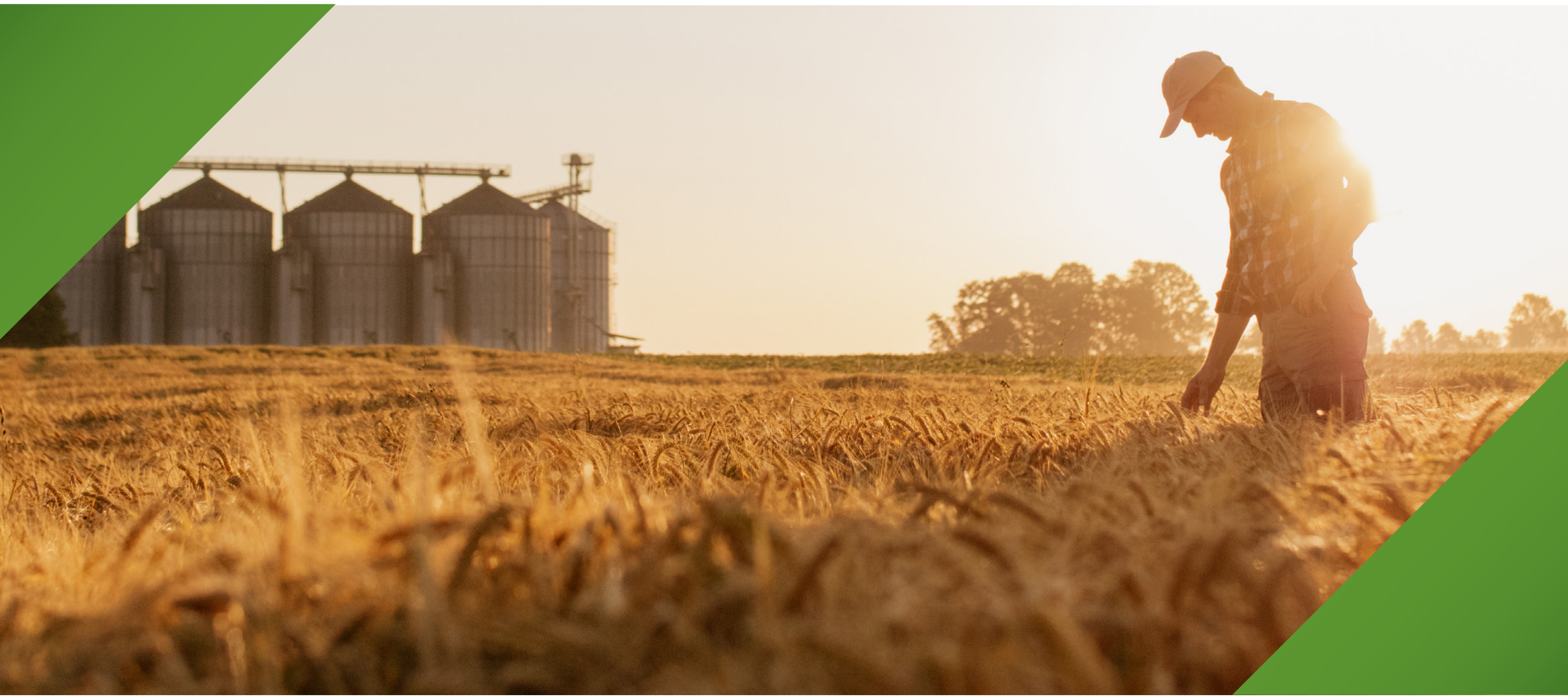
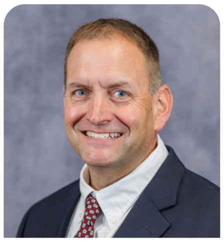
2023

AGCREDIT ANNUAL REPORT

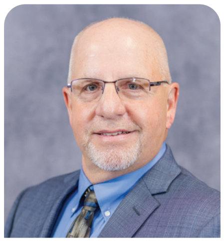


AgCREDIT

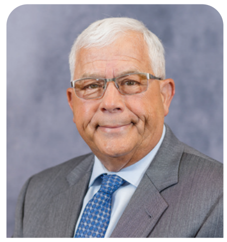
BOARD OF DIRECTORS



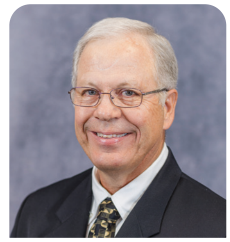
Dustin J. Sonnenberg
Chairman, Region 2



David J. Conrad
Vice Chairman, Region 8



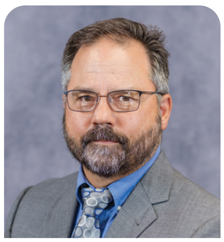
Terry L. McClure
Region 1



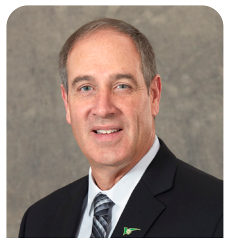
Kevin P. Flanagan
Region 3

Scott D. Chalfin
Region 4

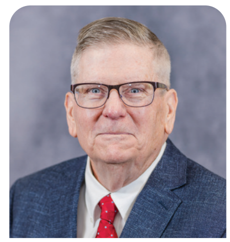
Gary L. Baldosser
Region 5



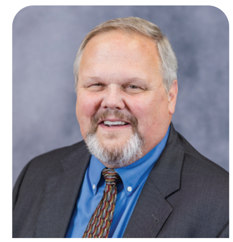
Michael A. Thiel
Region 6



Stephen E. Reinhard
Region 7



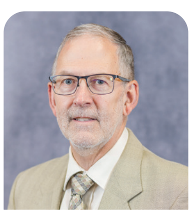
Fred D. Pond
Outside Director



Dr. David M. Stott, Ph.D., CPA
Outside Director

MANAGEMENT TEAM

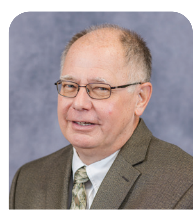
Brian J. Ricker
President & Chief Executive Officer



Daniel E. Ebert
Chief Operating Officer

Logan W. Kreais, CPA
Chief Financial Officer

Josh L. McBride
Chief Credit Officer



John J. Hunter
General Counsel

Sandra L. Musgrave
Chief Human Resources Officer

OUR **VISION**

We inspire growth in agriculture and our rural communities.

OUR **CORE VALUES**

» **Relationships**: We value and build genuine, long-lasting partnerships

» **Respect:** Everyone is included, treated fairly and with dignity

» **Integrity:** We are committed to being honest, reliable and hard working

» **Service:** We actively and purposefully help others

» **Accountability:** Each of us is responsible for our words, actions, and results

» **Teamwork:** We achieve the best results when we all work together

» **Courage:** We embrace challenges with open minds and positivity

OFFICE **LOCATIONS**

BOWLING GREEN
111 E. Gypsy Lane Road
Bowling Green, OH 43402
419-352-5178
877-635-3426

BUCYRUS
3113 SR 98
Bucyrus, OH 44820
419-562-7926

FINDLAY
7868 CR 140, Suite A
Findlay, OH 45840
419-422-7632
888-405-2221

FOSTORIA
Administrative Office
610 W. Lytle Street
Fostoria, OH 44830
419-435-7758
800-837-3678

FREMONT
2155 Oak Harbor Road
Fremont, OH 43420
419-332-2639
800-896-4541

KENTON
12923 SR 309
Kenton, OH 43326
419-675-2303
877-808-0163

MARION
1100 E. Center Street
Marion, OH 43302
740-387-2270

MT. GILEAD
5362 US Hwy 42, Suite 100
Mt. Gilead, OH 43338
419-947-1040

NAPOLEON
1485 Scott Street
Napoleon, OH 43545
419-599-8656
800-347-0277

NORWALK
735 US Hwy 20 East
Norwalk, OH 44857
419-663-4020
800-686-0756

OTTAWA
315 W. Williamstown Road
Ottawa, OH 45875
419-523-6677
888-380-3738

PAULDING
839 N. Williams Street
Paulding, OH 45879
419-238-6838
877-684-9455

TIFFIN
2500 W. Market Street
Tiffin, OH 44883
419-447-0787
877-568-1688

UPPER SANDUSKY
97 Houpt Drive, Room E
Upper Sandusky, OH 43351
419-294-4933

VAN WERT
1195 Professional Drive
Van Wert, OH 45891
419-238-6838
877-684-9455

WELLINGTON
311 Maple Street, Suite A
Wellington, OH 44090
440-647-6611
866-685-4446

AgCredit Agricultural Credit Association

2023 Annual Report

Contents

Message from the Chief Executive Officer and Chairman of the Board

The resilience of our agricultural economy shined brightly in 2023. Despite the multiple shocks the economy has taken in recent years with the pandemic, increased geopolitical conflict, higher interest rates, and stubborn inflation, the economy and AgCredit performed well in 2023.

We saw relief to inflation during the year as it declined from 6.4% in January to a more manageable level of 3.4% by year-end. Lower inflation resulted in the cost of fertilizer and other farm inputs to decline and for food prices to flatten during the year. After 17 months of federal funds rate increases totaling 500 bps, the Federal Reserve paused the increases mid-year.

The resilient economy was also felt in AgCredit's strong financial performance during the year. The Association finished the year with net income of $61 million. Loan growth advanced at 10.6% and total loan volume increased by over $305 million. Credit quality remained strong, with 98.3% of the portfolio being classified as either "acceptable" or "special mention".

The excellent financial results mean that – for the 37th consecutive year – AgCredit will distribute profits to our borrower-owners. This year's general patronage distribution will total $22 million, equating to 20 cents of every dollar of interest accrued on eligible loans. More details on our financial performance are within the pages of this report.

Our long record of returning profits to our customers is just one measure of our commitment to support agricultural producers across northern Ohio. During a time of increasing interest rate uncertainty, our team closed 1,544 Ohio Ag-Link loans totaling over $275 million. This program effectively fixed the interest rate on operating loans and reduced interest costs as variable rates increased. Our success in this area serves as a reminder to associate your business with a lender who understands agriculture and will go the extra mile for you during both good and challenging times.

The Association launched two significant technology initiatives during the year. The changes were made to modernize our loan systems and our digital banking platform. A new digital banking platform was released in May while a new loan accounting system was launched in July. Over time, new features and capabilities will be introduced to these new systems to keep AgCredit on the forefront as we strive to fulfill our mission of serving agriculture and our rural community.

Preserving the rural communities where we live, and work is also important to all of us at AgCredit. For this reason, our Mission Fund awarded $120,000 in grants to 13 community organizations. Since its start in 2018, the program has distributed more than $585,000 to 70 deserving organizations within our territory.

We understand that the future of American agriculture and rural areas depends on a new generation of producers. For this reason, we are committed to meeting the needs of Young, Beginning, and Small farmers through our lending programs, educational sponsorships, and scholarships. Our AgStart program closed loans totaling $28 million to young and beginning farmers in 2023, bringing our overall total to more than $298 million since the program began in 2015.

As we begin a new year, our commitment to serving agriculture and rural communities through the good times and bad is stronger than ever. We are honored to serve this cooperative, and I am extremely proud of our committed employee team that works diligently to provide you a superior customer experience. Thank you for placing your trust in us and for choosing us as your lender.

Here's to a safe, healthy and profitable 2024!

Brian J. Ricker
President & Chief Executive Officer

Dustin J. Sonnenberg
Chairman of the Board

March 7, 2024

Report of Management

The accompanying Consolidated Financial Statements and related financial information appearing throughout this Annual Report have been prepared by management of AgCredit Agricultural Credit Association (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems, and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The consolidated financial statements have been audited by independent auditors, whose report appears elsewhere in this Annual Report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2023 Annual Report of AgCredit Agricultural Credit Association, that the report has been prepared under the oversight of the audit committee of the Board of Directors 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.

Dustin J. Sonnenberg
Chairman of the Board

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

March 7, 2024

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, 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 Board 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 (2013)*, 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's management 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.

Brian J. Ricker
Chief Executive Officer

Logan W. Kreais
Chief Financial Officer

March 7, 2024

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	2023	2022	December 31, 2021	2020	2019
Balance Sheet Data					
Cash	**$ 51**	$ 67	$ 29	$ 95	$ 3,917
Investments in debt securities	**12,421**	5,784	6,916	9,227	9,774
Loans	**3,178,344**	2,873,382	2,578,467	2,204,856	1,967,764
Allowance for loan losses	**(7,115)**	(7,005)	(7,305)	(8,798)	(11,289)
Net loans	**3,171,229**	2,866,377	2,571,162	2,196,058	1,956,475
Equity investments in other Farm Credit institutions	**50,009**	34,950	20,889	21,366	23,243
Other assets	**89,330**	67,243	81,431	71,896	63,581
Total assets	**$ 3,323,040**	$2,974,421	$2,680,427	$2,298,642	$2,056,990
Notes payable to AgFirst Farm Credit Bank*	**$ 2,763,385**	$2,456,560	$2,194,319	$1,859,377	$1,654,570
Accrued interest payable and other liabilities with maturities of less than one year	**53,976**	43,772	50,012	47,135	54,787
Total liabilities	**2,817,361**	2,500,332	2,244,331	1,906,512	1,709,357
Capital stock and participation certificates	**14,113**	16,108	17,498	18,516	17,262
Retained earnings					
Allocated	**363,983**	340,538	308,056	273,955	239,120
Unallocated	**127,583**	117,443	110,542	99,659	91,251
Total members' equity	**505,679**	474,089	436,096	392,130	347,633
Total liabilities and members' equity	**$ 3,323,040**	$2,974,421	$2,680,427	$2,298,642	$2,056,990
Statement of Income Data					
Net interest income	**$ 68,070**	$ 57,573	$ 58,748	$ 55,139	$ 53,164
Provision for (reversal of) allowance for credit losses	**681**	(300)	(2,470)	(8,434)	1,607
Noninterest income (expense), net	**(6,499)**	5,648	16,176	12,252	3,557
Net income	**$ 60,890**	$ 63,521	$ 77,394	$ 75,825	$ 55,114
Key Financial Ratios					
Rate of return on average:					
Total assets	**1.99%**	2.31%	3.28%	3.62%	2.76%
Total members' equity	**12.15%**	13.79%	18.46%	20.38%	15.15%
Net interest income as a percentage of average earning assets	**2.30%**	2.15%	2.55%	2.71%	2.75%
Net (chargeoffs) recoveries to average loans	**(0.035)%**	0.000%	0.043%	0.293%	(0.072)%
Total members' equity to total assets	**15.22%**	15.94%	16.27%	17.06%	16.90%
Debt to members' equity (:1)	**5.57**	5.27	5.15	4.86	4.92
Allowance for loan losses to loans	**0.22%**	0.24%	0.28%	0.40%	0.57%
Permanent capital ratio	**18.74%**	20.56%	20.76%	20.87%	21.33%
Common equity tier 1 capital ratio	**18.42%**	20.10%	20.20%	20.15%	20.57%
Tier 1 capital ratio	**18.42%**	20.10%	20.20%	20.15%	20.57%
Total regulatory capital ratio	**18.78%**	20.46%	20.58%	20.75%	21.31%
Tier 1 leverage ratio**	**14.39%**	15.27%	15.99%	16.11%	16.86%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**14.13%**	14.99%	16.38%	16.66%	17.42%
Net Income Distribution					
Cash dividends declared/paid	**$ 195**	$ 90	$ 54	$ 79	$ 153
Estimated patronage refunds:					
Cash	**25,928**	24,376	33,078	32,722	42,219
Nonqualified retained earnings	**24,291**	31,378	33,531	34,872	7,634

