TEXAS FARM CREDIT SERVICES

2024
Quarterly Report

For the Quarter Ended March 31, 2024

REPORT OF MANAGEMENT

The consolidated financial statements of Texas Farm Credit Services (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

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

/s/ Mark Miller

Mark Miller, Chief Executive Officer
May 6, 2024

/s/ Bobby Hobson

Bobby Hobson, Chairman, Board of Directors
May 6, 2024

/s/ Lane Pepper

Lane Pepper, Chief Financial & Risk Officer
May 6, 2024

TEXAS FARM CREDIT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Texas Farm Credit Services (ACA), referred to as the "Association", for the quarter ended March 31, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 Annual Report to Stockholders.

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

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Texas Farm Credit Services, FLCA and Texas Farm Credit Services, PCA. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

Effective February 27, 2024, a Letter of Intent was entered into by the boards of directors of the Association and Heritage Land Bank, ACA. This Letter of Intent set the framework for a merger of the two associations, subject to completion of satisfactory due diligence and necessary regulatory and stockholder approval. As of December 31, 2023, Heritage Land Bank, ACA, had approximately $733 million of total assets and serves customers in 16 North and East Texas counties. Both Texas Farm Credit Services and Heritage Land Bank, ACA, receive wholesale funding from the Farm Credit Bank of Texas.

Loan Portfolio

Total loans outstanding at March 31, 2024, including nonaccrual loans and sales contracts, were $2,414,916,142 compared to $2,365,070,169 at December 31, 2023, reflecting an increase of 2.1 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.6 percent at March 31, 2024, compared to 0.6 percent at December 31, 2023.

The Association recorded $41,428 in recoveries and $0 in charge-offs for the quarter ended March 31, 2024, and $0 in recoveries and $0 in charge-offs for the same period in 2023. The Association's allowance for loan losses was 0.1 percent and 0.1 percent of total loans outstanding as of March 31, 2024, and December 31, 2023, respectively.

Risk Exposure

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

	March 31, 2024		December 31, 2023	
	Amount	**%**	Amount	%
Nonaccrual loans	**$ 14,250,272**	**100.0%**	$ 15,117,123	100.0%
Accruing loans 90 days or more past due	**5**	**0.0%**	5	0.0%
Nonperforming loans	**14,250,277**	**100.0%**	15,117,128	100.0%
Other property owned, net	**-**	**0.0%**	-	0.0%
Total	**$ 14,250,277**	**100.0%**	$ 15,117,128	100.0%

Results of Operations

The Association had net income of $11,480,787 for the three months ended March 31, 2024, as compared to net income of $11,369,416 for the same period in 2023, reflecting an increase of 1.0 percent. Net interest income was $17,826,075 for the three months ended March 31, 2024, compared to $14,790,028, for the same period in 2023.

	Three Months Ended			
	March 31, 2024		March 31, 2023	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 2,381,935,370**	**$ 38,074,487**	$ 2,218,593,874	$ 29,941,405
Investments	**287,911**	**5,559**	413,417	7,224
Total interest-earning assets	**2,382,223,281**	**38,080,046**	2,219,007,291	29,948,629
Interest-bearing liabilities	**2,140,365,708**	**20,253,971**	1,993,957,586	15,158,601
Impact of capital	**$ 241,857,573**		$ 225,049,705	
Net interest income		**$ 17,826,075**		$ 14,790,028

	2024 Average Yield	2023 Average Yield
Yield on loans	**6.43%**	5.47%
Yield on investments	**7.77%**	7.09%
Total yield on interest-earning assets	**6.43%**	5.47%
Cost of interest-bearing liabilities	**3.81%**	3.08%
Interest rate spread	**2.62%**	2.39%
Net interest income as a percentage of average earning assets	**3.01%**	2.70%

	Three months ended: March 31, 2024 vs. March 31, 2023		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 2,222,789**	**$ 5,910,293**	**$ 8,133,082**
Interest income - investments	**(2,211)**	**546**	**(1,665)**
Total interest income	**2,220,577**	**5,910,840**	**8,131,417**
Interest expense	**1,122,311**	**3,973,059**	**5,095,370**
Net interest income	**$ 1,098,267**	**$ 1,937,780**	**$ 3,036,047**

Interest income for the three months ended March 31, 2024, increased by $8,131,417, or 27.2 percent, from the same period of 2023, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three months ended March 31, 2024, increased by $5,095,370, or 33.6 percent, from the same period of 2023 due to an increase in the cost of funding as well as an increase in average debt volume. Average loan volume for the first quarter of 2024 was $2,381,935,370, compared to $2,218,593,874 in the first quarter of 2023. The average net interest rate spread on the loan portfolio for the first quarter of 2024 was 2.62 percent, compared to 2.39 percent in the first quarter of 2023.

