8,087	15,932	27,978	23,665	9,108	14,350	19,996	-	119,116	1.0%
Total	$ 1,622,331	$ 2,013,421	$ 2,831,180	$ 1,591,833	$ 715,946	$1,950,957	$ 1,285,554	$ 110,679	$ 12,121,901	100.0%
Total current period gross charge-offs	$ -	$ -	$ 6	$ 1	$ 91	$ 1,320	$ 2,299	$ -	$ 3,717	

Accrued interest receivable on loans of $103,493 and $108,578 at March 31, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheet. The association wrote off accrued interest receivable of $130 for the three months ended March 31, 2024, compared to $53 for the same period of 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more delinquent, and other property owned and related credit quality statistics:

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 20,087**	$ 15,505
Production and intermediate-term	**4,272**	3,741
Farm-related business	**10,343**	16,172
Energy	**413**	493
Rural residential real estate	**299**	98
Total nonaccrual loans	**$ 35,414**	$ 36,009
Total nonperforming loans	**$ 35,414**	$ 36,009
Other property owned	**21,226**	23,177
Total nonperforming assets	**$ 56,640**	$ 59,186
Nonaccrual loans as a percentage of total loans	**0.29%**	0.30%
Nonperforming assets as a percentage of total loans and other property owned	**0.46%**	0.49%
Nonperforming assets as a percentage of capital	**3.04%**	3.29%

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

	March 31, 2024			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended March 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ 701	$ 19,386	$ 20,087	$ 133
Production and intermediate-term	1,180	3,092	4,272	250
Farm-related business	-	10,343	10,343	26
Energy	413	-	413	-
Rural residential real estate	-	299	299	7
Lease receivables	-	-	-	128
Total nonaccrual loans	$ 2,294	$ 33,120	$ 35,414	$ 544

	December 31, 2023			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended March 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 15,505	$ 15,505	$ 57
Production and intermediate-term	1,505	2,236	3,741	107
Farm-related business	10,341	5,831	16,172	288
Energy	493	-	493	-
Rural residential real estate	-	98	98	-
Total nonaccrual loans	$ 12,339	$ 23,670	$ 36,009	$ 452

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

March 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	**$ 72,975**	**$ 8,260**	**$ 81,235**	**$ 8,893,749**	**$ 8,974,984**	**$ -**
Production and intermediate-term	**1,713**	**2,132**	**3,845**	**1,728,897**	**1,732,742**	**-**
Farm-related business	**2,820**	**10,343**	**13,163**	**1,052,398**	**1,065,561**	**-**
Communication	**-**	**-**	**-**	**202,368**	**202,368**	**-**
Energy	**-**	**-**	**-**	**157,549**	**157,549**	**-**
Rural residential real estate	**958**	**229**	**1,187**	**81,926**	**83,113**	**-**
Water and waste disposal	**-**	**-**	**-**	**52,287**	**52,287**	**-**
Lease receivables	**1,215**	**-**	**1,215**	**18,427**	**19,642**	**-**
Mission-related investments	**-**	**-**	**-**	**1,729**	**1,729**	**-**
Total	**$ 79,681**	**$ 20,964**	**$ 100,645**	**$ 12,189,330**	**$ 12,289,975**	**$ -**

December 31, 2023	30-89 Days Past Due	90 Days or More Past	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 83,746	$ 4,787	$ 88,533	$ 8,741,818	$ 8,830,351	$ -
Production and intermediate-term	19,228	315	19,543	1,691,728	1,711,271	-
Farm-related business	3,237	16,172	19,409	1,044,078	1,063,487	-
Rural residential real estate	1,278	21	1,299	85,427	86,726	-
Energy	-	-	-	144,451	144,451	-
Communication	-	-	-	211,603	211,603	-
Mission-related investments	-	-	-	1,729	1,729	-
Lease receivables	1,507	-	1,507	19,025	20,532	-
Water and waste disposal	-	-	-	51,751	51,751	-
Total	$ 108,996	$ 21,295	$ 130,291	$ 11,991,610	$ 12,121,901	$ -

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

The following table shows the amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted.

	For the Three Months Ended March 31, 2024			
	Term Extension	**Term Extension & Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	**$ 2,910**	**$ -**	**$ 2,910**	**0.0%**
Farm-related business	**-**	**6,172**	**6,172**	**0.6%**
Total	**$ 2,910**	**$ 6,172**	**$ 9,082**	**0.1%**

	For the Three Months Ended March 31, 2023			
	Term Extension	**Term Extension & Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 793	$ -	$ 793	0.0%
Total	$ 793	$ -	$ 793	0.0%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2024 and 2023 were $132 and $23, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024:

	Financial Effect For the Three Months Ended March 31, 2024
	Term Extension
Real estate mortgage	1,419 days
	Combination – Term Extension and Payment Deferral
Farm-related business	233 days

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2023:

	Financial Effect For the Three Months Ended March 31, 2023
	Term Extension
Real estate mortgage	6,072 days