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2024.*

*** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.*

Management's Discussion & Analysis of Financial Condition & Results of Operations

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of AgCredit, ACA (Association) for the year ended December 31, 2023, with comparisons to the years ended December 31, 2022 and December 31, 2021. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and other sections in this Annual Report. The accompanying Consolidated Financial Statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" included in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to support rural communities and agriculture with reliable and consistent credit and financial services. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of the north central and northwest portion of Ohio. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience, knowledge of the market, operation as a true cooperative, and development of lifetime relationships with our members.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected, and shareholder investment in the Association could be affected, by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, ***www.agfirst.com,*** or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are available on the Association's website, ***www.agcredit.net***, or may be obtained at no charge by calling 1-800-837-3678, extension 1048, or writing Logan Kreais, Chief Financial Officer at 610 W. Lytle St., Fostoria, OH 44830. The Association prepares an electronic version of the Annual Report, made available on the website, within 75 days after the end of the fiscal year, and distributes the Annual Report to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, made available on the internet, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

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. The intent of words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms, is 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 changes in the United States and abroad;
- Economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- Weather, disease, and other climatic or biological conditions that impact agricultural productivity and income;
- Changes in governmental support of the agricultural industry and the Farm Credit System, a government-sponsored enterprise;
- Investor and rating-agency reactions to events involving other government-sponsored enterprises and financial institutions; and
- Actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK AND ECONOMIC CONDITIONS

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and periodic aid), interest rates, input costs and various other factors that affect supply and demand.

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information/data for the Association.

The USDA's February 2024 forecast estimates net farm income (income after expenses from production) for 2023 at $155.9 billion, a $29.7 billion decrease from the record high 2022 net farm income, but $53.8 billion above the 10-year average. The forecasted decrease in net farm income for 2023, compared with 2022, is primarily due to decreases in cash receipts for animal and animal products of $14.1 billion to $244.4 billion and direct government payments of $3.4 billion to $12.2 billion as well as an increase in cash expenses of $10.4 billion to $412.6 billion.

The USDA's outlook projects net farm income for 2024 at $116.1 billion, a $39.8 billion or 25.5 percent decrease from 2023, but $14.0 billion above the 10-year average. The forecasted decrease in net farm income for 2024 is primarily due to expected decreases in cash receipts for crops of $16.7 billion, cash receipts for animals and animal products of $4.6 billion and direct government payments of $1.9 billion, as well as an increase in cash expenses of $15.4 billion. The expected decline in cash receipts for crops is primarily driven by decreases in corn and soybeans while receipts for fruits and nuts are expected to increase. The decrease in cash receipts for animals and animal products are predicted for eggs, turkeys, cattle/calves and milk, while receipts for hogs and broilers are expected to remain relatively unchanged. Most production expenses are expected to increase from 2023 levels.

Working capital (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to decrease 5.4 percent in 2023 to $122.0 billion from $129.0 billion in 2022.

The value of farm real estate accounted for 84 percent of the total value of the U.S. farm sector assets for 2023 according to the USDA in its February 2024 forecast. Because real estate is such a significant component of the balance sheet of U.S. farms, the value of farm real estate is a critical measure of the farm sector's financial performance. Changes in farmland values also affect the financial well-being of agricultural producers because farm real estate serves as the principal source of collateral for farm loans.

USDA's forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 6.8 percent in 2023 to $3.6 trillion. Farm real estate value is expected to increase 7.7 percent and non-real estate farm assets are expected to increase 1.3 percent, while farm sector debt is forecasted to increase 4.9 percent in 2023. Farm real estate debt as a share of total debt has been rising since 2014 and is expected to account for 68.2 percent of total farm debt in 2023.

The USDA is forecasting farm sector solvency ratios to improve in 2023 to 14.6 percent for the debt-to-equity ratio and 12.7 percent for the debt-to-asset ratio, which are well below the peak of 28.5 percent and 22.2 percent in 1985.

Expected agricultural commodity prices can influence production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions, government actions (including tariffs, war, and response to disease), and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural and commodity supplies and prices, price spreads, changes in the value of the U.S. dollar and the government support for agriculture.

The following table sets forth the commodity prices per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2020 to December 31, 2023:

Commodity	12/31/23	12/31/22	12/31/21	12/31/20
Hogs	$ 53.30	$ 62.50	$ 56.50	$ 49.10
Milk	$ 20.60	$ 24.50	$ 21.70	$ 18.30
Broilers	$ 0.74	$ 0.73	$ 0.74	$ 0.44
Turkeys	$ 0.47	$ 1.22	$ 0.84	$ 0.72
Corn	$ 4.80	$ 6.58	$ 5.47	$ 3.97
Soybeans	$ 13.10	$ 14.40	$ 12.50	$ 10.60
Wheat	$ 6.79	$ 8.97	$ 8.59	$ 5.46
Beef Cattle	$ 172.00	$ 154.00	$ 137.00	$ 108.00

Geographic and commodity diversification across the Association coupled with existing government safety net programs, ad hoc support programs, and additional government disaster aid payment for many borrowers help to mitigate the impact of challenging agricultural conditions. The Association's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2023. Additionally, while the Association benefits overall from diversification, individual Association borrowers may have higher geographic, commodity, and borrower concentrations which may accentuate the negative impact on those entities' financial performance and credit quality. Non-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on non-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities as well as the recognition of certain income and expense items. We consider these policies critical because management must make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies,* and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements.

- *Allowance for credit losses* (ACL) — On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the 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.

  The ACL comprises:

  - the allowance for loan losses which covers the Association's loan portfolio and is presented separately on the *Balance Sheet*,
  - the ACL on unfunded commitments, which is presented on the *Balance Sheet* in other liabilities, and
  - the ACL on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the *Balance Sheet.*

  The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio, unfunded commitments, and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable active market exists. Management utilizes third-party valuation services to obtain fair value prices for the majority of the Association's investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension obligations, certain investment securities, and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on the Bank's results of operations.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types.

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and certain related entities, we strive to diversify our loan portfolio through loan participations (purchased and sold), geographic locations served, loan type, commodity, and loan size. The following tables illustrate the diversification by loan type, geography, commodity, and by loan participations. Refer to Note 3, *Loans and Allowance for Credit Losses,* for more loan portfolio information.

The diversification of the Association loan volume by type for each of the past three years is shown below.

	December 31,					
Loan Type	**2023**		**2022**		**2021**	
Real estate mortgage	$ 1,786,237	56.20%	$ 1,707,687	59.43 %	$ 1,564,379	60.67%
Production and intermediate-term	693,257	21.81	626,462	21.80	612,288	23.75
Cooperatives	17,211	0.54	6,482	0.23	6,433	0.25
Processing and marketing	223,407	7.03	138,379	4.82	93,326	3.62
Farm-related business	49,391	1.55	47,538	1.65	40,032	1.55
Communications	34,484	1.08	20,797	0.72	7,419	0.29
Power and water/waste disposal	4,631	0.16	402	0.01	–	–
Rural residential real estate	135,354	4.26	131,783	4.59	129,276	5.01
Lease receivables	1,265	0.04	1,341	0.05	616	0.02
International	–	–	1,706	0.06	–	–
Other	233,107	7.33	190,805	6.64	124,698	4.84
Total	$ 3,178,344	100.00%	$ 2,873,382	100.00 %	$ 2,578,467	100.00%

The geographic distribution of the loan volume by branch for the past three years is as follows:

	December 31,		
Branch	**2023**	**2022**	**2021**
Findlay	5.2%	5.4%	5.5%
Fremont	4.4	4.6	4.8
Tiffin	5.2	5.5	5.9
Bowling Green	3.8	4.3	4.7
Marion	3.7	4.2	4.4
Bucyrus	3.0	3.4	3.6
Kenton	3.6	3.6	3.9
Mt. Gilead	4.1	4.4	4.8
Upper Sandusky	2.6	2.8	3.1
Norwalk	8.0	8.0	8.4
Ottawa	5.0	5.2	5.4
Van Wert	8.1	8.8	9.1
Napoleon	2.8	3.0	3.2
Residential Lending	6.1	6.4	6.9
100% Guaranteed Purchases	11.0	9.7	8.2
Agribusiness	23.4	20.7	18.1
Total	100.0%	100.0%	100.0%

Commodity and industry categories are based upon the Standard Industrial Classification system published by the federal government. Commodity or industry categories are assigned based upon the largest agricultural commodity of the customer or specific commodity upon which repayment is dependent. The major commodities in the Association loan portfolio are shown below. The predominant commodities of general cash grains (primarily soybeans, corn, and wheat), livestock, and landlords constitute about 70 percent of the entire portfolio.

	December 31,					
Commodity Group	**2023**		**2022**		**2021**	
General cash grain	$ 1,538,452	48%	$ 1,458,616	51%	$ 1,361,882	53%
Livestock	426,402	14	394,392	14	387,237	15
Landlords	259,780	8	260,354	9	252,654	10
Rural home loans	136,103	4	131,783	4	129,276	5
Horticulture	144,754	5	136,153	5	88,060	3
Other	672,853	21	492,084	17	359,358	14
Total	$ 3,178,344	100%	$ 2,873,382	100%	$ 2,578,467	100%

Repayment ability is primarily related to the profitability of the commodities produced by our borrowers and the borrowers' off-farm income. The Association's loan portfolio contains a high concentration of cash grain producers. Although a large percentage of the loan portfolio is concentrated in these enterprises, many of these operations are supplemented with off-farm employment income helping to reduce overall risk exposure. Consumer demand for beef, poultry, and pork, demand for alternate renewable fuel sources, weather, regulations, government policies, and international trade are some of the factors affecting the price of these commodities. Refer to the Agricultural Outlook and Economic Conditions discussion in this report for more details. The risk in the portfolio associated with commodity concentration and large loans is reduced by the utilization of crop insurance and the use of FSA, USDA, Business and Industry, SBA, and Farmer Mac loan guarantees.

Loan portfolio concentration risk, whether by enterprise, individual, or related parties, is managed through loan participations, adherence to sound underwriting standards, loan guarantees, internal lending limits, and sound portfolio management practices. As a part of these risk management strategies, the Association has entered into participation agreements with AgFirst, System entities, and other entities, and continues to participate in federal loan guarantee programs. Refer to the Agricultural Outlook and Economic Conditions discussion in this report for more details.

The dollar and percentage changes between 2023 and 2022 for the different loan types are shown in the chart below.

Loan Type	December 31, 2023	December 31, 2022	$ Change	% Change
Real estate mortgage	$ 1,786,237	$ 1,707,687	$ 78,550	4.60 %
Production and intermediate-term	693,257	626,462	66,795	10.66
Loans to cooperatives	17,211	6,482	10,729	165.52
Processing and marketing	223,407	138,379	85,028	61.45
Farm related business	49,391	47,538	1,853	3.90
Communication	34,484	20,797	13,687	65.81
Power and water/waste disposal	4,631	402	4,229	1,051.99
Rural residential real estate	135,354	131,783	3,571	2.71
Lease receivables	1,265	1,341	(76)	(5.67)
International	–	1,706	(1,706)	(100.00)
Other (including Mission Related)	233,107	190,805	42,302	22.17
Total	$ 3,178,344	$ 2,873,382	$ 304,962	10.61 %

Real estate mortgage volume increased primarily due to the increased average size of loans, new loans generated by marketing efforts by our branch teams, favorable recommendations from our members, excellent customer service, competitive interest rates, and the value returned to members via the Association's patronage program.

Production and intermediate-term volume grew due to our members increasing spending for operational needs and purchases of farm equipment and buildings due to the increase in farm profitability related to elevated commodity prices, increased yields, and additional government program payments.

Processing and marketing, loans to cooperatives, and communication volume increased primarily due to increased participations purchased and larger commercial loans while other volume increased primarily due to 100 Percent Guaranteed Purchases.

Since the formation of an Agribusiness department in 2014, the Association has actively purchased and sold loan participations within and outside the System. Since 2017, the Association's participations purchased efforts have been enhanced by purchasing 100 percent of the guaranteed portions of certain eligible loans. Participations purchased provide another source of income along with portfolio diversification. Participations sold volume is used to decrease the amounts held on large commercial accounts that exceed the Association's internal lending limits. This reduces the risk to the Association and its members, while providing stable credit availability to large commercial borrowers.

Loan Participations:	December 31, 2023	2022	2021
Participations purchased – FCS institutions	$ 342,796	$ 199,004	$ 131,284
Participations purchased – Non-FCS institutions	385,790	301,102	227,094
Participations sold	(455,791)	(463,421)	(342,743)
Total	$ 272,795	$ 36,685	$ 15,635

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2023.