The Association's return on average assets for the three months ended March 31, 2024, was 1.87 percent compared to 2.01 percent for the same period in 2023. The Association's return on average equity for the three months ended March 31, 2024, was 15.89 percent, compared to 17.35 percent for the same period in 2023.

Noninterest income for the three months ended March 31, 2024, decreased by $1,898,128, or 29.7 percent, compared to the same period of 2023, primarily due to a reduction of direct note patronage from the Farm Credit Bank of Texas. Noninterest expense for the three months ended March 31, 2024, decreased by $37,148, or 0.3 percent, compared to the same period of 2023, primarily due to an increase in salaries and employee benefits and supervisory exam expense offset by a reduction in insurance fund premiums.

Liquidity and Funding Sources

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

	March 31, 2024	December 31, 2023
Note payable to the Bank	**$ 2,170,384,293**	$ 2,120,945,005
Accrued interest on note payable	**6,999,301**	6,557,132
Total	**$ 2,177,383,594**	$ 2,127,502,137

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $2,170,384,293 as of March 31, 2024, is recorded as a liability on the Association's Consolidated Balance Sheet. The note carried a weighted average interest rate of 3.81 percent at March 31, 2024. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to the Association's increased debt on match-funded loan assets. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $244,807,383 at March 31, 2024. The maximum amount the Association may borrow from the Bank as of March 31, 2024, was $2,419,834,518 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

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

Capital Resources

The Association's capital position increased by $11,467,605 at March 31, 2024, compared to December 31, 2023. The Association's debt as a percentage of members' equity was 7.48:1 as of March 31, 2024, compared to 7.63:1 as of December 31, 2023.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2024, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

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

Relationship With the Farm Credit Bank of Texas

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

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Texas Farm Credit Services, 545 South Hwy. 77, Robstown, Texas, 78380 or calling (361) 387-8563. The annual and quarterly stockholder reports for the Association are also available on its website at *www.texasfarmcredit.com*. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *lpepper@texasfarmcredit.com.*

TEXAS FARM CREDIT SERVICES

CONSOLIDATED BALANCE SHEET

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash	**$ 22,263**	$ 22,851
Investments	**263,299**	301,055
Loans	**2,414,916,142**	2,365,070,169
Less: allowance for credit losses on loans	**3,224,172**	2,409,922
Net loans	**2,411,691,970**	2,362,660,247
Accrued interest receivable	**26,705,713**	22,247,759
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**42,372,228**	42,377,213
Other	**2,086,604**	2,669,822
Deferred taxes, net	**217,541**	70,130
Premises and equipment, net	**18,421,604**	18,056,720
Other assets	**5,937,970**	5,535,444
Total assets	**$ 2,507,719,192**	$ 2,453,941,241
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 2,170,384,293**	$ 2,120,945,005
Advance conditional payments	**596,069**	1,231,045
Accrued interest payable	**6,999,301**	6,557,132
Drafts outstanding	**196,897**	92,357
Patronage distributions payable	**21,969,124**	21,969,124
Other liabilities	**11,711,821**	18,752,496
Total liabilities	**2,211,857,505**	2,169,547,159
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,630,515**	4,623,975
Additional paid-in capital	**47,596,495**	47,596,495
Allocated retained earnings	**52,244,352**	52,244,352
Unallocated retained earnings	**190,587,223**	179,106,436
Accumulated other comprehensive income	**803,102**	822,824
Total members' equity	**295,861,687**	284,394,082
Total liabilities and members' equity	**$ 2,507,719,192**	$ 2,453,941,241

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31,	
	2024	2023
INTEREST INCOME		
Loans	**$ 38,074,487**	$ 29,941,405
Investments	**5,559**	7,224
Total interest income	**38,080,046**	29,948,629
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**20,242,488**	15,156,602
Advance conditional payments	**11,483**	1,999
Total interest expense	**20,253,971**	15,158,601
Net interest income	**17,826,075**	14,790,028
Provision for (reversal of) loan losses	**848,315**	(51,020)
Net interest income after provision for credit losses	**16,977,760**	14,841,048
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**2,096,433**	4,115,133
Loan fees	**995,646**	771,302
Financially related services income	**1,345,128**	1,244,884
Gain (loss) on sale of premises and equipment, net	**-**	25,522
Other noninterest income	**56,791**	235,285
Total noninterest income	**4,493,998**	6,392,126
NONINTEREST EXPENSES		
Salaries and employee benefits	**5,321,068**	5,177,072
Directors' expense	**96,280**	177,954
Purchased services	**261,588**	312,237
Travel	**286,075**	327,196
Occupancy and equipment	**1,608,191**	1,504,028
Communications	**99,841**	114,448
Advertising	**79,607**	105,572
Public and member relations	**355,123**	255,160
Supervisory and exam expense	**315,160**	141,681
Insurance fund premiums	**503,351**	880,330
Merger-implementation and restructuring costs	**18,782**	-
Other noninterest expense	**1,193,316**	866,972
Total noninterest expenses	**10,138,382**	9,862,650
Income before income taxes	**11,333,376**	11,370,524
Provision for (benefit from) income taxes	**(147,411)**	1,108
NET INCOME	**11,480,787**	11,369,416
Other comprehensive income:		
Change in postretirement benefit plans	**(19,722)**	(19,167)
COMPREHENSIVE INCOME	**$ 11,461,065**	$ 11,350,249