There were no modifications to borrowers experiencing financial difficulty that defaulted during the months ended March 31, 2024 that received a modification in the twelve months before default. There were no modifications to borrowers experiencing financial difficulty on or after January 1, 2023, the date of adoption of the guidance, "Financial Instruments-Credit Losses: Troubled Debt Restructurings and Vintage Disclosure," that defaulted during the three months ended March 21, 2023.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2024:

	Three Months Ended March 31, 2024 Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$ 4,572	$ -	$ -
Production and intermediate-term	2,473	-	-
Farm-related business	-	-	13,597
Total	**$ 7,045**	**$ -**	**$ 13,597**

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of adoption of CECL, through March 31, 2023:

	Three Months Ended March 31, 2023 Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$ 793	$ -	$ -
Total	**$ 793**	**$ -**	**$ -**

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024, were $2,597 and during the year ended December 2023 were $2,893.

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 boards of directors have generally established more restrictive lending limits.

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

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses on loans:									
Balance at December 31, 2023	$ 15,859	$ 4,929	$ 7,505	$ 152	$ 404	$ 668	$ 6	$ 583	$ 30,106
Charge-offs	(103)	(67)	(8,954)	(10)	-	-	-	-	(9,134)
Recoveries	-	283	184	-	-	-	-	333	800
Provision for (reversal of) loan losses	(682)	1,130	5,744	(2)	8	(44)	(1)	(223)	5,930
Balance at March 31, 2024	$ 15,074	$ 6,275	$ 4,479	$ 140	$ 412	$ 624	$ 5	$ 693	$ 27,702
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2023	$ 25	$ 167	$ 201	$ -	$ 12	$ 10	$ -	$ -	$ 415
Provision for (reversal of) loan losses	(4)	64	(26)	-	(3)	(2)	-	-	29
Balance at March 31, 2024	$ 21	$ 231	$ 175	$ -	$ 9	$ 8	$ -	$ -	$ 444
Total allowance for credit losses	$ 15,095	$ 6,506	$ 4,654	$ 140	$ 421	$ 632	$ 5	$ 693	$ 28,146

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses on loan:									
Balance at December 31, 2022	$ 13,067	$ 4,512	$ 2,444	$ 38	$ 735	$ 190	$ -	$ 400	$ 21,386
Cumulative effect of implementation of CECL	1,041	(750)	1,790	162	110	149	6	208	2,716
Balance at January 1, 2023	$ 14,108	$ 3,762	$ 4,234	$ 200	$ 845	$ 339	$ 6	$ 608	$ 24,102
Charge-offs	(46)	(1,780)	-	-	-	-	-	(376)	(2,202)
Recoveries	13	61	1	-	-	-	-	-	75
Provision for (reversal of) loan losses	861	2,103	(134)	(20)	(31)	(8)	-	363	3,134
Balance at March 31, 2023	$ 14,936	$ 4,146	$ 4,101	$ 180	$ 814	$ 331	$ 6	$ 595	$ 25,109
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2022	$ 3	$ 276	$ 164	$ -	$ 9	$ 4	$ -	$ -	$ 456
Cumulative effect of implementation of CECL	14	(150)	100	-	-	3	-	-	(33)
Balance at January 1, 2023	$ 17	$ 126	$ 264	$ -	$ 9	$ 7	$ -	$ -	$ 423
Provision for (reversal of) unfunded commitments	6	1	(36)	-	-	(1)	-	-	(30)
Balance at March 31, 2023	$ 23	$ 127	$ 228	$ -	$ 9	$ 6	$ -	$ -	$ 393
Total allowance for credit losses	$ 14,959	$ 4,273	$ 4,329	$ 180	$ 823	$ 337	$ 6	$ 595	$ 25,502

Discussion of Changes in Allowance for Credit Losses

The ACL decreased $2,375 to $ 28,146 at March 31, 2024, as compared to $30,521 at December 31, 2023. This is largely due to a charge-off to a relationship during the quarter. The association's specific reserves decreased by $2,923 to $505 at March 31, 2024, as compared to $3,428 at December 31, 2023.

NOTE 3 —LEASES:

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the association's operating leases, the discount rates used to determine the present value of the association's lease liability are based on the association's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the association's cost of funds from the bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in "Occupancy and equipment" in the income statement.

The components of lease expense were as follows:

	Classification	For the Three Months Ended March 31, 2024		For the Three Months Ended March 31, 2023	
Operating lease expense	Operating	**$**	**758**	$	739
Short-term lease expense	Operating		**74**		58
Total lease expense		**$**	**832**	$	797

Other information related to leases was as follows:

	For the Three Months Ended March 31, 2024		For the Three Months Ended March 31, 2023	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$**	**718**	$	713
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases		**938**		106

Lease term and discount rate are as follows:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term in years		
Operating leases	**2.41**	2.39
Weighted average discount rate		
Operating leases	**3.7%**	3.2%

Future minimum lease payments under non-cancellable leases as of March 31, 2024 were as follows:

	Operating Leases	
2024 (excluding the three months ended 3/31/2024)	**$**	**2,041**
2025		1,814
2026		1,118
2027		871
2028		785
Thereafter		797
Total lease payments		7,426
Less: interest		-
Total	$	7,426

NOTE 4 — MEMBERS EQUITY:

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

On January 19, 2021 the association issued $200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth. The issuance carries an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026 and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association has made dividend payments on March 15, 2024, for a total amount of $2,500.