The Association may also sell qualified long-term home mortgage loans into the secondary market. In 2023, 2022, and 2021, the Association did not originate any home loans for resale into the secondary market.

MISSION RELATED INVESTMENTS

Rural America Bonds

In 2004, the FCA initiated an investment program to stimulate economic growth and development in rural areas. The FCA outlined a program to allow System institutions to hold such investments, subject to approval by the FCA on a case-by-case basis. The FCA approved the Rural America Bonds pilot under the Mission Related Investments umbrella, as described below.

In October 2005, the FCA authorized AgFirst and the Associations to make investments in Rural America Bonds under a three-year pilot program. FCA approved a continuation of the program on October 31, 2008, for an undetermined time period. Rural America Bonds may include debt obligations issued by public and private enterprises, corporations, cooperatives, other financing institutions, or rural lenders where the proceeds would be used to support agriculture, agribusiness, rural housing, economic development, infrastructure, or community development and revitalization projects in rural areas. Examples include investments funding value-added food and fiber processors and marketers; agribusinesses; commercial enterprises that create and maintain employment opportunities in rural areas; community services, such as schools, hospitals, and government facilities; and other activities that sustain or revitalize rural communities and their economies. The objective of this pilot program was to help meet the growing and diverse financing needs of agricultural enterprises, agribusinesses, and rural communities by providing increased access to capital to rural areas through bond financing. These bonds may be classified as Loans or Investments on the Consolidated Balance Sheets depending on the nature of the investment. As of December 31, 2023, 2022 and 2021, the Association had $5,289, $5,691, and $6,746, respectively, in Rural America Bonds.

Effective December 31, 2014, the FCA concluded each pilot program approved as part of the Investment in Rural America program. Each institution participating in such programs may continue to hold its investment through the maturity dates for the investments, provided the institution continues to meet all approval conditions. Although the pilot programs have ended, the FCA can consider future requests on a case-by-case basis.

Rural Business Investment Companies

In partnership with other System entities and community banks, we provide funding to rural community facilities through investments in certain Rural Business Investment Companies (RBIC's). Our investments in RBIC's focus on small and middle market companies that create jobs and prosperity in rural America. Additionally, these RBIC's help diversify the Associations loan portfolio from its core concentration in cash grains throughout Northwest Ohio. As of December 31, 2023, 2022, and 2021, the Association had signed commitments for total investments up to $22.0 million, $9.0 million, and $4.0 million, and had funded $5,265, $3,384, and $2,105 to these investment companies.

Small Business Administration (SBA) Pools

The Association held investment securities guaranteed by the Small Business Administration primarily to mitigate risk by diversifying the Associations loan portfolio from its core concentration in cash grains throughout Northwest Ohio. For the years ended December 31, 2023, 2022, and 2021, the Association held SBA Pools in the amounts of $7,133, $92, and $170.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of a borrower to meet their repayment obligation. As part of the process to monitor credit risk, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction on how to evaluate a loan. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history;
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income including non-farm income;
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment;
- Capital – ability of the operation to survive unanticipated risks; and
- Conditions – intended use of the loan funds.

All Title I loans must be collateralized by a first lien on real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. The regulatory maximum loan to appraised value (LTV) is 85 percent for all Title I loans unless the loan is guaranteed by a state, federal, or other governmental agency, then the maximum is 97 percent. Although these are the regulatory maximums, the Association's general lending level for all agricultural Title 1 loans is 70% LTV and includes a loanable limit on a tillable acre basis. The loanable limit curbs over reliance on standard lending strategies in an environment of rapidly increasing asset values. To offer flexibility to higher quality borrowers with probability of default (PD) indicators of 4 through 6 (post-closing), the lending level can go up to 80 percent LTV but only if the repayment plan is limited to 20 years or less on a fixed principal payment plan or 15 years or less if on an equal-amortized payment plan. For a loan with a PD of 10, the LTV must be less than or equal to 65 percent and must have a loan guarantee, if eligible. Title 1 loans made to PDs of 11 and 12 require Credit Department approval. Rural residential mortgage loans (rural home loans and resident loans to farmers) utilize the 85 percent LTV (97 percent with state, federal, or other governmental agency guarantee) lending level. As a result of the Association's internal policies, the actual loan to appraised value when loans are originated is generally lower than the statutory maximum percentage. Appraisals by state certified appraisers are required for Title 1 loans if:

- The transaction value is over $1 million;
- FSA guaranteed loans over $250,000;
- The transaction value is over $250,000 if the borrower is dependent on income derived from the sale or cash rental of real estate as the primary source of repayment;
- Any size loan with a PD 10-14; and
- The loan is below the above limits where:
  - The loan is a RHL or RLF.
  - The account officer or appraiser feels an appraisal is necessary in order to properly assess risk.

Each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

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

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

Credit Quality	2023	2022	2021
Acceptable & OAEM	98.32%	98.18%	97.16%
Substandard	1.68	1.82	2.84
Doubtful	–	–	–
Loss	–	–	–
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. A Special Assets Management team is responsible for supervising the servicing of loans classified as high-risk. The high-risk assets, including accrued interest, are detailed below:

	December 31,		
High-risk Assets	**2023**	**2022**	**2021**
Nonaccrual loans	$ 4,438	$ 2,520	$ 4,605
Accruing restructured loans	–	529	650
Accruing loans 90 days past due	4,521	1,144	–
Total high-risk loans	8,959	4,193	5,255
Other property owned	–	–	–
Total high-risk assets	$ 8,959	$ 4,193	$ 5,255
Ratios			
Nonaccrual loans to total loans	0.14%	0.09%	0.18%
High-risk assets to total assets	0.27%	0.14%	0.20%

Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or future interest accruals under the contractual terms of the loan. In substance, nonaccrual loans reflect loans where the accrual of interest has been suspended. Nonaccrual loans increased $1,918 or 76.11 percent in 2023 primarily due to one large commercial relationship moving to nonaccrual. Nonaccruals remain at manageable levels as a percentage of total loans. Current nonaccrual volume is defined as nonaccrual volume that is current on scheduled principal and interest payments but did not meet all regulatory requirements to be transferred back into accrual status. Current nonaccrual volume at December 31, 2023 was $1,416 of the total nonaccrual volume of $4,438. Current nonaccrual volume to total nonaccrual volume at December 31, 2023, 2022, and 2021 was 31.91 percent, 74.05 percent, and 29.53 percent, respectively.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Credit Losses

The allowance for credit losses at each period end was considered by Association management to be adequate to absorb current expected losses existing in and inherent to its loan portfolio.

The following table presents the activity in the allowance for credit losses for the most recent three years.

	Year Ended December 31,		
Allowance for Credit Losses Activity:	**2023**	**2022**	**2021**
Balance at beginning of year	$ 7,415	$ 7,305	$ 8,798
Charge-offs:			
Production and intermediate-term	(1,034)	–	(8)
Total charge-offs	(1,034)	–	(8)
Recoveries:			
Production and intermediate-term	–	–	12
Processing and marketing	–	–	973
Total recoveries	–	–	985
Net (charge-offs) recoveries	(1,034)	–	977
Provision for (reversal of) credit losse	734	(300)	(2,470)
Balance at end of year	$ 7,115	$ 7,005	$ 7,305
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.04)%	0.00%	0.04%

The table below shows the allowance for credit losses by loan type for the most recent three years.

	December 31,		
Allowance for Credit Losses by Type	**2023**	**2022**	**2021**
Real estate mortgage	$ 2,378	$ 2,048	$ 3,131
Production and intermediate-term	2,118	3,078	3,343
Agribusiness	2,162	1,569	545
Communications	58	43	13
Power and water/waste disposal	6	–	–
Rural residential real estate	379	259	272
Lease receivables	13	7	1
International	1	1	–
Total allowance	$ 7,115	$ 7,005	$ 7,305

The allowance for credit losses as a percentage of loans outstanding and as a percentage of certain other credit quality indicators is shown below:

Allowance for Credit Losses	December 31,		
as a Percentage of:	**2023**	**2022**	**2021**
Total loans	0.22%	0.24%	0.28%
Nonperforming loans	79.42%	167.06%	139.01%
Nonaccrual loans	160.32%	277.98%	158.63%

The increase in the allowance for credit losses for 2023 compared to 2022 was primarily the result of loan growth, the overall risk rating mix, and the change in accounting from the incurred loss model to the expected loss model (CECL) partially offset by the implementation of updated Farm Credit System PD's. The decrease in the allowance for loan losses for 2022 compared to 2021 was primarily the result of a pay down of a large commercial customer as well as changes in the allowance for loan loss factors partially offset by loan growth and the overall risk rating mix.

During 2023, the Association's credit quality remained strong. Continued emphasis on sound underwriting and servicing standards will help our members and the Association through any difficult times ahead. Refer to the Agricultural Outlook and Economic Conditions section of this report for factors posing potential adverse impact to the portfolio in 2023.

Please refer to Note 3, *Loans and Allowance for Credit Losses*, of the Notes to the Consolidated Financial Statements, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net income for the year that ended December 31, 2023 totaled $60,890, a decrease of $2,631 or 4.14 percent when compared to the 2022 net income of $63,521. The 2022 net income was $13,873 or 17.93 percent lower than the 2021 net income of $77,394. Major components of the change in net income for the past two years are outlined in the following table.

Change in Net Income:	**2023-2022**	**2022-2021**
Net income (prior year)	$ 63,521	$ 77,394
Increase (decrease) in net income due to:		
Investment securities	188	(108)
Interest income	44,958	15,780
Interest expense	(34,649)	(16,847)
Net interest income	10,497	(1,175)
(Provision for) reversal of credit losses	(981)	(2,170)
Loan fees	993	175
Financially related services	(21)	25
Patronage refunds from other Farm Credit institutions	(10,592)	(9,123)
Gains (losses) on sales of premises and equipment, net	(6)	(3)
Gains (losses) on other transactions	(214)	(634)
Other noninterest income	3	16
Salaries and employee benefits	(1,855)	(97)
Occupancy and equipment	79	(70)
Insurance fund premiums	(68)	(950)
Guarantee fees	317	528
Losses (gains) on other property owned, net	–	4
Purchased Services	21	251
Data Processing	109	(195)
Other operating expenses	(882)	(512)
(Provision for) reversal of income taxes	(31)	57
Total changes in income	(2,631)	(13,873)
Net income	$ 60,890	$ 63,521

Net Interest Income

Net interest income was $68,070, $57,573, and $58,748 in 2023, 2022, and 2021, respectively. Net interest income is the difference between interest income and interest expense. 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 table:

	Volume*	**Rate**	**Total**
12/31/23 – 12/31/22			
Interest income	$ 18,700	$ 26,446	$ 45,146
Interest expense	10,102	24,547	34,649
Change in net interest income	$ 8,598	$ 1,899	$ 10,497
12/31/22 – 12/31/21			
Interest income	$ 16,136	$ (464)	$ 15,672
Interest expense	7,103	9,744	16,847
Change in net interest income	$ 9,033	$ (10,208)	$ (1,175)

**Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.*

Net interest income for 2023 increased by $10,497 or 18.23 percent when compared to the 2022 net interest income primarily due to volume growth and increases in interest rates in 2023. Net interest income for 2022 decreased by $1,175 or 2.00 percent when compared to 2021 net interest income primarily due to no SBA-PPP fee income in 2022.

For 2023, 2022, and 2021, the Association's earnings on its own funds in loans were $16,181, $10,157, and $8,274, respectively. The $6,024 or 59.31 percent increase for 2023 when compared to 2022 is primarily a result of the increase in interest rates in 2023. The 2022 increase when compared to 2021 is primarily a result of the increase in interest rates in 2022.

Provision for Credit Losses

The Association evaluates risks inherent in our loan portfolio on an ongoing basis and establishes appropriate reserves for credit losses. For 2023, 2022, and 2021, the Association recorded a provision for (reversal of allowance for) credit losses of $681, ($300), and ($2,470), respectively. The increase in 2023 was driven primarily by changes in the allowance for loan loss, loan growth, and the overall risk rating mix. The prior year changes resulted from the changes in the allowance for loan loss as previously discussed.

Please refer to the *Allowance for Credit Losses* portion of Note 2, *Summary of Significant Accounting Policies* section of this report for further information concerning the calculation of the allowance for credit losses.

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended December 31, 2023	2022	2021	Percentage Increase/(Decrease) 2023/2022	2022/2021
Loan fees	$ 1,775	$ 782	$ 607	126.98 %	28.83 %
Fees for financially related services	360	381	356	(5.51)	7.02
Patronage refund from other Farm Credit Institutions	23,183	33,775	42,898	(31.36)	(21.27)
Gains (losses) on sales of premises and equipment, net	(6)	–	3	–	(100.00)
Gains (losses) on other transactions	(344)	(130)	504	164.62	(125.79)
Other noninterest income	292	289	273	1.04	5.86
Total noninterest income	$ 25,260	$ 35,097	$ 44,641	(28.03) %	(21.38)%

The 2023 patronage from the Bank is comprised of $18,962 of general patronage, $483 in special patronage, $3,374 in patronage on participation loans sold to the Bank, and $364 in other patronage earned. The Association received special distributions of $483, $12,750, and $26,351 for 2023, 2022, and 2021, respectively. The special patronage refunds for 2023, 2022, and 2021 are due to the benefit of the Association's cooperative membership in AgFirst. The reduction in the refund for 2023 was due to the increasing rate environment minimizing the Banks opportunity to call debt. The refunds in 2022 and 2021 were driven by strong earnings by the Bank related to the low interest rate environment and their ability to call debt and reissue at lower rates.

Loan fees increased in 2023 compared to 2022 primarily due to an increase in fees related to participation purchased loans. Loan fees increased in 2022 compared to 2021 primarily due to an increase in fees related to participation purchased loans.

Fees for financially related services decreased in 2023 as compared to 2022 as a result of decreases in multi-peril crop, crop hail, and credit life insurance. The decrease was partially offset by an increase in appraisal services. Fees for financially related services increased in 2022 as compared to 2021 as a result of increases in multi-peril crop and crop hail insurance as well as appraisal services. The increase was partially offset by a decrease in credit life insurance.