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 4,580,185	$ 47,596,495	$ 53,219,859	$ 156,044,338	$ 861,603	$ 262,302,480
Comprehensive income	-	-	-	11,369,416	(19,167)	11,350,249
Capital stock/participation certificates and allocated retained earnings issued	64,035	-	-	-	-	64,035
Capital stock/participation certificates and allocated retained earnings retired	(75,255)	-	-	-	-	(75,255)
Patronage refunds:						
Cash	-	-	-	(1,786,948)	-	(1,786,948)
Balance at March 31, 2023	$ 4,568,965	$ 47,596,495	$ 53,219,859	$ 165,626,806	$ 842,436	$ 271,854,561
Balance at December 31, 2023	$ 4,623,975	$ 47,596,495	$ 52,244,352	$ 179,106,436	$ 822,824	$ 284,394,082
Comprehensive income	-	-	-	11,480,787	(19,722)	11,461,065
Capital stock/participation certificates and allocated retained earnings issued	85,185	-	-	-	-	85,185
Capital stock/participation certificates and allocated retained earnings retired	(78,645)	-	-	-	-	(78,645)
Balance at March 31, 2024	**$ 4,630,515**	**$ 47,596,495**	**$ 52,244,352**	**$ 190,587,223**	**$ 803,102**	**$ 295,861,687**

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

TEXAS FARM CREDIT SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Texas Farm Credit Services (Agricultural Credit Association), referred to as the "Association", is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Anderson, Angelina, Aransas, Atascosa, Austin, Bandera, Bee, Bexar, Bowie, Brooks, Cameron, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, DeWitt, Dimmit, Duval, Edwards, Fannin, Fayette, Franklin, Freestone, Frio, Goliad, Gonzales, Grayson, Gregg, Guadalupe, Hardin, Harrison, Henderson, Hidalgo, Hopkins, Houston, Hunt, Jasper, Jefferson, Jim Hogg, Jim Wells, Karnes, Kaufman, Kenedy, Kerr, Kinney, Kleberg, Lamar, LaSalle, Lavaca, Leon, Liberty, Limestone, Live Oak, Marion, Maverick, McMullen, Medina, Montgomery, Morris, Nacogdoches, Newton, Nueces, Orange, Panola, Polk, Rains, Real, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, Shelby, Smith, Starr, Titus, Trinity, Tyler, Upshur, Uvalde, Val Verde, Van Zandt, Walker, Waller, Washington, Webb, Willacy, Wilson, Wood, Zapata, and Zavala, parts of Refugio, and the lower half of Lee in the State of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods and conform with GAAP, except for the exclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2022, as contained in the 2022 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Effective February 27, 2024, a Letter of Intent was entered into by the boards of directors of the Association and Heritage Land Bank, ACA. This Letter of Intent set the framework for a merger of the two associations, subject to completion of satisfactory due diligence and necessary regulatory and stockholder approval. As of December 31, 2023, Heritage Land Bank, ACA, had approximately $733 million of total assets and serves customers in 16 North and East Texas counties. Both Texas Farm Credit Services and Heritage Land Bank, ACA, receive wholesale funding from the Farm Credit Bank of Texas.

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 amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025.The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

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

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and

- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

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

NOTE 2 — INVESTMENTS:

The Association holds Federal Agricultural Mortgage Corporation (Farmer Mac) agricultural mortgage-backed securities. These securities were agricultural loans previously covered under a Long-Term Standby Commitment to Purchase agreement with Farmer Mac and were subsequently securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20 basis points to 50 basis points to be paid to Farmer Mac, and for the Association to receive a 30 basis point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	March 31, 2024				
	Amortized Cost	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**	**Weighted Average Life**
Agricultural mortgage-backed securities	**$ 263,299**	**$ (9,756)**	**$ 253,543**	**6.04%**	**3.57 Years**

	December 31, 2023				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$ 301,055	$ (9,084)	$ 291,971	6.12%	3.82 Years

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of the Association's loan portfolio follows:

Loan Type	**March 31, 2024 Amount**	December 31, 2023 Amount
Production agriculture:		
Real estate mortgage	**$ 1,878,737,153**	$ 1,841,308,216
Production and intermediate-term	**336,939,214**	320,588,672
Agribusiness:		
Processing and marketing	**88,411,357**	91,855,671
Farm-related business	**43,664,786**	44,182,696
Loans to cooperatives	**20,602,144**	19,300,676
Communication	**20,267,812**	20,490,514
Water and waste-water	**13,653,173**	14,902,097
Agricultural export finance	**5,856,035**	5,587,816
Energy	**5,061,362**	5,106,807
Rural residential real estate	**984,334**	1,002,365
Mission-related investments	**738,772**	744,639
Total	**$ 2,414,916,142**	$ 2,365,070,169

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at March 31, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 69,635,277	$ 82,487,484	$ 7,710,665	$ -	$ 77,345,942	$ 82,487,484
Production and intermediate-term	26,238,485	38,058,745	-	1,134,141	26,238,485	39,192,886
Agribusiness	95,963,915	10,541,959	3,101,806	-	99,065,721	10,541,959
Communication	20,267,812	-	-	-	20,267,812	-
Water and waste-water	13,653,173	-	-	-	13,653,173	-
Agricultural export finance	5,856,035	-	-	-	5,856,035	-
Energy	5,061,362	-	-	-	5,061,362	-
Total	$ 236,676,059	$ 131,088,188	$ 10,812,471	$ 1,134,141	$ 247,488,530	$ 132,222,329

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $596,069 and $1,231,045 at March 31, 2024, and December 31, 2023, respectively.

Credit Quality

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

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full and/or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship.

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

- Acceptable — assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness;
- Substandard — assets exhibit some serious weakness that if not cured jeopardizes repayment;
- Doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable; and
- Loss — assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related principal balance as of March 31, 2024:

	Term Loans Amortized Cost by Origination Year								
March 31, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost Basis**	**Total**
Real estate mortgage									
Acceptable	$ 90,434,855	$ 241,265,272	$ 367,498,918	$ 548,035,505	$ 277,531,315	$ 342,274,685	$ 349,996	$ -	$ 1,867,390,546
OAEM	-	-	-	130,700	-	2,897,522	-	-	3,028,222
Substandard/Doubtful	-	250,000	-	3,029,501	2,677,789	2,361,095	-	-	8,318,385
	90,434,855	241,515,272	367,498,918	551,195,706	280,209,104	347,533,302	349,996	-	1,878,737,153
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Production and intermediate-term									
Acceptable	21,872,046	92,166,382	18,353,371	11,811,012	16,042,943	4,268,174	155,894,766	-	320,408,694
OAEM	640,539	3,011,828	8,585	-	-	68,999	634,974	-	4,364,925
Substandard/Doubtful	2,128,458	9,644,419	-	110,081	-	282,637	-	-	12,165,595
	24,641,043	104,822,629	18,361,956	11,921,093	16,042,943	4,619,810	156,529,740	-	336,939,214
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	-	23,048,140	41,754,807	12,919,178	11,582,782	5,211,317	41,807,495	-	136,323,719
OAEM	543,490	-	2,070,286	-	-	-	1,592,252	-	4,206,028
Substandard/Doubtful	-	-	-	-	4,533,639	7,614,901	-	-	12,148,540
	543,490	23,048,140	43,825,093	12,919,178	16,116,421	12,826,218	43,399,747	-	152,678,287
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Communications									
Acceptable	-	9,502,133	-	-	10,165,360	-	244,819	-	19,912,312
OAEM	355,500	-	-	-	-	-	-	-	355,500
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	355,500	9,502,133	-	-	10,165,360	-	244,819	-	20,267,812
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	-	3,495,995	-	-	-	1,290,085	-	-	4,786,080
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	275,282	-	-	275,282
	-	3,495,995	-	-	-	1,565,367	-	-	5,061,362
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Water and waste disposal									
Acceptable	-	8,170,182	2,866,392	2,491,068	-	-	125,531	-	13,653,173
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	-	8,170,182	2,866,392	2,491,068	-	-	125,531	-	13,653,173
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	-	-	-	-	83,937	497,705	-	-	581,642
OAEM	-	-	-	-	-	328,597	-	-	328,597
Substandard/Doubtful	-	-	-	-	-	74,095	-	-	74,095
	-	-	-	-	83,937	900,397	-	-	984,334
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
International									
Acceptable	-	5,588,047	-	-	-	-	267,988	-	5,856,035
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	-	5,588,047	-	-	-	-	267,988	-	5,856,035
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Mission-related									
Acceptable	-	-	-	-	-	738,772	-	-	738,772
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	738,772	-	-	738,772
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	**112,306,901**	**383,236,151**	**430,473,488**	**575,256,763**	**315,406,337**	**354,280,738**	**198,690,595**	**-**	**2,369,650,973**
OAEM	**1,539,529**	**3,011,828**	**2,078,871**	**130,700**	**-**	**3,295,118**	**2,227,226**	**-**	**12,283,272**
Substandard/Doubtful	**2,128,458**	**9,894,419**	**-**	**3,139,582**	**7,211,428**	**10,608,010**	**-**	**-**	**32,981,897**
	$ 115,974,888	**$ 396,142,398**	**$ 432,552,359**	**$ 578,527,045**	**$ 322,617,765**	**$ 368,183,866**	**$ 200,917,821**	**$ -**	**$ 2,414,916,142**
Current period gross charge-offs	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