Regulatory Capital Ratios

	Regulatory Minimums with Buffer	As of March 31, 2024	As of December 31, 2023
Risk-adjusted:			
Common equity tier 1 ratio	7.0%	**10.8%**	11.5%
Tier 1 capital ratio	8.5%	**12.3%**	13.0%
Total capital ratio	10.5%	**12.6%**	13.3%
Permanent capital ratio	7.0%	**12.4%**	13.1%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.0%	**13.1%**	13.9%
UREE leverage ratio	1.5%	**4.2%**	5.0%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2024:

Risk-adjusted Capital Ratios

90 Day Average Balances (dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 730,289	$ 730,289	$ 730,289	$ 730,289
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,039	28,039	28,039	28,039
Allocated equities held ≥7 years	880,890	880,890	880,890	880,890
Nonqualified allocated equities not subject to retirement	-	-	-	-
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	30,371	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(213,998)	(213,998)	(213,998)	(213,998)
Other regulatory required deductions	(1,074)	(1,074)	(1,074)	(1,074)
	$ 1,424,146	$ 1,624,146	$ 1,654,517	$ 1,624,146
Denominator:				
Risk-adjusted assets excluding allowance	$ 13,382,951	$ 13,382,951	$ 13,382,951	$ 13,382,951
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(215,072)	(215,072)	(215,072)	(215,072)
Allowance for loan losses	-	-	-	(29,955)
	$ 13,167,879	$ 13,167,879	$ 13,167,879	$ 13,137,924

Non-risk-adjusted Capital Ratios

90 Day Average Balances (dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 730,289	$ 730,289
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	28,039	-
Allocated equities held ≥7 years	880,890	
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(213,998)	(213,998)
Other regulatory required deductions	(1,074)	(1,074)
	$ 1,624,146	$ 515,217
Denominator:		
Total Assets	$ 12,608,977	$ 12,608,977
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(215,447)	(215,447)
	$ 12,393,530	$ 12,393,530

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2024	2023
Accumulated other comprensive income at January 1	**$ 2,851**	$ 3,193
Amortization of prior service (credit) included in salaries and employee benefits	**(35)**	(46)
Amortization of actuarial (gain) included in salaries and employee benefits	**(21)**	(28)
Other comprehensive (loss), net of tax	**(56)**	(74)
Accumulated other comprensive income at March 31	**$ 2,795**	$ 3,119

NOTE 5 — INCOME TAXES:

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

NOTE 6 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 to the 2023 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

March 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 8,449**	**$ -**	**$ -**	**$ 8,449**
Total assets	**$ 8,449**	**$ -**	**$ -**	**$ 8,449**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 8,462	$ -	$ -	$ 8,462
Total assets	$ 8,462	$ -	$ -	$ 8,462

Assets and liabilities measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy levels are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

March 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 1,789**	**$ 1,789**
Other property owned	**-**	**-**	**23,884**	**23,884**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 8,911	$ 8,911
Other property owned	-	-	33,902	33,902

*Loans represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral. With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 15 to the 2023 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2023 Annual Report to Stockholders.

Investments

Include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgements and experience with the securities. These fair value measurements are classified as level 3 investments.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

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

Loans

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

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

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

Commitments to Extend Credit

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

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	For the three months ended March 31, Other Benefits	
	2024	2023
Service Cost	**$ 60**	$ 58
Interest Cost	**295**	272
Expected return on plan assets	**-**	-
Amortization of prior service (credits)	**(35)**	(46)
Amortization of net actuarial (gain)	**(21)**	(28)
Net periodic benefit cost	**$ 299**	$ 256

The association's liability for the unfunded accumulated obligation for these benefits at March 31, 2024, was $22,059 and is included in "Unfunded post-retirement medical obligations" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. Contributions due and unpaid are recognized as a liability. For the DB plan, the association recognized costs of $240 and $417 for the three months ended March 31, 2024 and 2023, respectively.

The association's contributions to the DC Plan are expensed as incurred. For the three months ended March 31, 2024 and 2023, the association recognized pension costs of $1,499 and $1,522, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. For the three month period ended March 31, 2024 and 2023, the association contributed $1,064 and $1,074, respectively.

The association also participates in a defined contribution nonqualified supplemental 401(k) plan. The total expenses of the nonqualified plan included in the association's employee benefit costs were $110 and $137 for the three months ended March 31, 2024 and 2023, respectively.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 9 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 9, 2024, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.