Gains (losses) on sales of premises and equipment saw a reduction for 2023 compared to 2022 as a result of losses recognized on assets no longer in use during 2023. There were no gains (losses) on sales of premises and equipment in 2022.

Gains (losses) on other transactions decreased in 2023 compared to 2022 primarily due to a decrease in net gains related to the loss on the sale of a participation purchased loan in 2023 partially offset by gains on the NQ401K in 2023 compared to losses in 2022. The 2022 decrease compared to 2021 is primarily due to a loss on the NQ401K in 2022 compared to gains on the sale of 100 percent guaranteed purchase loans in 2021.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31, 2023	2022	2021	Percentage Increase/(Decrease) 2023/2022	2022/2021
Salaries and employee benefits	$ 20,116	$ 18,261	$ 18,164	10.16 %	0.53 %
Occupancy and equipment expense	1,159	1,238	1,168	(6.38)	5.99
Insurance Fund premium	3,143	3,075	2,125	2.21	44.71
Guarantee fee	963	1,280	1,808	(24.77)	(29.20)
Losses (gains) on other property owned, net	–	–	4	–	(100.00)
Other operating expense	6,341	5,589	5,133	13.46	8.88
Total noninterest expense	$ 31,722	$ 29,443	$ 28,402	7.74 %	3.67 %

Salaries and employee benefits expenses increased in 2023 compared to 2022 primarily due to increases in merit compensation, incentives, and salary related benefits including group health insurance costs as well as a decrease in deferred costs partially offset by a reduction in expenses for the Association's pension plan. 2022 salaries and employee benefits increased compared to 2021 due to increases in staffing, merit compensation, and salary related benefits partially offset by a reduction in expenses for the Association's pension plan.

Occupancy and equipment expenses decreased for 2023 primarily due to fewer ongoing maintenance projects at existing facilities. Occupancy and equipment expenses increased for 2022 compared to 2021 primarily due to ongoing maintenance of existing facilities.

Insurance Fund premium expenses increased for 2023 due to volume growth partially offset by lower premium rates. Insurance Fund premium expenses increased for 2022 due to volume growth and higher premium rates.

Guarantee fees are one-time and/or annual fees paid by the Association to obtain federal government and Farmer Mac loan guarantees. Guarantee related expenses decreased in 2023 as compared to 2022 due to a decrease in guarantee loan applications. Guarantee related expenses decreased in 2022 as compared to 2021 due to decrease in guarantee loan applications.

During 2023 and 2022, there were no losses (gains) on the sale of other property owned.

The 2023 increase in other operating expenses compared to 2022 was driven by higher expenses in participations purchased service fees, nonaccrual loans, director expenses, supervisory and examination, communications, travel, and public member relations partially offset by a reduction in data processing and professional fees. The 2022 increase in other operating expenses compared to 2021 was driven by higher expenses in director, data processing, travel, advertising, public member relations, participations purchased service fees, owned property insurance, and supervisory and examination expenses partially offset by a reduction in temporary service fees, professional fees, printing, training, and other expense.

Income Taxes

For 2023, the Association recorded provision for income taxes of $37 as compared to $6 provision for taxes in 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes* and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning Association income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	**For the 12 Months Ended 12/31/23**	**12/31/22**	**12/31/21**
Return on average assets	1.99%	2.31%	3.28%
Return on average members' equity	12.15%	13.79%	18.46%
Net interest income as a percentage of average earning assets	2.30%	2.15%	2.55%
Net (charge-offs) recoveries to average loans	(0.04)%	–	0.04%
Total members' equity to total assets	15.22%	15.94%	16.27%
Debt to members' equity (:1)	5.57	5.27	5.15

The ratios as of December 31, 2023 and the changes in the ratios shown in the table are due to the financial information previously stated.

Key factors in maximizing net income for future years will be increasing net interest and noninterest income while controlling operating expenses. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are matched to the Association's interest earning assets. The variable rate note is also utilized by the Association to fund variable day-to-day operations. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2023, was $2,763,385 as compared to $2,456,560 at December 31, 2022 and $2,194,319 at December 31, 2021. This is an increase of $306,825 or 12.49 percent for 2023 compared to an increase of $262,241 or 11.95 percent for 2022. The increase in 2023 is attributable to loan growth and patronage paid to members partially offset by net income. The average volume of outstanding notes payable to the Bank was $2,528,222, $2,260,594, and $1,915,999 for the years ended December 31, 2023, 2022, and 2021, respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses, and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to increase loan volume while managing cash balances to minimize the note payable. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's participation in loan guarantees, investments, and other secondary market programs provide additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2023.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to maintain and increase earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable, and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify, and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding Sources" section of this Management's Discussion and Analysis and in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, included in this Annual Report.

LIBOR Transition

US dollar LIBOR settings (including respect to overnight, one, three, six, and twelve month tenors of US dollar LIBOR) were discontinued or declared non-representative immediately after June 30, 2023.

The Association implemented LIBOR transition plans in accordance with FCA's guidance to address the risks associated with the discontinuation of LIBOR. See the Association's 2022 Annual Report for further discussion on the LIBOR transition plans.

The Association had no variable-rate financial instruments outstanding with LIBOR exposure as of December 31, 2023.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure all stockholders are treated equitably. There were no material changes to the capital plan for 2023 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

The following table shows the components of and total members' equity as of December 31, 2023, 2022, and 2021.

	December 31,		
	2023	2022	2021
Class A preferred stock	$ 5,865	$ 7,986	$ 9,573
C stock and participation certificates	8,248	8,122	7,925
Nonqualified retained earnings	363,983	340,538	308,056
Nonqualified allocated retained earnings	–	–	–
Unallocated retained earnings	127,583	117,443	110,542
Total members' equity	$ 505,679	$ 474,089	$ 436,096

Total members' equity increased by $31,590 or 6.66 percent for 2023 when compared to 2022. In 2023, members' equity increased due to strong earnings partially offset by cash patronage. Total members' equity increased for 2022 due to strong earnings offset, in part, by cash patronage.

See Note 7, *Members' Equity*, of the Consolidated Financial Statements, for further information concerning capital resources.

Capital

Effective January 1, 2017, the regulatory capital requirements for System Banks and associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced core surplus and total surplus ratios with common equity tier 1 (CET1) capital, tier 1 capital, and total capital, risk-based capital ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio (PCR) remains in effect.

Risk-adjusted assets have been defined by FCA Regulations as the 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 effect of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios), were as follows:

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

Calculation of PCR risk-adjusted assets includes the allowance for credit losses as a deduction from risk-adjusted assets. This differs from the other risk-based capital calculations.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets;
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets;
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets;
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets;
- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital; and
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2023	2022	2021
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	18.42%	20.10%	20.20%
Tier 1 Capital	6.0%	2.5%	8.5%	18.42%	20.10%	20.20%
Total Capital	8.0%	2.5%	10.5%	18.78%	20.46%	20.58%
Permanent Capital	7.0%	0.0%	7.0%	18.74%	20.56%	20.76%
Non-risk-adjusted ratios						
Tier 1 Leverage	4.0%	1.0%	5.0%	14.39%	15.27%	15.99%
URE and UREE Leverage	1.5%	0.0%	1.5%	14.13%	14.99%	16.38%

If the capital ratios fall below the minimum regulatory 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.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, and the *Consolidated Statements in Changes in Members' Equity,* of the Consolidated Financial Statements, for more information concerning the patronage distributions.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning**, and Small*** farmers. Because of the unique needs of these individuals and their importance to the future growth of the Association, the Association has established annual marketing goals to increase its market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit.

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association. Statistics for minority farmers are not available.

	As of December 31, 2023	
	Number of Loans	**Amount of Loans**
Young	3,979	$607,842
Beginning	4,034	$584,053
Small	9,000	$916,340

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2017 USDA (2017 is the latest USDA Ag census data available) Ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory (counties) there were 22,987 reported farmers, of which by definition 2,738 or 11.7 percent were young, 5,648 or 24.6 percent were beginning, and 19,029 or 82.3 percent were small. Comparatively, as of December 31, 2023, the demographics of the Association's agricultural portfolio contained 6,985 farmers, of which by definition 1,737 or 24.9% percent were young, 1,945 or 27.8% percent were beginning, and 4,176 or 59.8% percent were small.

The Association's YBS program is designed to help YBS farmers finance their operations. It consists of three focus areas: education, events, and financial support. Education is at the heart of the program and includes supporting or conducting seminars and training sessions. These educational opportunities may be in-house; in the form of events held by the Association, or external; in which case the Association provides a speaker or provides educational materials. The Association's website, www.agcredit.net**,** includes information and resources for YBS visitors to the site.

The second focus area of the program includes those activities in which the Association sponsors local events (such as 4-H and FFA activities at county fairs), or events where the Association is an exhibitor (such as industry or trade shows).

The third prong of the program, financial support, addresses the specific credit programs and partnerships that we've developed to help small farmers, young farmers, and beginning farmers. It includes programs such as those offered by the Farm Service Agency (FSA). As a "preferred lender" with FSA, the Association utilizes this relationship to obtain guarantees providing financial support to YBS farmers.

The Association is also a Guaranteed Participating Lender for the Small Business Administration (SBA), which offers lending programs specifically for small borrowers. Additionally, the Association offers flexible financing options in-house for qualifying borrowers.

A member of the Credit team and the Corporate Services team coordinates the Association's YBS efforts. Additional team members in each of the Association's branch offices help conduct or coordinate YBS programs. The Association includes YBS goals in the annual strategic plan and reports on those goals and achievements to the Board of Directors on a quarterly basis.

The Association is committed to the future success of Young, Beginning, and Small farmers.

* Young farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.

** Beginning farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.

***Small farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who normally generate less than $250,000 in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

Credit Programs:

The Association continues to promote three credit programs to better assist Young, Beginning, and Small Farmers (AgStart Farmers):

AgGrow loans for farm operators. This loan program was created for AgStart Farmers who are making their first or second time farmland purchases or contract livestock building purchases. This loan program eases requirements on certain credit ratios, provides extended terms, has lower borrowing costs, and requires an FSA guarantee along with other certain loan requirements.

AgGrow loans for non-farm operators. This loan program was created for AgStart Farmers who desire to purchase farmland to continue/expand their family farm legacy and/or for a long-term investment in our agriculture communities. This loan program eases requirements on certain credit ratios, provides extended terms, has lower borrowing costs, and gives strong consideration for the applicant's off-farm profession for business management experience.

Use of FSA and other loan related programs including:

- FSA guarantees;
- FSA Beginning Farmer Down Payment Farm Ownership loan;
- FSA 50/50 and 50/45/5 Participation Programs; and
- FSA Socially Disadvantaged Loan Program.

FFA and 4-H Involvement:

- Participated in FFA career days, field days, and judging events;
- Offered $300 per county for 4-H "Real Money, Real World" money management projects;
- Sponsored the FFA 110 Percent Awards and recognized winners in the AgCredit Leader magazine;
- Supported 4-H, FFA, and young farmer organizations through local, district, state, and national sponsorships;
- All branches supported their local junior fair livestock sales and other junior fair activities;
- Made loans for FFA and 4-H projects (with parent co-signer);
- Provided financing for calf clubs to help provide animals for Jr. Fair exhibitors;
- Donated money for prizes, giveaways for barn meetings, chairs for exhibitors, back tags for show ring, and t-shirts for Jr. Fair exhibitors;
- Advertised in newspapers and on social media for National 4-H and FFA week;
- Sponsored FFA Gold Medal Chapter Award;
- Celebrated FFA Week at area schools by providing snacks and gifts;
- Donated 1,049 t-shirts to local FFA chapters in 2023;
- Served on 4-H Endowment Boards and Scholarship Committees;
- Donated 4-H project books;
- Sponsored various Ohio FFA Career Development Events;
- Sponsored Ohio 4-H Foundation annual fundraiser;
- Featured FFA and 4-H participants and their projects on social media throughout the summer; and
- Collaborated with Ohio Farm Bureau and Nationwide to sponsor the Golden Owl awards program.

Other Youth Involvement:

- Provided two $3,000 and two $2,000 college scholarships to students studying an agricultural curriculum;
- Provided PowerPoint presentation to use when talking with agricultural education classes about the importance of establishing and maintaining good credit;
- Association employees made presentations to high school agri-business classes explaining AgCredit, the cooperative method of doing business, and agricultural finance issues;
- Made donations to support area youth programs including, but not limited to, local ballpark sponsorships and banners, golf teams, yearbook ads, community safety programs, farm rescue bin safety training, high school booster programs (music, athletic, and academic), advertised at the Ohio High School All Star game, fishing derby for kids, "Pork in the Classroom", school essay winner prizes, and judging;
- Employed four interns in 2023;
- Sponsored Farm Safety Camp for third graders in Putnam County, sponsor breakfast and lunch, teach at a station, and providing the t-shirts (Ottawa); and
- Sponsored Pee Wee Swine Shows at nine county fairs.

Other Young, Beginning, Small, Minority, Women and Veteran Farmer Activities:

- Sponsored and attended Ohio Farm Bureau Young Ag Professionals Conference;
- Sponsored and attended Ohio Cattlemen's Association's Young Cattlemen's Conference;
- Sponsored Ohio Sheep Improvement Association LEAD Program;
- Sponsored Alpha Gamma Rho Fraternity's Holiday Classic Cattle Show;

- Sponsored Ohio Pork Council's OH-Pigs Show Circuit;
- During 2023, closed a total of 76 Farm Credit Express YBS point of purchase equipment loans for a total of $5,050,579;
- During 2023, closed 77 AgStart loans for a total of $27,668,117. These loans to help YBS Farmers to purchase their first or second farm with special terms and reduced costs. Total AgStart loans closed since this program started in 2015 is 1,016 loans for a total of $297,656,635;
- Sponsored Wyandot County Cornhusker Beef Cattle Show;
- Sponsored Area Envirothon Contest;
- Sponsored Chasing Banners Jackpot Show;
- Sponsored 2023 Ohio Beef Expo; and
- Sponsored Targeting Excellence. This program awards scholarships to college students pursuing a career path in food and animal agriculture.