December 31, 2023	Term Loans Amortized Cost by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage									
Acceptable	$ 250,719,930	$ 377,761,439	$ 557,875,226	$ 284,123,745	$ 95,059,256	$ 265,226,995	$ -	$ -	$ 1,830,766,591
OAEM	-	-	766,062	846,430	1,468,817	1,471,092	-	-	4,552,401
Substandard/Doubtful	250,000	-	2,399,262	660,308	254,468	2,425,186	-	-	5,989,224
	250,969,930	377,761,439	561,040,550	285,630,483	96,782,541	269,123,273	-	-	1,841,308,216
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Production and intermediate-term									
Acceptable	86,674,324	25,937,430	12,419,407	17,070,699	923,544	3,639,457	159,214,977	-	305,879,838
OAEM	4,446,438	10,259	-	-	75,025	-	673,350	-	5,205,072
Substandard/Doubtful	8,872,056	218,572	128,498	-	211,583	73,053	-	-	9,503,762
	99,992,818	26,166,261	12,547,905	17,070,699	1,210,152	3,712,510	159,888,327	-	320,588,672
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	22,855,701	43,757,260	13,076,892	11,398,659	4,761,367	531,875	43,074,590	-	139,456,344
OAEM	-	1,866,265	-	-	-	-	1,867,894	-	3,734,159
Substandard/Doubtful	-	-	-	4,533,639	-	7,614,901	-	-	12,148,540
	22,855,701	45,623,525	13,076,892	15,932,298	4,761,367	8,146,776	44,942,484	-	155,339,043
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Communications									
Acceptable	9,095,375	-	-	10,178,850	-	-	136,850	-	19,411,075
OAEM	-	-	-	1,079,439	-	-	-	-	1,079,439
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	9,095,375	-	-	11,258,289	-	-	136,850	-	20,490,514
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	3,495,734	-	-	-	-	1,315,321	-	-	4,811,055
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	295,752	-	-	295,752
	3,495,734	-	-	-	-	1,611,073	-	-	5,106,807
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Water and waste disposal									
Acceptable	9,377,548	2,905,440	2,497,062	-	-	-	122,047	-	14,902,097
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	9,377,548	2,905,440	2,497,062	-	-	-	122,047	-	14,902,097
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	-	-	-	85,140	-	504,438	-	-	589,578
OAEM	-	-	-	-	-	334,912	-	-	334,912
Substandard/Doubtful	-	-	-	-	-	77,875	-	-	77,875
	-	-	-	85,140	-	917,225	-	-	1,002,365
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
International									
Acceptable	5,587,816	-	-	-	-	-	-	-	5,587,816
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	5,587,816	-	-	-	-	-	-	-	5,587,816
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Mission-related									
Acceptable	-	-	-	-	-	744,639	-	-	744,639
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	744,639	-	-	744,639
Gross charge-offs for the year ended December 31	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 387,806,428	$ 450,361,569	$ 585,868,587	$ 322,857,093	$ 100,744,167	$ 271,962,725	$ 202,548,464	$ -	$ 2,322,149,033
OAEM	4,446,438	1,876,524	766,062	1,925,869	1,543,842	1,806,004	2,541,244	-	14,905,983
Substandard/Doubtful	9,122,056	218,572	2,527,760	5,193,947	466,051	10,486,767	-	-	28,015,153
	$ 401,374,922	$ 452,456,665	$ 589,162,409	$ 329,976,909	$ 102,754,059	$ 284,255,496	$ 205,089,708	$ -	$ 2,365,070,169
Total Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**99.3 %**	99.3 %
OAEM	**0.2 %**	0.4 %
Substandard/doubtful	**0.5 %**	0.3 %
	100.0 %	100.0 %
Production and intermediate-term		
Acceptable	**95.1 %**	95.4 %
OAEM	**1.3 %**	1.6 %
Substandard/doubtful	**3.6 %**	3.0 %
	100.0 %	100.0 %
Loans to cooperatives		
Acceptable	**83.7 %**	100.0 %
OAEM	**16.3 %**	- %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Processing and marketing		
Acceptable	**95.5 %**	95.9 %
OAEM	**4.5 %**	4.1 %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Farm-related business		
Acceptable	**71.6 %**	72.5 %
OAEM	**0.6 %**	- %
Substandard/doubtful	**27.8 %**	27.5 %
	100.0 %	100.0 %
Communication		
Acceptable	**98.2 %**	94.7 %
OAEM	**1.8 %**	5.3 %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Energy		
Acceptable	**94.6 %**	94.2 %
OAEM	**- %**	- %
Substandard/doubtful	**5.4 %**	5.8 %
	100.0 %	100.0 %
Water and waste disposal		
Acceptable	**100.0 %**	100.0 %
OAEM	**- %**	- %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Rural residential real estate		
Acceptable	**59.1 %**	58.8 %
OAEM	**33.4 %**	33.4 %
Substandard/doubtful	**7.5 %**	7.8 %
	100.0 %	100.0 %
Agricultural export finance		
Acceptable	**100.0 %**	100.0 %
OAEM	**- %**	- %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Mission-related investments		
Acceptable	**100.0 %**	100.0 %
OAEM	**- %**	- %
Substandard/doubtful	**- %**	- %
	100.0 %	100.0 %
Total loans		
Acceptable	**97.9 %**	98.1 %
OAEM	**0.7 %**	0.7 %
Substandard/doubtful	**1.4 %**	1.2 %
	100.0 %	100.0 %