Other YBS outreach:

- Hosted Emerge Experience conference for YBS member-borrowers that focused on grain marking, financial statements, branding your farm, working with your lender to reach your goals, and tours of various farms that have benefited from making changes to their respective operation.
- Hosted five webinars in 2023 covering Budget and Market Outlook, Winter Grain Marketing Outlook, Spring Weather Outlook, Growing Season Market Outlook, and Growing Season Weather Outlook;
- Released twenty new episodes of the podcast "AgCredit Said It" that provides insight on a number of topics such as mental health, tax planning, and succession planning.

REGULATORY MATTERS

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100%. The rule would further align the FCA's risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than $500,000. The final rule will become effective on January 1, 2025.

On October 12, 2023, the Farm Credit Administration approved a final rule governing the Farm Credit System's service to young, beginning, and small (YBS) farmers and ranchers. The rule requires banks that fund the direct-lender associations to annually review and approve the association YBS programs. The rule also requires a direct-lender association to enhance the strategic plan of its YBS program. The strategic plan must contain specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress, which would allow the Farm Credit Administration to compare the success of the direct-lender association's YBS program. The final rule became effective on February 1, 2024.

On October 5, 2023, the Farm Credit Administration 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 board reporting requirements. The final rule will become effective on January 1, 2025.

On April 14, 2022, the FCA approved a final rule that amends 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 replaced the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities are included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets are not eligible for inclusion in a System institution's Tier 2 capital. The regulation did not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation did not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The rule became effective on January 1, 2023.

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period ended on November 27, 2021.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements,* in the Notes to the Financial Statements, and the 2023 Annual Report to Shareholders for 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.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered, and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in this Annual Report.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Ohio:

Location	Description	Form of Ownership
610 W. Lytle St. Fostoria	Administrative	Owned
602 W. Lytle St. Fostoria	Administrative	Owned
112 N. Main St. Fostoria	Branch	Leased(1)
7868 County Rd. 140, Ste. A Findlay	Branch	Leased(2)
2155 Oak Harbor Rd., Ste. B Fremont	Branch	Owned(3)
2500 W. Market St. Tiffin	Branch	Owned
111 E. Gypsy Lane Rd. Bowling Green	Branch	Owned
1100 E. Center St., Ste. D Marion	Branch	Owned
3113 St. Rt. 98 Bucyrus	Branch	Owned
12923 St. Rt. 309 Kenton	Branch	Owned
5362 US Highway 42, Ste. 100 Mt. Gilead	Branch	Owned
97 Houpt Dr., Room E Upper Sandusky	Branch	Leased(4)
735 US Highway 20 E. Norwalk	Branch	Owned
311 Maple St., Ste. A Wellington	Office	Leased(5)
315 W. Williamstown Rd. Ottawa	Branch	Owned
1195 Professional Dr. Van Wert	Branch	Leased(6)
1485 Scott St. Napoleon	Branch	Owned
839 N. Williams St. Paulding	Office	Leased(7)

(1)Five-year lease terminating on February 28, 2027. Annual lease of $45,000.
(2)One-year lease terminating on December 31, 2024. Annual lease of $33,842.
(3)The Association owns the West half of the building.
(4)Five-year lease terminating February 28, 2027. Annual lease of $21,420.
(5)Five-year lease terminating September 30, 2025. Annual lease of $33,600.
(6)Ten-year lease terminating August 1, 2029. Annual lease of $70,116.
(7)Seven-year lease terminating September 30, 2027. Annual lease of $15,600.

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities, and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9, and 11 of the Consolidated Financial Statements included in this Annual Report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association:

Senior Officer	Position
Brian Ricker	*President and Chief Executive Officer* since February 1, 2014. *Chief Operating Officer* from October 1, 2013 through January 31, 2014. *Chief Credit Officer* from September 2012 through September 2013. *Senior Credit Officer* from March 2012 through August 2012. *Relationship Manager* from November 2009 through February 2012. *Branch Manager* from March 1997 through October 2009. Employed by AgCredit since March 1997.
Daniel Ebert	*Chief Operating Officer* March 1, 2019. *Secretary / Treasurer* since April 2008. *Chief Financial Officer* from August 2007 through February 2019. Employed by AgCredit, or predecessor associations, since July 1986.
Logan Kreais, CPA	*Chief Financial Officer* since March 1, 2019. *Controller* from March 1, 2017 through February 28, 2019. *Assistant Controller* from May 1, 2011 through February 28, 2017. Employed by AgCredit since May 2011.
Jeff Rickenbacher	*Chief Credit Officer* from May 16, 2016 through June 18, 2023. *Senior Credit Officer* from January 10, 2014 through May 14, 2016. *Regional Manager* from April 1, 2012 through January 9, 2014. *Branch Manager* from July 01, 1999 through March 31, 2012. *Account Officer* from October 1997 through July 1999. Mr. Rickenbacher was employed by AgCredit since October 1997.
John Hunter	*General Counsel* since May 2014. *Corporate Counsel* from April 2013 through April 2014. Served as outside counsel to AgCredit from approximately 1987 through March 2013. Was in private practice in Toledo, Ohio starting in 1986 and focused on commercial credit and creditor's rights, including matters affecting System lenders. Employed by AgCredit since April of 2013.
Joshua McBride	*Chief Credit Officer* since August 1, 2023. *Account Officer, Credit Analyst, Regional Manager, and Senior Credit Regional Manager* from 2010-2023. He has a background in production agriculture and actively participates on his family's cash grain farm operation. Employed by AgCredit since November 2010.
June O'Neill	*Director of Human Resources* from January 1, 2017 through February 28, 2023. Ms. O'Neill retired effective March 1, 2023. Prior to her retirement, her positions included *Human Resources Manager* from January 1, 2016 through December 31, 2016. *Senior Human Resources Administrator* from January 1, 2009 through December 31, 2015. *Human Resources Administrator* from January 1, 2000 through December 31, 2008. Ms. O'Neill was employed by AgCredit, or predecessor associations, since January 1986.
Sandra Musgrave	*Chief Human Resources Officer* since June 16, 2022. From 2017 through 2022 she led Human Resources for 1,200 union and non-union employees in 3 locations in Ohio and Illinois for Cornerstone Building Brands (CBB). Prior to CBB, she managed Organizational Development and Training for Anderson Grain and AcuSport Corporation, respectively. She owned and operated SanTECH Consulting, Inc. from 1999 through 2011, and is a partner in Musgrave Farms, LLC.

The total amount of compensation earned by the CEO and the highest paid officers and employees as a group, during the years ended December 31, 2023, 2022, and 2021, is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred	Change in Pension Value	Perq/ Other*	Total
Brian Ricker	2023	$ 342,055	$ 76,078	$ 92,790	$ 258,203	$ 2,201	$ 771,327
Brian Ricker	2022	$ 342,807	$ 73,223	$ 69,206	$ (370,339)	$ 1,988	$ 116,885
Brian Ricker	2021	$ 345,843	$ 75,103	$ 38,000	$ 72,949	$ 1,965	$ 533,860
9	2023	$ 1,406,122	$ 547,307	$ 452,247	$ (86,084)	$ 18,162	$ 2,337,754
8	2022	$ 1,431,002	$ 756,746	$ 326,337	$ (703,932)	$ 17,259	$ 1,827,412
7	2021	$ 1,208,356	$ 741,894	$ 348,558	$ 148,520	$ 14,554	$ 2,461,882

Disclosure of information on the total compensation paid during 2023 to any senior officer, or to any other individual included in the aggregate, is available to shareholders upon request.

The changes in pension values as reflected in the table above resulted primarily from changes in the actuarial assumptions for mortality and discount rate. See further discussion in Note 9, Employee Benefit Plans, of the Financial Statements.

**Amounts in the above table classified as Perquisites include one or more of the following items: travel incentives, group life insurance, automobile compensation, relocation, annual leave payments, and tuition reimbursement.*

The Association participates in multi-association, District, and multi-district sponsored benefit plans. Change in pension value is considered a part of compensation. The Pension Benefits table below reflects number of years credited service, actuarial present value of accumulated benefits, along with any payments made during 2023 for the CEO, senior officers, and other highly compensated employees as a group.

Pension Benefits Table
As of December 31, 2023

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2023
CEO:					
Brian Ricker	2023	Independent Association Retirement Plan	28.17	$ 1,794,290	$ –
				$ 1,794,290	$ –
Senior Officers and Highly Compensated Employees:					
3 Individuals, excluding the CEO	2023	Independent Association Retirement Plan	39.25	$ 1,782,985	$ 2,113,580
				$ 1,782,985	$ 2,113,580

The present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year older and one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present value is calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one less year of discounting, which increases the present value. For those already eligible for unreduced retirement (e.g. have 85 age + service points), this increase is offset by the decrease in early retirement subsidy value. The early retirement subsidy provided under the plan is most valuable when a participant first reaches eligibility for unreduced benefits. The value decreases every year thereafter until age 65.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa. There was a decrease in the discount rate assumption from December 31, 2022 to December 31, 2023, which increased the pension values.

Disclosure of information on the total compensation paid during 2023 to any senior officer, or to any other employee included in the aggregate group totals shown previously, is available and will be disclosed to Association's shareholders upon request.

Senior officers and other highly compensated employees may participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, a nonqualified deferred compensation plan that allows certain key employees to defer compensation and/or which restores the benefits limited in the qualified 401(k) plan as a result of restrictions in the Internal Revenue Code. The plan also includes a provision for discretionary contributions to be made by the Association.

In addition to base salary, employees and senior officers can earn additional compensation under an annual bonus plan designed to encourage teamwork in meeting or exceeding key financial and growth objectives established by the Board of Directors. The President and Chief Executive Officer can earn additional compensation under an annual bonus plan similar to the employee bonus plan and is designed to encourage teamwork in meeting or exceeding key financial and growth objectives established by the Board of Directors. The term of both plans is the year beginning September 1 through August 31. Both plans are generally geared toward the achievement of predetermined Association performance goals for net income, return on equity, volume, credit quality, and credit administration. The Board of Directors approves both plans annually.

From time to time the Board of Directors and/or the CEO may approve additional short-term incentive opportunities for employees generally geared toward the achievement of predetermined Association performance goals for net income, return on equity, volume, credit quality, and credit administration.

All employees are reimbursed for mileage on personally owned automobiles at the rate allowed by IRS regulations and for all actual travel expenses incurred when traveling on Association business. A copy of the travel and other business expenses policy is available to shareholders upon written request.

Directors

The following chart details the year the director began serving on the board, the current term expiration, current committee assignments, number of meetings, other activities, additional compensation paid for other activities, and total cash compensation paid for each director:

				Days Served*			
Director	**Original Year of Election or Appointment**	**Current Term Expiration**	**Committee Assignment**	**Regular Board Meetings**	**Other Official Activities****	**Comp. Paid for Other Activities****	**Total Comp. Paid During 2023**
Dustin J. Sonnenberg *Chairman*	2016	2025	Governance, Compensation	9.0	21.9	$ 32,820	$ 46,320
David J. Conrad *Vice Chairman*	2015	2024	Governance, Compensation, Scholarship	8.5	15.5	18,600	28,800
Gary A. Baldosser	2009	2024	Audit	7.0	8.2	9,800	18,200
Terry McClure	2023	2026	Operations	6.0	9.0	10,800	18,000
Frederick D. Pond *Outside Dir*	2022	2025	Governance, Compensation, Scholarship	9.0	10.0	20,000	38,000
Daniel C. Rengert *Outside Dir*	2012	2023	Credit	2.0	0.0	–	4,000
Scott A. Schroeder	2008	2023	Operations, Compensation	2.0	0.0	–	2,400
David M. Stott, Ph.D., CPA *Outside Dir*	2012	2024	Audit, Compensation	9.0	14.1	28,200	46,200
Michael W. Stump	2008	2023	Operations, Scholarship	3.0	4.0	4,800	8,400
Scott Chalfin	2022	2025	Credit	9.0	15.0	18,000	28,800
Michael A. Thiel	2015	2024	Governance, Compensation, Scholarship, Operations	9.0	16.8	20,100	30,900
Stephen Reinhard	2023	2026	Credit, Scholarship	5.0	7.0	8,400	14,400
Kevin P. Flanagan	2019	2025	Audit	8.0	14.7	17,600	27,200
						$ 189,120	$ 311,620

**The number of board meeting days and per diem totals include travel time to and from meetings*
*** Includes board committee meetings and other board activities other than regular board meetings*

The following represents certain information regarding the directors of the Association:

Dustin J. Sonnenberg, Chairman, represents Western Lucas, Henry, and Wood counties. For the past five years, Mr. Sonnenberg has been a farmer at Sonnenberg Farms, a consultant, and a farm broadcaster.

David J. Conrad, Vice Chairman, represents Erie, Huron, and Lorain counties. For the past five years, his principal occupation and employment was farming.

Gary L. Baldosser represents Seneca county. For the past five years, his principal occupation and employment was farming. Mr. Baldosser also served as a regional director to the AgFirst Farm Credit Bank Board of Directors since 2020.

Terry McClure represents Paulding, Putnam, and Van Wert counties. For the past 5 years, his principal occupation has been cash grain and livestock farming.

Frederick D. Pond is an outside director. He retired in 2019 after a 42 year career in the professional tools business of Emerson Electric, including serving as president of Ridge Tool (RIDGID) Company for 19 years. His background includes broad international experience, acquisitions, for and non-profit Board of Director tenures, and community roles, principally in Health Care and Education.

David M. Stott, Ph.D., CPA is an outside director. Dr. Stott's primary occupation and employment since July 2016 is as the Director of the School of Accountancy and the *O'Bleness Professor of Accountancy* at Ohio University. Prior to that time, he served as Chair of the Department of Accounting and MIS and Professor at Bowling Green State University for seventeen years.

Scott Chalfin represents Sandusky, Ottawa, and Eastern Lucas counties. For the past five years, his principal occupation and employment has been farming. For 27 years he worked as an Agronomist for Sunrise Cooperative and left employment in 2017 to take over the family farm. Mr. Chalfin has served as a Sandusky County Soil and Water Board of Director since 2017.

Michael A. Thiel represents Marion and Wyandot counties. For the past five years, his principal occupation and employment was farming.

Stephen Reinhard represents Crawford and Morrow counties. For the past 5 years, his principal occupation and employment has been grain farming. He has served on the Ohio Soybean Council's Board of Trustees, as Ohio Soybean Council Chairman, Vice Chairman, and Treasurer, and has served as chair of the United Soybean Board. He has also been involved in the Airable Research Lab and has represented Ohio on the Soy Transportation Coalition Board of Trustees.

Kevin P. Flanagan represents Hardin and Hancock counties. For the past five years, his principal occupation and employment has been farming. Mr. Flanagan is an Allen Township Trustee.

Subject to approval by the Board, the Association may allow directors honoraria for attendance at regular meetings, committee meetings, or special assignments. Honoraria for these meetings were $1,500 per day for the Chairman, $2,000 for Outside Directors, and $1,200 per day for all other directors. Total compensation paid to directors, as a group was $311,620. No director received non-cash compensation during the year.

Directors are reimbursed for mileage on personally owned automobiles at the rate allowed by IRS and for all actual travel expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to stockholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence, and other related expenses for all directors as a group was $120,542 for 2023, $94,001 for 2022, and $55,912 for 2021.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report.

FCA regulations require the disclosure of the purchase or retirement of Association preferred stock held by an Association officer or director. The Association only has Class A Preferred Stock (preferred stock) and is available for purchase by members and others in accordance with the Association's Bylaws. The average preferred stock dividend rate for dividends paid in 2023 was 2.563 percent. Dividends are declared quarterly and paid in cash. The following chart shows the directors and senior officers holding preferred stock and the preferred stock activity for each individual for 2023.

Director/Officer	Beginning Balance 1/1/23	Purchases	Retirements	Dividends Paid	Transfer In	Transfer Out	Ending Balance 12/31/23
	$ –	$ –	$ –	$ –	$ –	$ –	$ –

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees incurred by the Association for services rendered by its independent auditors for the year ended December 31, 2023 were as follows:

	2023
Independent Auditors	
Pricewaterhouse Coopers LLP	$ 119,200

Audit fees for PricewaterhouseCoopers LLP were for the annual audit of the Consolidated Financial Statements.

All audit fees incurred by the Association were approved by the Audit Committee.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 7, 2024 and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-419-435-7758, ext. 1048, or writing Logan Kreais, Chief Financial Officer, AgCredit, Agricultural Credit Association, 610 West Lytle Street, Fostoria, OH 44830 or accessing the website, ***www.agcredit.net***. The Association prepares an electronic version of the Annual Report which is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers, and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy requiring FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section included in this Annual Report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's web site at ***www.agfirst.com***. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of AgCredit Agricultural Credit Association, and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2023, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*. The Committee discussed with PwC its independence from AgCredit. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2023. The foregoing report is provided by the following independent directors, who constitute the Committee:

David M. Stott, Ph.D., CPA
Chairman of the Audit Committee

Members of Audit Committee

Gary A. Baldosser
Kevin P. Flanagan

March 7, 2024

Report of Independent Auditors

To the Management and Board of Directors of AgCredit, Agricultural Credit Association

Opinion

We have audited the accompanying consolidated financial statements of AgCredit, Agricultural Credit Association 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, of changes in members' equity and of 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.

PricewaterhouseCoopers LLP

Atlanta, Georgia
March 7, 2024

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2023	2022	2021
Assets			
Cash	**$ 51**	$ 67	$ 29
Investments in debt securities:			
Held to maturity (fair value of $12,451, $5,347, and $7,408, respectively)	**12,421**	5,784	6,916
Loans	**3,178,344**	2,873,382	2,578,467
Allowance for loan losses	**(7,115)**	(7,005)	(7,305)
Net loans	**3,171,229**	2,866,377	2,571,162
Loans held for sale	**6,123**	—	—
Other investments	**5,265**	3,384	2,105
Accrued interest receivable	**44,458**	33,163	26,548
Equity investments in other Farm Credit institutions	**50,009**	34,950	20,889
Premises and equipment, net	**7,096**	7,560	7,896
Accounts receivable	**23,537**	20,873	43,109
Other assets	**2,851**	2,263	1,773
Total assets	**$ 3,323,040**	$ 2,974,421	$ 2,680,427
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 2,763,385**	$ 2,456,560	$ 2,194,319
Accrued interest payable	**9,372**	6,338	3,766
Patronage refunds payable	**26,073**	24,449	33,117
Accounts payable	**3,794**	3,222	2,748
Advanced conditional payments	**2,458**	960	1,247
Other liabilities	**12,279**	8,803	9,134
Total liabilities	**2,817,361**	2,500,332	2,244,331
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**14,113**	16,108	17,498
Retained earnings			
Allocated	**363,983**	340,538	308,056
Unallocated	**127,583**	117,443	110,542
Total members' equity	**505,679**	474,089	436,096
Total liabilities and members' equity	**$ 3,323,040**	$ 2,974,421	$ 2,680,427

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2023	2022	2021
Interest Income			
Loans	**$ 158,957**	$ 113,999	$ 98,219
Investments	**508**	320	428
Total interest income	**159,465**	114,319	98,647
Interest Expense	**91,395**	56,746	39,899
Net interest income	**68,070**	57,573	58,748
Provision for (reversal of) allowance for credit losses	**681**	(300)	(2,470)
Net interest income after provision for (reversal of) allowance for credit losses	**67,389**	57,873	61,218
Noninterest Income			
Loan fees	**1,775**	782	607
Fees for financially related services	**360**	381	356
Patronage refunds from other Farm Credit institutions	**23,183**	33,775	42,898
Gains (losses) on sales of premises and equipment, net	**(6)**	—	3
Gains (losses) on other transactions	**(344)**	(130)	504
Other noninterest income	**292**	289	273
Total noninterest income	**25,260**	35,097	44,641
Noninterest Expense			
Salaries and employee benefits	**20,116**	18,261	18,164
Occupancy and equipment	**1,159**	1,238	1,168
Insurance Fund premiums	**3,143**	3,075	2,125
Guarantee fees	**963**	1,280	1,808
Purchased services	**705**	726	977
Data processing	**667**	776	581
Other operating expenses	**4,969**	4,087	3,575
(Gains) losses on other property owned, net	**—**	—	4
Total noninterest expense	**31,722**	29,443	28,402
Income before income taxes	**60,927**	63,527	77,457
Provision for income taxes	**37**	6	63
Net income	**$ 60,890**	$ 63,521	$ 77,394
Other comprehensive income	**—**	—	—
Comprehensive income	**$ 60,890**	$ 63,521	$ 77,394

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	**$ 60,890**	$ 63,521	$ 77,394
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**489**	503	510
Amortization (accretion) of net deferred loan costs (fees)	**7,705**	6,390	(2,275)
Premium amortization (discount accretion) on investments in debt securities	**277**	3	(3)
Provision for (reversal of) allowance for credit losses	**681**	(300)	(2,470)
(Gains) losses on other property owned	**—**	—	3
(Gains) losses on sales of premises and equipment, net	**6**	—	(3)
(Gains) losses on other transactions	**344**	130	(504)
Changes in operating assets and liabilities:			
Net change in loans held for sale	**(6,656)**	—	—
(Increase) decrease in accrued interest receivable	**(11,295)**	(6,615)	(367)
(Increase) decrease in accounts receivable	**(2,664)**	22,236	(8,658)
(Increase) decrease in other assets	**(588)**	(490)	(441)
Increase (decrease) in accrued interest payable	**3,034**	2,572	543
Increase (decrease) in accounts payable	**572**	474	1,411
Increase (decrease) in other liabilities	**3,190**	(461)	1,000
Total adjustments	**(4,905)**	24,442	(11,254)
Net cash provided by (used in) operating activities	**55,985**	87,963	66,140
Cash flows from investing activities:			
Purchases of investments in debt securities, held to maturity	**(7,840)**	—	(174)
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**926**	1,129	2,488
Net (increase) decrease in loans	**(313,703)**	(301,305)	(370,413)
(Increase) decrease in equity investments in other Farm Credit institutions	**(15,059)**	(14,061)	477
Purchases of other investments	**(1,881)**	(1,279)	(424)
Purchases of premises and equipment	**(31)**	(167)	(164)
Proceeds from sales of premises and equipment	**—**	—	12
Proceeds from sales of other property owned	**—**	—	51
Net cash provided by (used in) investing activities	**(337,588)**	(315,683)	(368,147)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**306,825**	262,241	334,942
Net increase (decrease) in advanced conditional payments	**1,498**	(287)	94
Capital stock and participation certificates issued/(retired), net	**(1,995)**	(1,390)	(1,018)
Patronage refunds and dividends paid	**(24,741)**	(32,806)	(32,077)
Net cash provided by (used in) financing activities	**281,587**	227,758	301,941
Net increase (decrease) in cash	**(16)**	38	(66)
Cash, beginning of period	**67**	29	95
Cash, end of period	**$ 51**	$ 67	$ 29
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ —**	$ —	$ 54
Estimated cash dividends or patronage distributions declared or payable	**26,123**	24,466	33,132
Cumulative effect of change in accounting principle	**(940)**	—	—
Supplemental information:			
Interest paid	**$ 88,361**	$ 54,174	$ 39,357
Taxes (refunded) paid, net	**42**	60	90

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2020	$ 18,516	$ 273,955	$ 99,659	$ 392,130
Comprehensive income			77,394	77,394
Capital stock/participation certificates issued/(retired), net	(1,018)			(1,018)
Dividends declared/paid			(54)	(54)
Patronage distribution				
Cash			(33,078)	(33,078)
Nonqualified retained earnings		33,531	(33,531)	—
Patronage distribution adjustment		570	152	722
Balance at December 31, 2021	$ 17,498	$ 308,056	$ 110,542	$ 436,096
Comprehensive income			63,521	63,521
Capital stock/participation certificates issued/(retired), net	(1,390)			(1,390)
Dividends declared/paid			(90)	(90)
Patronage distribution				
Cash			(24,376)	(24,376)
Nonqualified retained earnings		31,378	(31,378)	—
Patronage distribution adjustment		1,104	(776)	328
Balance at December 31, 2022	$ 16,108	$ 340,538	$ 117,443	$ 474,089
Cumulative effect of change in accounting principle			**(940)**	**(940)**
Comprehensive income			**60,890**	**60,890**
Capital stock/participation certificates issued/(retired), net	**(1,995)**			**(1,995)**
Dividends declared/paid			**(195)**	**(195)**
Patronage distribution				
Cash			**(25,928)**	**(25,928)**
Nonqualified retained earnings		**24,291**	**(24,291)**	**—**
Patronage distribution adjustment		**(846)**	**604**	**(242)**
Balance at December 31, 2023	**$ 14,113**	**$ 363,983**	**$ 127,583**	**$ 505,679**

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** AgCredit Agricultural Credit Association (the Association or ACA) is a member-owned cooperative providing credit and credit-related services to qualified borrowers in the counties of Huron, Erie, Lorain, Paulding, Putnam, Van Wert, Henry, Lucas, Wood, Hancock, Ottawa, Sandusky, Seneca, Wyandot, Marion, Hardin, Crawford, and Morrow in the state of Ohio.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term, and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of Associations within their districts. AgFirst (the Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The Association is part of the AgFirst District. The District Associations jointly own substantially all of AgFirst’s voting stock. As of year-end, the District consisted of the Bank and sixteen District Associations. All sixteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) 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 (Insured Debt), (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 discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank is required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the “secure base amount.” The secure base amount 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 such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations’ earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association’s assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations’ exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. The costs of these support services are included in the cost of the Direct Note, or in some cases billed directly to certain Associations that use a specific service.

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 may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of 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 may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA, and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

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

   Also adopted effective January 1, 2023, was the updated guidance entitled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure." This guidance was applied on a prospective basis. 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 following table presents the impact to the allowance for credit losses and retained earnings upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL Adoption Impact	January 1, 2023
Assets:			
Allowance for credit losses	$ 7,005	$ 410	$ 7,415
Liabilities:			
Allowance for credit losses on unfunded commitments	$ –	$ 530	$ 530
Retained earnings:			
Unallocated retained earnings	$ 117,443	$ (940)	$ 116,503

   Upon adoption of CECL guidance, the investments held-to-maturity are presented net of an allowance for credit losses on investments. As part of the Association's implementation of the standard, it was determined that there would not be a material impact to the Association's investment portfolio and as a result, there was no ACL on investments recorded.

B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.

C. **Loans and Allowance for Credit Losses:** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

   Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

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 the result of past due status, is collected or otherwise discharged in full.

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment 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. 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 adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

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

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires 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, the Association adopted the 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 loss 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
Beginning 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 cancellable. The ACL comprises:

- the allowance for credit losses
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other Liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Consolidated Balance Sheets.

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

Methodology for Allowance for Credit Losses on Loans
The allowance for credit losses represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums and discounts,.

The Association employs a disciplined process and methodology to establish its allowance for credit losses 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 ACL.

In estimating the component of the allowance for credit losses that relates to 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 loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined system risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the ratings carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off.

The component of the allowance for credit losses 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 estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled allowance for loan loss 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 were 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 allowance 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 cancellable by the Association and applying the loss factors used in the allowance for credit losses methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses. 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, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

F. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized per Association policy. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

G. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions

Investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Investments in Debt Securities

The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Consolidated Balance Sheets as securities on the trade date.

Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost. Investment securities classified as available-for-sale (AFS) are carried at fair value with net unrealized gains and losses included as a component of Other Comprehensive Income (OCI). Purchase premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method. The amortization of premiums on certain purchased callable debt securities that have explicit, non-contingent call features and that are callable at fixed prices on preset dates are amortized to the earliest call date.