Accrued interest receivable on loans of $26,700,084 and $22,243,153 at March 31, 2024 and December 31, 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheet. The Association wrote off accrued interest receivable of $0 the three months ended March 31, 2024 and 2023.

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

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 1,749,615**	$ 2,445,690
Production and intermediate-term	**76,835**	227,141
Agribusiness	**12,148,540**	12,148,540
Energy	**275,282**	295,752
Total nonaccrual loans	**$ 14,250,272**	$ 15,117,123
Accruing loans 90 days or more past due:		
Production and intermediate-term	**5**	5
Total accruing loans 90 days or more past due	**5**	5
Other property owned	**-**	-
Total nonperforming assets	**$ 14,250,277**	$ 15,117,128
Nonaccrual loans as a percentage of total loans	**0.59%**	0.64%
Nonperforming assets as a percentage of total loans and other property owned	**0.59%**	0.64%
Nonperforming assets as a percentage of capital	**4.82%**	5.32%

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

	March 31, 2024			
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized For the Three Months Ended March 31, 2024**
Nonaccrual loans:				
Real estate mortgage	**$ -**	**$ 1,749,615**	**$ 1,749,615**	**$ 478,584**
Production and intermediate-term	**-**	**76,835**	**76,835**	**1,204,894**
Agribusiness	**-**	**12,148,540**	**12,148,540**	**3,232**
Energy	**275,282**	**-**	**275,282**	**-**
Total nonaccrual loans	**$ 275,282**	**$ 13,974,990**	**$ 14,250,272**	**$ 1,686,710**

	March 31, 2023			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Three Months Ended March 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 4,540,421	$ 4,540,421	$ 1,458
Production and intermediate-term	-	1,174,329	1,174,329	-
Agribusiness	3,647,025	-	3,647,025	-
Energy	408,580	-	408,580	-
Total nonaccrual loans	$ 4,055,605	$ 5,714,750	$ 9,770,355	$ 1,458

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

March 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 6,779,311	$ -	$ 6,779,311	$ 1,871,957,842	$ 1,878,737,153	$ -
Production and intermediate term	136,190	6,574	142,764	336,796,450	336,939,214	5
Processing and marketing	-	-	-	88,411,357	88,411,357	-
Farm-related business	-	-	-	43,664,786	43,664,786	-
Loans to cooperatives	40,267	-	40,267	20,561,877	20,602,144	-
Communication	-	-	-	20,267,812	20,267,812	-
Water and waste-water	-	-	-	13,653,173	13,653,173	-
Agricultural export finance	-	-	-	5,856,035	5,856,035	-
Energy	-	-	-	5,061,362	5,061,362	-
Rural residential real estate	-	-	-	984,334	984,334	-
Mission-related investments	-	-	-	738,772	738,772	-
Total	$ 6,955,768	$ 6,574	$ 6,962,342	$ 2,407,953,800	$ 2,414,916,142	$ 5

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 6,029,423	$ -	$ 6,029,423	$ 1,835,278,793	$ 1,841,308,216	$ -
Production and intermediate term	82,713	227,146	309,859	320,278,813	320,588,672	5
Processing and marketing	-	-	-	91,855,671	91,855,671	-
Farm-related business	-	-	-	44,182,696	44,182,696	-
Loans to cooperatives	-	-	-	19,300,676	19,300,676	-
Communication	-	-	-	20,490,514	20,490,514	-
Water and waste-water	-	-	-	14,902,097	14,902,097	-
Agricultural export finance	-	-	-	5,587,816	5,587,816	-
Energy	-	-	-	5,106,807	5,106,807	-
Rural residential real estate	93,892	-	93,892	908,473	1,002,365	-
Mission-related investments	-	-	-	744,639	744,639	-
Total	$ 6,206,028	$ 227,146	$ 6,433,174	$ 2,358,636,995	$ 2,365,070,169	$ 5

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

There were no loan modifications granted to borrowers experiencing financial difficulty at March 31, 2024 and 2023.

There were no loans to borrowers experiencing financial difficulties that defaulted during the three months ended March 31, 2024, and received a modification in the twelve months before default.

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

	Three Months Ended March 31, 2024 Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	70,266	-	-

There were no loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of adoption of CECL, through March 31, 2023.

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024 and during the year ended December 2023.

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications	Energy	Water and Waste Disposal	Rural Residential Real Estate	Agricultural Export Finance	Mission-Related Investments	Total
Allowance for credit losses on loans:										
Balance at December 31, 2023	$ 1,816,277	$ 289,199	$ 153,176	$ 20,152	$ 109,309	$ 14,606	$ 985	$ 5,486	$ 732	$ 2,409,922
Recoveries	-	41,428	-	-	-	-	-	-	-	41,428
Provision for credit losses/(Credit loss reversal)	176,873	585,209	8,602	1,220	326	(215)	54	693	60	772,822
Balance at March 31, 2024	1,993,150	915,836	161,778	21,372	109,635	14,391	1,039	6,179	792	3,224,172
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2023	723	97,550	23,745	718	-	112	-	4,451	-	127,299
Provision for unfunded commitments	538	18,109	59,267	(185)	-	126	-	(2,362)	-	75,493
Balance at March 31, 2024	1,261	115,659	83,012	533	-	238	-	2,089	-	202,792
Total allowance for credit losses	$ 1,994,411	$ 1,031,495	$ 244,790	$ 21,905	$ 109,635	$ 14,629	$ 1,039	$ 8,268	$ 792	$ 3,426,964

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications	Energy	Water and Waste Disposal	Rural Residential Real Estate	Agricultural Export Finance	Mission-Related Investments	Total
Allowance for credit losses on loans:										
Balance at December 31, 2022	$ 1,579,691	$ 628,543	$ 712,761	$ 14,214	$ 105,928	$ 6,166	$ 935	$ 3,024	$ 700	$ 3,051,962
Cumulative effect if a change in accounting principle	2,027,349	(291,909)	-	-	-	-	-	-	-	1,735,440
Balance at January 1, 2023	3,607,040	336,634	712,761	14,214	105,928	6,166	935	3,024	700	4,787,402
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision for loan losses (Credit loss reversal)	(196,943)	(1,943)	153,004	25,606	8,387	7,311	1,057	8,333	827	5,639
Balance at March 31, 2023	$ 3,410,097	$ 334,691	$ 865,765	$ 39,820	$ 114,315	$ 13,477	$ 1,992	$ 11,357	$ 1,527	$ 4,793,041
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2022	$ 334	$ 151,538	$ 39,974	$ 1,007	$ -	$ 3,391	$ -	$ 7,148	$ -	$ 203,392
Cumulative effect if a change in accounting principle	(49)	(22,131)	(5,838)	(147)	-	(495)	-	(1,044)	-	(29,704)
Balance at January 1, 2023	285	129,407	34,136	860	-	2,896	-	6,104	-	173,688
Provision for unfunded commitments	1,459	(31,085)	(17,965)	-	-	(3,968)	-	(5,100)	-	(56,659)
Balance at March 31, 2023	$ 1,744	$ 98,322	$ 16,171	$ 860	$ -	$ (1,072)	$ -	$ 1,004	$ -	$ 117,029
Total allowance for credit losses	$ 3,411,841	$ 433,013	$ 881,936	$ 40,680	$ 114,315	$ 12,405	$ 1,992	$ 12,361	$ 1,527	$ 4,910,070

The allowance for credit losses increased $889,743 to $3,426,964 at March 31, 2024, as compared to $2,537,221 at December 31, 2023. This is largely due to an increase in loan volume and unfunded commitments.