Other Equity Investments
Any equity securities with a readily determinable fair value are carried at fair value with unrealized gains and losses included in earnings. Equity securities without a readily determinable fair value are carried at cost less any impairment.

The Association holds minority equity interests in a Rural Business Investment Company (RBIC). This investment is carried at cost less any impairment, plus or minus adjustments resulting from any observable price changes.

Other Investments
As discussed in Note 8, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

Allowance for Credit Losses on Investments
Upon adoption of CECL guidance, the investments held-to-maturity are presented net of an allowance for credit losses on investments. The guidance also amended the previous other-than temporary impairment (OTTI) model for investments available-for-sale to incorporate an allowance for credit losses.

After consideration of the new guidance, the Association determined that no allowance for credit losses on investments was necessary. The Association will continue to evaluate the need for an allowance for credit losses on investments on an ongoing basis.

Investment Income
Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced 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. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

I. **Employee Benefit Plans:** The Association participates in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans
Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9.

Multiemployer Defined Benefit Plans
Substantially all employees hired before January 1, 2009 may participate in the Independent Associations Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-district sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to employees, their beneficiaries, and covered dependents during the years the employees render service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9 and in the Notes to the Annual Information Statement of the Farm Credit System.

J. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state, and certain other income taxes.

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 surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

K. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.

L. **Valuation Methodologies:** FASB 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. This guidance also 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. It prescribes three levels of inputs that may be used to measure fair value.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources, or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: impaired loans, other property owned and certain derivatives, investment securities, and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations.

Additional information may be found in Note 8.

M. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and 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.

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.

Letters of credit are 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.

N. **Revenue Recognition:** The Association generates income from multiple sources.

Financial Instruments
The largest source of revenue for the Association is interest income. Interest income is recognized on an accrual basis driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges, and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services, and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers
The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Association does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets
Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

O. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee
Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor
The Association acts as lessor in certain contractual arrangements. The contracts relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and non-lease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Other Noninterest Income in the Consolidated Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including impaired loans, and the allowance for credit losses, see Note 2 subsection C above.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity, and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale (see further discussion in Note 2 subsection C above) and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral).

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage;
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years;
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal;
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products or by a cooperative;
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production;
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home or to refinance existing debt. These loans are generally secured by a first lien on the property;
- Communication loans — loans primarily to finance rural communication providers;
- Power loans — loans primarily to finance electric generation, transmission, and distribution systems serving rural areas;
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas;
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases; and
- Other — rural USDA guaranteed loans purchased under FCA investment authority for risk mitigation, including diversification, accounted for as loans under GAAP.

A summary of loans outstanding at period end follows:

	December 31, 2023	2022	2021
Real estate mortgage	$ 1,786,237	$ 1,707,687	$ 1,564,379
Production and intermediate-term	693,257	626,462	612,288
Agribusiness:			
Loans to cooperatives	17,211	6,482	6,433
Processing and marketing	223,407	138,379	93,326
Farm-related business	49,391	47,538	40,032
Rural infrastructure:			
Communication	34,484	20,797	7,419
Power and water/waste disposal	4,631	402	–
Rural residential real estate	135,354	131,783	129,276
Other:			
International	–	1,706	–
Lease receivables	1,265	1,341	616
Other (including Mission Related)	233,107	190,805	124,698
Total loans	$ 3,178,344	$ 2,873,382	$ 2,578,467

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.

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 collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (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 loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

December 31, 2023	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 40,180	$ 202,220	$ –	$ 21,633	$ 142,229	$ –	$ 182,409	$ 223,853
Production and intermediate-term	36,418	164,467	12,646	6,454	24,162	–	73,226	170,921
Agribusiness	210,697	60,988	2,987	29	1,106	–	214,790	61,017
Rural infrastructure	25,805	–	13,433	–	–	–	39,238	–
Other	–	–	630	–	218,293	–	218,923	–
Total	$ 313,100	$ 427,675	$ 29,696	$ 28,116	$ 385,790	$ –	$ 728,586	$ 455,791

December 31, 2022	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 28,696	$ 213,988	$ –	$ 22,466	$ 117,637	$ –	$ 146,333	$ 236,454
Production and intermediate-term	33,175	156,464	–	6,525	6,009	–	39,184	162,989
Agribusiness	113,552	63,978	–	–	783	–	114,335	63,978
Rural infrastructure	21,270	–	–	–	–	–	21,270	–
Other	1,711	–	600	–	176,673	–	178,984	–
Total	$ 198,404	$ 434,430	$ 600	$ 28,991	$ 301,102	$ –	$ 500,106	$ 463,421

December 31, 2021	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 28,427	$ 163,674	$ –	$ 12,920	$ 102,019	$ –	$ 130,446	$ 176,594
Production and intermediate-term	27,630	112,050	547	4,501	10,815	–	38,992	116,551
Agribusiness	67,222	49,598	–	–	814	–	68,036	49,598
Rural infrastructure	7,458	–	–	–	–	–	7,458	–
Other	–	–	–	–	113,446	–	113,446	–
Total	$ 130,737	$ 325,322	$ 547	$ 17,421	$ 227,094	$ –	$ 358,378	$ 342,743

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	December 31, 2023	2022*	2021*
Real estate mortgage:			
Acceptable	97.80%	97.14%	94.55%
OAEM	0.44	1.05	1.96
Substandard/doubtful/loss	1.76	1.81	3.49
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	96.97%	96.48%	93.39%
OAEM	1.38	1.85	3.98
Substandard/doubtful/loss	1.65	1.67	2.63
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	94.15%	94.76%	98.96%
OAEM	2.51	0.09	0.34
Substandard/doubtful/loss	3.34	5.15	0.70
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	97.62%	97.59%	97.10%
OAEM	1.65	1.58	1.80
Substandard/doubtful/loss	0.73	0.83	1.10
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	97.46%	97.07%	94.92%
OAEM	0.85	1.11	2.24
Substandard/doubtful/loss	1.69	1.82	2.84
	100.00%	100.00%	100.00%

**Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.*

Accrued interest receivable on loans of $43,882, $32,820, and $26,254 at December 31, 2023, 2022, and 2021, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following table provides an aging analysis of past due loans as of:

December 31, 2023	30 Through 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
Real estate mortgage	$ 21,570	$ 528	$ 22,098	$ 1,764,139	$ 1,786,237
Production and intermediate-term	4,597	2,044	6,641	686,615	693,256
Agribusiness	19	–	19	289,992	290,011
Rural infrastructure	–	–	–	39,115	39,115
Rural residential real estate	433	105	538	134,815	135,353
Other	692	4,316	5,008	229,364	234,372
Total	$ 27,311	$ 6,993	$ 34,304	$ 3,144,040	$ 3,178,344

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

	December 31, 2022				
	30 Through 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
Real estate mortgage	$ 12,295	$ 1,607	$ 13,902	$ 1,715,566	$ 1,729,468
Production and intermediate-term	3,796	54	3,850	631,577	635,427
Agribusiness	–	–	–	193,218	193,218
Rural infrastructure	–	–	–	21,230	21,230
Rural residential real estate	257	125	382	131,736	132,118
Other	9,184	–	9,184	185,557	194,741
Total	$ 25,532	$ 1,786	$ 27,318	$ 2,878,884	$ 2,906,202

	December 31, 2021				
	30 Through 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
Real estate mortgage	$ 8,628	$ 2,847	$ 11,475	$ 1,571,114	$ 1,582,589
Production and intermediate-term	1,538	251	1,789	617,414	619,203
Agribusiness	276	–	276	139,907	140,183
Rural infrastructure	–	–	–	7,419	7,419
Rural residential real estate	557	87	644	128,926	129,570
Other	2,843	–	2,843	122,914	125,757
Total	$ 13,842	$ 3,185	$ 17,027	$ 2,587,694	$ 2,604,721

The following tables reflect nonperforming assets and related credit quality statistics as of:

	December 31, 2023
Nonaccrual loans:	
Real estate mortgage	$ 896
Production and intermediate-term	2,488
Agribusiness	840
Rural residential real estate	214
Total	$ 4,438
Accruing loans 90 days or more past due:	
Production and intermediate-term	$ 205
Other	4,316
Total	$ 4,521
Total nonperforming loans	$ 8,959
Other property owned	–
Total nonperforming assets	$ 8,959
Nonaccrual loans as a percentage of total loans	0.14%
Nonperforming assets as a percentage of total loans and other property owned	0.28%
Nonperforming assets as a percentage of capital	1.77%

	December 31,	
	2022*	2021*
Nonaccrual loans:		
Real estate mortgage	$ 1,109	$ 4,027
Production and intermediate-term	83	360
Agribusiness	1,063	–
Rural residential real estate	265	218
Total	$ 2,520	$ 4,605
Accruing restructured loans:		
Production and intermediate-term	$ 529	$ 650
Total	$ 529	$ 650
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 1,144	$ –
Total	$ 1,144	$ –
Total nonperforming loans	$ 4,193	$ 5,255
Other property owned	–	–
Total nonperforming assets	$ 4,193	$ 5,255
Nonaccrual loans as a percentage of total loans	0.09%	0.18%
Nonperforming assets as a percentage of total loans and other property owned	0.15%	0.20%
Nonperforming assets as a percentage of capital	0.88%	1.21%

**Prior to adoption of CECL, nonperforming assets included accruing restructured loans and loans were presented including accrued interest receivable.*

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

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	$ –	$ 896	$ 896	$ 52
Production and intermediate-term	1,947	541	2,488	146
Agribusiness	–	840	840	49
Rural residential real estate	–	214	214	13
Total	$ 1,947	$ 2,491	$ 4,438	$ 260

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 is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses:							
Balance at December 31, 2022	$ 2,048	$ 3,078	$ 1,569	$ 43	$ 259	$ 8	$ 7,005
Cumulative effect of a change in accounting principle	1,542	(1,337)	148	(34)	89	2	410
Balance at January 1, 2023	$ 3,590	$ 1,741	$ 1,717	$ 9	$ 348	$ 10	$ 7,415
Charge-offs	–	(1,034)	–	–	–	–	(1,034)
Recoveries	–	–	–	–	–	–	–
Provision for credit losses	(1,212)	1,411	445	55	31	4	734
Balance at December 31, 2023	$ 2,378	$ 2,118	$ 2,162	$ 64	$ 379	$ 14	$ 7,115
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative effect of a change in accounting principle	74	275	157	4	18	2	530
Balance at January 1, 2023	$ 74	$ 275	$ 157	$ 4	$ 18	$ 2	$ 530
Provision for unfunded commitments	(17)	(24)	(14)	–	–	1	(54)
Balance at December 31, 2023	$ 57	$ 251	$ 143	$ 4	$ 18	$ 3	$ 476
Total allowance for credit losses	$ 2,435	$ 2,369	$ 2,305	$ 68	$ 397	$ 17	$ 7,591
Allowance for Loan Losses*:							
Balance at December 31, 2021	$ 3,131	$ 3,343	$ 545	$ 13	$ 272	$ 1	$ 7,305
Charge-offs	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–
Provision for loan losses	(1,083)	(265)	1,024	30	(13)	7	(300)
Balance at December 31, 2022	$ 2,048	$ 3,078	$ 1,569	$ 43	$ 259	$ 8	$ 7,005
Balance at December 31, 2020	$ 3,082	$ 3,810	$ 632	$ 31	$ 1,241	$ 2	$ 8,798
Charge-offs	–	(8)	–	–	–	–	(8)
Recoveries	–	12	973	–	–	–	985
Provision for loan losses	49	(471)	(1,060)	(18)	(969)	(1)	(2,470)
Balance at December 31, 2021	$ 3,131	$ 3,343	$ 545	$ 13	$ 272	$ 1	$ 7,305

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

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2023.

Loans held for sale were $6,123, $0, and $0 at December 31, 2023, 2022, and 2021, respectively. Such loans are carried at the lower of cost or fair value.

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) 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, 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 TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans. There were no new TDRs that occurred during 2022 and 2021.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the years ended December 31, 2022 and 2021. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	December 31,		December 31,	
	2022*	2021*	2022*	2021*
Production and intermediate-term	$ 529	$ 650	$ –	$ –
Total loans	$ 529	$ 650	$ –	$ –
Additional commitments to lend	$ –	$ –		

Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Note 4 — Investments

Investments in Debt Securities

The Association's investments consist of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point probability of default scale used to also grade loans, falls below 9. The FCA requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At December 31, 2023, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 5,289	$ 192	$ (290)	$ 5,191	7.93%
ABSs	7,133	129	(1)	7,261	11.08%
Total	$ 12,422	$ 321	$ (291)	$ 12,452	9.74%

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 5,691	$ –	$ (435)	$ 5,256	7.97%
ABSs	93	–	(2)	91	3.83%
Total	$ 5,784	$ –	$ (437)	$ 5,347	7.91%

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 6,746	$ 554	$ (57)	$ 7,243	7.67%
ABSs	170	–	(5)	165	3.58%
Total	$ 6,916	$ 554	$ (62)	$ 7,408	7.57%

A summary of the contractual maturity, amortized cost, and estimated fair value of investment securities held-to-maturity follows:

	December 31, 2023		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	2,560	2,682	10.24
After five years through ten years	7,134	7,261	11.08
After ten years	2,728	2,509	5.76
Total	$ 12,422	$ 12,452	9.74%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. Following the adoption of CECL on January 1, 2023, this table is no longer required for held-to-maturity securities. Therefore, there is no table presented for the current period.

	December 31, 2022			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 5,179	$ (418)	$ 77	$ (17)
ABSs	91	(2)	–	–
Total	$ 5,270	$ (420)	$ 77	$ (17)

	December 31, 2021			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 428	$ (57)	$ –	$ –
ABSs	165	(5)	–	–
Total	$ 593	$ (62)	$ –	$ –

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At December 31, 2023, the Association does not consider any credit-related unrealized losses to be material and an allowance for credit losses is not necessary.

Equity Investments in Other Farm Credit Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled $49,388 for 2023, $34,366 for 2022, and $20,343 for 2021. The Association owned 9.49 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2023 net of any reciprocal investment. As of that date, the Bank's assets totaled $45.0 billion and shareholders' equity totaled $1.7 billion. The Bank's earnings were $265 million for 2023. In addition, the Association had investments of $621 related to other Farm Credit institutions at December 31, 2023.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2023	2022	2021
Land	$ 1,307	$ 1,307	$ 1,229
Buildings and improvements	10,067	10,083	10,060
Furniture and equipment	1,788	1,825	1,759
Total cost	13,162	13,215	13,048
Less: accumulated depreciation	6,066	5,655	5,152
Total	$ 7,096	$ 7,560	$ 7,896

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank

Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The GFA has a one-year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has 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, the Association's notes payable were within the specified limitations.

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan based on the Bank's marginal cost of funds, capital position, operating costs, and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA and which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon agreement between the Bank and the Association.

The weighted average interest rates on the variable rate advances were 6.23 percent for Secured Overnight Financing Rate (SOFR)-based loans, and 6.24 percent for Prime-based loans, and the weighted average remaining maturities were 4.6 years and 11.5 years, respectively, at December 31, 2023. The weighted average interest rate on the fixed rate and adjustable rate mortgage (ARM) loans which are match funded by the Bank was 3.33 percent, and the weighted average remaining maturity was 13.8 years at December 31, 2023. The weighted average interest rate on all interest-bearing notes payable was 4.04 percent and the weighted average remaining maturity was 12.5 years at December 31, 2023. Variable rate and fixed rate notes payable represent approximately 12.42 percent and 87.58 percent, respectively, of total notes payable at December 31, 2023. The weighted average maturities described above are related to matched-funded loans. The Direct Note itself has an annual maturity as prescribed in the GFA.

Note 7 — Members' Equity

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

A. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 2 percent of the member's outstanding principal balance or $1 thousand, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after January 30, 1997 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

   The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. 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 stock or participation certificates.

B. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it 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.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions. The Association has no reason to believe any such restrictions may apply in the future.

The capital regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets;
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets;
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets;
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets;
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital; and
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2023	2022	2021
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	18.42%	20.10%	20.20%
Tier 1 Capital	6.0%	2.5%	8.5%	18.42%	20.10%	20.20%
Total Capital	8.0%	2.5%	10.5%	18.78%	20.46%	20.58%
Permanent Capital	7.0%	0.0%	7.0%	18.74%	20.56%	20.76%
Non-risk-adjusted ratios						
Tier 1 Leverage*	4.0%	1.0%	5.0%	14.39%	15.27%	15.99%
URE and UREE Leverage	1.5%	0.0%	1.5%	14.13%	14.99%	16.38%

** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

If the capital ratios fall below the minimum regulatory 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.

C. **Description of Equities:** The Association is authorized to issue or have outstanding Class A Preferred Stock, Class B Common Stock, Class C Common Stock, Class C Participation Certificates, and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

The Association had the following shares outstanding at December 31, 2023:

Class	Protected	Shares Outstanding Number	Aggregate Par Value
A preferred/nonvoting	No	1,173,103	$ 5,865
C common/voting	No	1,392,958	6,965
C participation certificates/nonvoting	No	256,563	1,283
Total capital stock and participation certificates		2,822,624	$ 14,113

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The Board determines the minimum aggregate amount of these two accounts. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings accounts in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2023, allocated members' equity consisted of $363,983 of nonqualified retained surplus.

Dividends

The Association may declare dividends on its capital stock and participation certificates. Dividend declaration, dividend rates, and method of payment are at the discretion of the Board in accordance with the Association's bylaws.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. The Association declared dividends for each of the periods included in these Consolidated Financial Statements.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless the Board approves another proportionate patronage basis.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Transfer

Class A Preferred Stock, Class B Common Stock, Class C Common Stock, and Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Class B Common Stock, Class C Common Stock, and Participation Certificates.
2. Class A Preferred Stock.

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed consistent with the Association's bylaws and pro rata to the holders of the outstanding stock and participation certificates in the following order:

1. Class A Preferred Stock.
2. Class B Common Stock, Class C Common Stock, and Participation Certificates.
3. Allocated surplus evidenced by qualified written notices of allocation on the basis of oldest allocations first.
4. Allocated surplus evidenced by nonqualified notices of allocation on the basis of oldest allocations first.
5. Unallocated surplus accrued after March 31, 1997 on a patronage basis.
6. Any remaining assets of the Association after such distribution ratably to the holders of all classes of stock and participation certificates.

Note 8 — Fair Value Measurement

Fair value is defined 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. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 for a more complete description of the three levels.

The following tables summarize assets measured at fair value at period end:

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,926	$ –	$ –	$ 1,926
Nonrecurring assets				
Impaired loans	$ –	$ –	$ 1,422	$ 1,422
Other property owned	$ –	$ –	$ –	$ –
Other investments	$ –	$ –	$ 5,265	$ 5,265

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,124	$ –	$ –	$ 1,124
Nonrecurring assets				
Impaired loans	$ –	$ –	$ 659	$ 659
Other property owned	$ –	$ –	$ –	$ –
Other investments	$ –	$ –	$ 3,384	$ 3,384

	December 31, 2021			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 875	$ –	$ –	$ 875
Nonrecurring assets				
Impaired loans	$ –	$ –	$ 14	$ 14
Other property owned	$ –	$ –	$ –	$ –
Other investments	$ –	$ –	$ 2,105	$ 2,105

Valuation Techniques

Assets held in trust funds
Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Impaired loans
Fair values of impaired loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent.

Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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.

Other property owned
For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Other investments
There are no observable market values for the Association's RBIC investments. These investments are measured at cost, adjusted for any observable sales and impairment.

Note 9 — Employee Benefit Plans

The Association participates in three Association sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, the Independent Associations Retirement Plan, which is a final average pay plan (IAR Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

1. The Employer Identification Number (EIN) and three-digit Pension Plan Number.
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
4. The expiration date(s) of collective-bargaining agreement(s).

The IAR Plan covers employees hired prior to January 1, 2009 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. IAR Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $837 for 2023, $915 for 2022, and $1,344 for 2021. At December 31, 2023, 2022, and 2021, the total liability balance for the IAR Plan presented in the District Combined Balance Sheets was $7,993, $7,335, and $8,686, respectively. The IAR Plan was 86.62 percent, 88.52 percent, and 90.25 percent funded to the projected benefit obligation as of December 31, 2023, 2022, and 2021, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income, were $295 for 2023, $262 for 2022, and $205 for 2021. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $160,980, $167,895, and $209,599 at December 31, 2023, 2022, and 2021, respectively.

The Association also participates in the 401(k) plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. This 401(k) plan requires the Association to match 100 percent of employee optional contributions up to a maximum employee contribution of

6 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $1,139, $1,111, and $1,090 for the years ended December 31, 2023, 2022, and 2021, respectively. Contributions include an additional 3 percent of eligible compensation for participants hired after December 31, 2008.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

In addition to the multiemployer plans described above, the Association sponsors a nonqualified supplemental 401(k) plan. The expenses of this nonqualified plan included in noninterest expenses were $21, $33, and $8 for 2022, 2022, and 2021, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the 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 unaffiliated borrowers.

Total loans to such persons at December 31, 2023 amounted to $20,012. During 2023, $7,605 of new loans were made and repayments totaled $9,188. In the opinion of management, none of these loans outstanding at December 31, 2023 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The 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.

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. At December 31, 2023, $493,211 of commitments to extend credit and no commercial letters of credit were outstanding. A reserve for unfunded commitments of $476 was included in Other Liabilities on the Consolidated Balance Sheets at December 31, 2023.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2023, standby letters of credit outstanding totaled $10,076 with expiration dates ranging from January 1, 2024 to May 1, 2033. The maximum potential amount of future payments that may be required under these guarantees was $10,076.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2023	2022	2021
Current:			
Federal	$ 37	$ 6	$ 63
State	–	–	–
	37	6	63
Deferred:	–	–	–
Total provision for income taxes	$ 37	$ 6	$ 63

The provision (benefit) for 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:

	December 31,		
	2023	2022	2021
Federal tax at statutory rate	$ 12,795	$ 13,341	$ 16,266
State tax, net	–	–	–
Patronage distributions	(5,445)	(5,119)	(6,946)
Tax-exempt FLCA earnings	(7,643)	(7,775)	(9,021)
Change in deferred tax asset valuation allowance	255	(415)	(148)
Impact of tax reform	–	–	–
Other	75	(26)	(88)
Provision for income taxes	$ 37	$ 6	$ 63

Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2023	2022	2021
Deferred income tax assets:			
Allowance for credit losses	$ 398	$ 635	$ 654
Annual leave	251	207	202
Nonaccrual loan interest	63	57	76
Pensions and other postretirement benefits	405	236	184
Other	26	8	–
Gross deferred tax assets	1,143	1,143	1,116
Less: valuation allowance	(604)	(604)	(1,019)
Gross deferred tax assets, net of valuation allowance	539	539	97
Deferred income tax liabilities:			
Pensions and other postretirement benefits		–	–
Special patronage	(539)	(539)	–
Other	–	–	(97)
Gross deferred tax liability	(539)	(539)	(97)
Net deferred tax asset	$ –	$ –	$ –

At December 31, 2023, deferred income taxes have not been provided by the Association on approximately $16.0 million of its investment in the Bank. Management expects that these earnings will not be converted to cash.

The Association recorded a valuation allowance of $604, $604, and $1,019 as of December 31, 2023, 2022, and 2021, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2023 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The tax years that remain open for federal and major state income tax jurisdictions are 2020 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 16,765	$ 16,771	$ 16,684	$ 17,850	$ 68,070
Provision for (reversal of) allowance for credit losses	(268)	(109)	1,340	(282)	681
Noninterest income (expense), net	(2,423)	(1,080)	(1,288)	(1,708)	(6,499)
Net income	$ 14,610	$ 15,800	$ 14,056	$ 16,424	$ 60,890

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 13,661	$ 13,896	$ 14,778	$ 15,238	$ 57,573
Provision for (reversal of) allowance for loan losses	(495)	(48)	954	(711)	(300)
Noninterest income (expense), net	(2,384)	(1,614)	(1,561)	11,207	5,648
Net income	$ 11,772	$ 12,330	$ 12,263	$ 27,156	$ 63,521

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 13,367	$ 15,688	$ 17,432	$ 12,261	$ 58,748
Provision for (reversal of) allowance for loan losses	(324)	(2,288)	302	(160)	(2,470)
Noninterest income (expense), net	(2,539)	(2,264)	(2,347)	23,326	16,176
Net income	$ 11,152	$ 15,712	$ 14,783	$ 35,747	$ 77,394

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined that there were none requiring disclosure through March 7, 2024, which was the date the financial statements were issued.

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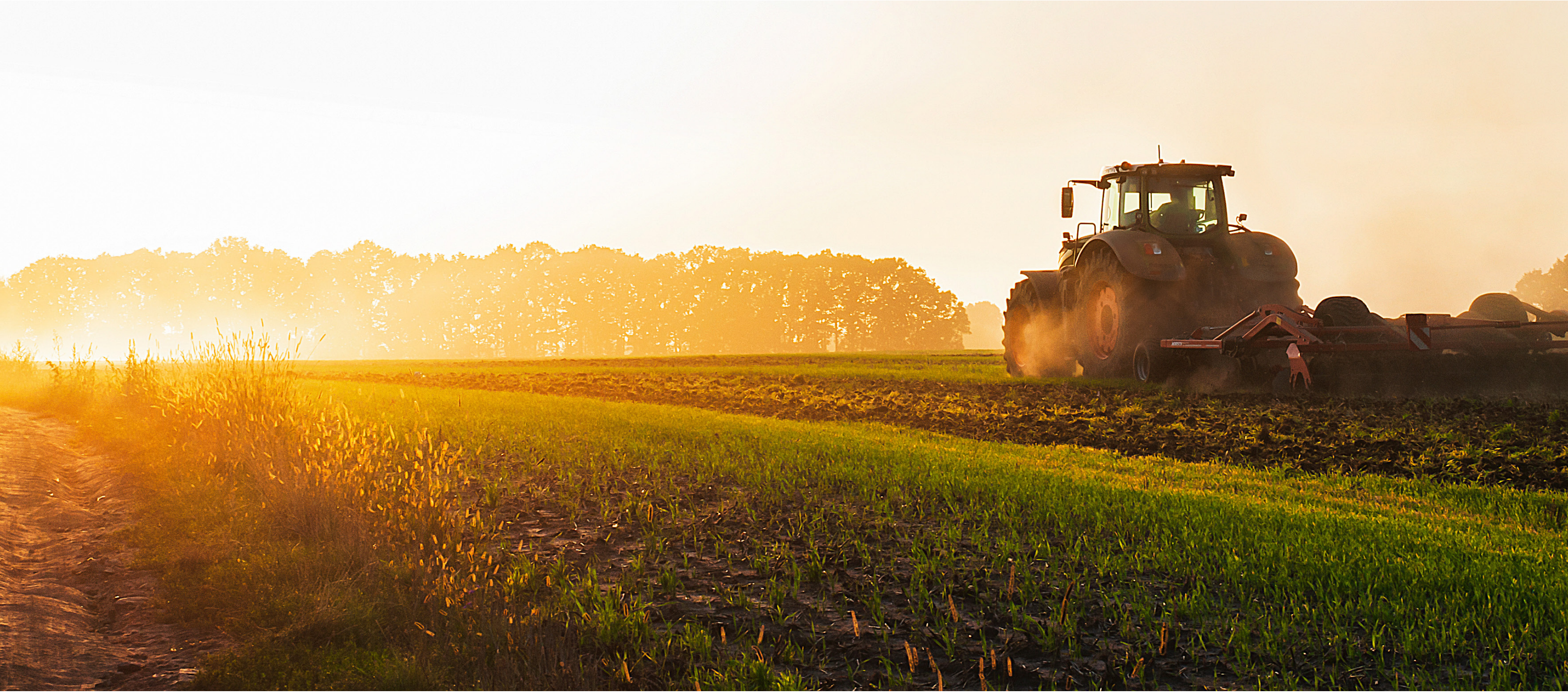

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