NOTE 4 —LEASES:

The components of lease expense were as follows:

	Classification	For the Three Months Ended March 31, 2024	March 31, 2023
Operating lease cost	Right-of-use asset	**$ 141,104**	$ 69,613
Short-term lease cost		**3,600**	35,400
Finance lease cost:			
Amortization of right-of-use assets		**(83,562)**	(13,600)
Net lease cost		**$ 61,142**	$ 91,413

Other information related to leases was as follows:

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 57,542**	$ 56,013
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**$ 141,104**	$ 69,613

Lease term and discount rate are as follows:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term in years		
Operating leases	**6.51**	7.23
Weighted average discount rate		
Operating leases	**5.75%**	4.76%

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

	Operating Leases
2024	**$ 192,742**
2025	**186,381**
2026	**117,646**
2027	**72,003**
2028	**96,400**
Thereafter	**316,498**
Total	**$ 981,670**

NOTE 5 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	**Regulatory Minimums wih Buffer**	**As of March 31, 2024**
Common equity tier 1 ratio	7.00%	**12.09%**
Tier 1 capital ratio	8.50%	**12.09%**
Total capital ratio	10.50%	**12.23%**
Permanent capital ratio	7.00%	**12.11%**
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	**10.09%**
UREE leverage ratio	1.50%	**7.75%**

The components of the Association's regulatory capital ratios, based on 90 day average balances, as of March 31, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 120,284,736	$ 120,284,736	$ 120,284,736	$ 120,284,736
Paid-in capital	47,596,495	47,596,495	47,596,495	47,596,495
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,632,401	4,632,401	4,632,401	4,632,401
Allocated equities:				
Allocated equities held ≥7	52,244,352	52,244,352	52,244,352	52,244,352
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342	64,937,342	64,937,342
Allowance for loan losses and reserve for credit losses subject subject to certain limitations	-	-	2,677,488	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(42,339,418)	(42,339,418)	(42,339,418)	(42,339,418)
Other regulatory required deductions	(2,636,617)	(2,636,617)	(2,636,617)	(2,636,617)
	$ 244,719,291	**$ 244,719,291**	**$ 247,396,779**	**$ 244,719,291**
Denominator:				
Risk-adjusted assets excluding allowance	$ 2,068,635,579	$ 2,068,635,579	$ 2,068,635,579	$ 2,068,635,579
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(44,976,035)	(44,976,035)	(44,976,035)	(44,976,035)
Allowance for loan losses	-	-	-	(2,540,123)
	$ 2,023,659,544	**$ 2,023,659,544**	**$ 2,023,659,544**	**$ 2,021,119,421**
Calculated Ratio	**12.09%**	**12.09%**	**12.23%**	**12.11%**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 120,284,736	$ 120,284,736
Paid-in capital	47,596,495	47,596,495
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,632,401	-
Allocated equities:		
Allocated equities held ≥7	52,244,352	-
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(42,339,418)	(42,339,418)
Other regulatory required deductions	(2,636,617)	(2,636,617)
	$ 244,719,291	**$ 187,842,538**
Denominator:		
Total Assets	$ 2,469,972,078	$ 2,469,972,078
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(45,162,319)	(45,162,319)
	$ 2,424,809,759	**$ 2,424,809,759**
Calculated Ratio	**10.09%**	**7.75%**

	March 31, 2024	December 31, 2023
Capital stock and participation certificates	**$ 4,630,515**	$ 4,623,975
Additional paid-in-capital	**47,596,495**	47,596,495
Accumulated other comprehensive loss	**803,102**	822,824
Retained earnings	**242,831,575**	231,350,788
Total Capital	**$ 295,861,687**	$ 284,394,082

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

	2024	2023
Accumulated other comprehensive income at January 1	**$ 822,824**	$ 861,603
Amortization of prior service credit included in salaries and employee benefits	**(5,429)**	(5,429)
Amortization of actuarial gain included in salaries and employee benefits	**(14,293)**	(13,738)
Other comprehensive loss, net of tax	**(19,722)**	(19,167)
Accumulated other comprehensive income at March 31	**$ 803,102**	$ 842,436

NOTE 6 — INCOME TAXES:

The Association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short and intermediate term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The Association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. The Association has no valuation allowance on its deferred tax assets because management estimates full utilization of these assets.

NOTE 7 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 in the 2023 Annual Report to Stockholders for a more complete description.

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

March 31, 2024	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans	**$ -**	**$ -**	**$ 170,979**

December 31, 2023	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ 191,449

Uncertainty of Fair Value Measurements

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

Valuation Techniques

As more fully discussed in Note 14 to the 2023 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2023 Annual Report to Stockholders.

Loans Evaluated for Impairment

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

Other Property Owned

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

NOTE 8 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three months ended March 31:

	Other Benefits	
	2024	2023
Service cost	**$ 6,305**	$ 6,897
Interest cost	**45,612**	42,827
Amortization of prior service credits	**(5,429)**	(5,429)
Amortization of net actuarial gain	**(14,293)**	(13,738)
Net periodic benefit cost	**$ 32,195**	$ 30,557

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2024, was $3,410,621 and is included in other liabilities on the Consolidated Balance Sheet.

The components of net periodic benefit cost are included in the line item "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2023, that it expected to contribute $190,269 to the district's defined benefit pension plan in 2024. As of March 31, 2024, $47,567 of contributions have been expensed. The Association presently does not anticipate additional contributions over $190,269 will be required in 2024.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 10 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 6, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.